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If you have sold or otherwise transferred all of your Exploration 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 Exploration Stock Units, please retain these documents and consult the stockbroker, bank or other agent through whom the sale or transfer was effected. **This document together with the accompanying documents should not be distributed, forwarded or transmitted in, or into, the United States, Canada, Australia or Japan.**

Applications have been made to the UK Listing Authority for the New Exploration Stock Units to be admitted to the Official List and to the London Stock Exchange for the New Exploration Stock Units to be admitted to trading. It is expected that Admission will become effective, and that dealings in the New Exploration Stock Units will commence on the London Stock Exchange at 8.00 a.m. on the first dealing day following the day on which the Scheme becomes effective.

No New Exploration Stock Units have been marketed to, nor are available for purchase by, the public in the United Kingdom or elsewhere in connection with the application for the New Exploration Stock Units to be admitted to the Official List.

A copy of this document, which comprises listing particulars relating to Exploration in accordance with the Listing Rules made under Section 74 of the Financial Services and Markets Act 2000, has been delivered to the Registrar of Companies in England and Wales for registration in accordance with Section 83 of that Act.

THE EXPLORATION COMPANY p.l.c.

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

(which is proposing to change its name to El Oro and Exploration Company p.l.c.)

Listing Particulars relating to the issue of up to 6,800,000 New Exploration Stock Units of 5p each in connection with the recommended Merger with El Oro Mining and Exploration Company p.l.c. by means of a scheme of arrangement under Section 425 of the Companies Act 1985

Grant Thornton Corporate Finance, is acting for Exploration as sponsor with respect to matters contained in this document and no-one else and will not be responsible to anyone other than Exploration for providing the protections afforded to customers of Grant Thornton Corporate Finance nor for providing advice in relation to the listing. Grant Thornton Corporate Finance is a division of Grant Thornton, which is authorised and regulated in the United Kingdom by the Financial Services Authority for investment business.

Soditic, which is regulated in the United Kingdom by the Financial Services Authority, is acting for Exploration as financial adviser in connection with the Merger and no-one else and will not be responsible to anyone other than Exploration for providing the protections afforded to customers of Soditic nor for providing advice in relation to the Merger.

The New Exploration Stock Units have not been, and will not be, registered under the US Securities Act of 1933, as amended, or under any relevant securities laws of any state or territory of the United States or the relevant securities laws of Japan. The relevant clearances have not been, and will not be, obtained from the securities commission of any province of Canada and no prospectus has been, or will be, lodged with, or registered by, the Australian Securities Commission. Accordingly, the New Exploration Stock Units are not being, and may not be offered, sold, resold or delivered, directly or indirectly to or for the account or benefit of any US person or in or into the United States, Canada, Australia or Japan (except pursuant to an exemption, if available, from any applicable registration requirements and otherwise in compliance with all applicable laws).

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EXPECTED TIMETABLE OF KEY EVENTS

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

Latest time for lodging YELLOW forms of proxy for the Exploration EGM ⁽¹⁾	11.45 a.m. on 29 July 2003
Exploration AGM	11.30 a.m. on 31 July 2003
Exploration EGM	11.45 a.m. on 31 July 2003 (or, if later, immediately following the conclusion or adjournment of the Exploration AGM)
Court Hearing of petition to sanction the Scheme ⁽²⁾	3 September 2003
Court hearing of petition to sanction the Exploration Capital Reduction ⁽²⁾	3 September 2003
Scheme becomes effective (Effective Date) ⁽²⁾	5 September 2003
Allotment of New Exploration Stock Units ⁽²⁾	5 September 2003
Credit of CREST accounts with New Exploration Stock Units of Scheme Shareholders registered on the register at the Record Time ⁽²⁾	5 September 2003
Commencement of dealings in New Exploration Stock Units on the London Stock Exchange ⁽²⁾	5 September 2003
Despatch of New Exploration Stock Unit certificates ⁽²⁾	18 September 2003

Notes

- 1 The YELLOW forms of proxy enclosed with the Exploration Circular and relating to the Exploration EGM **must** be lodged at least 48 hours before the time appointed for the Exploration EGM.
- 2 These dates are indicative only and are dependent, inter alia, on the dates upon which the Court sanctions the Scheme and the date on which the Scheme becomes effective.

DIRECTORS AND ADVISERS

Directors

Clement Robin Woodbine Parish
The Hon. Mrs. Elizabeth Campbell Parish
Emma Woodbine Houston
David Richard Lindsay Hunting
Robert Elmer Wade
James Anthony Wild

Secretary

Christopher Edward James Burman

Sponsor

Grant Thornton Corporate Finance
Grant Thornton House
Melton Street
Euston Square
London
NW1 2EP

Reporting Accountants

PricewaterhouseCoopers LLP
Southwark Towers
32 London Bridge Street
London
SE1 9SY

Broker

J. M. Finn & Co.
Salisbury House
London Wall
London
EC2M 5TA

Reviewing Accountants

BDO Stoy Hayward
8 Baker Street
London
W1U 3LL

Registered Office

41 Cheval Place
London
SW7 1EW

Financial Adviser

Soditic Limited
Wellington House
125 Strand
London WC2R 0AP

Legal Adviser

McDermott, Will & Emery
7 Bishopsgate
London
EC2N 3AR

Registrars

Lloyds TSB Registrars
The Causeway
Worthing
West Sussex
BN99 6DA

Bankers

HSBC plc
Poultry & Princes Street
PO Box 648
27-32 Poultry
London
EC2P 2BX

PART 1

THE PROPOSED MERGER

1. Introduction

On 4 July 2003 it was announced that the boards of El Oro and Exploration had reached agreement on the terms of a recommended merger of the two companies to be implemented by way of a scheme of arrangement.

2. The Merger and Exploration Capital Reduction Proposals

It is proposed that the Merger will be effected by means of a scheme of arrangement between El Oro and its shareholders under Section 425 of the Act. The Merger is conditional upon, inter alia, El Oro Shareholders approving the Scheme at separate class meetings of El Oro Shareholders convened by an order of the Court and El Oro Shareholders approving the Scheme at the El Oro EGM and upon the sanction of the Scheme by the Court itself. The Scheme is expected to become effective on 5 September 2003.

Due to the relative sizes of Exploration and El Oro, the Merger constitutes a "Class 1" transaction for the purposes of the Listing Rules and therefore requires the approval of the Exploration Stockholders under the Listing Rules. Furthermore, approval of the Exploration Stockholders is required by virtue of the fact that the purchase of the shares in El Oro by Exploration constitutes a substantial property transaction under Section 320 of the Act between Exploration and certain of its directors. The issue of the New Exploration Stock Units pursuant to the Merger to certain directors of Exploration, who are also El Oro Shareholders, will constitute separate related party transactions under the Listing Rules between Exploration and each such director, which will also require the approval of the Exploration Stockholders.

Upon the Scheme becoming effective, Exploration will take steps to cancel the 5,781,624 Exploration Stock Units owned by El Oro (or its nominee) by way of a capital reduction under Section 135 of the Companies Act 1985.

3. Details of the Scheme

It is proposed that, pursuant to the Scheme, all of the existing issued share capital of El Oro not already owned by Exploration (or its nominee) will be cancelled at the Effective Time. From the reserve created by the cancellation of the Scheme Shares, the same number of new shares in El Oro will be issued to Exploration (or its nominee) and as a result El Oro will become a wholly-owned subsidiary of Exploration. Scheme Shareholders will receive New Exploration Stock Units, fully paid, in consideration for the cancellation of their Scheme Shares on the basis set out below.

The Scheme is subject to certain conditions and further terms, including the approval of the terms of the Scheme by the requisite majorities of El Oro Shareholders at each Class Meeting and at the El Oro EGM and the sanction of the Scheme by the Court.

It should be noted that the Court will not be asked to sanction the Scheme until after the relevant conditions have been satisfied or, if permitted, waived. The Scheme will not become effective unless all the conditions of the Scheme have been satisfied or, if permitted, waived by close of business on 31 October 2003, or such later date as El Oro and Exploration may agree and the Court (in relation to the Scheme), and the Panel may approve. The Scheme will only become effective upon delivery to the Registrar of Companies of a copy of the El Oro Court Order and registration of the El Oro Court Order which, subject to the sanction of the Scheme by the Court, is expected to occur on 5 September 2003.

The purpose of the Scheme is to facilitate Exploration becoming the owner of the entire issued share capital of El Oro. This is to be achieved by the following steps:

- (i) the Scheme Shares held by Scheme Shareholders registered on the register of members at the Record Time, will be cancelled and an equal number of new El Oro Shares will be issued to Exploration (or its nominee) credited as fully paid; and
- (ii) in consideration for such cancellation, New Exploration Stock Units will be issued to Scheme Shareholders.

The number of New Exploration Stock Units to be issued to Scheme Shareholders will be determined by calculating a Scheme Exchange Ratio based on the relative Formula Asset Values of Exploration and El Oro as at the Calculation Date (calculated in accordance with the formulae set out in Part 6 of this document). BDO Stoy Hayward will review the relevant directors' calculations and confirm that the El Oro FAV and the Exploration FAV and the Scheme Exchange Ratio are calculated in accordance with the terms of the Scheme. The Scheme Exchange Ratio will then be applied to the number of Scheme Shares held by each Scheme Shareholder to determine the number of New Exploration Stock Units to be issued to each such Scheme Shareholder.

The number of New Exploration Stock Units to which a Scheme Shareholder will become entitled under the Scheme cannot therefore be determined until after the Calculation Date.

For illustrative purposes only, based on an estimated Exploration FAV of £43.4m (359.7p per existing issued Exploration Stock Unit) and El Oro FAV of £40.7m (902.3p per existing issued El Oro Share) as at close of business on 20 June 2003 (being, for these illustrative purposes, the latest practicable date prior to the publication of this document) and assuming that no further El Oro Shares or Exploration Stock Units (other than the New Exploration Stock Units) are issued after 20 June 2003, a Scheme Shareholder would receive:

for each El Oro Share	2.509 New Exploration Stock Units
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and so in proportion for any greater number of El Oro Shares, except that fractions of New Exploration Stock Units will not be issued to Scheme Shareholders.

On the basis of the closing mid-market price of an Exploration Stock Unit as derived from the London Stock Exchange Daily Official List of 245.0p as at 20 June 2003 (as at the close of business on 2 July 2003, the Exploration Stock Unit price was unchanged), each El Oro Share would therefore, on this illustrative basis, be valued at 614.7p. As at 20 June 2003, the closing mid-market price of an El Oro Share as derived from the London Stock Exchange Daily Official List was 612.5p. As at the close of business on 2 July 2003, the El Oro Share price was unchanged at 612.5p. Using the illustrative value of 614.7p per El Oro Share and on the bases and assumptions set out in paragraph 15 of Part 5 of this document, the entire issued share capital of El Oro is valued at £27.7m. Accordingly, under the Scheme and on the bases and assumptions set out in paragraph 15 of Part 5 of this document 5,676,151 New Exploration Stock Units would be issued representing 47.5 per cent of the enlarged issued share capital of Exploration upon the Scheme and the Exploration Capital Reduction becoming effective. Based on the closing mid-market price of an Exploration Stock Unit as at 20 June 2003, the aggregate value of the New Exploration Stock Units is £13.9m.

The New Exploration Stock Units will be issued, credited as fully paid and will rank *pari passu* in all respects with the existing issued Exploration Stock Units as at the Effective Date and shall have the right to receive all dividends, distributions and other entitlements made or paid or declared thereon on or after the Effective Date (save that they will not rank in respect of the final dividend to be paid for the financial year ended 31 December 2002). The New Exploration Stock Units will be created by the conversion of unissued ordinary shares of 5 pence each in the capital of Exploration into Exploration Stock Units in accordance with the articles of association of Exploration pursuant to a resolution to be passed at the Exploration EGM. The rights attached to the New Exploration Stock Units will be the same as those attached to unissued ordinary shares of 5 pence each in the capital of Exploration which are summarised in paragraph 5(b)(i) of Part 5 of this document.

No fractions of a New Exploration Stock Unit will be allocated to Scheme Shareholders. The New Exploration Stock Units representing the aggregate of these fractional entitlements will be sold in the market and the net cash proceeds will be distributed pro rata to Scheme Shareholders entitled thereto, except that individual entitlements of less than £3.00 will be retained for the benefit of the Company.

4. Change of name

Subject to the approval of the Exploration Stockholders at the Exploration EGM, Exploration will change its name to El Oro and Exploration Company p.l.c. on the Merger becoming effective.

5. Reasons for and details of the Exploration Capital Reduction

Upon the Scheme becoming effective, El Oro will become a wholly-owned subsidiary of Exploration. As at the close of business on 2 July 2003 (being the latest practicable date prior to the publication of this document), El Oro (or its nominee) owned beneficially 5,781,624 Exploration Stock Units.

As a consequence of El Oro becoming a wholly-owned subsidiary of Exploration, El Oro (or its nominee) will be prohibited by the Act from exercising its voting rights attached to those Exploration Stock Units. As a result of this and the reasons set out in paragraph 6 below, the directors of Exploration intend to cancel the Exploration Stock Units owned by El Oro (or its nominee) by way of the Exploration Capital Reduction.

The Exploration Capital Reduction requires the approval of the Exploration Stockholders under the Act. This approval will be sought at the Exploration EGM. The Exploration Capital Reduction also requires the sanction of the Court and will not take place unless the Scheme becomes effective.

6. Background to and reasons for the Merger

(a) Simplification of corporate structure and cancellation of cross shareholding

El Oro and Exploration were founded in 1899 and 1886 respectively and the companies and their subsidiaries have developed over this time into the somewhat opaque and complex structure that currently exists. The cross shareholding of Exploration in El Oro (49.9%) and of El Oro in Exploration (48.0%) will be cancelled on implementation of the Scheme and the Exploration Capital Reduction. By undertaking the Scheme, the structure will be simplified and become more transparent for existing shareholders of both companies and potential investors in the Enlarged Group.

(b) Removal of the “double” discount

Both companies currently trade at a discount to the underlying net asset value of their respective investments, a position that has endured for a considerable period of time. As a consequence, the current cross shareholdings are also reflected at market value in their respective share prices and not at their higher underlying net asset value. In the view of the directors, there is therefore a “double” discount for shareholders. The directors believe that the implementation of the Scheme should help to eliminate some of this “double” discount.

(c) Increased liquidity

The free float of the merged entity will be substantially increased through the elimination of the cross shareholdings. In the view of the directors, this factor should result in improved liquidity in the merged entity’s shares, which should facilitate dealing in the shares both for small and larger shareholders.

(d) Cost and operational efficiencies

The Enlarged Group should achieve certain modest savings in overall administration costs and other ancillary costs. Operational efficiencies will include single board meetings and annual general meetings and a single shareholder base. In addition, it is anticipated that there will be less compliance and management time involved in running one investment company rather than two. Furthermore, the pooling of the Enlarged Group’s liquid resources and external investments should allow for more efficient cash management.

7. Management and Employees

As the management and employees of each of El Oro and Exploration are comprised of the same individuals, no change will be made to the employment terms and rights of the management and employees of either company following the Merger.

The average weekly number of persons (including directors) employed by Exploration during the last three financial years was:

	2002	2001	2000
Investing	1	1	1
Administration	4	4	4
	<u>5</u>	<u>5</u>	<u>5</u>

8. Information on Exploration

Exploration is an investment dealing company which was founded at the end of the 19th century. Exploration has a spread of investments both geographically and across a variety of industries. Although Exploration’s investment portfolio is diverse, at present there is substantial exposure to the brewery, energy and natural resource sectors.

Furthermore, there has been some investment in early stage companies. Exploration's audited financial statements for the year ended 31 December 2002 were published today showing group net assets, taking investments at market value, of £37,324,826 (2001: £40,924,033) and profit on ordinary activities after taxation of £1,546,978 (2001: (£224,549)). Detailed financial information on the Exploration Group is set out in Part 2 of this document. Part 4 of this document contains a pro forma balance sheet of the Enlarged Group prepared on the basis set out therein.

9. Information on El Oro

El Oro is an investment dealing company which was founded at the end of the 19th century. El Oro has a spread of investments both geographically and across a variety of industries. These include investments in a mixture of commercial and industrial companies, with a historical emphasis on the natural resource sector, particularly mining, especially gold and oil. Furthermore, there has been some investment in early stage companies. El Oro's audited financial statements for the year ended 31 December 2002 were published today showing group net assets, taking investments at market value, of £36,830,273 (2001: £37,942,826) and profit on ordinary activities after taxation of £1,054,077 (2001: £1,237,521).

Detailed financial information on the El Oro Group is set out in Part 3 of this document.

10. Current trading and prospects

Although there has been an uplift in the markets on both sides of the Atlantic since the middle of March 2003, the board of Exploration is convinced that there is a significant risk of further downward economic adjustment. The immediate future is uncertain and a fourth consecutive year of decline for Western markets is a distinct possibility. However, improvement in resource stocks has lifted the value of Exploration's portfolio in comparison to the end of the year. Short positions taken in the earlier part of the year yielded reasonable profits, although have fared less well since the recovery on Wall Street. Furthermore, the bond holdings continue to appreciate modestly, and those held in Australian dollars and Euros have both been helped by the rise against Sterling in their respective currencies. Brewery shares continue to perform well and show healthy increases in dividends, as do holdings in the insurance sector. The board of Exploration feels that the outlook for the rest of the financial year for the Enlarged Group is mildly positive and that assets will continue to be enhanced, within the constraints of a gloomy prognosis.

The investment policy of the Enlarged Group will be to continue to build on the strengths exhibited over the last 50 years, while reducing exposure to areas of greater uncertainty, such as in the start-up arena. One of the Enlarged Group's objectives will be to try to maintain and increase holdings in companies with a well-covered dividend, in particular where assets are significantly in excess of the prevailing share price. At the same time, the directors of Exploration intend that the Enlarged Group will maintain or increase (as conditions permit) holdings in companies which they believe have delivered and will continue to deliver attractive returns.

The board of Exploration intends to continue to generate income by maintaining exposure to securities with preferential rights, government bonds of countries whose currencies it deems likely to appreciate against Sterling and from loan notes received in lieu of cash as a result of the merger or takeover of investee companies.

The board of Exploration intends that the Enlarged Group should be seen to comprise investments in a mix of assets perceived by the board to be undervalued, together with secure income flow and a significant exposure to the insurance qualities of precious metals and their producers.

Whilst the Enlarged Group will maintain holdings in a variety of companies that it believes will thrive in both good times and bad, it is the belief of the board of Exploration that the protection provided by precious metals and particularly gold will be of paramount importance in the next few years.

11. Listing, dealings and settlement

It is expected that listing of the New Exploration Stock Units on the Official List will become effective and that dealings in the New Exploration Stock Units will commence on the London Stock Exchange at 8.00 a.m. on the first dealing day following the day on which the Scheme becomes effective.

