

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PART 3 OF THIS DOCUMENT COMPRISES AN EXPLANATORY STATEMENT IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985. If you are in any doubt as to the action you should take, you are recommended to seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant or other financial adviser (who in the UK should be authorised under the Financial Services and Markets Act 2000).

If you have sold or otherwise transferred all of your El Oro Stock Units, please send this document, together with the accompanying documents, as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee. If you have sold or otherwise transferred part of your registered holding of El Oro Stock Units, please retain these documents and consult the stockbroker, bank or other agent through whom the sale or transfer was effected. However such documents should not be distributed, forwarded or transmitted in, or into, the United States, Canada, Australia or Japan.

Proposed disposal of Danby Registrars Limited to a newly incorporated company owned by Robin Parish to be effected by a recommended reconstruction of

El Oro and Exploration Company p.l.c.

*(incorporated and registered in England and Wales under the Companies Acts 1862-1900
under registered number 80408)*

by means of a scheme of arrangement under Section 425 of the Companies Act 1985
and a reduction of capital under Section 135 of the Companies Act 1985

Your attention is drawn to the letter from the Independent Directors of El Oro set out in Part 2 of this document which contains the reasons for the Disposal and refers to the recommendation of BDO Stoy Hayward Corporate Finance to approve of the Disposal of Danby pursuant to the Scheme and to vote in favour of the resolutions to be proposed at the Court Meeting and the El Oro EGM referred to below.

Notices of the Court Meeting to approve the Scheme and the El Oro EGM, which will be held at The Cavalry and Guards Club, 127 Piccadilly, London W1J 7PX on 29 November 2004, are set out at the end of this document. The Court Meeting will start at 11.00 a.m. and the El Oro EGM will start at 11.05 a.m. (or, if later, immediately following the conclusion or adjournment of the Court Meeting).

BDO Stoy Hayward Corporate Finance, a division of BDO Stoy Hayward LLP, Chartered Accountants, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting for El Oro as financial adviser in connection with the Disposal (but not on the terms of the Scheme) and no-one else and will not be responsible to anyone other than El Oro for providing the protections afforded to clients of BDO Stoy Hayward Corporate Finance nor for providing advice in relation to the Disposal.

You will find enclosed with this document a BLUE Form of Proxy in respect of the Court Meeting and a WHITE Form of Proxy in respect of the El Oro EGM which you are asked to complete and sign in accordance with the instructions printed thereon and return them either by post or by hand to Lloyds TSB Registrars at The Causeway, Worthing, West Sussex BN99 6ZL so as to be received as soon as possible and in any event at least 48 hours before the time fixed for the relevant meeting (although the BLUE Form of Proxy for the Court Meeting may be handed to the chairman of the Court Meeting immediately prior to the Court Meeting). The completion and return of a Form of Proxy will not prevent you from attending the Court Meeting and the El Oro EGM and voting in person, should you so wish. Further details on the action you should take are set out in paragraph 9 of Part 2 and paragraph 14 of Part 3 of this document.

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EXPECTED TIMETABLE OF KEY EVENTS

All references to time in this document are to UK time.

Voting Record Time	6.00 p.m. on 27 November 2004 or, if the Court Meeting is adjourned, 48 hours before the time fixed for such adjourned meeting
Latest time for lodging BLUE forms of proxy for the Court Meeting to approve the Scheme ⁽¹⁾	11.00 a.m. 27 November 2004
Latest time for lodging WHITE forms of proxy for the El Oro EGM ⁽¹⁾	11.05 a.m. 27 November 2004
Court Meeting of Court Meeting Stockholders	11.00 a.m. 29 November 2004
El Oro EGM	11.05 a.m. 29 November 2004 (or if later, immediately following the conclusion or adjournment of the Court Meeting of Court Meeting Stockholders)
Court hearing of petition to sanction the Scheme and confirm Reduction ⁽²⁾	11 January 2005
Scheme becomes effective (Effective Date) ⁽²⁾	14 January 2005

Notes:

- 1 It is requested that BLUE Forms of Proxy be lodged at least 48 hours prior to the time appointed for the Court Meeting, although BLUE Forms of Proxy not so lodged may be handed to the chairman of the Court Meeting immediately prior to the Court Meeting and will still be valid. The WHITE Forms of Proxy must be lodged at least 48 hours before the time appointed for the El Oro EGM and may not be handed to the chairman at the El Oro EGM.
- 2 These times and dates are indicative only and will depend, amongst other things, on the date upon which the Court sanctions the Scheme.

PART 1

DEFINITIONS

The following definitions apply throughout this document, unless the context requires otherwise:

"Act"	the Companies Act 1985 (as amended)
"Additional Danby Shareholders"	William Fraser, Suzanne Kumaramangalam and Robin Parish (each of whom holds one ordinary share of £1 in Danby as nominee for the Company)
"Australia"	the Commonwealth of Australia, its states, territories and possessions
"B Shares"	the RP Stock Units as redesignated pursuant to clause 1 of the Scheme
"BDO Stoy Hayward Corporate Finance"	BDO Stoy Hayward Corporate Finance, a division of BDO Stoy Hayward LLP, Chartered Accountants, which is authorised and regulated in the United Kingdom by the Financial Services Authority, financial adviser to El Oro
"Brickleaf"	Brickleaf Limited a wholly owned subsidiary of El Oro registered in England and Wales with company number 5243664
"Business Day"	any day on which lending banks in the London inter-banking sterling markets are open for general non-automated business in the City of London
"Canada"	Canada, its provinces and territories and all areas subject to its jurisdiction and any political sub-division thereof
"certificated" or "certificated form"	a share or other security, which is not in uncertificated form (that is, not in CREST)
"Cheval Place"	the freehold property known as 41 Cheval Place, London SW7 1EW and which is also the registered office of El Oro
"Court"	the High Court of Justice of England and Wales
"Court Meeting"	the meeting of Court Meeting Stockholders convened by an order of the Court pursuant to Section 425 of the Act, including any adjournment thereof
"Court Meeting Stockholders"	all El Oro Stockholders except Robin Parish, The Hon. Mrs. E. C. Parish, Suzanne Kumaramangalam, Danby and I&M
"Court Order"	the order of the Court sanctioning the Scheme and confirming the Reduction
"CREST"	the relevant system (as defined in the Regulations) in respect of which CRESTCo is the Operator (as defined in the Regulations) in accordance with which securities may be held in uncertificated form
"CRESTCo"	CRESTCo Limited
"Danby"	Danby Registrars Limited, registered in England and Wales with company number 342210
"Danby Stock Units"	154,535 El Oro Stock Units currently owned by and held in the name of Danby which are to be cancelled pursuant to the Reduction
"Deed of Warranty"	the deed of warranty entered into by Robin Parish for the benefit of the Company dated 5 November 2004 and described at paragraph 5.6 of Part 8 of this document

“Disposal”	the disposal by El Oro of Danby by means of an indirect transfer of Danby to Perceval pursuant to the terms of the Scheme
“Effective Date”	the date the Court Order is registered by the Registrar of Companies and the Scheme becomes effective and “Effective Time” means the time at which the Scheme becomes effective as aforesaid
“El Oro” or the “Company”	El Oro and Exploration Company p.l.c. registered in England and Wales with company number 80408
“El Oro Directors” or “Board”	the directors of El Oro as set out at paragraph 2.1 of Part 8 of this document
“El Oro EGM”	the extraordinary general meeting of El Oro Stockholders convened for the purposes of, <i>inter alia</i> , approving the Scheme, notice of which is attached at the end of this document
“El Oro Group”	El Oro, its subsidiaries and subsidiary undertakings
“El Oro Stockholders”	holders of El Oro Stock Units
“El Oro Stock Units”	stock units of 5p each in the capital of El Oro
“EPS”	earnings per El Oro Stock Unit
“Explanatory Statement”	the explanatory statement comprised in this document in compliance with Section 426 of the Act
“Form(s) of Proxy”	the BLUE Form(s) of Proxy and/or the WHITE Form(s) of Proxy enclosed herewith in respect of the Court Meeting and the El Oro EGM described in the attached Notice of Court Meeting and Notice of El Oro EGM respectively
“FPDSavills”	FPDSavills Limited, West Midlands Office
“FTSE All Share”	the <i>Financial Times</i> and the London Stock Exchange capitalisation weighted index comprised of the FTSE 350 and the FTSE small cap indices
“Heads of Terms”	the legally binding heads of terms entered into between the Company and Robin Parish (on behalf of himself and as trustee for Perceval) dated 15 October 2004 (as supplemented by a legally binding letter of agreement between such parties dated 5 November 2004) in connection with the Disposal
“I&M”	Investigations & Management Limited, registered in England and Wales with company number 408133
“ICTA 1988”	Income and Corporation Taxes Act 1988
“Immediate Family”	spouse and children
“Independent Directors”	David Richard Lindsay Hunting, Robert Elmer Wade and James Anthony Wild
“Liquidator”	Malcolm Cohen of BDO Stoy Hayward LLP (or another liquidator from that LLP) who is to be appointed liquidator of Brickleaf pursuant to a member’s voluntary liquidation
“Listing Rules”	the listing rules made by the UK Listing Authority under Section 74 of the Financial Services and Markets Act 2000
“London Stock Exchange”	London Stock Exchange plc

“Market Price”	the average closing mid-market price of an El Oro Stock Unit for the ten dealing Business Days prior to the announcement of the proposed Scheme on 15 October 2004
“Official List”	the list maintained by the UK Listing Authority pursuant to Part VI of the Financial Services and Markets Act 2000
“Overseas Stockholders”	persons resident in, or citizens or nationals of, jurisdictions outside the UK holding El Oro Stock Units
“Parish Family”	Robin Parish (the chairman and managing director of the Company) and his Immediate Family, Emma Woodbine Houston (his sister) and her Immediate Family, The Hon. Mrs. E. C. Parish (his mother), Caroline Zegos (his sister) and her Immediate Family and Suzanne Kumaramangalam (his sister) and her Immediate Family (and their respective nominees and/or related trusts)
“Perceval”	Perceval Limited (formerly Matchtape Limited), registered in England and Wales with company number 5243618, the registered office of which is at Walcot Hall, Lydbury North, Shropshire SY7 8AZ and the share capital of which is wholly owned by Robin Parish
“Perceval Shares”	ordinary shares of £1 each in the capital of Perceval
“Reconstruction”	the proposed reconstruction of El Oro to be effected by way of the Scheme described in this document
“Redesignation”	the proposed redesignation of the RP Stock Units as “B” Shares
“Reduction”	the proposed reduction of the share capital of El Oro by the cancellation of the Scheme Stock Units by way of a capital reduction under Section 135 of the Act
“Registrar of Companies”	the Registrar of Companies in England and Wales
“Regulations”	the Uncertificated Securities Regulations 2001 (SI No. 2001/3755)
“Relationship Agreement”	the agreement concerning the relationship between the Company and its controlling stockholders dated 1 July 2003 between the Company, Robin Parish, Emma Houston, The Hon. Mrs. E. C. Parish, Caroline Zegos and Suzanne Kumaramangalam
“Remaining Stockholders”	all El Oro Stockholders except Robin Parish
“RP Stock Units”	837,662 of the El Oro Stock Units currently held by Robin Parish which are to be redesignated as “B” Shares and then cancelled pursuant to the Scheme
“Scheme”	the scheme of arrangement of El Oro under Section 425 of the Act in order to effect the proposed Reconstruction of El Oro
“Scheme Stock Units”	the RP Stock Units (as redesignated) and the Danby Stock Units
“SPA”	the share purchase agreement entered into between El Oro and Brickleaf in respect of the entire share capital of Danby together with a related tax deed of covenant
“Spital Loan”	a loan in the sum of £24,999 repayable to Danby by Spital Square Limited which is and shall remain an asset of Danby for the purposes of the proposed Scheme
“Sterling” or “£”	pounds sterling and reference to “pence” and “p” shall be construed accordingly
“TCGA 1992”	Taxation of Chargeable Gains Act 1992

"uncertificated" or "in uncertificated form"	recorded on the relevant register as being held in uncertificated form in CREST and title to which may be transferred by means of CREST
"UK" or "United Kingdom"	the United Kingdom of Great Britain and Northern Ireland
"UK Listing Authority"	the Financial Services Authority as the competent authority for listing in the United Kingdom under Part 6 of the Financial Services and Markets Act 2000
"US", "United States of America" or "United States"	the United States of America, its territories and possessions, any state of the United States of America, the District of Columbia, and all other areas subject to its jurisdictions
"Voting Record Time"	6.00 p.m. on 27 November 2004 or, if the Court Meeting is adjourned, 48 hours before the time fixed for such adjourned meeting
"Walcot Hall and Estate" or "Walcot"	the freehold property known as Walcot Hall and Estate, Lydbury North, Shropshire SY7 8AZ (including its contents, relevant fixtures and fittings and the Powis Arms public house and its contents, fixtures and fittings) further details of which are set out in Part 7 of this document

For the purpose of this document, "subsidiary" and "subsidiary undertaking" have the respective meanings set out in the Act.

PART 2

LETTER FROM THE INDEPENDENT DIRECTORS OF EL ORO

El Oro and Exploration Company p.l.c.

*(incorporated and registered in England and Wales under
the Companies Acts 1862-1900 with registered number 80408)*

Directors:

CRW Parish (*Chairman and Managing Director*)
The Hon. Mrs. EC Parish (*Executive Director*)
EW Houston (*Non-Executive Director*)
DRL Hunting (*Non-Executive Director*)
RE Wade (*Non-Executive Director*)
JA Wild (*Non-Executive Director*)

Registered Office:
41 Cheval Place
London
SW7 1EW

5 November 2004

To El Oro Stockholders

Dear El Oro Stockholder,

Proposed Disposal of Danby Proposed Reconstruction of El Oro and Exploration Company p.l.c. by means of a scheme of arrangement under Section 425 of the Act involving a reduction of capital under Section 135 of the Act

1. Introduction

The Independent Directors of El Oro announced on 15 October 2004 that they had reached agreement in principle on the terms of the Disposal of Danby, on a debt free, cash free basis, to Perceval, a newly incorporated company wholly owned by your Chairman, Robin Parish.

The value of Danby has been agreed at £3.225 million. It is proposed that 837,662 El Oro Stock Units presently owned by Robin Parish be redesignated and cancelled pursuant to the Scheme. As announced on 15 October 2004, the number of RP Stock Units to be redesignated and cancelled was calculated by reference to the Market Price, namely 385p.

The Disposal is therefore to be implemented via a scheme of arrangement under Section 425 of the Act pursuant to which the RP Stock Units will be redesignated and cancelled by way of a reduction of capital in consideration for Danby ultimately being transferred to Perceval.

