

5 July 2017

Please email:
oxusgold@bdo.co.uk

TO ALL CREDITORS

Dear Sir/Madam

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

It is now 18 months since my appointment in respect of the Company. In accordance with Rule 18.6 of the Insolvency (England and Wales) Rules 2016 I am now reporting the progress made in implementing the approved proposals and achieving the statutory purpose of the Administration for the period from 9 December 2016 to 8 June 2017.

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

In my proposals report of 11 March 2016, I outlined the timeline of events leading up to the Appointment of the Joint Administrators. 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](http://www.bdo.co.uk) website by searching for "Oxus Gold". I would request that if any paper copies of the proposals or other reports are required, an email request should be sent to me at oxusgold@bdo.co.uk.

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.

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.

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.

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.

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 £16,382.97. I consider these receipts and payments to be self-explanatory but should you have any further queries please contact us.

4 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.

During the last six months the Republic of Uzbekistan has raised a number of technical admissibility arguments with a view to preventing Oxus from pursuing an appeal. These arguments are being contested by the Company's French lawyers and the hearing on the matter is scheduled to take place on 28 September 2017.

However, these admissibility proceedings do not affect the overall timescale in the setting-aside proceedings, which is yet to be fixed by the Paris Court of Appeals. Nor is this timescale affected by the nature of the arguments on the merits raised by the Republic of Uzbekistan. 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 pursued an attachment order over a business property registered in the name of the Republic of Uzbekistan in Switzerland.

In a judgement issued in February 2017, the Swiss court did not grant Gretton consent to enforce its award. This judgement is currently being appealed by Gretton in the Cantonal Court of Appeal.

5 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.

6 Creditor claims

6.1 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.

6.2 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.

6.3 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.

7 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 9 December 2016 to 8 June 2017 total £25,269.45. 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.

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 £802.99 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.

8 Creditor rights and enquiries

Creditors with the concurrence of at least 5% in value of the unsecured creditors may within 21 days of this report request in writing further information regarding the remuneration and expenses set out in this report. In accordance with Rule 18.9(3) of the Rules within 14 days of a request we will provide further information or explain why further information is not being provided. Creditors may access information setting out creditors' rights in respect of the approval of Administrator's remuneration at <https://www.r3.org.uk/what-we-do/publications/professional/fees>.

Creditors with the concurrence of at least 10% of the creditors may apply to the court if they consider that the remuneration of the administrators, or the basis fixed for the remuneration of the administrator or expenses charged by the administrator are excessive (Rule 18.34 of the Rules). Such an application must be made within 8 weeks of receiving this draft report. The text of Rules 18.9 and 18.34 are set out at the end of this report.

The Joint Administrators are bound by the Insolvency Code of Ethics when carrying out all professional work relating to this appointment. A copy of the code is at <http://www.icaew.com/en/members/regulations-standards-and-guidance/ethics/code-of-ethics-d>.

Creditors may access information setting out creditors' rights in respect of the approval of Joint Administrators' remuneration at <https://www.r3.org.uk/what-we-do/publications/professional/fees>.

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.

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 (England and Wales) Rules 2016 regarding the rights of creditors in respect of the Joint Administrators' fees and expenses:

Creditors' and members' requests for further information in administration, winding up and bankruptcy

18.9.—(1) The following may make a written request to the office-holder for further information about remuneration or expenses (other than pre-administration costs in an administration) set out in a progress report under rule 18.4(1)(b), (c) or (d) or a final report under rule 18.14—

- (a) a secured creditor;
- (b) an unsecured creditor with the concurrence of at least 5% in value of the unsecured creditors (including the creditor in question);
- (c) members of the Company in a members' voluntary winding up with at least 5% of the total voting rights of all the members having the right to vote at general meetings of the Company;
- (d) any unsecured creditor with the permission of the court; or
- (e) any member of the Company in a members' voluntary winding up with the permission of the court.

(2) A request, or an application to the court for permission, by such a person or persons must be made or filed with the court (as applicable) within 21 days of receipt of the report by the person, or by the last of them in the case of an application by more than one member or creditor.

(3) The office-holder must, within 14 days of receipt of such a request respond to the person or persons who requested the information by—

- (a) providing all of the information requested;
- (b) providing some of the information requested; or
- (c) declining to provide the information requested.

(4) The office-holder may respond by providing only some of the information requested or decline to provide the information if—

- (a) the time or cost of preparation of the information would be excessive; or
- (b) disclosure of the information would be prejudicial to the conduct of the proceedings;
- (c) disclosure of the information might reasonably be expected to lead to violence against any person; or
- (d) the office-holder is subject to an obligation of confidentiality in relation to the information.

(5) An office-holder who does not provide all the information or declines to provide the information must inform the person or persons who requested the information of the reasons for so doing.