Subject to the Scheme becoming effective:

- (i) for Scheme Shares held in certificated form at the Record Time, definitive share certificates for relevant New Exploration Stock Units will be despatched by post to the persons holding such shares or their appointed agents (subject to certain restrictions regarding certain overseas El Oro Shareholders); and
- (ii) for Scheme Shares held in uncertificated form at the Record Time, CRESTCo will be instructed to credit the appropriate stock account in CREST with any entitlement to New Exploration Stock Units,

in the case of (i), within 14 days of the Scheme becoming effective and in the case of (ii), on the first day of dealings on the London Stock Exchange. No temporary documents of title will be issued.

The consideration referred to in (ii) above may, at Exploration's discretion, be settled in whole or in part in the manner referred to in (i) above if, for reasons outside its reasonable control, it is not able to effect settlement in uncertificated form in accordance with (ii) above.

12. Further information

Your attention is drawn to the further financial and other information on the Exploration Group, the El Oro Group and the Enlarged Group set out in Parts 2 to 7 of this document.

PART 2

FINANCIAL INFORMATION RELATING TO THE EXPLORATION GROUP

Nature of financial information

The financial information contained in this Part 2 in respect of the years ended 31 December 2000, 2001 and 2002 has been extracted without material adjustment from the Group's consolidated audited financial statements for the three years ended 31 December 2000, 2001 and 2002.

The Group's results were restated for the year ended 31 December 2001 to take account of the adoption of FRS 19 "Deferred tax" which was adopted for the first time in the financial statements for the year ended 31 December 2002. The restated and originally published figures for the year ended 31 December 2001 are included in the financial information presented in this document. The figures for the year ended 31 December 2000 have not been restated.

The financial information concerning the Group contained in this Part 2 does not constitute statutory accounts within the meaning of Section 240 of the Act. Statutory accounts of the Group in respect of the financial years ended 31 December 2000, 2001 and 2002 have been delivered to the Registrar of Companies. Unqualified audit reports, as defined by Section 234 of the Act, which did not contain a statement under Section 237(2) or 237(3) of the Act, have been given by Exploration's auditors who were PricewaterhouseCoopers LLP, Southwark Towers, 32 London Bridge Street, SE1 9SY for the years ended 31 December 2000 and 2001 and PricewaterhouseCoopers LLP, of the same address, for the year ended 31 December 2002.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the years ended 31 December

	Notes	2002 £	(Restated)* 2001 £	(As published) 2001 £	2000 £
Income/(Deficit) from investment trading	2	2,478,521	(570,011)	(570,011)	1,913,334
Management expenses	3	538,615	494,131	494,131	464,035
Operating profit/(loss)		1,939,906	(1,064,142)	(1,064,142)	1,449,299
Share of operating profit of associated undertakings		403,355	1,318,270	1,318,270	954,544
Profit on ordinary activities before interest payable		2,343,261	254,128	254,128	2,403,843
Interest payable					
Group		182,871	267,311	267,311	561,717
Associated undertakings		111,265	62,369	62,369	152,120
		<u>£ 294,136</u>	<u>£ 329,680</u>	<u>£ 329,680</u>	<u>£ 713,837</u>
Profit/(loss) on ordinary activities before taxation		2,049,125	(75,552)	(75,552)	1,690,006
Taxation					
Group		413,167	(254,278)	(251,562)	299,871
Associated undertakings		88,980	403,275	404,633	254,051
	5	<u>£ 502,147</u>	<u>£ 148,997</u>	<u>£ 153,071</u>	<u>£ 553,922</u>
Profit/(loss) on ordinary activities after taxation		1,546,978	(224,549)	(228,623)	1,136,084
Dividends (net of (claimed)/forfeited £(177), 2001: £46,999, 2000: £4,351)	4	1,265,734	1,218,558	1,218,558	1,622,794
Retained profit/(loss) for the year	13	<u>£ 281,244</u>	<u>£(1,443,107)</u>	<u>£ (1,447,181)</u>	<u>£ (486,710)</u>
Dividend per stock unit		<u>10.50p</u>	<u>10.50p</u>	<u>10.50p</u>	<u>13.50p</u>
Earnings per stock unit (Basic and diluted)	6	<u>12.83p</u>	<u>(1.86)p</u>	<u>(1.90)p</u>	<u>9.43p</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the years ended 31 December

	2002 £	(Restated)* 2001 £	(As published) 2001 £	2000 £
Profit/(loss) from ordinary activities after taxation	1,546,978	(224,549)	(228,623)	1,136,084
Share of own dividend received by Associated Undertakings	302,953	389,511	389,511	389,511
Total recognised gains and losses for the year	1,849,931	164,962	160,888	1,525,595
Prior year adjustment — FRS 19	4,074	—	—	—
Total gains and losses recognised since last annual report	<u>£1,854,005</u>	<u>£164,962</u>	<u>£160,888</u>	<u>£1,525,595</u>

* The 2001 figures have been restated in accordance with the change in accounting policies (see note 1(b)).

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

All of the above results derive from continuing activities and there were no acquisitions in the period.

CONSOLIDATED BALANCE SHEETS

at 31 December

	Notes	2002 £	(Restated)* 2001 £	(As published) 2001 £	2000 £
Fixed assets					
Office equipment and software	7	5,192	3,171	3,171	9,253
Investments:					
Subsidiary Company	18	—	—	—	—
Associated Undertakings	8	6,708,618	6,787,247	6,785,889	6,129,804
		<u>6,713,810</u>	<u>6,790,418</u>	<u>6,789,060</u>	<u>6,139,057</u>
Current assets					
Investments	9	17,180,186	17,210,917	16,437,204	19,830,863
Debtors	10	6,613,328	743,456	740,740	1,288,032
Cash and bank balances		35,295	52,176	52,176	436,417
		<u>23,828,809</u>	<u>18,006,549</u>	<u>17,230,120</u>	<u>21,555,312</u>
Creditors: amounts falling due within one year:	11	<u>10,612,708</u>	<u>5,451,253</u>	<u>4,677,540</u>	<u>7,295,059</u>
Net current assets		<u>13,216,101</u>	<u>12,555,296</u>	<u>12,552,580</u>	<u>14,260,253</u>
Total assets less current liabilities		<u>19,929,911</u>	<u>19,345,714</u>	<u>19,341,640</u>	<u>20,399,310</u>
Net assets		<u>£19,929,911</u>	<u>£19,345,714</u>	<u>£19,341,640</u>	<u>£20,399,310</u>
Capital and reserves					
Called up share capital	12	602,646	602,646	602,646	602,646
Share premium		6,017	6,017	6,017	6,017
Profit and loss account	13	19,321,248	18,737,051	18,732,977	19,790,647
Stockholders' funds (Equity)	17	<u>£19,929,911</u>	<u>£19,345,714</u>	<u>£19,341,640</u>	<u>£20,399,310</u>

* The 2001 figures have been restated in accordance with the change in accounting policies (see note 1(b)).

CONSOLIDATED CASH FLOW STATEMENTS

for the years ended 31 December

	Notes	2002 £	(Restated) 2001 £	(As published) 2001 £	2000 £
Net cash (outflow)/inflow from operating activities	14	(942,696)	1,466,178	1,184,788	302,940
Dividends received from associated undertakings	15	584,692	584,692	584,692	584,692
Returns on investments and servicing of finance	15	(177,871)	(265,555)	(265,555)	(565,047)
Taxation	15	472,501	261,122	261,122	(1,449,430)
Capital expenditure and management of non-liquid resources	15	1,742,691	415,351	415,351	(255,503)
Equity dividends paid		<u>(1,265,734)</u>	<u>(1,580,146)</u>	<u>(1,580,146)</u>	<u>(1,627,145)</u>
Net cash inflow before management of liquid resources		413,583	881,642	600,242	(3,009,493)
Management of liquid resources	15	<u>(439,355)</u>	<u>507,042</u>	<u>788,442</u>	<u>5,331,516</u>
(Decrease)/increase in cash in the year	16	<u>£ (25,772)</u>	<u>£ 1,388,684</u>	<u>£ 1,388,684</u>	<u>£ 2,322,023</u>

NOTES TO THE FINANCIAL INFORMATION

1. ACCOUNTING POLICIES

As permitted by The Companies Act 1985, the Directors have adapted the headings in the consolidated profit and loss account from those prescribed in Schedule 4 in order to better reflect the special nature of the Group's business.

The following accounting policies have been applied consistently except as noted in 1(b), in dealing with items which are considered material in relation to the Group's financial information:

(a) Basis of Accounting

The financial information has been prepared on the historical cost basis of accounting and in accordance with applicable accounting standards in the United Kingdom.

(b) Changes in Accounting Policies and Presentation

In the year ended 31 December 2002 the Group adopted FRS19 'Deferred Tax' for the year ended 31 December 2001. The adoption of this standard represents a change in accounting policy and the comparative figures have been restated accordingly. The adoption of this policy has increased the tax charge by £474 (2001: decreased £(4,074)) (2000: £nil) and decreased profit for the financial year by £474 (2001: increased £(4,074) (2000: £nil)). The adjustment to opening reserves is shown in note 13.

The presentation of current asset investments has been changed to reflect the short positions held in investments and options which have now been included in creditors. In prior years these short positions were netted against current asset investments. The presentation in prior years has also been changed to separately identify currency translation gains and losses in the reconciliation of operating profit to operating cash flows. These changes in presentation have no effect on results or net assets.

(c) Group Financial Information

The Group financial information includes that of the wholly-owned Subsidiary, Group Traders Limited, which is incorporated in England, and the Group's share of the results of Associated Undertakings based on its effective interest as set out in note 8.

(d) Investment Income

Income from investments includes all dividends, rents and interest on non-government securities, the dates of payment of which fall within the year. Interest on government securities is accounted for on an accruals basis.

Dividends received as scrip are not accounted for as income and no adjustment is made to the book value of the relevant investment. The effect, therefore, is to reduce the unit cost of the shares in the investment concerned.

(e) Investments

Listed investments and investments for which the primary market is a recognised exchange are stated in the balance sheet at the lower of cost and market value at the balance sheet date. Unlisted investments are stated at the lower of cost and Directors' valuation at the balance sheet date. Overseas investments are translated at the exchange rate ruling at the balance sheet date.

The Company has sold securities and options that it does not own and it will, therefore, be obliged to deliver such securities at a future date. The Company records a liability for such transactions. To the extent that an additional liability arises from a market movement, the loss is recognised as an increase in provision for diminution in value of investments.

(f) Fixed Assets

The cost of software and office equipment includes purchases at cost, and any incidental costs of acquisition.

Depreciation is calculated so as to write off the cost of fixed assets, less their estimated residual values, on a straight-line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

Office equipment and software

33 $\frac{1}{3}$ %

(g) Deferred Taxation

Provision is made in full for all taxation deferred in respect of timing differences that have originated but not reversed at the balance sheet date. Such assets and liabilities are not discounted. No provision is made for taxation on permanent timing differences. Deferred tax assets are recognised to the extent that it is more likely than not that they will be recovered.

(h) Pension Costs

The Company contributes to a Self Investing Personal Pension Plan for the benefit of C. R. W. Parish. The assets of the scheme are held separately from those of the Company in an independently administered fund. Payments to the pension scheme are accounted for in the year in which they arise.

(i) Foreign Currency Translation

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

2. INCOME/(DEFICIT) FROM INVESTMENT TRADING

	<i>2002</i>	<i>2001</i>	<i>2000</i>
	<i>£</i>	<i>£</i>	<i>£</i>
Dividends from listed investments	1,079,188	1,088,131	1,104,225
Dividends from unlisted investments	25,880	131,270	118,292
Profits less losses on investments realised	640,239	(438,108)	5,964,781
Currency translation losses	(80,488)	(281,400)	(21,044)
Decrease/(increase) in provisions for diminution in value of investments	718,264	(1,135,437)	(5,310,663)
Rent received	50,125	46,650	44,550
Interest received	45,313	18,883	13,193
	<u>£2,478,521</u>	<u>£ (570,011)</u>	<u>£ 1,913,334</u>

3. MANAGEMENT EXPENSES

	<i>2002</i>	<i>2001</i>	<i>2000</i>
	<i>£</i>	<i>£</i>	<i>£</i>
General	312,438	314,558	229,515
Rent	25,000	25,000	25,000
Depreciation	3,389	10,839	9,254
Directors' emoluments	169,335	100,640	172,670
Auditors' remuneration			
— audit services	28,453	23,206	21,721
— non-audit services	—	19,888	5,875
	<u>£ 538,615</u>	<u>£ 494,131</u>	<u>£ 464,035</u>

Directors' emoluments comprise:

	<i>Fees</i>	<i>Salary and other remuneration</i>	<i>Performance Bonus</i>	<i>Pension Contributions</i>	<i>2002</i>	<i>2001</i>	<i>2000</i>
	£	£	£	£	£	£	£
<i>Executive Directors</i>							
C. R. W. Parish (Chairman)	375	68,625	70,000	10,035	149,035	86,340	160,370
The Hon. Mrs. E. C. Parish	300	—	—	—	300	300	300
<i>Non-Executive Directors</i>							
D.G.F. Thompson [#]	—	—	—	—	—	7,000	6,750
T. T. M. Agnew	—	—	—	—	—	7,000	5,250
E. W. Houston	5,000	—	—	—	5,000	—	—
D. R. L. Hunting	5,000	—	—	—	5,000	—	—
R. E. Wade	5,000	—	—	—	5,000	—	—
J. A. Wild	5,000	—	—	—	5,000	—	—
Total 2002	<u>£20,675</u>	<u>£ 68,625</u>	<u>£ 70,000</u>	<u>£ 10,035</u>	<u>£169,335</u>	<u>—</u>	<u>—</u>
Total 2001	<u>£ 1,275</u>	<u>£ 73,025</u>	<u>£ —</u>	<u>£ 26,340</u>	<u>—</u>	<u>£100,640</u>	<u>—</u>
Total 2000	<u>£ 1,200</u>	<u>£ 71,100</u>	<u>£ 80,000</u>	<u>£ 20,370</u>	<u>—</u>	<u>—</u>	<u>£172,670</u>

The Chairman's emoluments for 2002 are detailed in the above table.

[#] Remuneration paid to Wolverhampton & Dudley Breweries plc, of which D.G.F. Thompson was a director, for making available his services.

The performance bonus is conditional on a dividend of at least 1p per stock unit being paid to stockholders and is then payable at a maximum rate of 5% of the remaining profit after taxation. Based on the performance of the portfolio, as compared with the FTSE All Share Index from prior years, the Directors have determined that a bonus of £70,000 is payable for the year ended 31 December 2002 (2001: £nil) (2000: £80,000).

No Director waived emoluments in respect of the year ended 31 December 2002 (2001: £nil) (2000: £nil).

Employees

The average weekly number of persons (including Directors) employed during the year was:

	<i>2002</i>	<i>2001</i>	<i>2000</i>
Investing	1	1	1
Administration	4	4	4
	<u>5</u>	<u>5</u>	<u>5</u>
	<i>2002</i>	<i>2001</i>	<i>2000</i>
	£	£	£
Employment costs	220,931	126,566	205,468
Social security costs	21,274	38,078	22,148
Pension costs	21,665	26,340	20,370
	<u>£263,870</u>	<u>£190,984</u>	<u>£247,986</u>

4. DIVIDENDS

	<i>2002</i>	<i>2001</i>	<i>2000</i>
	£	£	£
Proposed dividend payable	1,265,557	1,265,557	1,627,145
Unclaimed dividends claimed/(forfeited)	177	(46,999)	(4,351)
	<u>£1,265,734</u>	<u>£1,218,558</u>	<u>£1,622,794</u>

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2002	(Restated) 2001	(As published) 2001	2000
	£	£	£	£
Analysis of tax charge in year				
Current tax:				
UK corporation tax on profits of the year	495,079	458,197	458,197	553,155
Adjustments in respect of previous year	6,594	(305,126)	(305,126)	767
Total current tax	<u>£501,673</u>	<u>£ 153,071</u>	<u>£ 153,071</u>	<u>£553,922</u>
Deferred tax:				
Original and reversal of timing differences	474	—	—	—
Prior year adjustments	—	(4,074)	—	—
Total deferred tax	<u>£474</u>	<u>£ (4,074)</u>	<u>—</u>	<u>—</u>
Tax on profit on ordinary activities	<u>£502,147</u>	<u>£ 148,997</u>	<u>£ 153,071</u>	<u>£553,922</u>

	2002	(Restated) 2001
	£	£
Factors affecting tax charge for year		
The tax assessed is lower than the standard rate of corporation tax in the UK (30%).		
The differences are explained below:		
Profit on ordinary activities before tax	2,049,124	(75,552)
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2001: 30%)	614,737	(22,666)
Effects of:		
Expenses not deductible for tax purposes	880	62,888
Capital allowances in excess of depreciation	(475)	—
Depreciation in excess of capital allowances	—	2,617
Utilisation of tax losses	(120,063)	388,823
Overseas tax suffered	—	26,535
Adjustments to tax charge in respect of prior year	6,594	(305,126)
Current tax charge for the year	<u>£ 501,673</u>	<u>£ 153,071</u>

The Group expects to be able to claim capital allowances in excess of depreciation in future periods reversing the position previously where depreciation has been higher than capital allowances.

The Company had tax losses available to carry forward at the balance sheet date of £nil (2001: £400,209) (2000: £nil)

The Group has utilised its brought forward tax losses, which has significantly reduced the tax provision in the current year. No tax losses are available to carry forward in the Group as at the end of the year.

The Company has changed its accounting policy for deferred tax following the adoption of FRS 19 Deferred Tax, this year. Under the Group's previous accounting policy deferred tax was recognised to the extent that it was probable a liability or asset would crystallise. The Group's new accounting policy is set out in note 1(g).

6. EARNINGS PER STOCK UNIT

The earnings per stock unit is based on the profit/(loss) on ordinary activities after taxation of £1,546,978 (2001: restated loss: (£224,549)) (2000: profit £1,136,086) and on 12,052,925 stock units of 5p each in issue during the years 2002, 2001 and 2000.

7. FIXED ASSETS

	<i>Office equipment and software</i>		
	2002	2001	2000
	£	£	£
Cost			
At 1 January	32,517	27,760	27,760
Additions in the year	5,409	4,757	—
At 31 December	<u>37,926</u>	<u>32,517</u>	<u>27,760</u>
Depreciation			
At 1 January	29,345	18,507	9,253
Charge for the year	3,389	10,839	9,254
At 31 December	<u>32,734</u>	<u>29,346</u>	<u>18,507</u>
Net book value			
At 31 December	<u>£5,192</u>	<u>£3,171</u>	<u>£9,253</u>

8. ASSOCIATED UNDERTAKINGS

	2002	<i>(Restated)</i> 2001	<i>(As published)</i> 2001	2000
	£	£	£	£
(a) Shares at cost less amounts written off:				
Listed — London Stock Exchange	172,529	172,529	172,529	172,529
Unlisted	9,223	9,223	9,223	9,223
The Group's share of post-acquisition retained profits and reserves of Associated Undertakings:				
Listed — London Stock Exchange	6,157,593	6,235,147	6,233,789	5,508,840
Unlisted	369,273	370,348	370,348	439,212
As per Balance Sheet	<u>£6,708,618</u>	<u>£6,787,247</u>	<u>£6,785,889</u>	<u>£6,129,804</u>
(b) Listed — market valuation	11,806,300	13,549,134	13,549,134	14,729,764
Unlisted — Directors' valuation	843,309	870,737	870,737	855,992
	<u>£12,649,609</u>	<u>£14,419,871</u>	<u>£14,419,871</u>	<u>£15,585,756</u>
(c) There were no movements in the cost of Associated Undertakings held by the Group. Movements in the Group's Share of post acquisition retained profits and reserves of Associated Undertakings are shown in Note 13.				