This transaction is a related party transaction due to the fact that Robin Parish, a substantial shareholder in El Oro and an El Oro Director, has a significant interest in Perceval. It is also a related party transaction in respect of Robin Parish's mother, The Hon. Mrs. E. C. Parish, a likely protected tenant of Walcot (Danby's principal asset) and an El Oro Director. The Disposal is therefore subject to independent approval of the El Oro Stockholders in respect of these related party transactions and in respect of the fact that it is a substantial property transaction between El Oro and Robin Parish (and his connected persons) under Section 320 of the Act.

In view of the involvement in this transaction of Robin Parish and his mother, The Hon. Mrs. E. C. Parish, the Independent Directors have considered the merits of the Disposal on behalf of Court Meeting Stockholders and we are now writing to provide you with information on the background to and reasons for the Disposal and to summarise the mechanics of the Scheme and, in particular, to explain why the Independent Directors consider the Disposal to be in the best interests of the Company and Court Meeting Stockholders. Robin Parish has not participated in the private discussions that the Independent Directors have had in relation to the Disposal.

The Disposal is conditional, amongst other things, upon the approval of the Court Meeting Stockholders at the Court Meeting convened by the Court and the El Oro Stockholders at the El Oro EGM which are to be held on 29 November 2004 and also on the sanction of the Scheme by the Court. Further details of the Scheme and the Court process are set out in the Explanatory Statement in Part 3 of this document.

After the Disposal, the Company will hold its existing portfolio of listed and unlisted investments and its investment in I&M. It will continue to hold its existing property portfolio, including Cheval Place which has been transferred out of Danby for cash, as described below.

2. Background to the Disposal

As at the date of this document, the assets of Danby comprise the following:

- (a) Walcot Hall and Estate (including certain fixtures and fittings) which have been valued by FPD Savills at £3.1 million;
- (b) farming stock and debtors of approximately £6,000;
- (c) the Spital Loan;
- (d) one ordinary share of £1 (representing a 20 per cent. shareholding in the capital of Spital Square Limited); and
- (e) the Danby Stock Units.

On 1 November 2004, Cheval Place was bought for cash by El Oro from Danby for an agreed valuation of £750,000. The cash proceeds received by Danby from El Oro for Cheval Place will be used to settle creditors and other liabilities. Any remaining cash will be distributed to El Oro by way of dividend. There will be no cash in Danby at the Effective Date of the Scheme, save for that left to discharge outstanding liabilities.

Walcot Hall and Estate

Walcot Hall and Estate, which is owned by Danby, is the family home of the Parish family. It was purchased by Robin Parish's father in 1956 for Danby with money loaned to Danby by The Hon. Mrs. E. C. Parish.

The purchase was made at a time of international tension following the Korean War in 1952, the Suez Crisis in 1956 and the ongoing Cold War. It was intended to be a base for other companies in the event of an evacuation of London and also to provide office accommodation and filing space for the El Oro Group's investment business.

A lease has existed since 1957 between the Company and The Hon. Mrs. E. C. Parish, allowing her to live at Walcot as a tenant. Robin Parish and his wife and children have lived at Walcot since 1999 and pay an annual rent. In addition, Suzanne Kumaramangalam, the eldest daughter of The Hon. Mrs. E. C. Parish, and her family have for a considerable number of years also lived at Walcot.

The Independent Directors have received legal advice that the assumption made in FPD Savills' valuation of Walcot set out in Part 7 of this document, that the tenancy of The Hon. Mrs. E. C. Parish is a protected tenancy, is extremely likely to be correct, although due to the absence of information on applicable rateable values for the time of grant of the tenancy in 1957, this cannot be stated with absolute certainty.

Initially, the stable block and outbuildings of Walcot were subdivided into flats which were on residential leases. More recently, part of Walcot and some of these apartments have been adapted for holiday accommodation and a weddings business. Danby receives income from the lease of the Powis Arms public house and agricultural income from the farming business. A staff of six is employed by Danby to manage and run Walcot.

In addition to Walcot estate's need for capital expenditure and maintenance each year, the businesses described above operate at a loss, all of which require funding by the Company and cause diversion of management time.

For some time now, the Board, including Robin Parish himself, has recognised that it is not appropriate for the Company, as a listed entity, to own the Parish family home. In addition, from a management point of view, Danby is primarily a trading and agricultural concern which has not sat easily within El Oro with its focus as a share and securities dealing company.

Walcot has been valued by FPD Savills, on the basis of its existing condition, certain fixtures and fittings and the likely protected tenancy, at £3.1 million. FPD Savills' valuation report is set out in Part 7 of this document and is available for inspection by El Oro Stockholders at the registered office of the Company.

Danby Stock Units

The Danby Stock Units will be cancelled as part of the Scheme without a repayment of capital. The amount arising in the Company's balance sheet as a result of the cancellation of the Danby Stock Units will be transferred to the Company's distributable reserves.

3. The Implementation of the Scheme

It is proposed that Danby will be transferred to Perceval by means of a scheme of arrangement under Section 425 of the Act. The Scheme will involve a reduction of capital under Section 135 of the Act. Prior to that part of the Reconstruction requiring Court sanction taking effect, the following steps are expected to have taken place as part of the overall Reconstruction:

1. the entire issued share capital of Danby will be transferred to Brickleaf (a newly incorporated wholly owned subsidiary of El Oro) in exchange for an issue of shares by Brickleaf to El Oro (and to the Additional Danby Shareholders in proportion to their current shareholdings in Danby) upon the terms of the SPA between El Oro and Brickleaf (which shall include an indemnity given by El Oro to Brickleaf in relation to certain tax and other liabilities of Danby). Further details of the SPA are set out in paragraph 5.5 of Part 8 of this document; and
2. Brickleaf will be placed into a member's voluntary liquidation and a Liquidator will be appointed over the assets of Brickleaf. The reason for liquidating Brickleaf as part of the Reconstruction is in order that the transfer of Danby to Perceval will constitute a capital, rather than income, distribution for tax purposes. The inclusion of this step is not expected to add significantly to the cost of the transaction.

Pursuant to the Scheme, the following steps are expected to take place:

1. the RP Stock Units will be redesignated (as described at step 2 below) and cancelled by way of a reduction of capital pursuant to the Scheme. As a consequence Robin Parish's holding in El Oro will be reduced from 14.10 per cent. of the issued share capital of El Oro to 7.72 per cent. (taking into account the cancellation of the Danby Stock Units described at step 4 below);
2. prior to the Reduction, the RP Stock Units shall be redesignated as "B" Shares. The market value of the RP Stock Units (as redesignated) cancelled (judged by reference to the Market Price) will equate to the agreed value of Danby, £3.225 million, rounded up to the nearest El Oro Stock Unit (taking into account the cancellation of the Danby Stock Units described at step 4 below);
3. at the direction of the Liquidator, Brickleaf shall transfer the assets of Brickleaf available for distribution in its winding up to Perceval and shall assign the benefit of the SPA to Perceval;
4. the Danby Stock Units will also be cancelled pursuant to the Reduction; and
5. Perceval will issue 50 additional shares in the share capital of Perceval to Robin Parish in consideration of the transfer at step 3 above.

Upon the Scheme becoming effective, Danby will become a wholly owned subsidiary of Perceval.

The Scheme is subject to a number of conditions, including approval by the Court Meeting Stockholders and the sanction of the Court. The full conditions to the implementation of the Scheme are set out in Part 5 of this document.

4. Reasons for the Disposal

The Independent Directors consider that the Disposal and the Scheme are in the best interests of Court Meeting Shareholders for the following reasons:

(a) Investor perception

As outlined above, Walcot and its associated activities are incompatible with and divert management time from the core El Oro business. The Board is also concerned that continued ownership of Walcot by El Oro is unsatisfactory and unacceptable in the views of investors and potential investors in the Company.

(b) Elimination of losses

As described above, Danby has sustained a trading loss in each of the last five years which has averaged £57,000 per annum and it is expected to continue to do so in the foreseeable future. For the year ended 31 December 2003, the loss on ordinary activities before tax was £91,084. The Disposal will result in the elimination of such losses for the El Oro Group going forward.

(c) Enhanced EPS and net assets per El Oro Stock Unit

The cancellation of the Scheme Stock Units will lead to a reduction in the issued share capital of El Oro and hence an immediate increase in EPS and net assets per El Oro Stock Unit. Set out below is a pro forma calculation based upon the unaudited interim results of the El Oro Group for the six month period ended 30 June 2004:

Net assets as at 30 June 2004	£26.2 million
Number of El Oro Stock Units in issue	11,933,248
Net assets per El Oro Stock Unit as at 30 June 2004	219p
Adjusted net assets as at 30 June 2004 (to reflect the net assets of Danby leaving the El Oro Group)	£24.9 million
Adjusted number of El Oro Stock Units in issue (to reflect the cancellation of the Scheme Stock Units)	10,941,051
Adjusted net assets per El Oro Stock Unit as at 30 June 2004	228p
Percentage increase in net assets per El Oro Stock Unit	4.1

The pro forma financial information has been extracted from the unaudited pro forma statement of net assets of the El Oro Group set out in Part 4 of this document. All figures above are at book value and not adjusted to reflect the market value of the investments held.

In the view of the Independent Directors, this illustrative increase in net assets per El Oro Stock Unit should flow through to the market share price for each El Oro Stock Unit.

El Oro Stockholders should read the whole of this document and not just rely upon the key or summarised information set out above.

(d) Reduced dividend cost

The cancellation of the Scheme Stock Units pursuant to the Scheme will lead to a reduction in the dividend cash outlay to El Oro Stockholders. The dividend paid for the year ended 31 December 2003 was 11 pence per El Oro Stock Unit. At that level of dividend, the cancellation of the Scheme Stock Units would save the Company approximately £109,142 per annum.

(e) Consideration of alternative options

As an alternative to the Scheme, the Independent Directors have considered the possibility of marketing Walcot more widely and selling it to a third party. However, they have also taken account of the following factors:

- although Walcot is perceived to be a "trophy asset", the absence of vacant possession due to the existing likely protected tenancy, at a time of a weakening property market generally, may, in the view of the Independent Directors, be a significant deterrent to a prospective buyer;
- Walcot itself is in need of substantial modernisation and redecoration which would be for the account of a new purchaser. In particular, there is extensive asbestos throughout the house which would be both hazardous and expensive to remove; and
- it is likely that a third party buyer may prefer to acquire Walcot Hall rather than Danby, which would leave El Oro to deal with the ongoing loss making accommodation and agricultural businesses.

5. Tax implications

The Independent Directors are advised that the proposed transactions are believed to constitute a scheme of reconstruction for the purposes of Section 139 TCGA 1992. Where this Section applies, the transfer of Danby from Brickleaf to Perceval will be treated as taking place on a tax neutral basis (i.e. no gain or loss arises) for the purposes of corporation tax on chargeable gains and no liability will therefore arise on Brickleaf or the El Oro Group.

This treatment will not apply if the scheme of reconstruction is not effected for *bona fide* commercial purposes and if the main purpose (or one of the main purposes) of the arrangements is the avoidance of corporation tax, income tax or capital gains tax. The Independent Directors are pleased to confirm that clearance has been received from the Inland Revenue that, in its view, the proposed arrangements do not

constitute such an avoidance scheme and Section 139 TCGA 1992 above should not, on those grounds, be prevented from applying.

The Independent Directors are further advised that in accordance with its practice, the Inland Revenue will not give confirmation that the proposed arrangements constitute a scheme of reconstruction for the purposes of Section 139 TCGA 1992 because such confirmation does not form part of the statutory clearance procedure, but it is believed that it is exceedingly rare for the Inland Revenue to grant such a clearance in cases which it has reservations as to whether they fall within the definition of a reconstruction for these purposes.

Accordingly, the Independent Directors believe that the transactions ought not to give rise to any tax liability on the El Oro Group on its disposal of Danby.

In addition, the Inland Revenue has given notice under Section 707 ICTA 1988 that it is satisfied that the provisions of Section 703 ICTA 1988 (cancellation of tax advantages from certain transactions in securities) ought not to apply to the proposed arrangements.

The reason for liquidating Brickleaf as part of the Reconstruction is in order that the transfer of Danby to Perceval will constitute a capital, rather than income, distribution for tax purposes.

6. Conclusion of the Independent Directors

The Independent Directors accordingly consider that the proposed Disposal of Danby pursuant to the Scheme at the present time is a long overdue resolution to an unsatisfactory situation and provides certainty on terms which are attractive to the Company and in the interests of Court Meeting Stockholders.

7. Current trading and future prospects for El Oro

On 15 September 2004, El Oro announced its unaudited interim results for the six month period ended 30 June 2004. In that period, the El Oro Group's profit on ordinary activities before tax was £437,357 (2003: £801,684). Group net assets, taking investments at market value, were £61,544,417 (equal to 516p per El Oro Stock Unit) against £64,963,076 at 31 December 2003 (equal to 544p per El Oro Stock Unit) a decrease of £3,418,659 and a decrease of 5.26 per cent. compared with a rise of 0.96 per cent. for the FTSE All Share over the same period. These figures have been extracted without material adjustments from the unaudited interim results for the six months ended 30 June 2004.

The Board considers that El Oro has a balanced portfolio of investments and is well placed to weather uncertain market conditions. Consequently, the Board views the future prospects of El Oro with confidence and in line with the El Oro Directors' expectations for the remainder of the current financial year.

El Oro Stockholders should read the whole document and not just rely on the key or summarised information.

8. Meetings in connection with the Scheme

(a) Court Meeting

Due to his interests in and association with El Oro and Perceval, his interests under the proposed Scheme, and in order to ensure that each group of El Oro Stockholders whose interests and rights are similar are able to consult as to their common interests in connection with the Scheme and that the approval of the Scheme fairly represents the views of each such group, Robin Parish is treated as being in a separate class from the other El Oro Stockholders for the purposes of approving the Scheme. Also, in view of The Hon. Mrs. E. C. Parish's tenancy of Walcot and her daughter Suzanne Kumaramangalam having been a resident of Walcot for some years, they are being treated as being in a separate class from the other El Oro Stockholders. In addition, as it is proposed to reduce and cancel the Danby Stock Units pursuant to the Scheme, Danby is also treated as being in a separate class from the other El Oro Stockholders. In any event, Danby is prohibited under Section 23 of the Act from voting its El Oro Stock Units at any meeting of the Company or any class of its members as El Oro is its holding company.

Similarly, I&M is prohibited under Section 23 of the Act from exercising any right to vote its El Oro Stock Units at any meeting of the Company or any class of its members, by virtue of it being a wholly owned subsidiary of the Company.

Accordingly there will be one Court Meeting of Court Meeting Stockholders to approve the Scheme comprised of all El Oro Stockholders except for Robin Parish, The Hon. Mrs. E. C. Parish, Suzanne Kumaramangalam, Danby and I&M. However, in view of the existence of the Relationship

Agreement, described further in paragraph 5.2 of Part 8 of this document, none of the Parish Family will participate in the vote at the Court Meeting. The Scheme will require the approval of the Court Meeting Stockholders. Robin Parish, The Hon. Mrs. E. C. Parish, Suzanne Kumaramangalam, Danby, William Fraser, I&M and Perceval have undertaken, and the Liquidator will undertake, to be bound by the Scheme.