(6) A creditor, and a member of the Company in a members' voluntary winding up, who need not be the same as the creditor or members who requested the information, may apply to the court within 21 days of—

- (a) the office-holder giving reasons for not providing all of the information requested; or
- (b) the expiry of the 14 days within which an office-holder must respond to a request.

(7) The court may make such order as it thinks just on an application under paragraph (6).

Remuneration and expenses: application to court by a creditor or member on grounds that remuneration or expenses are excessive

18.34.—(1) This rule applies to an application in an administration, a winding-up or a bankruptcy made by a person mentioned in paragraph (2) on the grounds that—

- (a) the remuneration charged by the office-holder is in all the circumstances excessive;
- (b) the basis fixed for the office-holder's remuneration under rules 18.16, 18.18, 18.19, 18.20 and 18.21 (as applicable) is inappropriate; or

- (c) the expenses incurred by the office-holder are in all the circumstances excessive.
- (2) The following may make such an application for one or more of the orders set out in rule 18.36 or 18.37 as applicable—
 - (a) a secured creditor,
 - (b) an unsecured creditor with either—
 - (i) the concurrence of at least 10% in value of the unsecured creditors (including that creditor), or
 - (ii) the permission of the court, or
 - (c) in a members' voluntary winding up—
 - (i) members of the Company with at least 10% of the total voting rights of all the members having the right to vote at general meetings of the Company, or
 - (ii) a member of the Company with the permission of the court.
- (3) The application by a creditor or member must be made no later than eight weeks after receipt by the applicant of the progress report under rule 18.3, or final report or account under rule 18.14 which first reports the charging of the remuneration or the incurring of the expenses in question (“the relevant report”).

Applications under rules 18.34 and 18.35 where the court has given permission for the application

18.36.—(1) This rule applies to applications made with permission under rules 18.34 and 18.35.

- (2) Where the court has given permission, it must fix a venue for the application to be heard.
- (3) The applicant must, at least 14 days before the hearing, deliver to the office-holder a notice stating the venue and accompanied by a copy of the application and of any evidence on which the applicant intends to rely.
- (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 office-holder is entitled to charge;
 - (b) an order reducing any fixed 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 is not to be treated as expenses of the administration, winding up or bankruptcy;
 - (e) an order for the payment of the amount of the excess of remuneration or expenses or such part of the excess as the court may specify by —
 - (i) the administrator or liquidator or the administrator's or liquidator's personal representative to the Company, or
 - (ii) the trustee or the trustee's personal representative to such person as the court may specify as property comprised in the bankrupt's estate;
 - (f) any other order that it thinks just.
- (5) An order under paragraph (4)(b) or (c) may only be made in respect of periods after the period covered by the relevant report.
- (6) Unless the court orders otherwise the costs of the application must be paid by the applicant, and are not payable as an expense of the administration, winding up or bankruptcy.

Applications under rule 18.34 where the court's permission is not required for the application

18.37.—(1) On receipt of an application under rule 18.34 for which the court's permission is not required, the court may, if it is satisfied that no sufficient cause is shown for the application, dismiss it without giving notice to any party other than the applicant.

- (2) Unless the application is dismissed, the court must fix a venue for it to be heard.

- (3) The applicant must, at least 14 days before any hearing, deliver to the office-holder a notice stating the venue with a copy of the application and of any evidence on which the applicant intends to rely.
- (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 office-holder is entitled to charge;
 - (b) an order reducing any fixed 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 or winding up or bankruptcy;
 - (e) an order for the payment of the amount of the excess of remuneration or expenses or such part of the excess as the court may specify by —
 - (i) the administrator or liquidator or the administrator's or liquidator's personal representative to the Company, or
 - (ii) the trustee or the trustee's personal representative to such person as the court may specify as property comprised in the bankrupt's estate;
 - (f) any other order that it thinks just.
- (5) An order under paragraph (4)(b) or (c) may only be made in respect of periods after the period covered by the relevant report.
- (6) Unless the court orders otherwise the costs of the application must be paid by the applicant, and are not payable as an expense of the administration or as winding up or bankruptcy.