The undertakings so dealt with are as follows:

<i>Name of company and financial year dealt with in these accounts</i>	<i>Country of incorporation and operation</i>	<i>Class</i>	<i>Number of shares</i>	<i>Share capital held by the Group</i>	<i>Effective interest of the Group</i>
El Oro Mining and Exploration Company p.l.c. 31 December 2002 (Listed)	England	10p shares	2,248,819	49.85%	49.90%
Investigations and Management Limited 31 December 2002 (Unlisted)	England	£1 shares	2,100	42.00%	46.84%
Danby Registrars Limited 31 December 2002 (Unlisted)	England	£1 shares	125	25.00%	48.42%

The principal activities of the undertakings are as follows:

El Oro Mining and Exploration Company p.l.c.	}	Dealing in investments Secretarial Services and Property Management
Investigations and Management Limited		
Danby Registrars Limited		

The registered office address of all Associated Undertakings is at 41 Cheval Place, London SW7 1EW.

The following information is given in respect of the Group's share of its Associated Undertakings.

	2002	(Restated) 2001	(As reported) 2001	2000
	£	£	£	£
Listed				
Income from investment trading	610,933	1,595,541	1,595,541	1,534,989
Profit before taxation	596,119	1,714,276	1,714,276	1,241,223
Taxation	88,980	403,274	404,633	256,986
Profit after taxation	507,139	1,311,002	1,309,643	984,237
Fixed Assets	955,494	954,494	954,494	956,626
Current Assets	7,791,447	6,787,511	6,786,153	6,572,385
Liabilities due within one year	2,911,332	1,828,213	1,828,213	3,082,267
Unlisted				
Income from investment trading	167,038	119,196	119,196	168,560
Loss before taxation	(327)	(44,664)	(44,664)	(31,667)
Taxation	—	—	—	(1,917)
Loss after taxation	(327)	(44,664)	(44,664)	(29,750)
Fixed Assets	350,793	338,954	338,954	334,533
Current Assets	128,626	119,501	119,501	124,120
Liabilities due within one year	202,777	181,486	181,486	145,374

The difference between the Group's fixed asset investments in its listed and unlisted Associated Undertakings disclosed in the consolidated balance sheet and the Group's share of the net assets of its listed and unlisted Associated Undertakings disclosed above arises because the cost of investment of the holdings in associates reflected the fair value of the holding at the time of the purchase; the information above shows shares of associate's net assets per their financial statements which include investments held at the lower of cost and net realisable value rather than market value.

Dividends received from Associated Undertakings in the year were £584,692 (2001: £584,692) (2000: £584,692).

According to the register kept for the purpose of recording substantial share interests in the Company, at 31 December 2002. El Oro Mining and Exploration Company p.l.c. (El Oro) held 47.97% (2001: 47.97%) (2000: 47.97%) of the issued share capital of the Company.

In consequence, when accounting for the results of El Oro as an Associated Undertaking those results have been adjusted to exclude El Oro's share of the results of the Company, its Subsidiary and Associated Undertakings. In order to fully implement this policy, the Group's share of dividends received by Associated Undertakings from the Company is dealt with as a reserve movement and is included in the Statement of Total Recognised Gains and Losses as disclosed on page 11.

The accounts of Investigations and Management Limited and Danby Registrars Limited are audited by the Company's registered auditors.

9. INVESTMENTS

	2002 £	(Restated) 2001 £	(As published) 2001 £	2000 £
(a) Investments at the lower of cost and market valuation or Directors' valuation as per the balance sheet:				
Listed — London Stock Exchange	10,187,056	9,270,758	9,270,758	8,341,722
— London AIM	1,201,637	308,858	308,858	401,844
— International	4,390,938	5,700,675	4,926,962	8,815,488
	<u>15,779,631</u>	<u>15,280,291</u>	<u>14,506,578</u>	<u>17,559,054</u>
Unlisted	1,400,555	1,644,793	1,644,793	1,985,976
Property	—	285,833	285,833	285,833
	<u>£17,180,186</u>	<u>£17,210,917</u>	<u>£16,437,204</u>	<u>£19,830,863</u>
(b) Investments at market valuation or Directors' valuation:				
Listed investments at market valuation	25,660,734	27,553,126	26,685,887	33,266,785
Unlisted investments at Directors' valuation	2,857,900	3,413,895	3,413,895	3,756,345
Property at Directors' valuation	—	285,833	285,833	285,833
	<u>£28,518,634</u>	<u>£31,252,854</u>	<u>£30,385,615</u>	<u>£37,308,963</u>

If the Group's current asset investments were realised at their market valuations or at Directors' valuations there would be a potential corporation tax liability of £3,436,000 (2001: £4,185,000) (2000: £5,243,000), calculated at the rate of 30% (2001: 30%) (2000: 30%).

Creditors include short positions held on investments. The book value of these investments is £5,302,541 (2001: £251,782) (2000: £ nil) and market value is £5,192,404 (2001: £215,519). In addition, short positions on options are held, the book value of which is £30,160 (2001: £605,071) and market value is £24,821 (2001: £651,720). As described in note 1(b), in 2000 and prior years, short positions were netted against current asset investments.

The Company has entered into two forward contracts to purchase gold, agreeing to pay the sterling equivalent of £997,179 and £1,103,631. The market value of these contracts at 31 December 2002 is £2,158,519 (2001: £nil) (2000: £nil).

There is a general lien in favour of the Group's bankers on all assets as security for all liabilities and obligations owed by the Group to the bank. There is also a lien on all assets in favour of Bears, Stearns Securities Corp., as brokers, as security for all liabilities and obligations owed by the Group to Bear, Stearns Securities Corp.

10. DEBTORS

	2002	(Restated) 2001	(As published) 2001	2000
	£	£	£	£
Due within one year:				
Dividends receivable	—	—	—	2,882
Amounts due from brokers for future settlements	6,230,438	37,612	37,612	433,680
Corporation tax recoverable	222,127	703,128	703,128	124,366
Amounts due from Associated Undertakings	150,966	—	—	722,465
Other debtors	7,392	—	—	4,639
	<u>£6,610,923</u>	<u>£740,740</u>	<u>£740,740</u>	<u>£1,288,032</u>
Due after one year:				
Deferred taxation	2,405	2,716	—	—
	<u>£6,613,328</u>	<u>£743,456</u>	<u>£740,740</u>	<u>£1,288,032</u>

11. CREDITORS

	2002	(Restated) 2001	(As published) 2001	2000
	£	£	£	£
Bank overdraft secured	3,254,313	2,598,692	2,598,692	2,028,442
Short positions held (see note 9)	5,361,051	773,713	—	2,989,905
Deal funding due to brokers secured	—	646,730	646,730	—
Amounts due to brokers for future settlements	170,534	70,838	70,838	100,706
Amount due to Subsidiary Company	—	—	—	—
Amount due to Associated Undertakings	—	1,427	1,427	60,830
Corporation Tax	404,356	—	—	—
Other creditors	1,272	4,262	4,262	202,561
Other taxes and social security	—	9,406	9,406	8,480
Unclaimed dividends	35,295	39,997	39,997	63,241
Accruals	120,330	40,631	40,631	213,749
Proposed dividend	1,265,557	1,265,557	1,265,557	1,627,145
	<u>£10,612,708</u>	<u>£5,451,253</u>	<u>£4,677,540</u>	<u>£7,295,059</u>

Creditors include short positions held on investments. The book value of these investments is £5,330,891 (2001: £251,782) (2000: £nil) and market value is £5,192,404 (2001: £215,519). In addition short positions on options are held, the book value of which is £30,160 (2001: £605,071) and market value is £24,821 (2001: £651,720). As described in note 1(b), in 2000 and prior years, short positions were netted against current asset investments.

There is a general lien in favour of the Group's bankers on all assets as security for all liabilities and obligations owed by the Group to the bank. There is also a lien on assets in favour of Bear, Stearns Securities Corp., as brokers, as security for all liabilities and obligations owed by the Group to Bear, Stearns Securities Corp.

12. CALLED UP SHARE CAPITAL

	2002	2001	2000
	£	£	£
Authorised — 7,947,075 shares of 5p each	397,354	397,354	397,354
12,052,925 Stock units of 5p each	602,646	602,646	602,646
	<u>£1,000,000</u>	<u>£1,000,000</u>	<u>£1,000,000</u>
Issued — 12,052,925 Stock units of 5p each, fully paid	<u>£ 602,646</u>	<u>£ 602,646</u>	<u>£ 602,646</u>

13. PROFIT AND LOSS ACCOUNT

	£	<i>Associated Undertakings</i> £	<i>Total</i> £
Balance 1 January 2000	14,292,985	5,594,861	19,887,846
Retained (loss) for the year	(450,390)	(36,320)	(486,710)
Share of dividends from the Company	—	389,511	389,511
Balance 31 December 2000	<u>13,842,595</u>	<u>5,948,052</u>	<u>19,790,647</u>
Balance 1 January 2001	13,842,595	5,948,052	19,790,647
Retained (loss)/profit for the year	(1,713,755)	266,574	(1,447,181)
Share of dividends from the Company	—	389,511	389,511
Balance 31 December 2001	<u>12,128,840</u>	<u>6,604,137</u>	<u>18,732,977</u>
Balance 1 January 2002	12,128,840	6,604,137	18,732,977
Prior year adjustment — FRS19	2,716	1,358	4,074
Balance 1 January 2002 — as restated	<u>12,131,556</u>	<u>6,605,495</u>	<u>18,737,051</u>
Retained profit/ (loss) for the year	662,826	(381,582)	281,244
Share of dividends from the Company	—	302,953	302,953
Balance 31 December 2002	<u>£12,794,382</u>	<u>£6,526,866</u>	<u>£19,321,248</u>

14. RECONCILIATION OF OPERATING PROFIT/(LOSS) TO OPERATING CASH FLOWS

	2002 £	<i>(Restated)</i> 2001 £	<i>(As published)</i> 2001 £	2000 £
Operating profit/(loss)	1,939,906	(1,064,142)	(1,064,142)	1,449,299
Depreciation	3,389	10,839	10,839	9,254
Increase/(decrease) in provision for diminution in investments	(718,264)	1,135,437	1,135,437	5,310,663
(Profit)/loss on investments realised	(640,239)	438,108	438,108	(5,964,781)
Currency translation losses	80,488	281,400	—	—
(Increase)/decrease in debtors	(6,351,184)	1,126,054	1,126,054	(593,766)
Increase/(decrease) in creditors	4,743,208	(461,518)	(461,518)	92,271
Net cash (outflow)/inflow from operating activities	<u>£ (942,696)</u>	<u>£ 1,466,178</u>	<u>£ 1,184,778</u>	<u>£ 302,940</u>

15. ANALYSIS OF CASH FLOW

	2002 £	(Restated) 2001 £	(As published) 2001 £	2000 £
Dividends received from associated undertakings	£ 584,692	£ 584,692	£ 584,692	£ 584,692
Returns on investments and servicing of finance				
Interest paid	£ (177,871)	£ (265,555)	£ (265,555)	£ (565,047)
Taxation				
UK Corporation tax refunded	472,501	289,113	289,113	(1,399,595)
Overseas tax paid	—	(13,574)	(13,574)	(30,344)
UK Tax withheld	—	(14,417)	(14,417)	(19,491)
Net cash inflow	£ 472,501	£ 261,122	£ 261,122	£ (1,449,430)
Capital expenditure and management of non-liquid resources				
Purchase of fixed assets	(5,409)	(4,757)	(4,757)	—
Purchase of unlisted investments	(562,793)	(151,488)	(151,488)	(779,031)
Sale of unlisted investments	1,190,262	571,596	571,596	523,528
Sale of property	1,120,631	—	—	—
Net cash inflow	£ 1,742,691	£ 415,351	£ 415,351	£ (255,503)
Management of liquid resources				
Purchases of investments	(25,970,287)	(14,972,670)	(14,972,670)	(25,794,339)
Sales of investments	25,530,932	15,479,712	15,761,112	31,125,855
Net cash (outflow)/inflow	£ (439,355)	£ 507,042	£ 788,442	£ 5,331,516

16. ANALYSIS AND RECONCILIATION OF NET FUNDS

	31 Dec 1999 £	Cash Flow £	31 Dec 2000 £	Cash Flow £	31 Dec 2001 £	Cash Flow £	31 Dec 2002 £
Cash and bank balances	163,326	273,091	436,417	(384,241)	52,176	(16,881)	35,295
Overdrafts and deal funding	(7,067,279)	2,048,932	(5,018,347)	1,772,925	(3,245,422)	(8,891)	(3,254,313)
	£ (6,903,953)	£ 2,322,023	£ (4,581,930)	£ 1,388,684	£ (3,193,246)	£ (25,772)	£ (3,219,018)
Current asset investments (Note 9)	25,838,234	(6,007,371)	19,830,863	(2,619,946)	17,210,917	(30,731)	17,180,186
Less: Unlisted securities and property	(1,933,007)	(338,802)	(2,271,809)	341,183	(1,930,626)	530,071	(1,400,555)
	£ 23,905,227	£ (6,346,173)	£ 17,559,054	£ (2,278,763)	£ 15,280,291	£ 499,340	£ 15,779,631
Net funds	£ 17,001,274	£ (4,024,150)	£ 12,977,124	£ (890,079)	£ 12,087,045	£ 473,568	£ 12,560,613
		31 Dec 2002 £	31 Dec 2001 £	31 Dec 2000 £	31 Dec 1999 £		
(Decrease)/increase in cash in year		(25,772)	1,388,684	2,322,023	(4,978,626)		
Cash outflow from increase in liquid resources		(30,731)	(2,619,946)	(6,007,371)	8,495,324		
Cash inflow from decrease in non-liquid resources		530,071	341,183	(338,802)	(169,551)		
Change in net funds resulting from cash flows		473,568	(890,079)	(4,024,150)	3,347,147		
Net funds at 1 January		12,087,045	12,977,124	17,001,274	13,654,127		
Net funds at 31 December		£12,560,613	£12,087,045	£12,977,124	£17,001,274		

17. RECONCILIATION OF MOVEMENTS IN STOCKHOLDERS' FUNDS

	<i>31 Dec 2002</i>	<i>31 Dec 2001</i>	<i>31 Dec 2000</i>
	£	£	£
Profit/(loss) from ordinary activities	1,546,978	(224,549)	1,136,084
Dividends	(1,265,734)	(1,218,558)	(1,622,794)
Share of own company dividend	302,953	389,511	389,511
	<u>584,197</u>	<u>(1,053,596)</u>	<u>(97,199)</u>
Opening Stockholder funds — as previously reported	19,341,640	20,399,310	20,496,509
Prior year adjustment — FRS19	4,074	—	—
Opening Stockholder funds	<u>19,345,714</u>	<u>20,399,310</u>	<u>20,496,509</u>
Closing Stockholder funds — as restated	<u>£19,929,911</u>	<u>£19,345,714</u>	<u>£20,399,310</u>

18. SUBSIDIARY COMPANY

The Subsidiary, Group Traders Limited whose registered office is at 41 Cheval Place, London SW7 1EW, is 100% held and has been dormant since 31 December 1996.

19. RELATED PARTY TRANSACTIONS

An Associated Undertaking of the Company, Danby Registrars Limited provided secretarial services to the Company at a cost of £25,556 (2001: £25,556) (2000: £25,556) and accommodation at a cost of £25,000 (2001: £25,000) (2000: £25,000) during the year ended 31 December 2002.

Danby Registrars Limited also owns a property, Walcot Hall Estate in Shropshire, part of which is occupied by an executive Director of the Company, The Hon. Mrs. E. C. Parish, under a protected tenancy agreement entered into in 1957. The annual rental is £5,000, the amount of rent due at 31 December 2002 was £nil (2001: £nil) (2000: £nil) and no amount has been written off in respect of amounts due from The Hon. Mrs. E. C. Parish during the year. The Hon. Mrs. E. C. Parish allowed the Chairman and Managing Director of the Company, C. R. W. Parish, and his family, and her daughter Mrs S. W. Kumaramangalam and her family to reside in the property throughout the year.

The Walcot Hall Estate is the major asset in Danby Registrars Limited, and is included at a net book value of £453,410; a property valuation in 1999 indicated a market value of £2,100,000. The pre-tax loss attributable to the Walcot Hall Estate in the financial year ended 31 December 2002 was £57,794 (2001: £108,160) (2000: £72,862). In the financial statements of the Group, this property is included as the Group's 48.42% share of the net assets of Danby Registrars Limited amounting to a net book value amounting to £219,541; the Group's share of the latest valuation of this property is £1,016,820.

C. R. W. Parish also pays rent of £2,040 per annum to Danby Registrars Limited, an associated company, in respect of him residing on the Walcot Estate. The amount of rent due at 31 December 2002 was £nil (2001: £nil) (2000: £nil) and no amount has been written off in respect of amounts due from C. R. W. Parish. Mrs S. W. Kumaramangalam also pays rent of £4,850 per annum to Danby Registrars Limited, an associated company, in respect of her residing on the Walcot Hall Estate. The amount of rent due at 31 December 2002 was £nil (2001: £nil) (2000: £nil) and no amount has been written off in respect of amounts due from Mrs S. W. Kumaramangalam.

In addition Danby Registrars Limited owns 41 Cheval Place, London SW7 1EW, the Group's registered office. C. R. W. Parish, The Hon. Mrs. E. C. Parish and E. W. Houston paid accommodation costs to Danby Registrars Limited for use of Cheval Place. During the year this amounted to £2,502 (2001: £1,853) (2000: £nil). No amounts remain outstanding at the year end (2001: £nil) (2000: £nil).

Danby Registrars Limited has outstanding loans from shareholders of The Exploration Company p.l.c. as follows:

	<i>2002</i>	<i>2001</i>	<i>2000</i>
	£	£	£
Mrs S. W. Kumaramangalam			
Unsecured loan	70,000	70,000	70,000
Interest paid in year	5,600	5,600	5,600
C. R. W. Parish			
Unsecured loan	—	50,000	—
Interest paid in year	981	1,677	—

20. FINANCIAL INSTRUMENTS AND RISK PROFILE

The Group's financial instruments comprise its investment portfolio (see note 9), cash balances, debtors and creditors that arise directly from its operations, such as sales and purchases awaiting settlement, and bank borrowings used partly to finance the Group's operations.

The Group invests in securities to increase the asset value of the stockholders' units while attempting to increase their dividends and at the same time not asking them to put up any new money. The Group's policy is to deal in quoted and unquoted investments or other financial instruments, including derivatives.

As indicated in notes 9 and 11 the company trades in forward contracts on a commodity, short positions and options.