Pursuant to an order of the Court, the Court Meeting has been convened for 29 November 2004 at 11.00 a.m. at which meeting, or at any adjournments thereof, Court Meeting Stockholders (other than the Parish Family) will consider and, if thought fit, approve the Scheme. The Court Meeting will be held at The Cavalry and Guards Club, 127 Piccadilly, London W1J 7PX.

Your attention is drawn to the notice of Court Meeting contained in Part 9 of this document.

At the Court Meeting, voting will be by poll and each Court Meeting Stockholder entitled to attend (and not otherwise ineligible to vote) and who is present in person or by proxy will be entitled to one vote for each El Oro Stock Unit held. The statutory majority required to approve the Scheme at the Court Meeting is a simple majority in number of those Court Meeting Stockholders present and voting (either in person or by proxy) at the Court Meeting representing not less than 75 per cent. in nominal value of El Oro Stock Units held by such Court Meeting Stockholders.

It is particularly important that as many votes as possible are cast at the Court Meeting so that the Court may be satisfied that there is a fair representation of El Oro Stockholder opinion. Court Meeting Stockholders are therefore strongly urged to return their completed and signed BLUE Forms of Proxy as soon as possible whether or not they intend to be present at the Court Meeting.

If the Scheme becomes effective, it will be binding on all El Oro Stockholders irrespective of whether (if so entitled) they attended the Court Meeting and irrespective of the manner in which they voted.

(b) El Oro EGM

For the purpose of giving effect to the Scheme, the El Oro EGM has been convened for 29 November 2004 at 11.05 a.m. (or, if later, immediately following the conclusion or adjournment of the Court Meeting). At the El Oro EGM, or at any adjournment thereof, El Oro Stockholders (who are not ineligible to vote) will consider and, if thought fit, pass the resolutions set out in the notice of the El Oro EGM. The El Oro EGM will be held at The Cavalry and Guards Club, 127 Piccadilly, London W1J 7PX.

Your attention is drawn to the notice of the El Oro EGM contained in Part 10 of this document.

A special resolution is proposed to be passed at the El Oro EGM to approve the following:

- (i) the Scheme;
- (ii) the Redesignation; and
- (iii) the Reduction.

In order to pass the special resolution, not less than 75 per cent. of the votes cast by El Oro Stockholders must be in favour.

Ordinary resolutions are proposed to be passed at the El Oro EGM in connection with the following:

- (i) to approve each of the related party transactions inherent in the proposed Scheme; and
- (ii) to approve the substantial property transaction inherent in the proposed Scheme.

In order to pass ordinary resolutions, more than 50 per cent. of the votes cast by El Oro Stockholders must be in favour.

It is proposed that the voting at the El Oro EGM will be conducted by way of poll, and accordingly, save as set out below, El Oro Stockholders present in person or by proxy will be entitled to one vote for each El Oro Stock Unit held by them in respect of each resolution.

Robin Parish and The Hon. Mrs. E. C. Parish will abstain, and will take all reasonable steps to ensure that their respective associates abstain, from voting on the ordinary resolution relating to their respective related party transaction.

In view of the existence of the Relationship Agreement, none of the Parish Family will participate in voting at the El Oro EGM. In addition, as described above, as El Oro is the holding company of Danby and I&M, Danby and I&M are prohibited under Section 23 of the Act from exercising any right to vote their El Oro Stock Units at any meeting of the Company.

Implementation of the Scheme will also require the subsequent sanction of the Court at a hearing at which all Court Meeting Stockholders who are entitled to attend and vote at the Court Meeting may be present and heard in person or by counsel to support or oppose the sanctioning of the Scheme. The order of the Court sanctioning the Scheme will need to be registered by the Registrar of Companies in England and Wales in order for the Scheme to become effective.

9. Action to be taken

You will find enclosed with this document:

- (a) a BLUE Form of Proxy (if you are a Court Meeting Stockholder eligible to vote) for use in respect of the Court Meeting to approve the Scheme; and
- (b) a WHITE Form of Proxy (if you are eligible to vote) for use in respect of the El Oro EGM.

Please complete and sign both Forms of Proxy in accordance with the instructions printed thereon and return them either by post or by hand to Lloyds TSB Registrars at The Causeway, Worthing, West Sussex BN99 6ZL so as to be received as soon as possible and in any event by no later than 11.00 a.m. in respect of the Court Meeting, and 11.05 a.m. in respect of the El Oro EGM, in each case on 27 November 2004.

If the BLUE Forms of Proxy for use at the Court Meeting are not lodged by the relevant time, they may be handed to the chairman of the Court Meeting immediately prior to the Court Meeting. However, if the WHITE Forms of Proxy for use at the El Oro EGM are not lodged so as to be received at least 48 hours before the El Oro EGM and in accordance with the instructions printed thereon they will be invalid.

The completion and return of a Form of Proxy will not prevent you from attending and voting in person at the Court Meeting and the El Oro EGM, or any adjournments thereof, if you so wish.

10. Further information

Your attention is drawn in particular to the Explanatory Statement set out in Part 3 of this document which gives further details of the Scheme, the unaudited pro forma statement of net assets of the El Oro Group set out in Part 4 of this document and the valuation of Walcot Hall and Estate by FPD Savills set out in Part 7 of this document.

We set out below a reconciliation between the existing market value and the book value of Walcot and Powis Arms included in the Company's latest published annual accounts:

	<i>Walcot (excluding Powis Arms)</i>	<i>Powis Arms</i>
Book value per financial statements for the year ended 31 December 2003	£529,194	£350,000
Uplift in market value	£2,220,806	Nil
Market value as at 4 October 2004 per FPD Savills' independent valuation	<u>£2,750,000</u>	<u>£350,000</u>

11. Recommendation

The Independent Directors, who have been so advised by BDO Stoy Hayward Corporate Finance, consider that the terms of the Disposal are fair and reasonable so far as the El Oro Stockholders are concerned and that all the matters contained in the resolutions set out in the notice of the El Oro EGM are in the best interests of the El Oro Stockholders as a whole. In providing its advice, BDO Stoy Hayward Corporate Finance has taken into account the commercial assessments of the Independent Directors.

Accordingly the Independent Directors unanimously recommend that Court Meeting Stockholders vote in favour of the resolution to be proposed at the Court Meeting and the resolutions to be proposed at the El Oro EGM as they intend to do in respect of their own aggregate beneficial holdings of 75,960 El Oro Stock Units, representing approximately 0.64 per cent. of the existing issued El Oro Stock Units and approximately 1.44 per cent. of the existing El Oro Stock Units held by the Court Meeting Stockholders (eligible to vote in view of the existence of the Relationship Agreement).

The Independent Directors consider the terms of each transaction with a related party as described in paragraph 1 above to be fair and reasonable as far as Court Meeting Stockholders are concerned and in the best interests of the El Oro Stockholders as a whole. The Independent Directors unanimously recommend that El Oro Stockholders vote in favour of resolutions 2 and 3 at the El Oro EGM as they intend to do in respect of

their own aggregate beneficial holdings of 75,960 El Oro Stock Units (representing approximately 0.64 per cent. of the existing El Oro Stock Units and approximately 1.44 per cent. of the existing issued El Oro Stock Units of El Oro Stockholders (eligible to vote in view of the existence of the Relationship Agreement)).

Yours faithfully

Anthony Wild

David Hunting

Robert Wade

PART 3

EXPLANATORY STATEMENT FROM BDO STOY HAYWARD CORPORATE FINANCE (in compliance with Section 426 of the Companies Act 1985)



BDO Stoy Hayward
Corporate Finance

BDO Stoy Hayward LLP
8 Baker Street London W1U 3LL
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5 November 2004

To El Oro Stockholders

Dear Sir or Madam,

**Proposed Disposal of Danby
Proposed Reconstruction of El Oro and Exploration Company p.l.c.
by means of a scheme of arrangement under Section 425 of the Act
involving a reduction of capital under Section 135 of the Act**

1. Introduction

The Independent Directors of El Oro announced on 15 October 2004 that they had reached agreement in principle on the terms of the Disposal of Danby, on a debt free, cash free basis, to Perceval, a newly incorporated company wholly owned by your Chairman, Robin Parish.

The Disposal is to be effected by means of a scheme of arrangement of El Oro under Section 425 of the Act and is subject, amongst other things, to the sanction of the Court. If the Scheme becomes effective, Danby will become a wholly-owned subsidiary of Perceval.

This Explanatory Statement sets out a summary of the provisions of the Scheme. A copy of the Scheme is set out in full in Part 6 of this document. You are recommended to read the whole of this document, all of which forms part of this Explanatory Statement.

2. Pre-Scheme Events

Prior to the Court sanctioned aspects of the Scheme taking effect, the following steps are expected to have taken place as part of the overall Reconstruction:

- (a) the entire issued share capital of Danby will be transferred to Brickleaf (a newly incorporated wholly owned subsidiary of El Oro) in exchange for an issue of shares by Brickleaf to El Oro (and to Additional Danby Shareholders in proportion to their current shareholdings in Danby) upon the terms of the SPA between El Oro and Brickleaf (which shall include an indemnity given by El Oro to Brickleaf in relation to certain tax and other liabilities of Danby); and
- (b) Brickleaf will be placed into a member's voluntary liquidation and the Liquidator will be appointed over the assets of Brickleaf for the reasons described in paragraph 3 of Part 2 of this document.

3. Summary of the terms of the Scheme

Pursuant to the Scheme, the following steps are expected to take place:

- (a) the RP Stock Units will be redesignated (as described at step (b) below) and cancelled pursuant to the Reduction. As a consequence, Robin Parish's holding in El Oro will be reduced from 14.10 per cent. of the issued share capital of El Oro to 7.72 per cent. (taking into account the cancellation of the Danby Stock Units described at step (d) below). The market value of the RP Stock Units (as redesignated as "B" Shares and cancelled) judged by reference to the Market Price, will equate to £3.225 million, the agreed value of Danby rounded up to the nearest El Oro Stock Unit (taking into account the cancellation of the Danby Stock Units described at step (d) below);
- (b) prior to such Reduction, the RP Stock Units shall be redesignated as "B" Shares;

- (c) at the direction of the Liquidator, Brickleaf will transfer the assets of Brickleaf available for distribution in its winding up to Perceval and shall assign the benefit of the SPA to Perceval;
- (d) the Danby Stock Units will also be cancelled pursuant to the Reduction; and
- (e) Perceval will issue 50 additional shares in the share capital of Perceval to Robin Parish in consideration of the transfer at step 3(c) above.

4. Conditions

The Scheme is subject to the conditions set out in Part 5 of this document, including the approval of the terms of the Scheme by the requisite majority of Court Meeting Stockholders at the Court Meeting and the El Oro EGM and the sanction of the Scheme by the Court, further details of which are set out at paragraph 13 of this Part 3.

The Scheme also requires the approval of the El Oro Stockholders because it constitutes a substantial property transaction between El Oro and one of its directors (and his connected persons) under Section 320 of the Act and because it constitutes a related party transaction in respect of Robin Parish and in respect of The Hon. Mrs. E. C. Parish.

The Scheme will not become effective until the registration by the Registrar of Companies of the relevant Court order which, subject to the sanction of the Scheme and confirmation of the Reduction by the Court, is expected to occur on 14 January 2005.

The Reduction requires the approval of the El Oro Stockholders and the confirmation of the Court under the Act and will not take place unless the Scheme becomes effective.

The Scheme will not become effective unless all the conditions of the Scheme have been satisfied by close of business on 31 March 2005, or such later date (if any) as the Court may approve.

The Company will put in place such form of creditor protection (if any) in respect of the proposed reduction of capital as the Court may direct.

5. The Heads of Terms, the SPA and the Deed of Warranty

Pursuant to the SPA entered into between El Oro and Brickleaf the entire share capital of Danby was transferred to Brickleaf in consideration of the allotment by Brickleaf of ordinary shares in its share capital.

The terms of the SPA are based on the Heads of Terms which also form the basis of the terms of the Scheme. Pursuant to the Heads of Terms, the Company agreed with Robin Parish to the indirect disposal of Danby to Perceval in consideration of the reduction of the RP Stock Units (as redesignated). The Company additionally agreed to provide an indemnity to Brickleaf (and its assignee) in respect of liabilities incurred by Danby in connection with certain potential tax liabilities of Danby, but excludes, among other items, liabilities associated with the ownership of Walcot.

It is intended that the SPA will be assigned to Perceval pursuant to the Scheme. The terms of the SPA are summarised at paragraph 5.5 of Part 8 of this document.

Robin Parish has entered into a Deed of Warranty for the benefit of the Company, pursuant to which Robin Parish warrants that he is not aware of any items of fine art or antiques located at Walcot Hall and belonging to Danby in respect of which there is an erroneous attribution and that he knows or believes to be of a value significantly in excess of that reflected in the audited accounts of Danby for the year ended 31 December 2003 or taken into account by the Independent Directors in reaching agreement over the value of Danby for the purposes of the Disposal.

The Heads of Terms, the Deed of Warranty and the SPA are available for inspection as set out in Part 8 of this document.

6. Related Party Transactions

Robin Parish is a related party of El Oro (as defined in the Listing Rules) and the Disposal of Danby to Perceval (an "associate" as defined in the Listing Rules) pursuant to the Scheme will be a transaction with a related party, which will require the approval of El Oro Stockholders. The Disposal to Perceval, a company wholly owned by an associate of The Hon. Mrs. E. C. Parish (a likely protected tenant of Walcot and an El Oro Director), will also be a transaction with a related party (as defined in the Listing Rules), which will require the approval of El Oro Stockholders. These approvals will be sought at the El Oro EGM in respect of

the related party transactions, Robin Parish, The Hon. Mrs. E. C. Parish and their associates will not be voting on these or any resolutions at the El Oro EGM.

7. Information on El Oro

Information on current trading and future prospects of El Oro is included in paragraph 7 of the Independent Directors' letter in Part 2 of this document.

8. Financial Effects of the Reconstruction on Scheme Stockholders

Your attention is drawn to Part 4 of this document, which contains an unaudited pro forma statement of net assets of the El Oro Group to illustrate the effect of the Disposal as if it had taken place on 30 June 2004. Further, the financial effect upon the net assets per El Oro Stock Unit is outlined in paragraph 4(c) of Part 2 of this document.

9. The El Oro Directors and the effect of the Scheme on their interests

El Oro Stock Units held by El Oro Directors will be subject to the Scheme although for the purposes of the Court Meeting and the El Oro EGM, those El Oro Directors who are members of the Parish Family, namely (Robin Parish, The Hon. Mrs. E. C. Parish and Emma Woodbine Houston) and their associates will not be participating in the votes.