Oxus Gold Plc

Summary of Joint Administrators' Receipts and Payments from 27 January 2016 to 8 June 2017

	Estimated to realise per Directors' Statement of Affairs (£)	Change Since Previous Report (£)	Total Realisations (£)
RECEIPTS			
Cash at Bank	52,081.00	-	53,340.49
Third Party Funding		-	11,524.80
Bank Interest		7.15	33.19
	<u>52,081.00</u>	<u>7.15</u>	<u>64,898.48</u>
PAYMENTS			
Professional Fees		-	213.43
Legal Fees		-	35,706.00
Pre Appointment Joint Administrators' Costs		-	12,000.00
Storage Costs		82.80	574.03
Bank Charges		0.35	22.05
		<u>83.15</u>	<u>48,515.51</u>
BALANCE IN HAND			16,382.97
		<u>83.15</u>	<u>64,898.48</u>

BDO LLP
55 Baker Street
London
W1U 7EU

Malcolm Cohen & Shane Crooks
Joint Administrators

05 July 2017

Notes

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

Detailed Time Charged and Rates Applicable for the Period From 27 January 2016 (date of appointment) to 8 June 2017

Description	PARTNER		MANAGER		ASSISTANT MANAGER		SENIOR ADMINISTRATOR		ADMINISTRATOR		OTHER STAFF		GRAND TOTAL		AVERAGE RATE
	Hours	Total £	Hours	Total £	Hours	Total £	Hours	Total £	Hours	Total £	Hours	Total £	Hours	Total £	£
B. Steps on Appointment															
02. Statutory Documentation									26.00	3,068.00			26.00	3,068.00	
06. Third Party Discussions									11.50	1,357.00					
07. Attendance at Premises									14.50	1,711.00			14.50	1,711.00	
09. Preparation of Proposals									32.50	3,835.00					
12. Setting Up internal files									0.50	59.00			0.50	59.00	
99. Other Matters									1.50	310.50					
B. Sub Total									86.50	10,340.50			86.50	10,340.50	119.54
C Planning and Strategy															
03. Review Bus. Process/Systems									0.50	78.50			0.50	78.50	
07. Strategy Planning	6.00	4,181.00											6.00	4,181.00	
08. Reporting			0.60	336.00											
C. Sub Total	6.00	4,181.00	0.60	336.00					0.50	78.50			7.10	4,595.50	647.25
D. General Administration															
01. Insurance Matters			0.30	168.00									0.30	168.00	
02. VAT			1.30	646.00					0.40	80.80			1.70	726.80	
03. Taxation			1.00	478.00					1.25	196.25			2.25	674.25	
04. Instruct/Liase Solicitors	25.00	17,590.00	52.20	27,031.20									77.20	44,621.20	
05. Investigations			0.90	451.80									0.90	451.80	
07. Receipts/Payments Accounts			1.40	312.50	0.10	19.20	1.20	232.90	17.00	1,882.45	2.85	216.05	22.55	2,663.10	
08. Remuneration Issues			1.00	541.10									1.00	541.10	
09. Statutory Matters			17.00	9,520.00									17.00	9,520.00	
11. Court Hearings	6.50	4,649.00	117.40	64,432.10									123.90	69,081.10	
14. General Discussions									2.00	236.00			2.00	236.00	
15. Gen. Admin/Correspondence	0.60	295.40	76.40	37,578.60					125.75	16,499.50			202.75	54,373.50	
16. Maintain Internal Files									2.50	447.50			2.50	447.50	
99. Other Matters									3.00	657.00			3.00	657.00	
D. Sub Total	32.10	22,534.40	268.90	141,159.30	0.10	19.20	1.20	232.90	151.90	19,999.50	2.85	216.05	457.05	184,161.35	402.93

Detailed Time Charged and Rates Applicable for the Period From 27 January 2016 (date of appointment) to 8 June 2017

Description	PARTNER		MANAGER		ASSISTANT MANAGER		SENIOR ADMINISTRATOR		ADMINISTRATOR		OTHER STAFF		GRAND TOTAL		AVERAGE RATE
	Hours	Total £	Hours	Total £	Hours	Total £	Hours	Total £	Hours	Total £	Hours	Total £	Hours	Total £	£
G. Employee Matters															
02. Dealing with Employees			2.30	509.30					16.70	2,018.70			19.00	2,528.00	
99. Other Matters											0.30	31.20	0.30	31.20	
G. Sub total			2.30	509.30					16.70	2,018.70	0.30	31.20	19.30	2,559.20	132.60
H. Creditor Claims															
03. Preferential Creditors									1.50	196.50			1.50	196.50	
04. Non Preferential Creditors			2.00	956.00					1.35	176.85			3.35	1,132.85	
H. Sub Total			2.00	956.00					2.85	373.35			4.85	1,329.35	274.09
I. Reporting															
01. Statutory Reporting									66.50	9,114.00			66.50	9,114.00	
04. Reporting to Creditors			20.40	10,491.10									20.40	10,491.10	
I. Sub Total			20.40	10,491.10					66.50	9,114.00			86.90	19,605.10	225.61
	38.10	26,715.40	294.20	153,451.70	0.10	19.20	1.20	232.90	324.95	41,924.55	3.15	247.25			

Net Total	661.70	222,591.00
Other Disbursements:		802.99
Billed:		90,396.00
Grand Total		£132,997.99