The Group is financed mainly through retained profits and to a lesser extent by bank overdrafts and secured borrowings on transactions with brokers.

The Group has little exposure to credit and cash flow risk. Unlisted investments in the portfolio are subject to liquidity risk. The Directors take this risk into account before making such investments and when arriving at the valuation of these assets.

The principal risks the Group faces in its portfolio management activities are:

- market price risk i.e. movements in the value of investment holdings caused by factors other than interest rate or currency movements;
- foreign currency risk; and
- interest rate risk.

The Group takes account of these risks when setting investment policy and making investment decisions. The Directors monitor economic and market data in order to minimise the Group's exposure to these risks.

The numerical disclosure below excludes short-term debtors and creditors. The position at 31 December 2002 is in accordance with the Group's policy for the role of financial instruments and risk and is consistent with the position during the year.

	<i>Book Value</i>		<i>(As published)</i>		<i>Fair Value</i>		<i>(As published)</i>	
	<i>2002</i>	<i>2001</i>	<i>2001</i>	<i>2000</i>	<i>2002</i>	<i>2001</i>	<i>2001</i>	<i>2000</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
Associated Undertaking	6,708,618	6,787,247	6,785,889	6,129,804	12,649,609	14,419,871	14,419,871	15,585,756
Financial assets:								
Cash and bank balances	35,295	52,176	52,176	436,417	35,295	52,176	52,176	436,417
Listed investments	15,779,631	15,280,392	14,506,578	17,559,054	25,660,733	27,553,126	26,685,887	33,266,785
Unlisted investments	1,400,555	1,644,793	1,644,793	1,985,976	2,857,900	3,413,895	3,413,895	3,756,345
Property	—	285,833	285,833	285,833	—	285,833	285,833	285,833
	<u>£17,215,481</u>	<u>£17,263,094</u>	<u>£16,489,380</u>	<u>£20,267,280</u>	<u>£28,553,928</u>	<u>£31,305,030</u>	<u>£30,437,791</u>	<u>£37,745,380</u>
Financial liabilities:								
Bank overdraft	3,254,313	2,598,692	2,598,692	2,028,442	3,254,313	2,598,692	2,589,692	2,028,442
Investments sold short	5,330,891	251,782	—	—	5,192,404	215,519	—	—
Options sold short	30,160	605,071	—	—	24,821	651,720	—	—
Deal funding due to brokers	—	646,730	646,730	2,989,905	—	646,730	646,730	2,989,905
	<u>£ 8,587,014</u>	<u>£ 4,102,275</u>	<u>£ 3,245,422</u>	<u>£ 5,018,347</u>	<u>£ 8,471,538</u>	<u>£ 4,112,661</u>	<u>£ 3,245,422</u>	<u>£ 5,018,347</u>

The Company has entered into forward contracts to purchase gold agreeing to pay the sterling equivalent of £997,179 and £1,103,631 (2001:£nil) (2000:£nil). The market value of these contracts at 31 December 2002 is £2,158,519 (2001:£nil) (2000:£nil).

The investment portfolio is reported at the lower of cost and market value. Fair value of the portfolio, based on market value and directors valuation for unlisted securities, is recorded in notes 8 and 9 to the accounts.

Market Price Risk

The Group's exposure to market price risk mainly comprises movements in the value of its investments. Uncertainty arises as a result of future changes in the market prices of the Group's investments.

Foreign Currency Risk

The Group is exposed to foreign currency risk through its investment in securities listed on overseas stock markets and on short-term indebtedness with overseas brokers. The Group does not hedge against foreign currency movements, but takes account of the relative strengths and weaknesses of currencies in making investment decisions. Receipts in currencies other than Sterling are converted into Sterling, to the extent that they are not needed to meet settlement obligations in the relevant currency.

The Group's exposure to foreign currencies through its investments in overseas securities, at fair value converted to Sterling, is shown below:

	2002 £	2001 £	2000 £
US dollar	1,678,263	4,084,211	9,859,951
Australian dollar	472,626	365,272	385,222
New Zealand dollar	212,520	34,333	31,548
Swiss franc	56,014	107,927	11,728
Euro	523,722	284,809	415,552
Hong Kong dollar	113,827	70,928	269,138
Canadian dollar	359,987	26,145	55,388
South African rand	70,448	162,304	224,866
Danish kroner	27,336	—	—
	<u>£3,514,743</u>	<u>£5,135,929</u>	<u>£11,253,393</u>

Amounts due to brokers for funding for future settlement include amounts denominated in US dollars, which have been converted into Sterling. The Sterling value of these amounts is £nil (2001: £646,730) (2000: £13,389).

Interest Rate Risk

The Group is exposed indirectly to interest rate risk through the effect of interest rate changes on the valuation of its investment portfolio. The majority of its financial assets are equity shares, which pay dividends, not interest. Interest is charged on bank overdrafts at 1% above the bank's Sterling base rate and deal funding provided by brokers at rates negotiated with the lenders.

The interest rate profile of the Group's financial assets and liabilities are:

	2002			2001			2000		
	Total £	Floating Rate £	Fixed Rate £	Total £	Floating Rate £	Fixed Rate £	Total £	Floating Rate £	Fixed Rate £
Financial assets:									
Sterling	407,500	355,396	52,104	1,563,018	822,687	740,331	3,522,877	1,605,197	1,917,680
US dollar	31,742	—	31,742	33,655	—	33,655	596,828	334,717	262,111
Euro	197,621	—	197,621	—	—	—	—	—	—
Swiss franc	201,249	—	201,249	—	—	—	—	—	—
New Zealand dollar	184,121	—	184,121	—	—	—	—	—	—
South African rand	—	—	—	2,314	—	2,314	2,424	—	2,424
	<u>1,022,233</u>	<u>355,396</u>	<u>666,837</u>	<u>1,598,987</u>	<u>822,687</u>	<u>776,300</u>	<u>4,122,129</u>	<u>1,939,914</u>	<u>2,182,215</u>
Financial liabilities:									
Sterling	3,254,313	—	3,254,313	2,598,692	2,598,692	—	2,028,442	2,028,442	—
US dollar	—	—	—	647,730	647,730	—	2,989,905	2,989,905	—
	<u>3,254,313</u>	<u>—</u>	<u>3,254,313</u>	<u>3,426,422</u>	<u>3,426,422</u>	<u>—</u>	<u>5,018,347</u>	<u>5,018,347</u>	<u>—</u>

Financial assets comprise non-equity shares and loan stocks. The weighted average interest rate on these financial assets is 3.26% (2001: 7.88%) (2000: 4.71%) and financial liabilities is 5.0% (2001: 6.00%) (2000: 6.5%). Financial liabilities all fall due within one year. Unutilised overdraft facilities at 31 December 2002 amounted to £1,745,687 (2001: £2,401,308) (2000: £2,951,558).

PART 3

FINANCIAL INFORMATION RELATING TO THE EL ORO GROUP

Nature of financial information

The financial information contained in this Part 3 in respect of the years ended 31 December 2000, 2001 and 2002 has been extracted without material adjustment from the Group's consolidated audited financial statements for the three years ended 31 December 2000, 2001 and 2002.

The Group's results were restated for the year ended 31 December 2001 to take account of the adoption of FRS 19 "Deferred tax" which was adopted for the first time in the financial statements for the year ended 31 December 2002. The restated and originally published figures for the year ended 31 December 2001 are included in the financial information presented in this document. The figures for the year ended 31 December 2000 have not been restated.

The financial information concerning the Group contained in this Part 3 does not constitute statutory accounts within the meaning of Section 240 of the Act. Statutory accounts of the Group in respect of the financial years ended 31 December 2000, 2001 and 2002 have been delivered to the Registrar of Companies. Unqualified audit reports, as defined by Section 234 of the Act, which did not contain a statement under Section 237(2) or 237(3) of the Act, have been given by El Oro's auditors who were PricewaterhouseCoopers LLP, Southwark Towers, 32 London Bridge Street, SE1 9SY for the years ended 31 December 2000 and 2001 and PricewaterhouseCoopers LLP, of the same address, for the year ended 31 December 2002.

CONSOLIDATED PROFIT AND LOSS ACCOUNTS

for the years ended 31 December

	Notes	2002 £	(Restated)* 2001 £	(As published) 2001 £	2000 £
Income from investment trading	2	1,224,214	3,197,215	3,197,215	2,313,400
Management expenses	3	446,961	448,706	448,706	327,368
Operating profit		777,253	2,748,509	2,748,509	1,986,032
Share of operating profit/(loss) of associated undertakings		952,731	(586,981)	(586,981)	657,216
Profit on ordinary activities before interest payable		1,729,984	2,161,528	2,161,528	2,643,248
Interest payable					
Group		189,794	93,887	93,887	279,330
Associated undertakings		106,016	146,213	146,213	287,188
		£ 295,810	£ 240,100	£ 240,100	£ 566,518
Profit on ordinary activities before taxation		1,434,174	1,921,428	1,921,428	2,076,730
Taxation					
Group		178,302	808,099	810,821	514,961
Associated undertakings		201,795	(124,192)	(122,865)	143,497
	4	£ 380,097	£ 683,907	£ 687,956	£ 658,458
Profit on ordinary activities after taxation		1,054,077	1,237,521	1,233,472	1,418,272
Dividends (net of forfeited £nil, 2001: £(1,812), 2000: £2,298)	5	1,172,895	1,174,707	1,174,707	1,170,597
Retained (loss)/profit for the year	13	£ (118,818)	£ 62,814	£ 58,765	£ 247,675
Dividend per share		26.00p	26.00p	26.00p	26.00p
Earnings per share (Basic and diluted)	6	23.37p	27.43p	27.34p	31.44p

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the years ended 31 December

	2002 £	(Restated)* 2001 £	(As published) 2001 £	2000 £
Profit from ordinary activities after taxation	1,054,077	1,237,521	1,233,472	1,418,272
Share of own dividend received by Associated Undertakings	285,570	285,570	285,570	285,570
Total recognised gains and losses for the year	1,339,647	1,523,091	1,519,042	1,703,842
Prior year adjustment — FRS19	4,049	—	—	—
Total gains and losses recognised since last annual report	<u>£1,343,696</u>	<u>£1,523,091</u>	<u>£1,519,042</u>	<u>£1,703,842</u>

* The 2001 figures have been restated in accordance with the change in accounting policies (see note 1(b)).

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

All of the above results derive from continuing activities and there were no acquisitions in the period.

CONSOLIDATED BALANCE SHEETS

at 31 December

	Notes	2002 £	(Restated)* 2001 £	(As published) 2001 £	2000 £
Fixed assets					
Office equipment and software	7	4,976	2,973	2,973	9,253
Investments:					
Subsidiary Company	18	—	—	—	—
Associated Undertakings	8	8,424,791	8,101,371	8,100,044	9,205,322
		<u>£ 8,429,767</u>	<u>£ 8,104,344</u>	<u>£ 8,103,017</u>	<u>£ 9,214,575</u>
Current assets					
Investments	9	15,369,000	13,285,723	13,285,723	11,240,394
Debtors	10	214,784	280,371	277,649	523,068
Cash and bank balances		29,058	35,018	35,018	1,406,594
		<u>£15,612,842</u>	<u>£13,601,112</u>	<u>£ 13,598,390</u>	<u>£13,170,056</u>
Creditors: amounts falling due within one year:	11	5,833,854	3,663,453	3,663,453	4,691,012
Net current assets		<u>£ 9,778,988</u>	<u>£ 9,937,659</u>	<u>£ 9,934,937</u>	<u>£ 8,479,044</u>
Total assets less current liabilities		<u>18,208,755</u>	<u>18,042,003</u>	<u>18,037,954</u>	<u>17,693,619</u>
Net assets		<u>£18,208,755</u>	<u>£18,042,003</u>	<u>£ 18,037,954</u>	<u>£17,693,619</u>
Capital and reserves					
Called up share capital	12	451,113	451,113	451,113	451,113
Share premium		2,435	2,435	2,435	2,435
Profit and loss account	13	17,755,207	17,588,455	17,584,406	17,240,071
Shareholders' funds (Equity)	17	<u>£18,208,755</u>	<u>£18,042,003</u>	<u>£ 18,037,954</u>	<u>£17,693,619</u>

* The 2001 figures have been restated in accordance with the change in accounting policies (see note 1(b)).

CONSOLIDATED CASH FLOW STATEMENTS

for the years ended 31 December

	Notes	2002 £	(Restated) 2001 £	(As published) 2001 £	2000 £
Net cash inflow from operating activities	14	208,236	70,667	345,224	1,008,433
Dividends received from associated undertakings	15	607,070	780,519	780,519	780,519
Returns on investments and servicing of finance	15	(180,994)	(92,988)	(92,988)	(299,260)
Taxation	15	(532,485)	(604,697)	(604,697)	(617,166)
Capital expenditure and management of non-liquid resources	15	(158,678)	250,599	250,599	(641,597)
Equity dividends paid		<u>(1,172,895)</u>	<u>(1,172,895)</u>	<u>(1,172,895)</u>	<u>(1,172,801)</u>
Net cash outflow before management of liquid resources		(1,229,746)	(768,795)	(494,238)	(941,872)
Management of liquid resources	15	<u>(1,439,984)</u>	<u>104,174</u>	<u>(170,383)</u>	<u>5,670,889</u>
(Decrease)/increase in cash in the year	16	<u>£(2,669,730)</u>	<u>£ (664,621)</u>	<u>£ (664,621)</u>	<u>£ 4,729,017</u>

The accompanying notes are an integral part of these cash flow statements.

NOTES TO THE FINANCIAL INFORMATION

1. ACCOUNTING POLICIES

As permitted by the Companies Act 1985, the Directors have adapted the headings in the consolidated profit and loss account from those prescribed in Schedule 4 in order to better reflect the special nature of the Group's business.

The following accounting policies have been applied consistently, except as noted in 1(b), in dealing with items which are considered material in relation to the Group's financial information:

(a) Basis of Accounting

The financial information has been prepared on the historical cost basis of accounting and in accordance with applicable accounting standards in the United Kingdom.

(b) Changes in Accounting Policies and Presentation

In the year ended 31 December 2002 the Group has adopted FRS19 'Deferred Tax' for the year ended 31 December 2001. The adoption of this standard represents a change in accounting policy and the comparative figures have been restated accordingly. The adoption of this policy has increased the tax charge by £479 (2001: £(4,049)) (2000: £nil) and decreased profit for the financial year by £479 (2001: £(4,049)) (2000: £nil). The adjustment to opening reserves is shown in note 13.

The presentation of currency translation for gains and losses has changed to separately identify the amounts in the reconciliation of operating profit to operating cash flow. This change in presentation has no effect on the results or net assets.

(c) Group Financial Information

The Group financial information includes that of the wholly-owned Subsidiary, General Explorations Limited, which is incorporated in England, and the Group's share of the results of Associated Undertakings based on its effective interest as set out in note 8.

(d) Investment Income

Income from investments includes all dividends, rents and all interest on non-government securities, the dates of payment of which fall within the year. Interest on government securities is accounted for on an accruals basis.

Dividends received as scrip are not accounted for as income and no adjustment is made to the book value of the relevant investment. The effect, therefore, is to reduce the unit cost of the shares in the investment concerned.

(e) Investments

Listed investments are stated in the balance sheet at the lower of cost and market value at the balance sheet date. Unlisted investments are stated at the lower of cost and Directors' valuation at the balance sheet date. Overseas investments are translated at the exchange rate ruling the balance sheet date.

(f) Fixed Assets

The cost of software and office equipment includes purchases at cost, and any incidental costs of acquisition.

Depreciation is calculated so as to write off the cost of fixed assets, less their estimated residual values, on a straight-line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

Office Equipment and Software	33 $\frac{1}{3}$ %
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(g) Deferred Taxation

Provision is made in full for all taxation deferred in respect of timing differences that have originated but not reversed at the balance sheet date. Such assets and liabilities are not discounted. No provision is made for taxation on permanent timing differences. Deferred tax assets are recognised to the extent that it is more likely than not that they will be recovered.

(h) Foreign Currency Translation

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

2. INCOME FROM INVESTMENT TRADING

	2002 £	2001 £	2000 £
Dividends from listed investments	688,370	716,489	712,980
Dividends from unlisted investments	15,782	33,824	36,967
Profits less losses on investments realised	1,584,486	2,777,059	5,341,861
Currency translation (losses)/gains	(247,972)	274,557	27,275
(Increase) in provisions for diminution in value of investments	(846,665)	(650,829)	(3,857,868)
Rent received	25,063	23,310	24,090
Interest received	5,150	22,805	28,095
	<u>£1,224,214</u>	<u>£3,197,215</u>	<u>£2,313,400</u>

3. MANAGEMENT EXPENSES

	2002 £	2001 £	2000 £
General	294,059	298,852	195,941
Rent	25,000	25,000	25,000
Depreciation	3,231	10,740	9,281
Directors' emoluments	100,085	71,050	69,550
Auditors' remuneration			
— audit services	24,586	23,206	21,721
— non-audit services	—	19,858	5,875
	<u>£446,961</u>	<u>£448,706</u>	<u>£327,368</u>

Directors' emoluments comprise:

	<i>Fees</i> £	<i>Salary and other remuneration</i> £	<i>Pension Contributions</i> £	2002 £	2001 £	2000 £
<i>Executive Directors</i>						
C. R. W. Parish (Chairman)	1,350	67,650	10,035	79,035	60,000	60,000
The Hon. Mrs. E. C. Parish	1,050	—	—	1,050	1,050	1,050
<i>Non-Executive Directors</i>						
D. G. F. Thompson#	—	—	—	—	5,000	4,750
T. T. M. Agnew	—	—	—	—	5,000	3,750
E. W. Houston	5,000	—	—	5,000	—	—
D. R. L. Hunting	5,000	—	—	5,000	—	—
R. E. Wade	5,000	—	—	5,000	—	—
J. A. Wild	5,000	—	—	5,000	—	—
Total 2002	<u>£22,400</u>	<u>£ 67,650</u>	<u>£ 10,035</u>	<u>£100,085</u>	<u>£71,050</u>	<u>£69,550</u>
Total 2001	<u>£ 2,900</u>	<u>£ 68,150</u>	<u>£ —</u>	<u>£ —</u>	<u>£71,050</u>	<u>£69,550</u>
Total 2000	<u>£ 2,900</u>	<u>£ 66,650</u>	<u>£ —</u>	<u>£ —</u>	<u>£71,050</u>	<u>£69,550</u>

The Chairman's emoluments for 2002 are detailed in the above table.

Remuneration paid to Wolverhampton & Dudley Breweries plc, of which D.G.F. Thomson was a Director, for making available his services.

No Director waived emoluments in respect of the year ended 31 December 2002 (2001: £nil) (2000: £nil).