The effect of the Scheme on the interests of the El Oro Directors other than Robin Parish and The Hon. Mrs. E. C. Parish does not differ from its effect on the like interests of any other person.

There is no proposal to change the Board of El Oro.

10. Management and Employees

No change will be made to the employment terms and rights of the management and employees of El Oro or Danby following the Reconstruction.

11. Taxation

The following comments in relation to UK legislation and Inland Revenue practices are intended as a general guide only and are based on the understanding of the El Oro Directors of UK revenue law and published practice in effect as at the date of this document. This revenue law and published practice may be subject to change, including changes with retrospective effect. In relation to the UK, these comments deal only with the position of El Oro Stockholders who are resident or, in the case of individuals, ordinarily resident in the UK for tax purposes at all relevant times, who are the absolute beneficial owners of their El Oro Stock Units, in circumstances where any dividends paid are regarded for UK taxation purposes as that person's own income (and not the income of some other person), and who hold their El Oro Stock Units as an investment. In addition, in relation to the UK, these comments do not deal with certain types of stockholder, such as persons holding or acquiring shares in the course of a trade, collective investment schemes and insurance companies. This summary does not purport to be a complete analysis or listing of all the potential tax consequences of the Scheme.

(a) UK Taxation

The proposed transactions are believed to constitute a scheme of reconstruction for the purposes of both Sections 136 and 139 TCGA 1992.

The Remaining Stockholders, whilst being interested parties whose investments might increase in value as a result of the Reconstruction, are nonetheless not themselves directly participating in the transactions involved in the proposed arrangements and thus are unaffected by the transactions for tax purposes.

Where Section 136 TCGA 1992 above applies, the transactions will be treated as a reorganisation of the share capital of El Oro so far as Robin Parish is concerned, and as such involving no disposal for the purposes of capital gains tax of Robin Parish's holding in El Oro to the extent that his RP Stock Units are redesignated and cancelled. The shares Robin Parish receives in Perceval in exchange for his cancelled RP Stock Units (as redesignated) will be treated for the purposes of capital gains tax as the same asset as his original cancelled El Oro stockholding.

Where Section 139 TCGA 1992 applies, the transfer of Danby from Brickleaf to Perceval will be treated as taking place on a tax neutral basis (i.e. no gain or loss arises) for the purposes of corporation tax on chargeable gains and no liability will therefore arise on Brickleaf or the El Oro Group.

11.00 a.m. on 29 November 2004. The implementation of the Scheme will also require the passing by El Oro Stockholders (eligible to vote) of the special and ordinary resolutions to be proposed at the El Oro EGM to be held at 11.05 a.m. on 29 November 2004 (or, if later, immediately following the conclusion or adjournment of the Court Meeting).

Notices of both the Court Meeting and the El Oro EGM are set out at the end of this document. If the Scheme becomes effective, it will be binding on all El Oro Stockholders, irrespective of whether they attended the Court Meeting or the El Oro EGM or whether or not they voted in favour of the Scheme.

(a) Court Meeting

Pursuant to an order of the Court, the Court Meeting for Court Meeting Stockholders has been convened for 11.00 a.m. on 29 November 2004 to enable the Court Meeting Stockholders (other than the Parish Family) to consider and, if thought fit, approve the Scheme. The Court Meeting will be held at The Cavalry and Guards Club, 127 Piccadilly, London W1J 7PX. **Your attention is drawn to the notice of the Court Meeting contained in Part 9 of this document.**

At the Court Meeting, voting will be by poll and each Court Meeting Stockholder present in person or by proxy will be entitled to one vote for each El Oro Stock Unit held (but the Parish Family will not participate in the vote at the Court Meeting in view of the existence of the Relationship Agreement). Further details of persons not entitled to vote at the Court Meeting are set out at paragraph 8(a) of Part 2 of this document. The approval required at the Court Meeting is that those voting to approve the Scheme must:

- (i) represent a simple majority in number of those Court Meeting Stockholders present and voting in person or by proxy; and
- (ii) also represent not less than three-quarters in nominal value of the El Oro Stock Units held by those Court Meeting Stockholders present and voting in person or by proxy.

It is particularly important that as many votes as possible are cast at the Court Meeting so that the Court may be satisfied that there is a fair representation of El Oro Stockholder opinion. You are therefore strongly urged to return your completed and signed BLUE Form of Proxy as soon as possible whether or not you intend to be present at the Court Meeting. Details of the action you should take and instructions on completing the Forms of Proxy are given in paragraph 14 below.

(b) El Oro EGM

The approval of El Oro Stockholders is required because the Disposal constitutes a substantial property transaction between El Oro and Robin Parish (and his connected persons) under Section 320 of the Act and because it constitutes separate related party transactions (as defined in the Listing Rules) between El Oro and Robin Parish and also between El Oro and The Hon. Mrs. E. C. Parish. Both the Scheme and the Reduction require the approval of the El Oro Stockholders under the Act.

The El Oro EGM has been convened for 11.05 a.m. on 29 November 2004 (or, if later, immediately following the conclusion or adjournment of the Court Meeting) to enable eligible El Oro Stockholders to consider and, if thought fit, pass the following resolutions;

- Resolution 1 will be proposed as an ordinary resolution to approve the Disposal from El Oro to Perceval (of which Robin Parish is the sole shareholder) as a substantial property transaction under Section 320 of the Act;
- Resolutions 2 and 3 will be proposed as ordinary resolutions to approve the Disposal to an associate of Robin Parish (being a transaction with a related party) and to approve the Disposal to Perceval, a company wholly-owned by an associate of The Hon. Mrs. E. C. Parish (such Disposal being a transaction with a related party), respectively. Robin Parish, The Hon. Mrs. E. C. Parish and their associates will not be voting on these resolutions; and
- Resolution 4 will be proposed as a special resolution to approve the Scheme and to approve the Redesignation and the Reduction.

The special resolution requires approval by not less than 75 per cent. of the votes cast in person or by proxy and the ordinary resolutions require approval by more than 50 per cent. of the votes cast in person or by proxy.

It is proposed that the voting at the El Oro EGM will be conducted by way of a poll and, accordingly, subject as set out below, each El Oro Stockholder present in person or by proxy will be entitled to one vote for each El Oro Stock Unit held.

The Parish Family will not participate in the votes at the El Oro EGM in view of the existence of the Relationship Agreement.

As El Oro is the holding company of Danby and I&M, Danby and I&M are prohibited under Section 23 of the Act from exercising any right to vote their El Oro Stock Units at any meeting of the Company.

14. Action to be taken

You will find enclosed with this document:

- (a) a BLUE Form of Proxy (if you are a Court Meeting Stockholder eligible to vote) for use in respect of the Court Meeting to approve the Scheme; and
- (b) a WHITE Form of Proxy (if you are eligible to vote) for use in respect of the El Oro EGM.

If you are a holder of El Oro Stock Units, whether or not you intend to attend these meetings in person, you are requested to complete and sign both Forms of Proxy in accordance with the instructions printed thereon as soon as possible and return them either by post or by hand to Lloyds TSB Registrars at The Causeway, Worthing, West Sussex BN99 6ZL so as to be received as soon as possible and in any event by no later than 11.00 a.m. in respect of the Court Meeting for Court Meeting Stockholders and by no later than 11.05 a.m. in respect of the El Oro EGM, in each case on 27 November 2004 being the date 48 hours before the time fixed for the relevant meeting.

If the BLUE Form of Proxy relating to the Court Meeting is not lodged by the relevant time, it may be handed to the chairman of the Court Meeting immediately prior to the Court Meeting. However, in the case of the El Oro EGM, unless the WHITE Form of Proxy is lodged so as to be received by the time mentioned above and in accordance with the instructions on that Form of Proxy, it will be invalid.

The completion and return of a Form of Proxy will not prevent you from attending and voting in person at the Court Meeting or the El Oro EGM, or any adjournments thereof, if you so wish.

In relation to the WHITE Form of Proxy for the El Oro EGM, if you do not give specific voting instructions on the special and ordinary resolutions to be considered at the El Oro EGM by placing a mark in the appropriate boxes, your proxy will be free to vote or abstain in relation to the special and ordinary resolutions as he or she thinks fit. Unless you specifically instruct otherwise, your proxy may also vote or abstain as he or she thinks fit on any other business (including any amendments to the special and ordinary resolutions to be proposed at the El Oro EGM) which may properly come before the El Oro EGM. In relation to the BLUE Forms of Proxy for the Court Meeting, a proxy appointed to vote in favour of the Scheme may vote or abstain as he or she thinks fit on any modifications to the Scheme.

15. Further Information

The terms of the Scheme are set out in Part 6 of this document. Additional information regarding El Oro is set out in Part 8 of this document.

It is particularly important that as many votes as possible are cast at the Court Meeting so that the Court may be satisfied that there is a fair representation of El Oro Stockholder opinion. You are therefore strongly urged to return your completed and signed BLUE Form of Proxy as soon as possible whether or not you intend to be present at the Court Meeting.

Yours faithfully

BDO Stoy Hayward Corporate Finance

PART 4

UNAUDITED PRO FORMA STATEMENT OF NET ASSETS OF THE EL ORO GROUP

The following unaudited pro forma statement of net assets of the El Oro Group has been prepared for illustrative purposes only following the Disposal. It has been prepared to provide information about the impact of the Disposal on the El Oro Group and because of its nature may not give a true reflection of the financial position of the El Oro Group following the Disposal. It has been prepared on the basis that the Disposal had been undertaken as at 30 June 2004 and on the basis set out in the accompanying notes.

	<i>Adjustments</i>						<i>Pro forma post Disposal 30 June 2004</i>
	<i>El Oro 30 June 2004 (Note 1) £000</i>	<i>Pre Disposal Transactions (Note 2) £000</i>	<i>Disposal (Note 3) £000</i>	<i>Consolidation (Note 4) £000</i>	<i>Consideration (Note 5) £000</i>	<i>Costs (Note 6) £000</i>	<i>(Note 7) £000</i>
Fixed assets							
Freehold property	390	89	(390)	—	—	—	89
Investment property	605	—	(350)	—	—	—	255
Fixtures, fittings and office equipment	275	5	(247)	—	—	—	33
	<u>1,270</u>	<u>94</u>	<u>(987)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>377</u>
Current assets							
Debtors due within one year	901	—	(6)	—	—	—	895
Debtors due over one year	29	—	—	—	—	—	29
Investments	37,904	—	(189)	152	—	—	37,867
Cash and bank balances	122	(305)	(1)	—	—	(330)	(514)
	<u>38,956</u>	<u>(305)</u>	<u>(196)</u>	<u>152</u>	<u>—</u>	<u>(330)</u>	<u>38,277</u>
Creditors: due within one year	<u>(14,047)</u>	<u>—</u>	<u>686</u>	<u>(380)</u>	<u>—</u>	<u>—</u>	<u>(13,741)</u>
Net current assets	<u>24,909</u>	<u>(305)</u>	<u>490</u>	<u>(228)</u>	<u>—</u>	<u>(330)</u>	<u>24,536</u>
Net assets	<u>26,179</u>	<u>(211)</u>	<u>(497)</u>	<u>(228)</u>	<u>—</u>	<u>(330)</u>	<u>24,913</u>
Issued number of El Oro Stock Units	<u>11,933,248</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(992,197)</u>	<u>—</u>	<u>10,941,051</u>
Net assets per El Oro Stock Unit	<u>219p</u>						<u>228p</u>

Notes:

The unaudited pro forma statement of net assets has been prepared on the following basis:

1. The net assets of the El Oro Group at 30 June 2004 have been extracted from the unaudited interim results announced on 15 September 2004.
2. This represents the transfer of Cheval Place and its fixtures and fittings at book value as at 30 June 2004 from Danby to El Oro for £750,000 in cash. This cash will be used to pay creditors of Danby (£241,000) and inter-company balances (£380,000) to effect the Disposal on a debt free cash free basis as described in Part 2 of this document. The cash outflow of £305,000 reflects the net cash leaving the El Oro Group being the payment to creditors and £64,000 retained to discharge future liabilities.
3. The book value of the assets leaving the El Oro Group with the Disposal, is the net assets of Danby as at 30 June 2004 as extracted from the consolidation schedules of El Oro for the interim period ended 30 June 2004.
4. This represents the reversal of consolidation adjustments no longer required following the Disposal.
5. This represents the cancellation of the Danby Stock Units held by Danby for nil consideration and the RP Stock Units (as redesignated) in consideration for the transfer of Danby to Brickleaf, amounting to a nominal value of £49,610; a corresponding amount being credited to the capital redemption reserve.
6. Estimated expenses relating to the Disposal.
7. No adjustments have been made to reflect the trading results of the El Oro Group since 30 June 2004.

Set out below is a letter from BDO Stoy Hayward LLP in respect of the unaudited pro forma statement of net assets.



BDO Stoy Hayward
Chartered Accountants

BDO Stoy Hayward LLP
8 Baker Street
London W1U 3LL

The Directors
El Oro and Exploration Company p.l.c.
41 Cheval Place
London
SW7 1EW

5 November 2004

Dear Sirs

El Oro and Exploration Company p.l.c. (the "Company")
Unaudited pro forma statement of net assets

We report on the pro forma statement of net assets set out in part 4 of the circular dated 5 November 2004 which has been prepared, for illustrative purposes only, to provide information about how the Disposal of Danby Registrars Limited might have affected the financial information presented.

Responsibilities

It is the responsibility solely of the directors of El Oro and Exploration Company p.l.c. ("Directors") to prepare the pro forma statement of net assets in accordance with paragraph 12.29 of the Listing Rules of the UK Listing Authority ("Listing Rules").

It is our responsibility to form an opinion, as required by the Listing Rules, on the pro forma statement of net assets and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma statement of net assets beyond that owed to those to whom we addressed those reports at the date of their issue.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards and Bulletin 1998/8 "Reporting on pro forma financial information pursuant to the Listing Rules" issued by the Auditing Practices Board.

Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the pro forma statement of net assets with the Directors.

Opinion

In our opinion:

- (a) the pro forma statement of net assets has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Company; and
- (c) the adjustments are appropriate for the purposes of the pro forma statement of net assets as disclosed pursuant to paragraph 12.29 of the Listing Rules.

Yours faithfully

BDO Stoy Hayward LLP
Chartered Accountants

PART 5

CONDITIONS TO THE IMPLEMENTATION OF THE RECONSTRUCTION

The Reconstruction will not become effective unless all the conditions of the Scheme have been satisfied by the close of business (if required) on 31 March 2005, or such later date (if any) as the Court may approve.