Employees

The average weekly number of persons (including Directors) employed during the year was:

	2002	2001	2000
Investing	1	1	1
Administration	4	4	4
	<u>5</u>	<u>5</u>	<u>5</u>
	2002	2001	2000
	£	£	£
Employment costs	150,651	123,276	117,967
Social security costs	12,704	13,507	6,603
Pension costs	21,665	—	—
	<u>£ 185,020</u>	<u>£ 136,783</u>	<u>£124,570</u>

4. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2002	(Restated) 2001	(As published) 2001	2000
	£	£	£	£
Analysis of tax charge for the year				
Current tax:				
UK corporation tax on profits for the year	379,287	846,108	846,108	658,138
Adjustments in respect of previous year	331	(158,152)	(158,152)	320
Total current tax	<u>£379,618</u>	<u>£ 687,956</u>	<u>£ 687,956</u>	<u>£658,458</u>
Deferred tax:				
Original and reversal of timing differences	479	—	—	—
Prior year adjustment	—	(4,049)	—	—
Total deferred tax	<u>£ 479</u>	<u>£ (4,049)</u>	<u>£ —</u>	<u>£ —</u>
Tax on profit on ordinary activities	<u>£380,097</u>	<u>£ 683,907</u>	<u>£ 687,956</u>	<u>£658,458</u>

	2002	(Restated) 2001
	£	£
Factors affecting tax charge for year		
The tax assessed is lower than the standard rate of corporation tax in the UK (30%).		
The differences are explained below:		
Profit on ordinary activities before tax	1,434,175	1,921,428
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2001: 30%)	430,252	576,428
Effects of:		
Expenses not deductible for tax purposes	8,154	64,213
Capital allowances in excess of depreciation	(479)	—
Depreciation in excess of capital allowances	—	2,602
Utilisation of tax losses	(58,840)	189,905
Overseas tax suffered	—	12,960
Adjustments to tax charge in respect of prior year	331	(158,152)
Current tax charge for the year	<u>£ 379,618</u>	<u>£ 687,956</u>

The Group expects to be able to claim capital allowances in excess of depreciation in future periods reversing the position previously where depreciation has been higher than capital allowances.

The Group has utilised its brought forward tax losses, which has significantly reduced the tax provision in the current year. No tax losses are available to carry forward in the group as at the end of the year.

The Company has changed its accounting policy for deferred tax following the adoption of FRS 19 Deferred Tax, this year. Under the Group's previous accounting policy deferred tax was recognised to the extent that it was probable a liability or asset would crystallise. The Group's new accounting policy is set out in note 1(g).

5. DIVIDENDS

	2002 £	2001 £	2000 £
Proposed dividend payable	1,172,895	1,172,895	1,172,895
Unclaimed dividends claimed	—	1,812	(2,298)
	<u>£1,172,895</u>	<u>£1,174,707</u>	<u>£1,170,597</u>

6. EARNINGS PER SHARE

The earnings per share is based on the profits on ordinary activities after taxation of £1,054,077 (2001 restated: £1,237,521) (2000: £1,418,272) and on 4,511,135 shares of 10p each in issue during the years 2002, 2001 and 2000.

7. FIXED ASSETS

Office equipment and software

	2002 £	2001 £	2000 £
Cost			
At 1 January	32,219	27,759	27,759
Additions in the year	5,235	4,460	—
At 31 December	<u>37,454</u>	<u>32,219</u>	<u>27,759</u>
Depreciation			
At 1 January	29,247	18,506	9,225
Charge for the year	3,231	10,740	9,281
At 31 December	<u>32,478</u>	<u>29,246</u>	<u>18,506</u>
Net book value			
At 31 December	<u>£ 4,976</u>	<u>£ 2,973</u>	<u>£ 9,253</u>

8. ASSOCIATED UNDERTAKINGS

	2002	(Restated) 2001	(As published) 2001	2000
	£	£	£	£
(a) Shares at cost less amounts written off:				
Listed — London Stock Exchange	1,860,270	1,860,270	1,860,270	1,860,270
Unlisted	11,914	11,914	11,914	11,914
The Group's share of post-acquisition retained profits and reserves of Associated Undertakings:				
Listed — London Stock Exchange	6,300,064	5,965,207	5,963,880	6,986,258
Unlisted	252,543	263,980	263,980	346,880
As per Balance Sheets	<u>£ 8,424,791</u>	<u>£ 8,101,371</u>	<u>£ 8,100,044</u>	<u>£ 9,205,322</u>
(b) Listed — market valuation	12,285,951	14,598,601	14,598,601	16,477,628
Unlisted — Directors' valuation	892,879	922,428	922,428	870,769
	<u>£13,178,830</u>	<u>£15,521,029</u>	<u>£ 15,521,029</u>	<u>£17,348,397</u>
(c) There were no movements in the cost of Associated Undertakings held by the Group. Movements in the acquisition retained profits and reserves of Associated Undertakings are shown in note 13.				

The undertakings so dealt with are as follows:

<i>Name of company and financial year dealt with in these accounts</i>	<i>Country of incorporation and operation</i>	<i>Class</i>	<i>Number of shares</i>	<i>Share capital held by the Group</i>	<i>Effective interest of the Group</i>
The Exploration Company p.l.c. 31 December 2002 (Listed)	England	Stock units of 5p	5,781,624	47.97%	48.84%
Investigations and Management Limited 31 December 2002 (Unlisted)	England	£1 shares	2,400	48.00%	53.16%
Danby Registrars Limited 31 December 2002 (Unlisted)	England	£1 shares	125	25.00%	51.58%

The principal activities of the undertakings are as follows:

The Exploration Company p.l.c. Investigations and Management Limited Danby Registrars Limited	}	Dealing in investments Secretarial Services and Property Management
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The following information is given in respect of the Group's share of its Associated Undertakings.

	2002	<i>(Restated)</i> 2001	<i>(As reported)</i> 2001	2000
	£	£	£	£
Listed				
Income from investment trading	1,210,532	(278,399)	(278,399)	1,220,036
Profit before taxation	1,143,721	(364,724)	(364,724)	719,059
Taxation	201,795	(124,192)	(122,865)	146,457
Profit after taxation	941,926	(240,532)	(241,859)	572,602
Fixed Assets	92,647	91,660	91,660	94,629
Current Assets	11,638,212	8,794,566	8,415,351	10,527,614
Liabilities due within one year	5,183,346	2,661,746	2,283,857	4,121,969
Unlisted				
Income from investment trading	178,049	127,243	127,243	191,090
Loss before taxation	(240)	(47,283)	(47,283)	(34,091)
Taxation	—	—	—	(2,043)
Loss after taxation	(240)	(47,283)	(47,283)	(32,048)
Fixed Assets	375,676	363,066	363,066	377,737
Current Assets	137,784	127,954	127,954	140,186
Liabilities due within one year	216,002	193,322	193,322	164,701

The difference between the Group's fixed asset investments in its listed and unlisted Associated Undertakings disclosed in the consolidated balance sheet and the Group's share of the net assets of its listed and unlisted Associated Undertakings disclosed above arises because the cost of investment of the holdings in associates reflected the fair value of the holding at the time of the purchase; the information above shows shares of associates' net assets per their financial statements which include investments held at the lower of cost and net realisable value rather than market value.

Dividends received from Associated Undertakings in the year were £607,070 (2001: £780,519) (2000: £780,519).

According to the register kept for the purpose of recording substantial share interests in the Company, at 31 December 2002, The Exploration Company p.l.c. ("Exploration") held 49.85% (2001: 49.85%) (2000: 49.85%) of the issued share capital of the Company. In consequence, when accounting for the results of Exploration as an Associated Undertaking those results have been adjusted to exclude Exploration's share of the results of the Company, its Subsidiary and Associated Undertakings. In order to fully implement this policy, the Group's share of dividends received by Associated Undertakings from the Company is dealt with as a reserve movement and is included in the Statement of Total Recognised Gains and Losses as disclosed on page 28.

The accounts of Investigations and Management Limited and Danby Registrars Limited are audited by the Company's registered auditors.

9. INVESTMENTS

	2002 £	2001 £	2000 £
(a) Investments at the lower of cost and market valuation or Directors' valuation as per the balance sheet:			
Listed — London Stock Exchange	2,710,168	4,301,106	4,114,880
— London AIM	2,610,199	1,856,008	1,300,567
— International	9,213,645	6,420,266	4,966,128
	<u>14,534,012</u>	<u>12,577,380</u>	<u>10,381,575</u>
Unlisted	834,988	570,931	721,407
Property	—	137,412	137,412
	<u>£15,369,000</u>	<u>£13,285,723</u>	<u>£11,240,394</u>
(b) Investments at market valuation or Directors' valuation:			
Listed investments at market valuation	28,062,769	24,937,404	27,684,619
Unlisted investments at Directors' valuation	1,173,710	694,795	1,238,364
Property at Directors' valuation	—	137,412	137,412
	<u>£29,236,479</u>	<u>£25,769,611</u>	<u>£29,060,395</u>

If the Group's current asset investments were realised at their market valuations or at Directors' valuations there would be a potential corporation tax liability of £4,160,000 (2001: £3,745,000) (2000: £5,346,000), calculated at the rate of 30% (2001: 30%) (2000: 30%).

There is a general lien in favour of the Group's bankers as security on all assets for all liabilities and obligations owed by the Group to the bank. There is also a lien on all assets in favour of Bear, Stearns Securities Corp., as brokers, as security for all liabilities and obligations owed by the Group to Bear, Stearns Securities Corp.

10. DEBTORS

	2002 £	(Restated) 2001 £	(As published) 2001 £	2000 £
Due within one year:				
Dividends receivable	—	—	—	24,866
Amounts due from brokers for future settlements	41,719	189,010	189,010	484,033
Amounts due from Associated Undertakings	161,991	1,427	1,427	14,169
Corporation tax recoverable	3,563	19,647	19,647	—
Other debtors	5,116	67,565	67,565	—
	<u>£212,389</u>	<u>£277,649</u>	<u>£277,649</u>	<u>£523,068</u>
Due after one year:				
Deferred taxation	2,395	2,722	—	—
	<u>£214,784</u>	<u>£280,371</u>	<u>£277,649</u>	<u>£523,068</u>

11. CREDITORS

	2002	(Restated) 2001	(As published) 2001	2000
	£	£	£	£
Bank overdraft — secured	4,240,643	1,576,873	1,576,873	2,283,828
Amounts due to brokers for future settlements	208,376	316,020	316,020	235,651
Amount due to Subsidiary Company	—	—	—	—
Amount due to Associated Undertaking	—	—	—	628,346
Other creditors	1,272	—	—	18,836
Corporation tax	144,295	514,889	514,889	289,118
Other taxes and social security	—	8,177	8,177	4,328
Unclaimed dividends	28,050	34,497	34,497	28,910
Accruals	38,323	40,102	40,102	29,100
Proposed dividend	1,172,895	1,172,895	1,172,895	1,172,895
	<u>£5,833,854</u>	<u>£3,663,453</u>	<u>£3,663,453</u>	<u>£4,691,012</u>

There is a general lien in favour of the Group's bankers on all assets as security for all liabilities and obligations owed by the Group to the bank.

There is also a lien on assets held with Bear, Stearns Securities Corp., as brokers, as security for all liabilities and obligations owed by the Group to Bear, Stearns Securities Corp.

12. CALLED UP SHARE CAPITAL

	2002	2001	2000
	£	£	£
Authorised — 11,499,950 shares of 10p each	<u>£1,149,995</u>	<u>£1,149,995</u>	<u>£1,149,995</u>
Issued — 4,511,135 shares of 10p each, fully paid	<u>£ 451,113</u>	<u>£ 451,113</u>	<u>£ 451,113</u>

13. PROFIT AND LOSS ACCOUNT

	£	Associated Undertakings £	Total £
Balance 1 January 2000	9,105,269	7,601,557	16,706,826
Retained profit/(loss) for the year	801,664	(553,989)	247,675
Share of dividends from the Company	—	285,570	285,570
Balance 31 December 2000	<u>9,906,933</u>	<u>7,333,138</u>	<u>17,240,071</u>
Balance 1 January 2001	9,906,933	7,333,138	17,240,071
Retained profit/(loss) for the year	1,449,613	(1,390,848)	58,765
Share of dividends from the Company	—	285,570	285,570
Balance 31 December 2001	<u>11,356,546</u>	<u>6,227,860</u>	<u>17,584,406</u>
Balance 1 January 2002	11,356,546	6,227,860	17,584,406
Prior year adjustment — FRS19	2,722	1,327	4,049
Balance 1 January 2002 — as restated	11,359,268	6,229,187	17,588,455
Retained (loss)/profit for the year	(156,668)	37,850	(118,818)
Share of dividends from the Company	—	285,570	285,570
Balance 31 December 2002	<u>£11,202,600</u>	<u>£6,552,607</u>	<u>£17,755,207</u>

14. RECONCILIATION OF OPERATING PROFIT TO OPERATING CASHFLOWS

	2002	(Restated) 2001	(As published) 2001	2000
	£	£	£	£
Operating profit	777,253	2,748,509	2,748,509	1,986,032
Depreciation	3,231	10,740	10,740	9,281
Increase in provision for diminution in investments	846,665	650,829	650,829	3,857,868
(Profits) on investments realised	(1,584,486)	(2,777,059)	(2,777,059)	(5,341,861)
Currency translation losses/(gains)	247,972	(274,557)	—	—
Decrease in debtors	49,176	265,066	265,066	48,632
(Decrease) in creditors	(131,575)	(552,861)	(552,861)	448,481
Net cash inflow from operating activities	<u>£ 208,236</u>	<u>£ 70,667</u>	<u>£ 345,224</u>	<u>£ 1,008,433</u>

15. ANALYSIS OF CASH FLOWS

	2002	(Restated) 2001	(As published) 2001	2000
	£	£	£	£
Dividends received from associated undertakings	<u>£ 607,070</u>	<u>£ 780,519</u>	<u>£ 780,519</u>	<u>£ 780,519</u>
Returns on investments and servicing of finance				
Interest paid	<u>£ (180,994)</u>	<u>£ (92,988)</u>	<u>£ (92,988)</u>	<u>£ (299,260)</u>
Taxation				
UK Corporation tax paid	(532,485)	(585,050)	(585,050)	(584,627)
Overseas tax paid	—	(5,955)	(5,955)	(17,329)
UK tax withheld	—	(13,692)	(13,692)	(15,210)
Net cash outflow	<u>£ (532,485)</u>	<u>£ (604,697)</u>	<u>£ (604,697)</u>	<u>£ (617,166)</u>
Capital expenditure and management of non-liquid resources				
Purchase of fixed assets	(5,235)	(4,460)	(4,460)	—
Purchase of unlisted securities	(1,213,048)	(506,909)	(506,909)	(828,373)
Sale of unlisted securities	499,290	761,968	761,968	153,690
Sale of property	560,315	—	—	33,086
Net cash (outflow)/inflow	<u>£ (158,678)</u>	<u>£ 250,599</u>	<u>£ 250,599</u>	<u>£ (641,597)</u>
Management of liquid resources				
Purchases of investments	(12,984,558)	(5,870,882)	(5,870,882)	(9,480,567)
Sales of investments	11,544,574	5,975,056	5,700,499	15,151,456
Net cash (outflow)/inflow	<u>£(1,439,984)</u>	<u>£ 104,174</u>	<u>£ (170,383)</u>	<u>£ 5,670,889</u>

16. ANALYSIS AND RECONCILIATION OF NET FUNDS

	31 Dec 1999	Cash Flow	31 Dec 2000	Cash Flow	31 Dec 2001	Cash Flow	31 Dec 2002
	£	£	£	£	£	£	£
Cash and bank balances	17,400	1,389,194	1,406,594	(1,371,576)	35,018	(5,960)	29,058
Overdrafts and deal funding	(5,623,651)	3,339,823	(2,283,828)	706,955	(1,576,873)	(2,663,770)	(4,240,643)
	<u>(£ 5,606,251)</u>	<u>£ 4,729,017</u>	<u>£ (877,234)</u>	<u>£ (664,621)</u>	<u>£ (1,541,855)</u>	<u>£ (2,669,730)</u>	<u>£ (4,211,585)</u>
Current asset investments (Note 9)	15,142,628	(3,902,234)	11,240,394	2,045,329	13,285,723	2,083,277	15,369,000
Less: Unlisted investments and property	(1,352,175)	493,356	(858,819)	150,476	(708,343)	(126,645)	(834,988)
	<u>£ 13,790,453</u>	<u>(3,408,878)</u>	<u>£ 10,381,575</u>	<u>£ 2,195,805</u>	<u>£ 12,577,380</u>	<u>£ 1,956,632</u>	<u>£ 14,534,012</u>
Net funds	<u>£ 8,184,202</u>	<u>£ 1,320,139</u>	<u>£ 9,504,341</u>	<u>£ 1,531,184</u>	<u>£ 11,035,525</u>	<u>£ (713,098)</u>	<u>£ 10,322,427</u>

	2002	2001	2000	1999
	£	£	£	£
(Decrease) in cash in year	(2,669,730)	(664,621)	4,729,017	(3,543,790)
Cash inflow from increase in liquid resources	2,083,277	2,045,329	(3,902,234)	4,168,361
Cash (outflow)/inflow from non-liquid resources	(126,645)	150,476	493,356	(701,334)
Change in net funds resulting from cash flows	(713,098)	1,531,184	1,320,139	(76,763)
Net funds at 1 January	11,035,525	9,504,341	8,184,202	8,260,965
Net funds at 31 December	<u>£10,322,427</u>	<u>£11,035,525</u>	<u>£ 9,504,341</u>	<u>£ 8,184,202</u>

17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2002	2001	2000
	£	£	£
Profit from ordinary activities	1,054,077	1,237,521	1,418,272
Dividends	(1,172,895)	(1,174,707)	(1,170,597)
Share of own company dividend	285,570	285,570	285,570
	<u>166,752</u>	<u>348,384</u>	<u>533,245</u>
Opening Shareholder funds — as previously reported	18,037,954	17,693,619	17,160,374
Prior year adjustment — FRS19	4,049	—	—
Opening Shareholder funds	<u>18,042,003</u>	<u>17,693,619</u>	<u>17,160,374</u>
Closing Shareholder funds — as restated	<u>£18,208,755</u>	<u>£18,042,003</u>	<u>£17,693,619</u>

18. SUBSIDIARY COMPANY

The Subsidiary, General Explorations Limited has been dormant since 31 December 2000.

19. RELATED PARTY TRANSACTIONS

An Associated Undertaking of the Company, Danby Registrars Limited provided secretarial services to the Company at a cost of £25,556 (2001: £25,556) (2000: £25,556) and accommodation at a cost of £25,000 (2001: £25,000) (2000: £25,000) during the year ended 31 December 2002.

Danby Registrars Limited also owns a property, Walcot Hall Estate in Shropshire, part of which is occupied by an executive Director of the Company, The Hon. Mrs. E. C. Parish, under a protected tenancy agreement entered into in 1957. The annual rental is £5,000, the amount of rent due at 31 December 2002 was £ nil (2001: £nil) (2000: £nil) and no amount has been written off in respect of amounts due from The Hon. Mrs. E. C. Parish during the year. The Hon. Mrs. E. C. Parish allowed the Chairman and Managing Director of the Company, C. R. W. Parish, and his family, and her daughter Mrs S. W. Kumaramangalam and her family to reside in the property throughout the year.