1. The Scheme is conditional on:
 - (a) the approval by a simple majority in number of the Court Meeting Stockholders present and voting at the Court Meeting, either in person or by proxy, representing not less than three-quarters in value of the El Oro Stock Units held by such holders;
 - (b) the special and ordinary resolutions required to approve and implement the Scheme and set out in the attached notice of the El Oro EGM being passed by the requisite majority at such El Oro EGM;
 - (c) the appointment of the Liquidator over the assets of Brickleaf pursuant to a members' voluntary winding up;
 - (d) the sanction of the Scheme and confirmation of the Reduction which forms part of it by the Court, in both cases with or without modification of or addition to the Scheme or to any condition which the Court may think fit to approve or impose; and
 - (e) an office copy of the Court Order, and the relevant minute, being delivered for registration to the Registrar of Companies and being registered by him.
2. The Scheme is governed by English law and will be subject to the jurisdiction of the Courts of England. The Listing Rules apply to the Scheme.

PART 6

SCHEME OF ARRANGEMENT

**IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT**

No. 6535 of 2004

IN THE MATTER OF EL ORO AND EXPLORATION COMPANY P.L.C.

and

IN THE MATTER OF THE COMPANIES ACT 1985

**SCHEME OF ARRANGEMENT
(under Section 425 of the Companies Act 1985)**

between

EL ORO AND EXPLORATION COMPANY P.L.C.

and

**THE HOLDERS OF EL ORO STOCK UNITS
(as hereinafter defined)**

Preliminary

- (A) In this Scheme, unless inconsistent with the subject or context, the following expressions shall bear the following meanings:

“Act” means the Companies Act 1985, as amended;

“Additional Danby Shareholders” means William Fraser, Suzanne Kumaramangalam and Robin Parish (each of whom holds one ordinary share of £1 each in Danby as nominee for El Oro);

“B” Shares” means the RP Stock Units as redesignated pursuant to clause 1 hereof;

“Brickleaf” means Brickleaf Limited a wholly owned subsidiary of El Oro registered in England and Wales with company number 5243664;

“Business Day” means any day on which lending banks in the London inter-banking sterling markets are open for general non-automated business in the City of London;

“certificated form” or “in certificated form” means a Stock Unit or other security which is not in uncertificated form (that is, not in CREST);

“Court Meeting” means the meeting of Court Meeting Stockholders convened by order of the Court pursuant to Section 425 of the Act, including any adjournment thereof;

“Court Meeting Stockholders” means all El Oro Stockholders except Robin Parish, The Hon. Mrs. E. C. Parish, Suzanne Kumaramangalam, Danby and I&M;

“Court” means the High Court of Justice in England and Wales;

“CREST” means the relevant system (as defined in the Uncertificated Securities Regulations 2001 (SI No. 2001/3755) in respect of which CRESTCo is the Operator (as defined in such Regulations) in accordance with which such securities may be held in uncertificated form;

“CRESTCo” means CRESTCo Limited;

“Danby” means Danby Registrars Limited, registered in England and Wales with company number 342210 (an associated undertaking of El Oro);

“Effective Date” the date the Court Order is registered by the Registrar of Companies and the Scheme becomes effective in accordance with clause 5 below;

“El Oro” means El Oro and Exploration Company p.l.c., registered in England and Wales with company number 80408;

"El Oro Stock Units" means stock units of 5 pence each in the capital of El Oro;

"Explanatory Statement" means the explanatory statement in compliance with Section 426 of the Act comprised in the Scheme Document;

"Hearing" means the hearing by the Court of the petition to sanction this Scheme and confirm the Reduction which forms part of it;

"holder" means a registered holder of Stock Units and includes any person entitled by transmission;

"I&M" means Investigations & Management Limited, registered in England and Wales with company number 408133;

"Liquidator" means Malcolm Cohen of BDO Stoy Hayward LLP (or another liquidator from that LLP) who shall have been appointed as liquidator of Brickleaf pursuant to a members' voluntary winding-up;

"London Stock Exchange" means London Stock Exchange plc;

"Market Price" means the average closing mid-market price of an El Oro Stock Unit for the ten dealing Business Days prior to the date of announcement of the proposed Scheme, namely 15 October 2004;

"Perceval" means Perceval Limited registered in England and Wales with company number 5243618 the share capital of which is wholly owned by Robin Parish;

"Regulations" means the Uncertificated Securities Regulations 2001 (SI No. 2001/3755);

"Scheme" means this Scheme in its present form or with or subject to any modification, addition or condition which the Court may think fit to approve or impose;

"Scheme Document" means the circular to El Oro Stockholders dated 5 November 2004 of which this Scheme forms part;

"Scheme Stock Units" means the 837,662 El Oro Stock Units held by Robin Parish (as redesignated) and the 154,535 El Oro Stock Units held in the name of Danby which are to be cancelled pursuant to the Reduction;

"SPA" means the share purchase agreement between El Oro and Brickleaf dated 5 November 2004 transferring the entire issued share capital in Danby to Brickleaf in consideration of the issue of 496 shares in Brickleaf directly to El Oro (and one share in Brickleaf to each of the Additional Danby Shareholders) together with a related tax deed of covenant;

"uncertificated" or in "uncertificated form" means recorded on the relevant register as being held in uncertificated form in CREST and title to which may be transferred by means of CREST; and

"Voting Record Time" means 6.00 p.m., on 27 November 2004 or, if the Court Meeting is adjourned, 48 hours before the time fixed for such adjourned meeting.

- (B) The authorised share capital of El Oro as at the close of business on 4 November 2004 (being the latest practicable date prior to the date of this Scheme) was £994,500.11 divided into 7,947,075 ordinary shares of 5p each and 11,942,927 El Oro Stock Units of 5 pence each of which 11,933,248 El Oro Stock Units are issued and fully paid up and held as indicated below. No ordinary shares are currently in issue.
- (C) As at the close of business on 4 November 2004 (being the latest practicable date prior to the date of this Scheme), Robin Parish owned 1,682,481 El Oro Stock Units and Danby owned 154,535 El Oro Stock Units.
- (D) Each of Danby, Robin Parish, The Hon. Mrs. E. C. Parish, Suzanne Kumaramangalam, William Fraser, I&M and Perceval have, and the Liquidator shall have, agreed to appear by Counsel on the hearing of the petition to sanction this Scheme and to undertake to the Court to be bound thereby and to execute and do or procure to be executed and done all such documents, acts and things as may be necessary or desirable to be executed or done by it for the purposes of giving effect to this Scheme.
- (E) As at the close of business on 4 November 2004 (being the latest practicable date prior to the date of this Scheme), the Court Meeting Stockholders owned 8,079,802 El Oro Stock Units in aggregate.

The Scheme

Whereas

- (A) The entire issued share capital of Danby having been transferred to Brickleaf in exchange for the issue of 496 ordinary shares in Brickleaf by Brickleaf to El Oro (and the issue of one ordinary share in Brickleaf to each of the Additional Danby Shareholders) upon the terms of the SPA (which includes an indemnity given by El Oro to Brickleaf in relation to certain tax and other liabilities of Danby);
- (B) The Liquidator having been appointed over the assets of Brickleaf pursuant to a member's voluntary winding up; and
- (C) Robin Parish having entered into a Deed of Warranty with El Oro in the agreed form, subject to a condition precedent that the Scheme takes effect.

1. Redesignation

The RP Stock Units shall be redesignated as "B" Shares which shall rank in all respects *pari passu* with the El Oro Stock Units save that they shall not be admitted to Listing on the Official List of the UK Listing Authority or to trading on the London Stock Exchange.

2. Reduction of Capital

- 2.1 The share capital of El Oro shall be reduced by cancelling and extinguishing the "B" Shares in consideration of the transfer at 2.2 below.
- 2.2 Brickleaf shall transfer all assets available for distribution to members in its winding up to Perceval and shall assign the benefit of the SPA to Perceval.
- 2.3 The share capital of El Oro shall be further reduced by cancelling and extinguishing the Danby Stock Units for no consideration.

3. Allotment of shares in Perceval by Perceval

Perceval will issue 50 additional ordinary shares of £1 each in the share capital of Perceval to Robin Parish in consideration of the transfer at 2.2 above.

4. Scheme Stock Units

On the Effective Date, each existing certificate representing Scheme Stock Units shall cease to be valid in respect of such holding and each holder of Scheme Stock Units shall be bound at the request of El Oro to deliver up the same to El Oro or to any person appointed by El Oro to receive the same for cancellation or to destroy such share certificates. On the Effective Date, in respect of those holders of Scheme Stock Units held in uncertificated form in CREST, CRESTCo shall be instructed to cancel such holders' entitlement to such Scheme Stock Units with effect from such date.

5. The Effective Date

This Scheme shall become effective as soon as an office copy of the Order of the Court sanctioning this Scheme under Section 425 of the Act and confirming under Section 137 of the Act the reduction of capital provided for by this Scheme shall have been delivered to the Registrar of Companies in England and Wales and registered by him.

Unless this Scheme shall have become effective on or before the close of business (London time) on 31 March 2005, or such later date (if any) as the Court may approve, this Scheme shall never become effective.

6. Modification

El Oro may consent on behalf of all persons concerned to any modification of or addition to this Scheme or to any condition which the Court may think fit to approve or impose.

7. Costs

El Oro is authorised to and permitted to pay all its costs and expenses relating to the negotiation, preparation and implementation of this Scheme.

5 November 2004

PART 7

VALUATION OF WALCOT HALL AND ESTATE

5 November 2004

FPDSavills

INTERNATIONAL PROPERTY CONSULTANTS

Hall Court
Telford TF3 4NF
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The Directors
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 International

Dear Sirs,

Walcot Hall & Walcot Estate, Lydbury North, Shropshire

1. Instructions

- 1.1 Further to your letter of instruction dated 23 September 2004, we have been instructed to provide you with our opinion as to the **Market Value** (MV) (was Open Market Value) (being "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion") of the freehold interest in the subject properties (as detailed in Schedule One), as at the 4 October 2004 subject to the existing tenancies.
- 1.2 We understand this advice is required for the purposes of inclusion in a circular. The basis of our valuation is Market Value, as per UKPS 1.1.

2. RICS Practice Statements

2.1 Compliance

We confirm that our valuation has been undertaken in accordance with the latest edition of the RICS Appraisal and Valuation Standards (Fifth Edition) (The Red Book) issued as at 1 May 2003.

2.2 Status of the Valuer and Independence

We value as external valuers because we have no material links with the client, company or the subject of this assignment. A valuation was undertaken by the West Midlands Office in October 1999 and April 2004.

2.3 Standard Conditions and Assumptions

Our valuations have been carried out on the basis of the following standard conditions

- 2.3.1 We have made an allowance for the election to opt to VAT. We have made no allowance for any capital gains tax or other taxation liability that might arise upon a sale of the properties.
- 2.3.2 No allowance has been made for any expenses of realisation.

Offices in Europe, Asia, Australasia, Africa. Strategic alliance with Trammell Crow Company in the USA and Canada.

FPDSavills Limited, Chartered Surveyors. A subsidiary of Savills plc. Registered in England No: 2605136. Registered Office 20 Grosvenor Hill, Berkeley Square, London W1K 3HQ

- 2.3.3 Excluded from our valuations is any additional value attributable to goodwill, or to fixtures and fittings which are only of value in situ to the present occupier.
- 2.3.4 No allowance has been made for rights, obligations or liabilities arising under the Defective Premises Act 1972, and it has been assumed that all fixed plant and machinery and the installation thereof complies with the relevant UK and EEC legislation.

Our valuation has been carried out on the basis of the following assumptions, which we have not verified. If any of them are subsequently found not to be valid, we may wish to review our valuation as there may be an impact on our valuation.

- 2.3.5 That the Freehold interest is not subject to any unusual or especially onerous restrictions, encumbrances or outgoing and good title to be shown. Should there be any mortgages or charges, we have assumed that the property would be sold free of them. We have not inspected the Title Deeds or Land Registry Certificate. We have spoken to the Company's Property Lawyers, who have informed us that from an overview of the title deeds, the Company has good title and that there are no factors that may have a material effect on value.
- 2.3.6 That we have been supplied with all information likely to have an effect on the value of the properties, and that the information supplied to us and summarised in this report is both complete and correct.
- 2.3.7 That the buildings including extensions or alterations has/have been constructed and are used in accordance with valid planning permissions, all statutory and bye-law requirements, and that there are no breaches of planning control. Likewise, that any future construction or use will be lawful (other than those points referred to above).
- 2.3.8 That the properties are not adversely affected, nor are likely to become adversely affected, by any highway, town planning or other schemes or proposals, and that there are no matters adversely affecting value that might be revealed by a local search (or their national equivalent), replies to usual enquiries, or by any statutory notice (other than those points referred to above) and that its condition, its use or intended use is not or will not be unlawful.
- 2.3.9 That the buildings are structurally sound, and that the services operate efficiently. That there are no structural, latent or other material defects, including rot and inherently dangerous or unsuitable materials or techniques, whether in parts of the buildings we have inspected or not, that would cause us to make allowance by way of capital repair (other than those points referred to above) or materially alter our valuation. Our inspection of the property and this report do not constitute a building survey.
- 2.3.10 That the properties are connected, or capable of being connected without undue expense, to the public services of gas, electricity, water, telephones and sewerage.
- 2.3.11 In cases where properties lie within or close to a flood plain or have a history of flooding our valuation assumes that building insurance is available without payment of an excessive premium or excess.

2.4 *Knowledge and Skills of the Valuer*

- 2.4.1 The valuer is qualified and employed by FPD Savills Ltd, which is the subsidiary of Savills plc dedicated to residential, rural and leisure property. The valuer, Clive Beer, is a member of the Royal Institution of Chartered Surveyors and is based at the FPD Savills West Midlands office at Hall Court, Telford TF3 4NF.
- 2.4.2 The valuer is employed within the Rural Management and Professional Department which is a specialist department dealing with all types of residential and rural property.
- 2.4.3 We confirm the valuer has the necessary current knowledge to undertake the valuation competently.

3. **Information provided and relied upon and investigations undertaken**

3.1 We confirm that we have relied upon information supplied by the following sources:

- (a) Robin Parish Esq.;
- (b) Tenancy and Licence Documentation provided by Messrs. Balfours and Messrs. McCartneys;

- (c) Our own knowledge of comparable properties, together with comparables from a number of local and national estate agents;
- (d) Expertise from within FPD Savills Ltd.; and
- (e) Local Planning Officers (South Shropshire District Council).

4. Date and extent of inspection and date of valuation

4.1 The date of valuation is 4 October 2004.

4.2 The property was inspected by Clive D. Beer MRICS (Director) who is head of the rural management and professional departments based in the FPD Savills West Midlands Office, and Sarah Jackson, assistant to C. Beer, on Friday 9 January 2004. Walcot Hall was inspected internally and externally. We did not inspect all of the residential properties internally and caveat our report accordingly. We have been informed of changes to the estate property since our inspection and we have taken these into account in undertaking this valuation.

5. Description

5.1 Location and Amenities

The property is located approximately 10km (6.2 miles) west of Craven Arms in the district of South Shropshire in a relatively remote and scenically attractive area.

5.2 Type of Property and Use

A schedule of properties valued is briefly described in Schedule 1. In summary the estate comprises:

- an extensive mansion house of national importance
- a ballroom, walled garden, extensive gardens and arboretum, and ancillary buildings
- a large stable block and courtyard which has been partly converted into residential units
- a number of other residential properties
- pasture and park land
- Woodland
- two Lakes and boathouse
- Powis Arms Public House

5.3 Walcot Hall

Walcot Hall dates back to Tudor times, though in 1763 Lord Clive of India bought the house and undertook extensive re-modelling commissioning Sir William Chambers to re-design the house. The principal block is of red brick, has symmetrical Georgian elevation with parapet walls and sash windows. The main facade has eleven bays, the flank facades having eight bays, the property being two storeys with substantial cellars and attics.

The stable block and court yard is also large and impressive with twin bell towers. These buildings date back to 1763, being built simultaneously with the hall, and have a number of C19 alterations. This has been converted into a number of short term and holiday lets, and is being gradually modernised.

Subsequent occupiers have altered the property, particularly the courtyard area and the addition of the ballroom added in the 1800s. Substantial garden remodelling also took place during this period with the creation of an Arboretum and the extension of the mile long lake. In 1933 extensive alterations took place, radically altering the entrance hall and staircase, though some of the original features, such as the drawing room ceiling have been retained.

5.4 Parkland, Pastureland and Woodland

The land to be included in this valuation is as follows:

- 214.49 acres of parkland and pasture land either managed in hand or let on annual grazing licences as per Schedule One.
- Two lakes extending in total to 56 acres.

- Roundabout Wood — An unmanaged mature broadleaf wood extending to 83.6 acres (managed in hand).
- Jeffrey's Wood (approximately 6 acres) is also retained by the estate.
- Plassey Wood (approximately 187 acres) — let to the Forestry Commission on a 199 year lease dating from the mid 1930's.

5.5 *Services*

5.5.1 Electricity

We understand that the property has the benefit of mains electricity. We understand that approximately $\frac{2}{3}$ rds have been re-wired throughout the hall, though some still remains from the 1930's alterations and will need to be replaced. Some of the cottages have been rewired, though we understand that some will need attention and are scheduled for improvement in the future.

5.5.2 Water

We understand that there is a private water supply, originating from a source owned by the estate.

5.5.3 Drainage

It is understood that the internal estate drainage feeds into a mains supply in the park.

5.6 *Condition*

We have not commented on the structural condition of the property since this is beyond the scope of our instructions.

A key problem to be considered is the extensive asbestos located throughout the house, which potentially is hazardous and expensive to remove. Of particular concern is exposed asbestos lagging.

The house overall is in need of modernisation and redecoration, should the property be offered for sale, an incoming purchaser would account for the works required.

5.7 *Tenure and Interest to be Valued*

5.7.1 We understand that the Subject Property is owned freehold by Danby Registrars Limited.

5.7.2 The Hon. Mrs. E. C. Parish has occupied the ground and first floors of the property since April 1957 and has paid an annual rent to the freehold owners. The rent remains as passing in 1995 at £5,000 per annum, with the landlord paying for all insurance, decoration, heating, lighting, fuel and staff (two cleaners and a handyman).

5.7.3 It is likely that The Hon. Mrs. E. C. Parish enjoys the status of a protected tenant, falling under the statutory provisions of the Rent Act (1977), and for the purpose of this valuation we have confirmed that this assumption is reasonable.

5.7.4 Mrs. Suzanne Kumaramangalam (née Parish) has also occupied areas of the subject property since approximately 1989, and has also paid a rent on a similar basis to that of The Hon. Mrs. E. C. Parish. Rent currently passing is set at £7,950 p.a. We have assumed that this tenant is likely to come under the protection of the Housing Act 1988, though may also benefit from succession of The Hon. Mrs. E. C. Parish's tenancy.

5.7.5 Robin Parish Esq. and his family have occupied the property since 1999 and pay an annual rent of £2,000.

5.7.6 Schedule 1 details other occupancies, licences and tenancies, and our assumptions relating to the status and terms of these tenancies.

5.7.7 We have been informed that there is no intragroup lease in place.

5.8 *Town Planning*

5.8.1 The property lies within the Shropshire Hills AONB and is Grade II* Listed.

5.8.2 The Planning Officer we spoke to was not aware of any major local authority or private planning proposals in the immediate vicinity that are likely to adversely affect the subject property in the foreseeable future. The Local Plan in that area is at the Public Enquiry stage at the date of

inspection, and it is likely that the plan will allow only infilling development in the village of Lydbury North.

5.8.3 For the purpose of this valuation, we have been informed that the necessary planning permissions, statutory consents and building regulations have been granted and complied with for all conversions, and that there has been no material contravention.

5.9 *Environmental Considerations*

5.9.1 In accordance with your instructions we have not commissioned our Environmental Audit.

5.9.2 Having regard to our enquiries and the nature of the property we have found nothing which causes us undue concern.

6. **Valuation Considerations**

- 6.1 Should Walcot Hall be offered to the market it would be a sale of national importance, especially in the county of Shropshire where estates and houses of this quality and importance are limited and rarely come up for sale. The house combined with the spectacular setting and ownership of the stable block would make the property highly marketable, despite the need for substantial refurbishment.
- 6.2 It should be noted that Walcot Hall, although a house of national importance is of a medium size for a mansion house and fundamentally is a house that can be lived in. It therefore would appeal to a large spectrum of the trophy house market.
- 6.3 However, we have valued on the assumption that the property is subject to a protected tenancy, and therefore vacant possession could not be guaranteed due to the potential for succession rights on these tenancies. A potential investor or purchaser is liable for the heating, maintenance, staffing and all repairs on the property, which commercially must be taken into account.
- 6.4 It is our view that an election to opt for VAT (i.e. VAT be chargeable on the purchase) would greatly affect the marketability of the property, if offered with full vacant possession.
- 6.5 The location, character and historical association of the cottages currently let on holiday and short term lets suggests that these will be well received by the market should they be offered for sale independently. They are also very attractive from an investment perspective and will appeal to buyers wanting to preserve the traditional estate.
- 6.6 We have assumed that the user for the Powis Arms has remained unaltered over the period of the valuations for investment purposes.
- 6.7 In respect of residential properties excluding the hall, these have been valued on a cumulative basis.

7. **Market Conditions**

- 7.1 The country house market is relatively difficult to predict at present. There are distinct signs of the market slowing down and indeed prices are unlikely to rise in the short to medium term, although there is no sign of any wholesale reduction in prices in Shropshire. In this location there are more people looking for quality country houses than there are houses available. We do however need to be mindful of general market sentiment, particularly in the south where market conditions have begun to weaken significantly. As with any market, the country house sector relies on confidence. This in the short term is not helped by the barrage of relatively unhelpful press comment, concerns over the level of oil prices and the impact that this may have on the economy. Our considered view is that we should have a reasonably good market this autumn but market conditions thereafter may prove to be more difficult.

8. Valuations

Having given the matter our careful consideration we are of the opinion that:

- 8.1 The MV as at 4 October 2004 in its existing state subject to the protected tenancies and an election to opt to VAT is

Walcot Hall with 50 acres	£1,100,000
	(One million, one hundred thousand pounds)
Residential Properties (including stable yard flats and cottages)	£1,100,000
	(One million, one hundred thousand pounds)
Land (including parkland, farmland, farm and estate buildings, woodland and lakes)	£550,000
	(Five hundred and fifty thousand pounds)
Powis Arms Public House	£350,000
	(Three hundred and fifty thousand pounds)

9. Consent

- 9.1 We consent to the inclusion in the circular to El Oro Stockholders of this report and accept responsibility for this report for the purposes of Schedule 8 of the Listing Rules.
- 9.2 Neither the whole nor any part of this valuation report nor any reference thereto may be included in any other published document, circular or statement, nor published in any way without our written approval of the form and context in which it is to appear.

Yours faithfully



Clive Beer MRICS

Director

For and on behalf of FPD Savills

Schedule 1

Walcot Hall and Estate

The estate extends in total to approximately 548.3 acres and broadly includes:

(a) Residential Property

<i>Property</i>	<i>Description, Age and Tenure</i>	<i>Terms of Existing Tenancies</i>	<i>Net Annual Rents</i>
Walcot Hall	6 principal reception rooms, 11 bedrooms and 9 bathrooms, plus 3 self-contained flats (as below). Current main building built in 1763 with later additions.	Likely protected tenancies in favour of The Hon. Mrs. E.C. Parish and Mrs. Suzanne Kumaramangalam. No tenancy agreements in place so we have assumed standard terms as prescribed by the Rent Act 1977 and Housing Acts 1988 and 1996 apply. An Assured Shorthold Tenancy in favour of Robin Parish Esq. No tenancy agreements in place so standard terms prescribed by Housing Acts apply.	£12,950 £2,000
Ballroom	Late 18th-Century, Georgian ballroom, with main ballroom, anteroom and modern kitchen	Vacant Possession	N/A
Stable Yard Flats (built approximately 1763)	Flat One	Assured Shorthold Tenancy ("AST") commencing 8 June 2001, for a term of 6 months together with statutory extension. Standard AST agreement: Tenant responsible for all rates (with the exception of water which is recharged via the rent), charges rates and all other outgoings. Tenant responsible for interior fixtures and fittings, decoration and appliances for water electricity and gas, and to keep in good tenable repair and condition. Tenant to keep gutters clear and service septic tank installations. Tenant to decorate internally in last three months of tenancy if total term exceeds three years, or on termination to pay the landlord the cost of decoration to 1/5 of annual rent. Prohibition against subletting and assignment, and alterations and additions without landlords consent. Use restricted to private dwelling. Landlord responsible for repairs as prescribed by Schedule 11 of the Landlord and Tenant Act 1985. Landlord responsible for building insurance. Landlord and tenant to serve a minimum of two months' notice to terminate the agreement to expire on a term date, after the initial 6 month term. Deposit taken. Rent review clause allows for the rent to be reviewed annually in line with the commencement date to open market value.	£4,068
	Flat Two	Assured Shorthold Tenancy commencing 7 October 2004 for a six month term together with any statutory extension. Other clauses in line with standard AST agreement as detailed at Flat One.	£4,320
	Flat Three	Assured Shorthold Tenancy commencing 19 January 2001 for a six month term with any statutory extension. Other clauses in line with standard AST agreement as detailed at Flat One.	£4,068

<i>Property</i>	<i>Description, Age and Tenure</i>	<i>Terms of Existing Tenancies</i>	<i>Net Annual Rents</i>
	Flat Four	Protected tenancy commencing 23 December 1974. Tenant responsible for serving of all apparatus and appliances, decoration, sanitary and water systems, glass and all fixtures and fittings. Tenant to keep premises both external and internally (but not the main walls roof timber or outside structure) in good tenantable repair. Prohibition on assignment or subletting. Property to be used only as a private residence.	£2,256
	Flat Five	Assured Shorthold Tenancy commencing 22 May 1998 for a six month term together with any statutory extension. Rent reviewed February 2002. Other clauses in line with standard AST agreement as detailed at Flat One.	£3,924
	Flat Six	Holiday Let	Holiday Let
	Flat Seven	Holiday Let	Holiday Let
	Flat Eight	Assured Shorthold Tenancy commencing 1 September 1993 for a six month term together with any statutory extension. Other clauses in line with standard AST agreement as detailed at Flat One.	£2,800
	Flat Nine	Protected Tenancy. Rent last reviewed 1 August 2001. Tenant responsible for both external (with the exception of the main walls roof timber or outside structure) and internal repairs, including decoration, glass, appliances and their servicing, and sanitary/water apparatus.	£2,200
	Flat Ten	Assured Shorthold Tenancy commencing 1 December 1996 for a six month term together with any statutory extension. Other clauses in line with standard AST agreement as detailed at Flat One.	£2,664
	Flat Eleven	Holiday Let	Holiday Let
	Flat Twelve	Protected tenancy. Tenant responsible for serving of all apparatus and appliances, decoration, sanitary and water systems, glass and all fixtures and fittings. Tenant to keep premises both external and internally (but not the main walls roof timber or outside structure) in good tenantable repair. Prohibition on assignment or subletting. Property to be used only as a private residence. Landlord responsible for structural items of repair.	£2,244
	Flat Fourteen	Assured Shorthold Tenancy commencing 15 December 2001 for a six month term together with any statutory extension. Other clauses in line with standard AST agreement as detailed at Flat One.	£5,216
Garden House	3-bedroomed cottage	Assured Shorthold Tenancy commencing 1 June 1994. Standard document as per flat one.	£4,908
Gazebo	Hexagonal folly type building with single bedroom, kitchen and bathroom	Assured Shorthold Tenancy commencing 22 August 2003 for a six month term together with any statutory extension. Other clauses in line with standard AST agreement as detailed at Flat One.	£4,920

<i>Property</i>	<i>Description, Age and Tenure</i>	<i>Terms of Existing Tenancies</i>	<i>Net Annual Rents</i>
Springhead	Small cottage	Assured Shorthold tenancy commencing 11 September 2000 for a six month term together with any statutory extension. Other clauses in line with standard AST agreement as detailed at Flat One.	£4,416
The Clock Tower	Flat 1 comprising 1 bedroom, sitting room and kitchen	Assured Shorthold tenancy commencing 9 June 1995 for a six month term together with any statutory extension. Other clauses in line with standard AST agreement as detailed at Flat One.	£3,504
	Flat 2 Small Flat recently renovated	Holiday Let (ARCOT)	Holiday Let
	Flat 3 1 bedroom, sitting room and kitchen	Assured Shorthold Tenancy commencing 19 July 2002 for a six month term together with any statutory extension. Other clauses in line with standard AST agreement as detailed at Flat One.	£4,188
Garden Cottage	Cottage	Assured Shorthold Tenancy commencing 19 October 2000 for a six month term together with any statutory extension. Other clauses in line with standard AST agreement as detailed at Flat One.	£4,908
Bell Tower	Flat 1	Assured Shorthold tenancy for a six month term together with any statutory extension. Other clauses in line with standard AST agreement as detailed at Flat One.	£1,236
	Flat 2	Assured Shorthold tenancy for a six month term together with any statutory extension. Other clauses in line with standard AST agreement as detailed at Flat One.	£3,108
Total income from residential short term lets			£79,898

(b) Holiday Accommodation

Accommodation converted into holiday flats within the main building of Walcot Hall:

<i>Property</i>	<i>Description, Age and Tenure</i>	<i>Terms of Existing Tenancies</i>	<i>Net Annual Rents</i>
Second Floor	(1) Montfort	Two Bedrooms, Kitchen/sitting room, bathroom.	Holiday Let
	(2) Arni	Two Bedrooms, Kitchen/sitting room, bathroom, separate shower.	Holiday Let
	(3) Styche	Living room, Galley kitchen/dining room, two bedrooms bathroom.	Holiday Let
	Three independent bedrooms		Holiday Let
West Wing	Berkeley	3 bedrooms, sitting room, bathroom and shower room, kitchen/dining room.	Holiday Let

For the purposes of this valuation the flats and cottages let under assured shorthold tenancies, vacant possession can be achieved by terminating the agreements on the service of notice by the landlord in a minimum 2 months. In the properties occupied under protected tenancies, the tenant benefits from statutory protection and vacant possession cannot be achieved within a short timescale.