The Walcot Hall Estate is the major asset in Danby Registrars Limited, and is included at a net book value of £453,410; a property valuation in 1999 indicated a market value of £2,100,000. The pre-tax loss attributable to the Walcot Hall Estate in the financial year ended 31 December 2002 was £57,794 (2001: £108,160) (2000: £72,862). In the financial statements of the Group, this property is included as the Group's 51.58% share of the

net assets of Danby Registrars Limited amounting to a net book value amounting to £233,869; the Group's share of the latest valuation of this property is £1,083,180.

C. R. W. Parish pays rent of £2,040 per annum to Danby Registrars Limited, an associated company in respect of him residing on the Walcot Estate. The amount of rent due at 31 December 2002 was £nil (2001: £nil) (2000: £nil) and no amount has been written off in respect of amounts due from C. R. W. Parish. Mrs S. W. Kumaramangalam also pays rent of £4,850 per annum to Danby Registrars Limited, an associated company in respect of her residing on the Walcot Hall Estate. The amount of rent due at 31 December 2002 was £nil (2001: £nil) (2000: £nil) and no amount has been written off in respect of amounts due from Mrs S. W. Kumaramangalam.

In addition Danby Registrars Limited owns 41 Cheval Place, the Group's registered office. C. R. W. Parish, The Hon. Mrs. E. C. Parish and E. W. Houston paid accommodation costs to Danby Registrars Limited for use of Cheval Place. During the year this amounted to £2,502 (2001: £1,853) (2000: £1,942). No amounts remain outstanding at the year end (2001: £nil) (2000: £nil).

Danby Registrars Limited has outstanding loans from shareholders of El Oro Mining and Exploration Company p.l.c. as follows

	2002	2001	2000
	£	£	£
Mrs S. W. Kumaramangalam			
Unsecured loan	70,000	70,000	70,000
Interest paid in year	5,600	5,600	5,600
C. R. W. Parish			
Unsecured loan	—	50,000	—
Interest paid in year	981	1,677	—

20. FINANCIAL INSTRUMENTS AND RISK PROFILE

The Group's financial instruments comprise its investment portfolio (see note 9), cash balances, debtors and creditors that arise directly from its operations, such as sales and purchases awaiting settlement, and bank borrowings used partly to finance the operations.

The Group invests in securities to increase the asset value of the shareholders' shares while attempting to increase their dividends and at the same time not asking them to put up any new money. The Group's policy is to deal in quoted and unquoted investments or other financial instruments, including derivatives.

The Group is financed mainly through retained profits and to a lesser extent by bank overdrafts and secured borrowings on transactions with brokers.

The Group has little exposure to credit and cash flow risk. Unlisted investments in the portfolio are subject to liquidity risk.

The Directors take this risk into account before making such investments and when arriving at the valuation of these assets.

The principal risks the Group faces in its portfolio management activities are:

- market price risk i.e. movements in the value of investment holdings caused by factors other than interest rate or currency movements;
- foreign currency risk; and
- interest rate risk.

The Group takes account of these risks when setting investment policy and making investment decisions. The Directors monitor economic and market data in order to minimise the Group's exposure to these risks.

The numerical disclosure below excludes short-term debtors and creditors. The position at 31 December 2002 is in accordance with the Group's policy for financial instruments and risk and consistent with the position during the year then ended.

	<i>Book Value</i>		<i>(As published)</i>		<i>Fair Value</i>		<i>(As published)</i>	
	<i>2002</i>	<i>2001</i>	<i>2001</i>	<i>2000</i>	<i>2002</i>	<i>2001</i>	<i>2001</i>	<i>2000</i>
	£	£	£	£	£	£	£	£
Associated Undertakings	8,424,791	8,101,371	8,100,044	9,205,322	13,178,830	15,521,029	15,521,029	17,348,397
Financial assets:								
Cash and bank balances	29,058	35,018	35,018	1,406,594	29,058	35,018	35,018	1,406,594
Listed investments	14,534,012	12,577,380	12,577,380	10,381,575	28,062,769	24,937,404	24,937,404	27,684,619
Unlisted investments	834,988	570,931	570,931	721,407	1,173,710	694,795	694,795	1,238,364
Property	—	137,412	137,412	137,412	—	137,412	137,412	137,412
	<u>£15,398,058</u>	<u>£13,320,741</u>	<u>£13,320,741</u>	<u>£12,646,988</u>	<u>£29,265,537</u>	<u>£25,804,629</u>	<u>£25,804,629</u>	<u>£30,466,989</u>
Financial liabilities:								
Bank overdraft	£ 4,240,643	£ 1,576,873	£ 1,576,873	£ 2,283,828	£ 4,240,643	£ 1,576,873	£ 1,576,873	£ 2,283,828

The investment portfolio is reported at the lower of cost and market value. Fair value of the portfolio, based on market value and Directors' valuation for unlisted securities, is recorded in notes 8 and 9 to the accounts.

Market Price Risk

The Group's exposure to market price risk mainly comprises movements in the value of its investments. Uncertainty arises as a result of future changes in the market prices of the Group's investments.

Foreign Currency Risk

The Group is exposed to foreign currency risk through its investment in securities listed on overseas stock markets and on short-term indebtedness with overseas brokers. The Group does not hedge against foreign currency movements, but takes account of the relative strengths and weaknesses of currencies in making investment decisions. Receipts in currencies other than Sterling are converted into Sterling, to the extent that they are not needed to meet settlement obligations in the relevant currency.

The Group's exposure to foreign currencies through its investments in overseas securities, at fair value converted to Sterling, is shown below:

	<i>2002</i>	<i>2001</i>	<i>2000</i>
	£	£	£
US dollar	3,516,980	3,016,479	2,779,707
Australian dollar	3,478,983	2,107,720	855,133
Swiss franc	—	111,740	462,357
Euro	1,163,799	1,156,274	1,648,939
Canadian dollar	5,616,944	1,965,445	2,175,897
Indonesian rupia	34,250	22,199	50,130
Swedish krona	345	520	46,505
Yen	—	—	1,354
South African rand	3,716,232	1,441,880	1,224,522
	<u>£17,527,533</u>	<u>£9,822,257</u>	<u>£9,244,544</u>

Amounts due to brokers for funding for future settlement include amounts denominated in foreign currencies, which have been converted into Sterling.

Interest Rate Risk

The Group is exposed indirectly to interest rate risk through the effect of interest rate changes on the valuation of its investment portfolio. The majority of its financial assets are equity shares, which pay dividends, not interest. Interest is charged on bank overdrafts at 1% above the bank's Sterling base rate and deal funding provided by brokers at rates negotiated with the lenders.

The interest rate profile of the Group's financial assets and liabilities are:

	2002			2001			2000		
	Total £	Floating Rate £	Fixed Rate £	Total £	Floating Rate £	Fixed Rate £	Total £	Floating Rate £	Fixed Rate £
Financial assets:									
Sterling	252,400	—	252,400	172,293	—	172,293	1,071,808	—	1,071,808
Canadian dollar	—	—	—	—	—	—	22,285	—	22,285
	<u>252,400</u>	<u>—</u>	<u>252,400</u>	<u>172,293</u>	<u>—</u>	<u>172,293</u>	<u>1,094,093</u>	<u>—</u>	<u>1,094,093</u>
Financial liabilities:									
Sterling	4,240,643	4,240,643	—	1,576,873	1,576,873	—	2,283,828	—	2,283,828
	<u>4,240,643</u>	<u>4,240,643</u>	<u>—</u>	<u>1,576,873</u>	<u>1,576,873</u>	<u>—</u>	<u>2,283,828</u>	<u>—</u>	<u>2,283,828</u>

Financial assets comprise non-equity shares and loan stocks. The weighted average interest rate on these financial assets is 5.33% (2001: 8.63%) (2000: 3.30%) and on financial liabilities is 5% (2001: 6%) (2000: 6.5%). Financial liabilities all fall due within one year. Unutilised overdraft facilities at 31 December 2002 amounted to £759,357 (2001: £3,423,127) (2000: £2,716,172).

PART 4

1. UNAUDITED PRO FORMA STATEMENT OF NET ASSETS OF THE ENLARGED GROUP

The following unaudited pro forma statement of net assets (the “pro forma statement”) has been prepared to illustrate the effect on the net assets of the Exploration Group had the proposed Merger taken place as at 31 December 2002. The pro forma statement is based on the audited consolidated balance sheet of Exploration as at 31 December 2002 as set out in Part 2 of this document and the audited consolidated balance sheet of El Oro as at 31 December 2002 as set out in Part 3 of this document. The pro forma statement is for illustrative purposes only and, because of its nature, may not give a true picture of the financial position of the Enlarged Group.

	<i>Exploration Group as at 31 December 2002 Note (1) £'000</i>	<i>El Oro Group as at 31 December 2002 Note (2) £'000</i>	<i>Adjustment Note (3) £'000</i>	<i>Adjustment Note (4) £'000</i>	<i>Adjustment Note (5) £'000</i>	<i>Adjustment Note (6) £'000</i>	<i>Enlarged Group Pro-forma net assets (Note 7) £'000</i>
Fixed assets							
Tangible assets:							
Investment properties:			543				543
Other	5	5	122				132
Associated undertakings	6,709	8,425		(15,134)			
	<u>6,714</u>	<u>8,430</u>	<u>665</u>	<u>(15,134)</u>			<u>675</u>
Current assets							
Investments	17,180	15,369	231	(214)			32,566
Debtors:							
— due within one year	6,611	215	58		(313)		6,571
— after one year	2						2
Cash and bank balances	35	29	39				103
	<u>23,828</u>	<u>15,613</u>	<u>328</u>	<u>(214)</u>	<u>(313)</u>		<u>39,242</u>
Creditors:							
due within one year	10,612	5,834	419		(1,527)	550	15,888
Net current assets	<u>13,216</u>	<u>9,779</u>	<u>(91)</u>	<u>(214)</u>	<u>1,214</u>	<u>(550)</u>	<u>23,354</u>
Total assets less current liabilities	<u><u>19,930</u></u>	<u><u>18,209</u></u>	<u><u>574</u></u>	<u><u>(15,348)</u></u>	<u><u>1,214</u></u>	<u><u>(550)</u></u>	<u><u>24,029</u></u>

Notes:

- (1) This represents the assets and liabilities of Exploration at 31 December 2002 as extracted without material adjustment from the financial information on the Exploration Group included in Part 2 of this document.
- (2) This represents the assets and liabilities of El Oro at 31 December 2002 as extracted without material adjustment from the financial information on the El Oro Group included in Part 3 of this document.
- (3) Danby Registrars and Investigations and Management Limited (“I&M”) are currently accounted as associate companies of Exploration and El Oro and therefore the underlying assets and liabilities relating to these companies are not included on the balance sheet of Exploration or El Oro for their respective financial years ended 31 December 2002. This adjustment represents the inclusion of the assets and liabilities of Danby Registrars and I&M on a consolidated basis.
- (4) Under UK generally accepted accounting practice, Exploration’s investment in its associates, Danby Registrars, I&M and El Oro are included on Exploration’s balance sheet at cost plus post acquisition results on an effective interest basis. Similarly, El Oro’s investment in its associates, Danby Registrars, I&M and Exploration are included on El Oro’s balance sheet at cost plus post acquisition results on an effective interest basis. This adjustment eliminates the cost of the investment in associates and share of results from the balance sheet of each of Exploration and El Oro as at 31 December 2002.
- (5) This adjustment represents the elimination of balances between Exploration, El Oro, Danby Registrars and I&M and the elimination of dividends payable by El Oro and Exploration to each other and to Danby and I&M as a result of these companies becoming directly or indirectly, 100% subsidiaries as a result of the Merger.
- (6) This records the estimated £550,000 provision for the Merger costs.
- (7) The pro forma statement of net assets of the Enlarged Group does not take into account the trading results or changes in working capital of Exploration or El Oro since 31 December 2002.

2. PWC REPORT ON UNAUDITED PRO FORMA STATEMENT OF NET ASSETS OF THE ENLARGED GROUP



PricewaterhouseCoopers LLP
32 London Bridge Street
London SE1 9SY

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

Grant Thornton Corporate Finance
Grant Thornton House
Melton Street
Euston Square
London
NW1 2EP

4 July 2003

Dear Sirs

The Exploration Company p.l.c. (the “Company”)

We report on the unaudited pro forma net assets statement set out in Part 4 of the Company’s listing particulars dated 4 July 2003. The pro forma net assets statement has been prepared, for illustrative purposes only, to provide information about how the proposed merger might have affected the consolidated balance sheet of the Company as at 31 December 2002.

Responsibilities

It is the responsibility solely of the directors of the Company to prepare the pro forma net assets statement in accordance with paragraph 12.29 of the Listing Rules of the UK Listing Authority.

It is our responsibility to form an opinion, as required by the Listing Rules of the UK Listing Authority, on the pro forma net assets statement 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 net assets statement beyond that owed to those to whom those reports were addressed by us at the dates 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 in the United Kingdom. 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 net assets statement with the directors of the Company.

Opinion

In our opinion:

- a) the pro forma net assets statement 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 net assets statement as disclosed pursuant to paragraph 12.29 of the Listing Rules of the UK Listing Authority.

Yours faithfully

PricewaterhouseCoopers LLP
Chartered Accountants

PART 5

ADDITIONAL INFORMATION

1. Responsibility for listing particulars

The directors of Exploration, whose names are set out in paragraph 3 below accept responsibility for the information contained in this document. To the best of the knowledge and belief of the directors of Exploration (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. Incorporation

- (a) Exploration was incorporated and registered in England and Wales on 23 March 1904 under the Companies Acts 1862 to 1900 as a private company limited by shares with registered number 80408, under the name of The Exploration Company Limited. Exploration re-registered as a public limited company and changed its name to The Exploration Company p.l.c. on 14 July 1981. The principal legislation under which the Exploration operates is the Act and regulations made thereunder.
- (b) Exploration's registered and head office is at 41 Cheval Place, London SW7 1EW.

3. Directors

- (a) The directors of Exploration (all of whom are directors of El Oro) and their respective functions (which are the same for El Oro as they are for Exploration) 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

The business address of each of the directors of Exploration is the head office of Exploration referred to in paragraph 2(b) above.

- (b) The brief biographical details of the Exploration directors (which include the names of all companies and partnerships outside the Exploration Group which he or she is or has been, at any time in the five years prior to the date of this document, a director or partner, as appropriate (excluding subsidiaries of any company of which he or she is also a director), each of which is currently held unless stated otherwise) are as follows:
 - (i) Robin Parish has been a director of El Oro and Exploration since 1980. He is an MA of Oxford University and has been involved in the investment and mining world for the past 32 years.
Other directorships: El Oro Mining and Exploration Company p.l.c.
Mineral Products Limited
Spital Square Limited
Gulf International Minerals Limited
 - (ii) The Hon. Mrs. Elizabeth C. Parish has been a director of El Oro and Exploration since 1958 and has been closely involved with the business of the companies throughout that time.
Other Directorships: El Oro Mining and Exploration Company p.l.c.
 - (iii) Emma Houston has been a non-executive director of El Oro and Exploration since 2001. She worked with the late Chairman and Managing Director, Major M.W. Parish for several years until his death in 1994.
Other directorships: El Oro Mining and Exploration Company p.l.c.
 - (iv) David Hunting is head of corporate development at Hunting PLC. He is also chairman of Hunting Investments Limited, a company in which he has been a director since 1991. He has been a non-

executive director of El Oro Mining and Exploration Company p.l.c. and Exploration since 2001. A member of the Institute of Petroleum, his career spans the international Natural Resource and Financial sectors.

Other directorships: El Oro Mining and Exploration Company p.l.c.
Glenquey Forestry Limited
Hunting Investments Limited
Huntridge Limited

- (v) Robert Wade qualified as a lawyer in 1971 and has been a sole practitioner in Belvidere, New Jersey since 1972. He has been a non-executive director of El Oro and Exploration since 2001. He is also a director of Franklin Mutual Series Funds Inc. and FTI Funds Inc.

Other directorships: El Oro Mining and Exploration Company p.l.c.
Franklin Mutual Series Funds Inc.
FTI Funds Inc.

- (vi) Anthony Wild is a Chartered Accountant with many years' experience in property and investment matters. He is also a non-executive director of James Halstead p.l.c. and a director of several private companies. He has been a non-executive director of El Oro and Exploration since 2001.

Other directorships: A.W.A. Management Services Limited
Brisbane House Limited
El Oro Mining and Exploration Company p.l.c.
Dean Group Securities Limited
Dean Investment Group Limited
Dean Property Developments Limited
Dean Property Group Limited
Dean Property Investments Limited
James Halstead plc
J. Wild Investments Limited
Llambed Business Park Limited
Mill Lane House (Kent) Limited
Option House Limited
Peter Read Investments Limited
Spring Gardens (Manchester) Limited
Trinity Enterprise Centre Limited
Wilds Limited
Wilson & Highfield Limited

- (c) None of the directors of Exploration has any unspent convictions in relation to indictable offences or been subject to any bankruptcies or individual voluntary arrangements. None of the directors has been an executive director of a company or a partner in a partnership at the time or within 12 months preceding the time at which the company or partnership entered into receivership, compulsory liquidation or creditors' voluntary liquidation, administration, voluntary arrangement, composition or arrangement with creditors generally or any class of creditors. There has been no receiverships over any asset of any director of Exploration or of any asset of any partnership of which a director of Exploration was a partner at the time of or within the 12 months preceding any such receivership. None of the directors of Exploration has received any public criticisms by statutory or regulatory authorities (including designated professional bodies) or been disqualified by a Court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

4. Share Capital

- (a) Authorised Share Capital

- (i) Exploration was incorporated with an authorised share capital of £750,000 divided into 750,000 ordinary shares of £1 each, of which seven were issued for cash at par to the subscribers to Exploration's Memorandum of Association.

- (ii) The authorised share capital of the Exploration as at the close of business on 2 July 2003 (being the latest practicable date prior to the publication of this document) is as follows:
£1,000,000 divided into 12,052,925 Exploration Stock Units of 5 pence each (of which 12,052,925 Exploration Stock Units are in issue and fully paid up) and 7,947,075 ordinary shares of 5p each (all of which are unissued).
- (iii) At the Exploration EGM convened for 31 July 2003 the following resolutions will be proposed, conditional upon the shareholders of El Oro having passed the ordinary resolution approving the Merger at the El Oro EGM:
- (1) the Company's authorised share capital be increased to such amount as is equal to £A divided into B ordinary shares of 5 pence each, where B is equal to the product of applying the Scheme Exchange Ratio to 2,262,316 (being the aggregate number of El Oro Shares in issue excluding those owned by Exploration (or its nominee)), and A is B multiplied by 0.05;
 - (2) in addition to any existing authority, the directors of the Company be generally and unconditionally authorised in accordance with Section 80 of the Act to allot relevant securities (within the meaning of that section) up to £A (calculated in accordance with paragraph (1) above, but so that this authority shall expire on 30 November 2003;
 - (3) conditionally upon the resolution proposed at the Exploration EGM to approve the Merger having been passed and paragraphs (1) and (2) above having been carried into effect and in consideration for the acquisition by the Company of the whole of the issued share capital of El Oro, the ordinary shares created pursuant to paragraph (1) above be converted into Exploration Stock Units pursuant to Article 47.1 of the Articles and such Exploration Stock Units (calculated in accordance with paragraph (1) above) be issued, credited as fully paid to the holders of Scheme Shares;
 - (4) conditionally upon the Scheme becoming effective, the issued share capital of the Company be reduced from its former capital of £1,000,000 + £A (calculated in accordance with paragraph (1) above) to £710,918.80 + £A by the cancellation of 5,781,624 Exploration Stock Units registered in the name of HSBC Marking Name Nominee (UK) Limited, as nominee for El Oro;
 - (5) conditionally upon the Scheme and the Exploration Capital Reduction becoming effective, the directors of Exploration be generally and unconditionally authorised pursuant to and in accordance with Section 80 of the Act to exercise all powers of Exploration to allot relevant securities (within the meaning of Section 80(2) of the Act) up to £C where C is one-third of the sum of B (calculated in accordance with paragraph (1) above) plus 6,271,301 multiplied by 0.05, such authority to expire on the fifth anniversary of the passing of this resolution; and
 - (6) conditionally upon the Scheme and the Exploration Capital Reduction becoming effective, the directors of Exploration be empowered pursuant to Section 95 of the Act to allot and to make offers or agreements to allot equity securities (as defined in Section 94 of the Act) for cash, pursuant to the authority conferred by the resolution summarised at paragraph (5) above as if Section 89(1) of the Act did not apply to any such allotment provided that the power conferred by the resolution is limited to:
 - (A) the allotment of equity securities in connection with a rights issue, open offer or other offer of securities in favour of the holders of shares in the Company as the directors of Exploration may determine in any jurisdiction where equity securities respectively attributable to the interests of all stockholders are proportionate (as nearly as may be) to the respective number of shares held by them on the record date of such allotment but subject to such exclusions or other arrangements as the directors deem necessary or expedient to deal with legal or practical problems in respect of overseas holders, fractional entitlements or otherwise; and
 - (B) the allotment otherwise than pursuant to paragraph 6(A) above of equity securities for cash up to a maximum nominal value not exceeding five per cent. of the nominal value of the ordinary share capital of the Company in issue immediately following the date on which the Scheme and the Exploration Capital Reduction become effective. Such power, unless renewed or otherwise varied by Exploration in general meeting, shall expire upon the expiry of the general authority conferred

by the resolution in 6(A) above. The Company may make an offer or agreement before this power has expired, which would or might require equity securities in pursuance of any such offer or agreement as if the authority conferred has not expired; and

- (7) such number of ordinary shares of 5 pence each in the capital of Exploration be converted into Exploration Stock Units pursuant to Article 47.1 of the Articles in order to satisfy any allotments of relevant securities and/or equity securities pursuant to the authorities conferred by paragraphs (6) and (7) above.
- (iv) On the bases and assumptions set out in paragraph 15 below, the enlarged authorised share capital of Exploration following the Merger and the Exploration Capital Reduction becoming effective will be as follows:

£653,565 divided into 13,071,301 Exploration Stock Units of which 11,947,452 Exploration Stock Units will be in issue, and 7,947,075 ordinary shares of 5 pence each, all of which will be unissued.
- (b) There has been no change in the amount of the issued share capital of Exploration during the three years preceding the date of this document.
- (c) No commissions, discounts, brokerages or other special terms have been granted by Exploration within the three years preceding the date of this document in connection with the issue or sale of any share or loan capital of Exploration.
- (d) Save as disclosed in this paragraph 4, no share or loan capital of Exploration has within the three years before the date of this document been issued or been agreed to be issued, fully or partly paid, either for cash or for a consideration other than cash, and no such issue is now proposed.

5. Memorandum and Articles of Association

- (a) Exploration's principal object as set out in clause 3 of its Memorandum of Association is to carry on business as an investment company and to acquire (whether by original subscription, tender, purchase exchange or otherwise) the whole of or any part of the stock, shares, debentures, debenture stocks, bonds and other securities issued or guaranteed by a body corporate and to sell, exchange and dispose of the same.
- (b) There is set out below a summary of the material provisions of the Articles of Association of Exploration:
 - (i) Rights attaching to shares

Voting rights

Subject to disenfranchisement in the event of non-compliance with a statutory notice requiring disclosure of interests in any shares in certain circumstances and subject to any special terms for voting on which any shares of the Company may have been issued or may for the time being be held, at a general meeting on a show of hands every member who (being an individual) is present in person or (being a corporation) is present by a duly authorised representative not being himself a member entitled to vote shall have one vote and, on a poll, every member so present in person or by proxy shall have one vote for every share of which he is the holder. In the case of joint holders the vote of the person whose name stands first in the register of members and who tenders a vote will be accepted to the exclusion of any votes tendered by the other joint holders.

Dividends

Subject to the Act, the Company may, by ordinary resolution, declare dividends in accordance with the respective rights of the members, but no dividend shall exceed the amount recommended by the directors. Subject to the Act, the directors may pay interim dividends as appear to them to be justified by the profits of the Company available for distribution. Except as otherwise provided by the Articles or the rights attached to the shares, all dividends shall be declared and paid according to the amounts paid up on the shares on which the dividend is paid and all dividends shall be apportioned and paid proportionately to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. Any dividend which has remained unclaimed for 12 years from the date when it became due for payment shall, if the directors so resolve, be forfeited and cease to remain owing by the Company.

A general meeting declaring a dividend may, upon the recommendation of the directors, direct that it is satisfied wholly or partly by the distribution of assets. Where any difficulty arises in regard to the distribution, the directors may settle the same as they think fit and in particular may issue fractional certificates (or ignore fractions) and fix the value for distribution of any assets, and may determine that cash shall be paid to any member upon the basis of that value in order to adjust the rights of members, and may vest any assets in trustees.

The directors may, with the authority of an ordinary resolution of the Company, offer any holders of Ordinary shares the right to elect to receive Ordinary shares, credited as fully paid, instead of cash in respect of the whole (or some part, to be determined by the directors) of any dividend specified in the ordinary resolution.

Distribution of assets on a winding up

If the Company is wound up, the liquidator may, with the sanction of an extraordinary resolution and any other sanction required by law, divide among the members in kind the whole or any part of the assets of the Company and, for that purpose, may value any assets and determine how such division shall be carried out. With the like sanction the liquidator may vest the whole or any part of the assets in trustees upon such trusts for the benefit of the members as he may determine, but no member shall be compelled to accept any assets upon which there is a liability.

(ii) Transfer of shares

Shares of the Company in certificated form may be transferred by an instrument of transfer which may be in any usual form or in any other form of which the directors approve. The instrument of transfer must be executed by or on behalf of the transferor and, where the share is not fully paid, by or on behalf of the transferee. Shares in uncertificated form may be transferred in accordance with the Uncertificated Securities Regulations 2001. Subject to the requirements of the UK Listing Authority, the directors may, in their absolute discretion and without giving any reason, refuse to register the transfer of a share in certificated form which is not fully paid. The directors may also so refuse to register the transfer of a share in certificated form unless the instrument of transfer is in respect of only one class of share, is in favour of no more than four transferees, is lodged, duly stamped, at the registered office of the Company or such other place as the directors may appoint and is accompanied by the share certificate relative to the share to be transferred and such other evidence as the directors may reasonably require to show the right of the transferor to make the transfer. Subject to the requirements of the London Stock Exchange, the directors may refuse to register a transfer of a share in uncertificated form in any circumstance permitted by the Uncertificated Securities Regulations 2001 or a transfer in favour of more than four persons jointly. Subject to the Uncertificated Securities Regulations 2001, the registration of transfers of shares or of any class of shares may be suspended at such times and for such periods (not exceeding 30 days in any year) as the directors may determine.

(iii) Variation of rights

Subject to the Act, if at any time the share capital of the Company is divided into different classes of shares, the rights attached to any class may be varied in such manner (if any) as may be provided by those rights or, in the absence of such provisions, with the consent in writing of the holders of three-quarters in nominal value of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate meeting of the holders of the shares of that class, but not otherwise. To every such separate meeting, the provisions of the Articles relating to general meetings shall apply except that the necessary quorum at any such meeting shall be two persons together holding or representing by proxy at least one third in nominal value of the issued share capital of the class in question. At an adjourned meeting, one person holding shares of the class in question or his proxy is a quorum.

The rights attached to any shares shall, unless otherwise expressly provided by the rights attached to any class of shares, be deemed not to be varied by the purchase by the Company of any of its shares.

(iv) Alteration of capital

The Company may, by ordinary resolution, increase its share capital, consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares, sub-divide (subject to the Act) its shares (or any of them) into shares of smaller amounts, determine that, as between the

shares resulting from such a subdivision, any of them may have any preference or advantage as compared with the others, cancel shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled. Subject to the Act, the Company may by special resolution reduce its share capital, any capital redemption reserve and any share premium account, in any way.

Subject to the Act and the requirements of the UK Listing Authority, the Company may purchase its own shares (including redeemable shares).

(v) Issue of shares

Subject to the Act and without prejudice to any rights attached to any existing shares, any share may be issued with such rights or restrictions as the Company may by ordinary resolution determine (or, if the Company has not so determined, as the directors may determine). Subject to the Act, any share may be issued which is, or is liable to be, redeemed at the option of the Company or the holder in accordance with the Articles. Subject to the Act and to the Articles, the unissued shares shall be at the disposal of the directors.

(vi) Untraced shareholders

The Company may, after advertising its intention in the manner and for such a period as is prescribed in the Articles (and having informed the London Stock Exchange of that intention), sell any shares if the shares have been held by a member for at least 12 years and during that period at least three dividends have become payable on them and no dividends have been claimed or satisfied and the Company has not received any communication during the relevant periods from the holder of the shares or any person entitled to them by transmission.

(vii) CREST

The Articles are consistent with participation in CREST and allow for the holding and transfer of shares in uncertificated form.

(viii) Stock

The Company may (subject, in the case of uncertificated shares, to the requirements of CREST) from time to time by ordinary resolution convert any paid up shares into stock or reconvert any stock into paid up shares of any denomination. Such shares and stock may be held in certificated or uncertificated form. Each Exploration Stock Unit is deemed, for the purposes of the Articles, to have been created by the conversion of one certificated and paid up unissued ordinary share of 5p each into one Exploration Stock Unit pursuant to an ordinary resolution of the Company. In practice, the ordinary shares of 5p each are only converted into Exploration Stock Units upon their being paid up and issued. Accordingly, the Company does not have any ordinary shares of 5p each in issue.

6. Directors' interests

- (a) The interests of the directors of Exploration all of which are beneficial (which have been notified by each director pursuant to Sections 324 or 328 of the Act and are required to be entered in the register of directors' interests of Exploration maintained under the provisions of Section 325 of the Act) and of the persons connected with them (within the meaning of Section 346 of the Act) which would if such connected persons were directors of Exploration be required to be disclosed or notified under such sections of the Act and the existence of which was known to or could with reasonable diligence be ascertained by the relevant director as at the close of business on 2 July 2003 (being the latest practicable date prior to the publication of this document), and as those interests are expected to be on the bases and assumptions referred to in paragraph 15 below following the Merger and the Exploration Capital Reduction becoming effective, are as follows:

<i>Name</i>	<i>As at 2 July 2003</i>		<i>After Merger and Exploration Capital Reduction becoming effective</i>	
	<i>No. of Exploration Stock Units</i>	<i>Percentage of Exploration Stock Units</i>	<i>No. of Exploration Stock Units</i>	<i>Percentage of Exploration Stock Units issued</i>
Robin Parish	768,122	6.4%	1,608,334	13.5%
The Hon. Mrs. Elizabeth C. Parish	321,956	2.7%	342,869	2.9%
Emma Houston	944,157	7.8%	1,592,744	13.3%
David Hunting	—	—	248	—
Robert Wade	18,000	0.2%	35,061	0.3%
Anthony Wild	4,000	0.0%	15,291	0.1%

- (b) No director of Exploration 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 Exploration Group and which were effected by Exploration or any of its subsidiaries 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 unperformed.
- (c) There are no outstanding loans granted by Exploration or any of its subsidiary undertakings to any of its directors nor has any guarantee been provided by Exploration or any of its subsidiaries for their benefit.

7. Substantial and Controlling Shareholdings

- (a) As at the close of business on 2 July 2003 (being the latest practicable date prior to the publication of this document) so far as the directors of Exploration are aware, the persons listed below (not being directors of Exploration) were interested, directly or indirectly, in three per cent. or more of the capital of Exploration. Their approximate percentage holdings following the Merger and the Exploration Capital Reduction becoming effective on the bases and assumptions referred to in paragraph 15 below are also shown (and assuming that there are no other dealings by such stockholders during the period in Exploration Stock Units and/or El Oro Shares):

<i>Name</i>	<i>Interest</i>	<i>No. of Exploration Stock Units as at 2 July 2003</i>	<i>Percentage of issued Exploration Stock Units as at 2 July 2003</i>	<i>No. of Exploration Stock Units upon the Merger and the Exploration Capital Reduction becoming effective</i>	<i>Percentage of issued share capital upon the Merger and the Exploration Capital Reduction becoming effective</i>
Suzanne W Kumaramangalam	beneficial	552,823	4.6%	1,042,487	8.7%
Caroline W Zegos	beneficial	546,268	4.5%	709,353	5.9%
HSBC Marking Name Nominee (UK) Limited	non-beneficial	5,781,624	48.0%	—	—
J.M. Finn Nominees Limited	non-beneficial	1,279,013	10.6%	1,850,649	15.5%

- (b) El Oro, as the beneficial holder (or its nominee as the registered holder) of 5,781,624 Exploration Stock Units amounting to 48.0 per cent. of the issued share capital of Exploration, is the only person who, as at the close of business on 2 July 2003 (being the latest practicable date prior to the publication of this document), directly or indirectly, jointly or severally, exercises or could exercise control over Exploration. However, Exploration is satisfied that it is capable of carrying on its business independently of El Oro (and any associate thereof) and that all transactions and relationships between Exploration and El Oro (and any associate) have been and will be at arm's length and on a normal commercial basis.
- (c) On the bases and assumptions referred to in paragraph 15 below, the Parish Family will, upon the Merger and the Exploration Capital Reduction becoming effective, be interested, directly or indirectly, in 52.5 per cent. of the issued share capital of Exploration thereby making it a controlling shareholder (as defined in the Listing Rules) of Exploration.

Save for the Parish Family following the Merger and the Exploration Capital Reduction becoming effective, there will be no person who will, directly or indirectly, jointly or severally, exercise or could exercise control over Exploration.

Members of the Parish Family have entered into a relationship agreement with Exploration details of which are summarised in sub-paragraph 12(a) below. Accordingly, Exploration is satisfied that it will be capable of carrying on its business independently of the controlling shareholder (and any associate thereof) and that all transactions and relationships between Exploration and the controlling shareholder (and any associate thereof) will be at arm's length and on a normal commercial basis.

8. Directors' service contracts

- (a) The following service contracts have been entered into by Exploration and certain of its directors:

Anthony Wild

Mr Wild is employed by Exploration under a service contract commencing 6 December 2001 with a 12 months notice period and is due to expire on 5 December 2004. Mr Wild's salary is £5,000 per annum. Mr Wild is not entitled to any other benefits.

David Hunting

Mr Hunting is employed by Exploration under a service contract commencing 6 December 2001 with a 12 months notice period and is due to expire on 5 December 2004. Mr Hunting's salary is £5,000 per annum. Mr Hunting is not entitled to any other benefits.

Emma Houston

Mrs Houston is employed by Exploration under a service contract commencing 6 December 2001 with a 12 months notice period and is due to expire on 5 December 2004. Mrs Houston's salary is £5,000 per annum. Mrs Houston is not entitled to any other benefits.

Robert Wade

Mr Wade is employed by Exploration under a service contract commencing 6 December 2001 with a 12 months notice period and is due to expire on 5 December 2004. Mr Wade's salary is £5,000 per annum. Mr Wade is not entitled to any other benefits.

- (b) The total aggregate remuneration paid to the directors of Exploration by any member of the Exploration Group for the year ended 31 December 2002 was £169,335 including bonuses, pensions contributions and benefits in kind.
- (c) The total emoluments receivable by the directors of Exploration will not be varied in consequence of the Merger.

9. Subsidiaries, associated undertakings and other investments

- (a) Exploration is a holding company. Its principal subsidiaries and associated undertakings are listed below:

<i>Name</i>	<i>Nature of Business</i>	<i>Country of Incorporation</i>	<i>Percentage of Interest</i>
Group Traders Limited (Co. No. 00320178)	Unit Trust	England & Wales	100%
Investigations & Management Limited (Co. No. 00408133)	Business & Management Consultancy	England & Wales	42%
Danby Registrars Limited (Co. No. 00342210)	Secretarial Services and Property Management	England & Wales	25%
El Oro Mining and Exploration Company p.l.c. (Co. No. 00424098)	Investment Company	England & Wales	49.9%

The registered office of each of the subsidiaries and associated undertakings is the same as that for Exploration.

- (b) The only undertaking in which Exploration holds (directly or indirectly) on a long term basis an interest which is likely to have a significant effect on the assessment of Exploration's own assets and liabilities, financial position or profits and losses is El Oro whose registered office is at 41 Cheval Place, London SW7 1EW. Further information on El Oro is set out in paragraph 9 of Part 1 of this document. The issued share capital of El Oro is £451,113.50 divided into 4,511,135 ordinary shares of 10p each all of which are fully paid and of which 49.9 per cent. is owned by Exploration (or its nominee). Following the Merger, Exploration (or its nominee) will own the entire issued share capital of El Oro. There are no loans outstanding between Exploration and El Oro. The profit after tax arising out of ordinary activities of El Oro for the financial year ended 31 December 2002 was £1,054,077 and the amount of its reserves was £18,208,755. The value of the investment in El Oro shown in the accounts of Exploration for the financial year ended 31 December 2002 was £1,860,270 at cost and £12,285,951 at market value. For the financial year ended 31 December 2001, Exploration received £607,070 in respect of its holding in El Oro.