(c) Walled Garden and other garden areas surrounding the main house

(d) Agricultural Buildings and Coach House

All buildings available with vacant possession.

(e) Pasture Land

As detailed below:

<i>Pasture Land</i>	<i>Area</i>	<i>Terms of Occupation</i>	<i>Licence Fee</i>
Powis	3.664 ha (9.05 ac)	Sale of grass keep from 20 April 2004 to 25 December 2004. For grazing of Cattle and Sheep only. Licensor reserves sporting rights, use of buildings and occupation and is responsible for all rates taxes tithes and outgoing. Break clause at 31 October. We understand that this has not been exercised. Licensee responsible for stock proof fencing. Prohibition on subletting or re-selling of grass keep.	£600
Cricket	3.44 ha (8.5 ac)	In hand	In hand
The Moors (pt)	8.754 ha (21.63 ac)	Sale of grass keep from 20 April 2004 to 30 November 2004. For grazing of Cattle and Sheep only. Licensor reserves sporting rights, use of buildings and occupation and is responsible for all rates taxes tithes and outgoing. Break clause at 31 October. We understand that this has not been exercised. Licensee responsible for stock proof fencing. Prohibition on subletting or re-selling of grass keep.	£780
The Park	6.39 ha (15.79 ac)	Sale of grass keep from 20 April 2004 to 25 December 2004. For grazing of Cattle and Sheep only. Licensor reserves sporting rights, use of buildings and occupation and is responsible for all rates taxes tithes and outgoing. Break clause at 31 October. We understand that this has not been exercised. Licensee responsible for stock proof fencing. Prohibition on subletting or re-selling of grass keep.	£1,300
Middle Lake	6.730 ha (16.63 ac)	Sale of grass keep from 20 April 2004 to 25 December 2004. For grazing of Cattle and Sheep only. Licensor reserves sporting rights, use of buildings and occupation and is responsible for all rates taxes tithes and outgoing. Break clause at 31 October. We understand that this has not been exercised. Licensee responsible for stock proof fencing. Prohibition on subletting or re-selling of grass keep.	£800
The Deprons	3.44 ha (8.5 ac)	In hand	In hand
Bronte	3.03 ha (7.5 ac)	Let via oral agreement for seasonal term. No written documentation in place. Vacant possession achievable at end of term. Rent reviews by negotiation.	£1,267.50
Green Lane	4.45 ha (11 ac)		
Brickyard	12.2 ha (30.15 ac)	Sale of grass keep from 20 April 2004 to 25 December 2004. For grazing of Cattle and Sheep only. Licensor reserves sporting rights, use of buildings and occupation and is responsible for all rates taxes tithes and outgoing. Break clause at 31 October. We understand that this has not been exercised. Licensee responsible for stock proof fencing. Prohibition on subletting or re-selling of grass keep.	£1,120
Lower Gardens	15.26 ha (37.71 ac)	Let via oral agreement for seasonal term. No written documentation in place. Vacant possession achievable at end of term. Rent reviews by negotiation.	£2,400
Colebatch (A)	2.75 ha (6.79 ac)	Let via oral agreement for seasonal term. No written documentation in place. Vacant possession achievable at end of term. Rent reviews by negotiation.	£750
Colebatch (B)	1.92 ha (4.74 ac)		
Clungunford	5.77 ha (14.25 ac)	Let via oral agreement for seasonal term. No written documentation in place. Vacant possession achievable at end of term. Rent reviews by negotiation.	£750
Poores	3.74 ha (9.25 ac)	In hand	In hand
Moore's (Lakeside)	5.26 ha (13 ac)	In hand	In hand
Total	86.8 ha (214.49 ac)		£9,767.50

No security of tenure is afforded to the licensees, with the Estate remaining in occupation. We have therefore valued this land assuming full vacant possession is achievable within a maximum of 12 months.

(f) Woodland

Including:

Roundabout Wood	83.6 acres	Managed in-hand
Jeffrey's Wood	6 acres	Managed in-hand
Plassey Wood	187 acres	Forestry Commission (999 year lease)

(g) Lakes

2 lakes together with a boathouse.

East Lake	30.5 acres	Birmingham Angling Club (£35 pa)
West Lake	26 acres	Ludlow Angling Club (£1,750 pa)

The lease of the East Lake is for a term of 999 years, commencing on 1 January 1960 and relates to the fishing rights over 18.133 acres upon a strip of land extending to 5.648 acres or thereabouts, together with the respective pedestrian and vehicular rights of access. All repairing obligations are placed upon the lessee. The lessor has reserved certain recreational rights.

We have not had sight of the lease relating to the West Lake and caveat our report accordingly. We understand however that the fishing rights are let on an annual basis to Ludlow Angling club, under a common law agreement, and for the purpose of this valuation are assuming that the lessee does not benefit from security of tenure, and vacant possession could be achieved following the necessary notice period.

(h) Powis Arms Public House

<i>Property</i>	<i>Description, Age and Tenure</i>	<i>Terms of Existing Tenancies</i>	<i>Net Annual Rents</i>
Powis Arms Public House	This property dates back to the 18th century, but was largely rebuilt in mid-19th century. Grade II listed	Let on a 5 year term under the Landlord and Tenant Act 1954 commencing on 18 September 2000. Tenant responsible for keeping in good and substantial repair and condition all internal parts including wall ceiling and floor finishes plus all fixtures and fittings. Tenant responsible for gutters, downpipes, access ways parking and service areas (in present condition), interior and exterior decoration (at least every three years). Use is as a business within Class A3 of Schedule to Town and Country Planning (Use Classes Order) 1987. Prohibition against subletting or assignment of part (other than the business of bed and breakfast accommodation). Prohibition of assigning the whole without consent. No alterations or additions without consent. Rent review to market rent every three years falling on term dates.	£16,900 pa

(i) Other miscellaneous properties (i.e. the Coach House, Potting Shed and Icehouse)

All have full vacant possession as at the date of the valuation, and are dated pre 1900.

PART 8

ADDITIONAL INFORMATION

1. Responsibility

The El Oro Directors, whose names are set out in paragraph 2.1 below, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the directors of El Oro (who have taken all reasonable care to ensure that such is the case), the information contained in this document for which they are responsible is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. Directors and registered office

2.1 The El Oro Directors and their respective functions are as follows:

Clement Robin Woodbine Parish	Chairman and Managing Director
The Hon. Mrs. Elizabeth Campbell Parish	Executive Director
Emma Woodbine Houston	Non-Executive Director
David Richard Lindsay Hunting	Non-Executive Director
Robert Elmer Wade	Non-Executive Director
James Anthony Wild	Non-Executive Director

2.2 The business address of each of the El Oro Directors is El Oro's head office referred to in paragraph 2.3 below.

2.3 The principal and registered office of El Oro is at 41 Cheval Place, London SW7 1EW.

3. Related Party Transaction Information

3.1 *Perceval*

3.1.1 The registered office of Perceval Limited is situate at Walcot Hall, Lydbury North, Shropshire SY7 8AZ.

3.1.2 Robin Parish is the sole shareholder of Perceval (950 issued ordinary shares of £1).

3.1.3 Perceval has no material contracts.

3.1.4 The aggregate value of the consideration for the Disposal is £3,225,000.00.

3.1.5 The emoluments of the Perceval directors will not be varied as a result of the Scheme or any associated transaction.

3.1.6 Perceval has not traded since its incorporation on 28 September 2004.

3.1.7 Perceval will acquire Danby pursuant to the Scheme.

3.2 *Robin Parish*

3.2.1 Robin Parish is the sole shareholder of Perceval.

3.2.2 Robin Parish does not have a service contract with the Company.

3.3 *Lucinda Parish*

3.3.1 Lucinda Parish (Robin Parish's wife) and Robin Parish are the two directors of Perceval. Lucinda Parish is also the company secretary of Perceval.

3.4 *The Hon. Mrs. E. C. Parish*

3.4.1 The Hon. Mrs. E. C. Parish is the mother of Robin Parish.

3.4.2 The Hon. Mrs. E. C. Parish does not have a service contract with the Company.

4. Stockholders

4.1 *Interests in El Oro Stock Units*

- 4.1.1 At the close of business on 4 November 2004 (being the latest practicable date prior to the publication of this document), the interests of Robin Parish, his Immediate Family and related trusts in relevant securities of El Oro (which have been notified pursuant to Sections 324 and 328 of the Acts) as shown in the register of such interests required to be maintained under the provisions of Section 325 of the Act, or are interests of a connected person which would if the connected person were an El Oro Director, be required for disclosure above and the existence of which is known to or could with reasonable diligence be ascertained by Robin Parish, all of which are beneficial (unless otherwise stated), were as follows:

<i>Director</i>	<i>Number of El Oro Stock Units</i>		<i>Percentage of issued El Oro Stock Units</i>	
	<i>Before Effective Date</i>	<i>After Effective Date</i>	<i>Before Effective Date</i>	<i>After Effective Date</i>
Robin Parish	1,682,481	844,819	14.10	7.72
The Hon. Mrs. E. C. Parish	362,851	362,851	3.04	3.32

- 4.1.2 As at close of business on 4 November 2004 (being the latest practicable date prior to the publication of this document) Danby owned 154,535 El Oro Stock Units.

- 4.1.3 El Oro agreed to purchase 92,350 El Oro Stock Units from Jove Investment Trust plc ("Jove") on 22 October 2004 at the price of 385p per El Oro Stock Unit with a view to cancelling them. The anticipated settlement date for that transaction is 22 November 2004. In addition, Robin Parish, members of his Immediate Family and Robert Wade agreed to purchase in aggregate 147,650 El Oro Stock Units from Jove.

- 4.1.4 Major interests in the El Oro Stock Units of the Company include the following:

As at the close of business on 4 November 2004 (being the latest practicable date prior to the publication of this document) so far as the El Oro Directors are aware, the persons listed below (other than directors of El Oro or El Oro itself by virtue of it holding treasury shares) were interested, directly or indirectly, in three per cent. or more of the capital of El Oro (calculated exclusive of treasury shares):

	<i>Number of El Oro Stock Units</i>		<i>Percentage of issued El Oro Stock Units</i>	
	<i>Before Effective Date</i>	<i>After Effective Date</i>	<i>Before Effective Date</i>	<i>After Effective Date</i>
Mr. W. B. & Mrs. P. Fraser	1,831,994	1,831,994	15.35	16.74
J. M. Finn Nominees Limited	1,821,290	1,821,290	15.35	16.65
Mr. G. & Mrs. C. W. Zegos	1,185,770	1,185,770	9.94	10.84
Mr. S. B. & Mrs. S.W. Kumaramangalam	1,592,879	1,592,879	13.35	14.56

4.2 *Interests in Perceval shares*

At the close of business on 4 November 2004 (being the latest practicable date prior to the publication of this document), the interests of Robin Parish, a director of Perceval (who is also a director of El Oro), his Immediate Family and related trusts in relevant securities of Perceval (which have been notified pursuant to Section 324 and 328 of the Act), as shown in the register of such interests required to be maintained under the provisions of Section 325 of the Act, all of which are beneficial, were as follows:

	<i>Number of shares</i>
Robin Parish	950

- 4.3 Save as set out in paragraphs 5, 7.3 and 7.4 below, no El Oro Director has or has had any interest in any transactions which are or were unusual in their nature or conditions or are or were significant to the business of the El Oro Group in the current or immediately preceding financial year or which were effected during an earlier financial year and which remain in any respect outstanding or underperformed.

5. Material Contracts

- 5.1 Save as disclosed below and other than contracts in the ordinary course of business, no member of the El Oro Group has (a) in the two years preceding the date of this document, entered into any contract which is or may be material to the El Oro Group or (b) entered into any contract containing provisions under which any member of the El Oro Group has any obligation or entitlement which is material to the El Oro Group as at the date of this document.
- 5.2 The Company entered into the Relationship Agreement dated 1 July 2003 with Robin Parish, Emma Woodbine Houston, The Hon. Mrs. E.C. Parish, Suzanne Kumaramangalam and Caroline Zegos (the "Controlling Shareholders") whereby the Controlling Shareholders agreed to undertake not to use the rights attached to their El Oro Stock Units, in a way that would prohibit the Company carrying on its business independently of them and to ensure that the relationship between the Controlling Shareholders (and their respective associates) and the Company is at all times at arm's length and on a normal commercial basis.

Each of the Controlling Shareholders gives certain confirmations and undertakings in El Oro in order to ensure that the Company will operate independently of them, namely that:

- 5.2.1 all transactions or relationships entered into between the Company and the Controlling Shareholders or any of them or their respective associates be entered at arm's length and on, a normal commercial basis;
- 5.2.2 no activity be undertaken by them in conflict with those of the Company which may render the Company unsuitable for continued listing on the Official List;
- 5.2.3 all such steps be taken as may be necessary to ensure that the Company is at all times able to carry on its business independently, where an actual or potential conflict of interest exists between any Controlling Shareholder or his/her associates and the Company;
- 5.2.4 the Controlling Shareholders and all associates exercise all powers and rights available to them from time to time so as to ensure the continued independence of the Board, that the terms of the Relationship Agreement are implemented in full and the Company's obligations in that regard performed and complied with (along with its articles of association) and that no variations to the articles of association of the Company are made which would be contrary to the terms of the Relationship Agreement;
- 5.2.5 not use any power or right to control the operations or decisions or policy of the Board on any matter or in any way and in particular that no rights be exercised in order to appoint or remove persons as directors of the Company, other than in accordance with a resolution or recommendation of a majority of the Independent Directors or to modify the Company's articles of association in that regard; and
- 5.2.6 no voting rights be exercised or counted in any quorum at any general meeting of the Company or and that no director of the Company representing the Controlling Shareholders or any of them or any of his/her associates or his/her alternate votes or is counted in any quorum in relation to any actual or proposed transaction between the Company and the Controlling Shareholders or any of them; or any matter in which any of the Controlling Shareholders is interested; or any decision by the Company concerning the enforcement of his/her rights under, and the operation of, the Relationship Agreement.

The agreement terminates either upon the El Oro Stock Units ceasing to be listed on the Official List or the Controlling Shareholders and their respective associates (or any of them) ceasing to have control of the Company.

- 5.3 The Company entered into an intra group assets acquisition agreement dated 17 March 2004 with El Oro Mining & Exploration Company plc (company number 424098) (now re-registered as a private limited company) whereby the assets and liabilities of El Oro Mining & Exploration Company plc were hived up to the Company in order to simplify the El Oro Group structure. Such assets included, *inter alia*, El Oro Mining & Exploration Company plc's holding in Danby in consideration of £10,083.33 and in I&M in consideration of £1,830.42. Such consideration was left outstanding as an inter company debt. Cash, trade debtors and trade creditors were excluded from the intra group assets acquisition agreement.

- 5.4 The Company entered into Heads of Terms with Robin Parish (on behalf of himself and as trustee for Perceval) whereby the Company agreed with Robin Parish to the indirect disposal of Danby to Perceval in consideration of the reduction of the RP Stock Units (as redesignated). The main provisions of the Heads of Terms are reflected in the SPA, which is summarised in paragraph 5.5 below.
- 5.5 The Company entered into the SPA on 5 November 2004 with Brickleaf pursuant to which Brickleaf acquired the entire issued share capital of Danby, in consideration for the issue of shares in Brickleaf to the Company. Pursuant to the SPA, El Oro agrees to indemnify Brickleaf in respect of any liability incurred by El Oro arising out of or connected with the past ownership or disposal of Cheval Place by the Company and in respect of any other contingent liabilities (excluding any such liability to tax of the Company relating to the period up to and including the Effective Date or crystallised as a result of the Scheme). The indemnities do not, however, cover (a) liabilities (tax or otherwise) (i) associated with ownership of Walcot or (ii) resulting from or connected with or arising out of the occupation of the property by Robin Parish or members of his extended family; (b) trading liabilities incurred in the ordinary course of business; (c) tax liabilities resulting from or connected with or arising out of the past actions of Robin Parish which were voluntarily undertaken by him and which he actually knew or suspected might give rise to a tax liability; (d) tax liabilities arising as a result of the disposal of certain assets (other than Cheval Place) by Danby to Robin Parish or any pension fund of Robin Parish prior to the execution of this agreement; or (e) any matter to the extent covered by (and reimbursed out of the proceeds of) insurance effected by Danby prior to the Effective Date; and (f) other matters set out in the associated deed of tax covenant. The agreement limits the liability of El Oro in connection with the deed of tax covenant and the indemnities under the SPA to 50 per cent. of the first £100,000 of valid indemnity claims. Once valid claims exceed £100,000, El Oro is liable for 100 per cent. of the amount of such excess up to a total aggregate liability of £1,000,000 (save for any claims arising out of or connected with the previous ownership by Danby of Cheval Place or its sale by Danby to El Oro which shall be unlimited in amount). The SPA is not conditional upon the Scheme becoming effective.
- 5.6 On 5 November 2004 Robin Parish entered into the Deed of Warranty for the benefit of the Company pursuant to which Robin Parish warrants that, as at that date, he is not aware of any items of fine art or antiques located at Walcot and belonging to Danby in respect of which there is an erroneous attribution and that he knows or believes to be of value significantly in excess of that reflected in the audited accounts of Danby for the year ended 31 December 2003 or taken into account by the Independent Directors in reaching agreement on the value of Danby for the purposes of the Disposal.

6. Brickleaf

Brickleaf was incorporated on 28 September 2004. Its registered office is 41 Cheval Place London SW7 1EW. El Oro is the sole shareholder of Brickleaf. The directors of Brickleaf are Robin Parish, Robert Wade, Anthony Wild and David Hunting. The secretary is Christopher Burman. Brickleaf has not traded since its incorporation.

7. Other information

- 7.1 Save as disclosed in this document, no agreement, arrangement or undertaking (including any compensation arrangement) exists between El Oro or any person acting in concert with El Oro and any of the El Oro Directors or recent directors, El Oro Stockholders or recent El Oro Stockholders having any connection with or dependence on the Scheme.
- 7.2 The expenses of or incidental to the Scheme will be paid by El Oro save that Robin Parish has agreed under the Heads of Terms to contribute to the costs of the Scheme in the event that professional costs exceed a certain threshold.
- 7.3 The following quoted investments of Danby (a subsidiary undertaking of El Oro for the purposes of Rule 11.10(h) of the Listing Rules) were sold by Danby to a pension fund of Robin Parish at market value on 27 September 2004:
- convertible bonds in British Airways plc (£173);
 - shares in Bertam Holdings plc (£23,344); and
 - preference shares in Fishguard & Rosslare Railways and Harbours Company (£4,432)
- for the aggregate price of £27,949.

- 7.4 Certain other stocks held by Danby in unlisted entities were purchased directly by Robin Parish on 19 October 2004 at market value for the aggregate price of £1,283. The market value was derived from an open offer price per share from the De Beers Group.
- 7.5 There has been no significant change in the financial or trading position of the El Oro Group since 30 June 2004 (the date to which the latest unaudited interim accounts have been drawn up).
- 7.6 There has been no significant change to the valuation of Walcot from 4 October 2004, the effective date of the valuation.
- 7.7 BDO Stoy Hayward Corporate Finance is a division of BDO Stoy Hayward LLP. BDO Stoy Hayward LLP has given and has not withdrawn its written consent to the issue of this document with the inclusion of the letters set out at Part 3 and Part 4 of this document and the references to such letters and to its name and to the name BDO Stoy Hayward Corporate Finance in the form and context in which they appear.
- 7.8 FPD Savills has given and has not withdrawn its written consent to the issue of this document with the inclusion of the valuation set out at Part 7 of this document and the references to such valuation and to the name of FPD Savills in the form and context in which they appear.
- 7.9 On 29 June 2004, I&M acquired 7,000 El Oro Stock Units in an inadvertent breach of Section 23 of the Act, but it will not be voting those or any El Oro Stock Units in any event in connection with the Scheme as it is prohibited under Section 23 of the Act from voting any El Oro Stock Units in view of the fact that it is a subsidiary of the Company. The consequence of the breach is that the transaction is voidable. However, pending resolution of the ownership of the said 7,000 El Oro Stock Units (which were bought by I&M in the market), for the purposes of calculating percentage figures set out in this witness statement, the scheme document and all other associated documentation, those 7,000 El Oro Stock Units are treated as owned by I&M. The Independent Directors consider that this is a fair approach in view of I&M's inability to vote the said or any Stock Units and that the number of El Oro Stock Units involved is immaterial in the context of the number of the Company's issued El Oro Stock Units, namely 11,933,248.

8. Documents available for inspection

Copies of the following documents will be available for inspection during normal business hours on any weekday (public holidays excepted) at 41 Cheval Place, London SW7 1EW from the date of publication of this document until the Effective Date:

- 8.1 the memorandum and articles of association of El Oro and Perceval;
- 8.2 the written consents referred to in paragraphs 7.7 and 7.8 above;
- 8.3 this document and the accompanying BLUE and WHITE Forms of Proxy;
- 8.4 the material contracts referred to in paragraph 5 above; and
- 8.5 the valuation report of Walcot Hall and Estate by FPD Savills.

5 November 2004

PART 9

NOTICE OF COURT MEETING FOR COURT MEETING STOCKHOLDERS

**IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT**

No. 6535 of 2004

IN THE MATTER OF EL ORO AND EXPLORATION COMPANY P.L.C.

and

IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN THAT, by order dated 29 October 2004, made in the above matters, the High Court of Justice of England and Wales (the "Court") has directed a meeting to be convened of the Court Meeting Stockholders (as defined in the Scheme of Arrangement referred to below) for the purpose of considering and, if thought fit, approving a scheme of arrangement proposed to be made between the above named El Oro and Exploration Company p.l.c. (the "Company") and the holders of the El Oro Stock Units (as defined in the Scheme of Arrangement referred to below) in its original form or with or subject to any modification approved or imposed by the Court (the "Scheme of Arrangement") and that such meeting will be held at The Cavalry and Guards Club, 127 Piccadilly, London W1J 7PX at 11.00 a.m. on 29 November 2004 at which place and time all Court Meeting Stockholders are requested to attend.

A copy of the said Scheme of Arrangement and a copy of the statement required to be furnished pursuant to Section 426 of the Companies Act 1985 are incorporated in the document of which this notice forms part.

Holders of El Oro Stock Units who are Court Meeting Stockholders (as defined in the Scheme of Arrangement) entitled to attend and vote at the meeting may vote in person at the meeting or they may appoint another person as their proxy to attend and vote in their stead. A proxy need not be a member of the Company. A BLUE form of proxy for use at the meeting is enclosed with this notice. Completion and return of a BLUE form of proxy will not prevent a Court Meeting Stockholder from attending and voting at the Court Meeting (as defined in the Scheme of Arrangement), or any adjournment thereof, in person if he wishes to do so.

In the case of joint holders of El Oro Stock Units, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s) and for this purpose seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

It is requested that the BLUE forms of proxy be lodged with Lloyds TSB Registrars, The Causeway, Worthing, West Sussex BN99 6ZL not less than 48 hours before the time appointed for the meeting but if forms are not so lodged they may be handed to the chairman at the meeting.

Entitlement to vote at the meeting or any adjournment thereof, and the number of votes which may be cast thereat, will be determined by reference to the register of members (other than members ineligible to vote) of the Company at 6.00 p.m. on 27 November 2004 or, if the meeting is adjourned, 48 hours before the time fixed for such adjourned meeting.

By the said order, the Court has appointed Anthony Wild or, failing him, David Hunting, or failing him Robert Wade to act as chairman of the meeting and has directed the chairman to report the result of the meeting to the Court.

The said Scheme of Arrangement will be subject to the subsequent sanction of the Court.

Dated 5 November 2004

McDermott Will & Emery
7 Bishopsgate
London EC2N 3AR
Solicitors to the Company

PART 10

El Oro and Exploration Company p.l.c.

(Registered in England and Wales No. 80408)

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is hereby given that an Extraordinary General Meeting of El Oro and Exploration Company p.l.c. (the "Company") will be held at The Cavalry and Guards Club, 127 Piccadilly, London W1J 7PX at 11.05 a.m. on 29 November 2004 (or, if later, immediately following the conclusion or adjournment of the meeting of the Court Meeting Stockholders (as defined in the Scheme of Arrangement referred to below) convened for 11.00 a.m. on the same day, and at the same place, by an order of the High Court of Justice in England and Wales) (the "Court") for the purpose of considering and, if thought fit, passing the following resolutions, of which resolutions 1 to 3 shall be passed as ordinary resolutions and resolution 4 as a special resolution:

Ordinary Resolutions

1. that the transfer to Perceval Limited (of which Robin Parish is the sole shareholder and a director) of the entire shareholding of Danby Registrars Limited pursuant to the Scheme of Arrangement, being a substantial property transaction involving a director under Section 320 of the Companies Act 1985, be and is hereby approved;
2. that the transfer to an associate (as defined in the Listing Rules) of Robin Parish of the entire shareholding of Danby Registrars Limited pursuant to the Scheme of Arrangement, be and is hereby approved;
3. that the transfer to Perceval Limited, a company wholly owned by an associate (as defined in the Listing Rules) of The Hon. Mrs. E. C. Parish, of the entire shareholding of Danby Registrars Limited pursuant to the Scheme of Arrangement, be and is hereby approved.

Special Resolution

4. that the Scheme of Arrangement dated 5 November 2004 between the Company and the holders of its El Oro Stock Units (as defined in the said Scheme of Arrangement, the terms of which are set forth in the circular to the Company's stockholders dated 5 November 2004) in its original form or with or subject to any modification, addition or condition approved or imposed by the Court, be approved and the directors of the Company be authorised to take all such action as they consider necessary or appropriate for carrying the Scheme of Arrangement into effect and for the purpose of giving effect to the Scheme of Arrangement:
 - (a) the RP Stock Units (as defined in the said Scheme of Arrangement) shall be redesignated as "B" Shares, which shall rank in all respects *pari passu* with the El Oro Stock Units save that they shall not be admitted to Listing on the Official List of the UK Listing Authority or to trading on the London Stock Exchange;
 - (b) the share capital of the Company be reduced by cancelling and extinguishing all the "B" Shares (as defined in the Scheme of Arrangement); and
 - (c) the share capital of the Company be reduced by cancelling and extinguishing all the Danby Stock Units (as defined in the Scheme of Arrangement).

Registered office:
41 Cheval Place
London
SW7 1EW

By order of the Board
Christopher Burman
Secretary

5 November 2004

PART 10

El Oro and Exploration Company p.l.c.

(Registered in England and Wales No. 80408)

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is hereby given that an Extraordinary General Meeting of El Oro and Exploration Company p.l.c. (the "Company") will be held at The Cavalry and Guards Club, 127 Piccadilly, London W1J 7PX at 11.05 a.m. on 29 November 2004 (or, if later, immediately following the conclusion or adjournment of the meeting of the Court Meeting Stockholders (as defined in the Scheme of Arrangement referred to below) convened for 11.00 a.m. on the same day, and at the same place, by an order of the High Court of Justice in England and Wales) (the "Court") for the purpose of considering and, if thought fit, passing the following resolutions, of which resolutions 1 to 3 shall be passed as ordinary resolutions and resolution 4 as a special resolution:

Ordinary Resolutions

1. that the transfer to Perceval Limited (of which Robin Parish is the sole shareholder and a director) of the entire shareholding of Danby Registrars Limited pursuant to the Scheme of Arrangement, being a substantial property transaction involving a director under Section 320 of the Companies Act 1985, be and is hereby approved;
2. that the transfer to an associate (as defined in the Listing Rules) of Robin Parish of the entire shareholding of Danby Registrars Limited pursuant to the Scheme of Arrangement, be and is hereby approved;
3. that the transfer to Perceval Limited, a company wholly owned by an associate (as defined in the Listing Rules) of The Hon. Mrs. E. C. Parish, of the entire shareholding of Danby Registrars Limited pursuant to the Scheme of Arrangement, be and is hereby approved.

Special Resolution

4. that the Scheme of Arrangement dated 5 November 2004 between the Company and the holders of its El Oro Stock Units (as defined in the said Scheme of Arrangement, the terms of which are set forth in the circular to the Company's stockholders dated 5 November 2004) in its original form or with or subject to any modification, addition or condition approved or imposed by the Court, be approved and the directors of the Company be authorised to take all such action as they consider necessary or appropriate for carrying the Scheme of Arrangement into effect and for the purpose of giving effect to the Scheme of Arrangement:
 - (a) the RP Stock Units (as defined in the said Scheme of Arrangement) shall be redesignated as "B" Shares, which shall rank in all respects *pari passu* with the El Oro Stock Units save that they shall not be admitted to Listing on the Official List of the UK Listing Authority or to trading on the London Stock Exchange;
 - (b) the share capital of the Company be reduced by cancelling and extinguishing all the "B" Shares (as defined in the Scheme of Arrangement); and
 - (c) the share capital of the Company be reduced by cancelling and extinguishing all the Danby Stock Units (as defined in the Scheme of Arrangement).

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Christopher Burman
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5 November 2004