(c) The following are the ten largest investments held by Exploration:

Company	Investment	Description of Business	Percentage owned	Cost of investment (£)	Market value/directors' valuation as at 2 July 2003 (£)	Earnings per share for the latest audited financial year (p)	Dividend per share received in the most recent financial year (p)	Dividend cover for the latest audited financial year	Extraordinary items (£)	Net assets attributable to the investment as at 31 December 2002 (based on the holding as at that date)
El Oro	Ordinary shares	Investment Trading	49.9%	172,529	13,774,016	23.37	26.00	0.90		31.63%
Hardys & Hansons plc	Ordinary shares	Brewery and leisure	2.1%	1,180,416	1,991,508	51.41	16.40	3.13	4,213,000 ⁽¹⁾	4.55%
Young & Co Brewery plc	A ordinary shares	Brewery and leisure	1.3%	985,293	1,199,200	48.98	20.35	2.41	227,000 ⁽²⁾	3.06%
Mountview Estates plc	Ordinary shares	Property	1.0%	195,034	1,143,940	325.10	84.00	3.87		3.04%
Shell Transportation & Trading Co plc	Ordinary shares	Oil refining and distribution	0.0%	133,985	912,525	25.90	15.25	1.69		2.74%
Wolverhampton & Dudley Breweries plc	Ordinary shares	Brewery and leisure	0.1%	19,669	682,000	49.60	22.10	2.24	(8,100,000) ⁽³⁾	1.63%
Bromley Property Investment Limited	Floating rate note 2011 Common stock	Property investment Computer software	n/a	7,922	646,200	n/a	0.02	n/a		1.73%
Microsoft Inc	Ordinary share	Property investment	0.0%	1,260,042 ⁽⁴⁾	1,075,200	1.41 ⁽⁴⁾	0.00	n/a		1.72%
Peel (Holdings) plc	Ordinary share	Property investment	0.1%	248,238	612,000	33.25	15.00	n/a		1.55%
Fuller, Smith & Turner plc	A ordinary share	Brewery and leisure	0.5%	204,422	570,630	40.07	15.17	n/a	(5,149,000) ⁽⁵⁾	1.28%

* Investment value is greater than 5 per cent. of gross assets of Exploration

Notes:

- (1) Surplus on property sale.
- (2) Sale of properties.
- (3) Restructuring of brewery and management, cost of share capital consideration and share buy back, goodwill impairment following asset disposal, disposal of fixed assets.
- (4) Cost of investment and earnings per share is in US\$.
- (5) Impairment of fixed assets, loss on disposal of properties.

10. Premises

No establishment accounts for more than 10 per cent. of net turnover of the Exploration Group.

11. Taxation

(a) General

The following comments are intended only as a general guide to certain aspects of current UK tax law and Inland Revenue practice and apply only to certain holders of Exploration Stock Units. The summary does not purport to be a complete analysis or listing of all the potential tax consequences of holding Exploration Stock Units. Prospective purchasers of Exploration Stock Units are advised to consult their own tax advisers concerning the consequences under UK tax law (or otherwise) of the acquisition, ownership and disposition of Exploration Stock Units. This summary is based on current UK law and Inland Revenue practice.

The statements are not applicable to all categories of holders of Exploration Stock Units, for instance, dealers in securities, broker-dealers, insurance companies and investment companies or holders of Exploration Stock Units who are not resident or not ordinarily resident in the UK for tax purposes (unless express reference is made to non-UK resident holders).

(b) Dividends

UK resident holders

Exploration will not be required to withhold tax at source when paying a dividend. An individual holder of Exploration Stock Units who is resident in the UK (for UK tax purposes) and who receives a dividend from Exploration will generally be entitled to a tax credit which such holder may set off against his total income tax liability on the dividend. The tax credit will be equal to 10 per cent. of the aggregate of the dividend and the tax credit (the "gross dividend"), which is also equal to one-ninth of the cash dividend received.

A UK resident individual holder who is liable to income tax at the starting or basic rate will be subject to tax on the dividend at the rate of ten per cent. of the gross dividend, so that the tax credit will satisfy in full such holder's liability to income tax on the dividend. A UK resident individual holder who is liable to income tax at the higher rate will be liable to tax on the gross dividend at the rate of 32.5 per cent. After taking into account the 10 per cent. tax credit, such an individual will have to account for additional tax equal to 22.5 per cent. of the gross dividend (which is also equal to 25 per cent. of the cash dividend received).

UK resident taxpayers who are not liable to UK tax on dividends, including pension funds and charities, generally will not be entitled to claim repayment of the tax credit attaching to dividends paid by Exploration, although charities will be entitled to limited compensation in lieu of repayable tax credits until 5 April 2004.

Subject to certain exceptions for traders in securities, a company resident for tax purposes in the UK and which receives a dividend paid by another company resident for tax purposes in the UK will not generally have to pay corporation tax in respect of it. Such recipients will not be able to claim repayment of tax credits attaching to dividends.

Non-UK resident holders

Non-UK resident holders of Exploration Stock Units will not be able to claim repayment from the Inland Revenue of any part of the tax credit attaching to dividends paid by Exploration. A holder resident outside the UK may also be subject to foreign taxation on dividend income under local law. A holder who is not resident in the UK for UK tax purposes should consult his own tax adviser concerning his tax liabilities on dividends received from Exploration.

(c) Taxation of capital gains

A disposal of Exploration Stock Units by a holder who is either resident or, in the case of an individual, ordinarily resident for UK tax purposes in the UK may, depending on the holder's circumstances and subject to any available exemption or relief, give rise to a chargeable gain or allowable loss for the purposes of UK capital gains tax or corporation tax on chargeable gains.

Broadly, holders who are neither resident nor ordinarily resident for tax purposes in the UK will not be liable for UK tax on capital gains realised on the disposal of their Exploration Stock Units unless such Exploration Stock Units are used, held or acquired for the purposes of a trade, profession or vocation carried on in the UK through a permanent establishment or for the purpose of such permanent establishment. Such holders may be subject to foreign taxation on any gain under local law.

A holder who is an individual and who has, on or after 17 March 1998, ceased to be resident and ordinarily resident for tax purposes in the UK for a period of less than five years and who disposes of the Exploration Stock Units during that period may also be liable to UK taxation of capital gains (subject to any available exemption or relief) as if, broadly, the disposal was made in such holder's year of return to the UK.

(d) **Stamp Duty and Stamp Duty Reserve Tax ("SDRT")**

No UK stamp duty or SDRT will be payable on the issue of New Exploration Stock Units pursuant to the Scheme.

The conveyance or transfer on sale of Exploration Stock Units will usually be subject to ad valorem stamp duty, normally at the rate of 0.5 per cent. (rounded up, if necessary, to the nearest multiple of £5) of the amount or value of the consideration paid. Stamp duty is normally paid by the purchaser. A charge to SDRT at the rate of 0.5 per cent. of the amount or value of the consideration paid for the New Exploration Stock Units will arise in relation to an unconditional agreement to transfer Exploration Stock Units. However, if within six years of the date of the agreement (or, if the agreement was conditional, the date on which the agreement became unconditional) an instrument of transfer is executed pursuant to the agreement and is duly stamped, the stamping of the instrument will normally cancel, or give rise to a repayment in respect of, the SDRT liability. Cancellation of SDRT in this way will not affect any penalty payable for failing to give notice of the charge. SDRT is normally the liability of the purchaser.

There will be no stamp duty or SDRT on a transfer of Exploration Stock Units into CREST where such a transfer is made for no consideration.

A transfer of Exploration Stock Units effected on a paperless basis through CREST will generally be subject to SDRT at the rate of 0.5 per cent. of the amount or value of the consideration payable. CREST is obliged to collect SDRT on relevant transactions settled within the system.

Where Exploration Stock Units are issued or transferred to issuers of depository receipts or providers of clearance services (or their nominees or agents), stamp duty or SDRT, as appropriate, may be payable (in the case of stamp duty) at the rate of 1.5 per cent. (rounded up, if necessary, to the nearest multiple of £5) of the amount or value of the consideration provided or (in the case of SDRT) at the rate of 1.5 per cent. of the amount or value of the consideration payable (if in money or money's worth) or the value of the Exploration Stock Units. Where such stamp duty or SDRT (as appropriate) is payable, such amounts may be charged by the depository or clearance service to the holders of Exploration Stock Units to whom the Exploration Stock Units would otherwise have been issued or to whom the Exploration Stock Units are being transferred. Clearance services may opt, under certain conditions, for the normal rates of SDRT to apply to a transfer of shares into, and to transactions within, the service (in which case the above charge at the higher rate of 1.5 per cent, will not apply to an issue or transfer of shares into the clearance service).

The above statements are intended as a general guide to the current stamp duty and SDRT position. Certain categories of person are not liable to stamp duty or SDRT and others may be liable at a higher rate as mentioned above or may, although not primarily liable for the tax, be required to notify and account for it.

Special rules apply to agreements made by market intermediaries and to certain sale and repurchase and stock borrowing arrangements. Agreements to transfer shares to charities will not give rise to SDRT or stamp duty.

(e) **Inheritance Tax**

The Exploration Stock Units will be assets situated in the UK for the purposes of UK inheritance tax. A gift of such assets by, or on the death of, an individual holder of such assets may (subject to certain exemptions and reliefs) give rise to a liability to UK inheritance tax, whether or not that holder is domiciled or deemed to be domiciled in the UK. For inheritance tax purposes, a transfer of assets at less than full market value may be treated as a gift and particular rules apply to gifts where the donor reserves or retains some benefit. Special rules also apply to close companies and to trustees of settlements who hold Exploration Stock Units bringing them within the charge to UK inheritance tax.

A holder of Exploration Stock Units or potential investor who is in any doubt as to his or her tax position (in the UK or otherwise), or who is subject to tax in any jurisdiction other than the UK should consult his or her professional adviser without delay.

12. Material Contracts

(a) Exploration

Exploration has entered into a relationship agreement dated 1 July 2003 with Robin Parish, Emma Houston, The Hon. Mrs. Elizabeth Parish, Suzanne Kumaramangalam and Caroline Zegos (the “Controlling Shareholders”) whereby the Controlling Shareholders have agreed to undertake not to use the rights attached to their Exploration Stock Units, in a way that would prohibit Exploration carrying on its business independently of them and to ensure that the relationship between the Controlling Shareholders (and their respective associates) or any of them and Exploration is at all times at arm’s length and on a normal commercial basis.

Save as disclosed above, no member of the Exploration Group has entered into any contract (other than in the ordinary course of business) during the last two years which is or may be material, or has entered into any contract (other than in the ordinary course of business) at any time which is or may be material and contains an obligation or entitlement which is material to the Exploration Group at the date of this document.

(b) El Oro

No member of the El Oro Group has entered into any contract (other than in the ordinary course of business) during the last two years which is or may be material, or has entered into any contract (other than in the ordinary course of business) at any time which is or may be material and contains an obligation or entitlement which is material to the El Oro Group at the date of this document.

13. Litigation

(a) Exploration

Neither Exploration nor any member of the Exploration Group is or has been engaged in any legal or arbitration proceedings including any such proceedings which are pending or threatened of which it is aware which may have, or have had during the period of 12 months preceding the date of this document, a significant effect on the Exploration Group’s financial position.

(b) El Oro

Neither El Oro nor any member of the El Oro Group is or has been engaged in any legal or arbitration proceedings including any such proceedings which are pending or threatened of which it is aware which may have, or have had during the period of 12 months preceding the date of this document, a significant effect on the El Oro Group’s financial position.

14. Working capital

The directors of Exploration are of the opinion that, having regard to the bank facilities available to the Enlarged Group, the working capital available to the Enlarged Group is sufficient for its present requirements, that is for at least the period of 12 months from the date of publication of this document.

15. Bases and assumptions

The statistics contained in this document relating to the Exploration Stock Units and El Oro Shares have been calculated on the following principal bases and assumptions each as at the close of business on 20 June 2003 (being, for these purposes, the latest practicable day prior to the publication of this document):

- (a) The FAV of El Oro was £40.7m (902.3p per existing issued El Oro Share) and the closing middle market price as derived from the London Stock Exchange Daily Official List of an existing El Oro Share was 612.5p;
- (b) The FAV of Exploration was £43.4m (359.7p per existing issued Exploration Stock Unit) and closing the middle market price as derived from the London Stock Exchange Daily Official List of an existing Exploration Stock Unit was 245.0p; and

- (c) No further El Oro Shares or Exploration Stock Units (other than the New Exploration Stock Units) are issued by El Oro and Exploration, respectively after 20 June 2003.

16. Significant Change

- (a) There has been no significant change in the financial or trading position of the Exploration Group since 31 December 2002, the date to which the Exploration Group's last audited accounts have been drawn up.
- (b) There has been no significant change in the financial or trading position of the El Oro Group since 31 December 2002, the date to which the El Oro Group's last audited accounts have been drawn up.

17. General

- (a) The total costs and expenses (including fees and commissions) relating to the Merger and the Exploration Capital Reduction payable by Exploration are estimated to be not more than £550,000 (excluding VAT).
- (b) PricewaterhouseCoopers LLP has given and has not withdrawn its consent to the inclusion of its report which is included in this document and the references to such report and to its name, in the form and context in which they are included and PricewaterhouseCoopers LLP has authorised the contents of Part 4(2) of this document for the purposes of Regulation 6(1)(e) of The Financial Services and Markets Act 2000 (Official Listing of Securities) Regulations 2001.
- (c) Grant Thornton Corporate Finance has given and has not withdrawn its written consent to the issue of this document with the inclusion of the references to its name in the form and context in which they appear.
- (d) Soditic has given and has not withdrawn its written consent to the issue of this document with the inclusion of the references to its name in the form and context in which they appear.
- (e) The Exploration Stock Units are and the New Exploration Stock Units will be in registered form. No temporary documents of title will be issued in relation to the New Exploration Stock Units. The existing Exploration Stock Units are currently listed on the Official List and have been admitted to trading on the London Stock Exchange and no application has been made for the New Exploration Stock Units to be admitted on any other stock exchange.
- (f) There is no arrangement under which future dividends have been waived or agreed to be waived.
- (g) On the bases and assumptions set out in paragraph 15 above, the issue price of the New Exploration Stock Units is 359.7p which represents a premium of 46.8 per cent. over the nominal value of each Exploration Stock Unit.

18. Documents available for inspection

Copies of the following documents will be available for inspection during normal business hours on any weekday (Saturdays and public holidays excepted) at the offices of McDermott, Will & Emery, 7 Bishopsgate, London EC2N 3AR from the date of publication of this document up to and including the Effective Date:

- (a) the memorandum and articles of the Exploration referred to in paragraph 5 of Part 5 of this document;
- (b) the audited consolidated accounts of the Exploration Group for the three financial years ended 31 December 2002;
- (c) the audited consolidated accounts of the El Oro Group for the three financial years ended 31 December 2002;
- (d) the report by PricewaterhouseCoopers LLP set out in Part 4 of this document;
- (e) the service contracts referred to in paragraph 8 of Part 5 of this document;
- (f) the material contract referred to in sub-paragraph 12(a) of Part 5 of this document;
- (g) the letters of consent from PricewaterhouseCoopers LLP, Soditic and Grant Thornton Corporate Finance referred to in paragraph 17 of Part 5 of this document;
- (h) the Scheme Circular;
- (i) the Exploration Circular; and
- (j) this document.

Dated 4 July 2003

PART 6

Formula for Calculation of the El Oro FAV and the Exploration FAV

The Scheme Exchange Ratio will be based on the relative Formula Asset Values of Exploration and El Oro. The Scheme Exchange Ratio will be applied to the number of Scheme Shares held by each Scheme Shareholder to determine the number of New Exploration Stock Units which each Scheme Shareholder is entitled to.

The FAV of Exploration and El Oro will be calculated as at the close of business on the Calculation Date as provided below:

El Oro FAV is $(A+B+C+D+E) - (F+G+H+I) + (48.797\% \times \text{FAV Exploration}) - 0.441\% \times \text{El Oro Market Value of shares}$

Exploration FAV is $(A+B+C+D+E) - (F+G+H+I) + (49.901\% \times \text{FAV El Oro}) - 0.788\% \times \text{Exploration Market Value of shares}$

where in relation to each company;

- A is the value of those investments of the relevant company (excluding their direct and indirect investments in each other), as at the close of business on the Calculation Date, which are listed or dealt in on a recognised stock exchange, calculated by reference to the middle market quotations or prices at the close of business on the Calculation Date. In the case of debt related securities (including convertible debt securities), the value of the investment is the middle market quotation or price as at the close of business on the Calculation Date, subject to adjustment to exclude any accrual of interest up to the close of business on the Calculation Date. The quotation or price shall be taken from the principal stock exchange or market where the relevant investment is listed or dealt in, as shown by the exchange's or market's recognised method of publication of prices for such investments;
- B is the value of those investments of the relevant company, as at the close of business on the Calculation Date, which are dealt in on an "over-the-counter" market calculated by reference to the average of the average prices marked for those investments on such of the 5 Business Days up to and including the Calculation Date on which there were dealings recorded, as shown by the relevant market's recognised method of publication of prices for such investments;
- C is the value of all those traded options and futures contracts to which the relevant company is party as at the close of business on the Calculation Date which are traded on a stock, commodities, financial futures or other securities exchange, calculated by reference to the official middle closing prices on the Calculation Date, as shown by the relevant exchange's recognised method of publication of such prices;
- D for all investments not falling within (A) to (C) above:
 - (i) the value of investments (other than land and property) which will be valued as at the Calculation Date, as agreed between the directors of the relevant company; and
 - (ii) the value of land and property which will be valued as at 31 December 2002, as agreed between the directors of the relevant company, except for land and property acquired since 31 December 2002 which will be valued at the purchase price;
- E is the actual amount as at the close of business on the Calculation Date of fixed assets and any current assets not falling within (A) to (D) above (for these purposes including any dividends receivable on investments quoted as ex-dividend and any accrual of interest, up to the close of business on the Calculation Date, on debt related securities) on the Calculation Date, and any tax recoverable but excluding any dividend, distribution or interest not yet received, the amount of which has been taken in account in the value of any of the investments comprised in (A) to (D) above, cash and deposits with or balances at banks, bills receivable, any money market instruments of the relevant company (together in each case with accrued interest less an accrual for any associated tax) and the fair value of any other tangible assets not otherwise accounted for, determined by agreement between the directors of the relevant company, or failing such agreement, as determined by an independent expert;
- F is the principal amount as at the close of business on the Calculation Date of any outstanding borrowings of the relevant company plus accrued but not paid interest, commitment fees incurred but not paid and other charges up to and including that date and the higher or any premiums or penalties on either early repayment (to the extent that notice of early repayment has been given) or final repayment;

- G is the costs of any dividend or other distribution of the relevant company declared announced on or before the Calculation Date so far as not previously paid;
- H all fees and costs and expenses payable by the relevant company in relation to the Scheme (all such costs to include value added tax where applicable); and
- I is the amount which fairly reflects at the close of business on the Calculation Date all other accrued liabilities of the relevant company including a fair provision for any contingent liabilities (including liabilities to taxation, whether or not deferred and any liabilities arising on liquidation) or losses (including disputed claims) in so far as not otherwise taken into account.

Notes

1. For the purposes of the above calculations, the value of assets and liabilities denominated in currencies other than sterling shall be notionally converted at the middle market rates of exchange in London between sterling and other such currencies at the close of business on the Calculation Date, as certified by BDO Stoy Hayward Corporate Finance and Soditic or, failing such agreement, as determined by an independent expert.
2. In the case of (A) and (C) above, if there has been general suspension of trading on the relevant stock exchange or market, or if it was closed for business, on the Calculation Date, the value of the investments concerned shall be taken as at the close of business on the immediately preceding date on which there was trading on the relevant stock exchange or market, except that if there has been a material adverse change in the financial position of the underlying investment, a fair provision determined by agreement between the directors of the relevant company or, failing such agreement, as determined by an independent expert, shall be made to reflect the adverse change in the value of the investment.
3. Subject to Note 2 above, in the case of (A) to (D) inclusive above:
 - (a) where no price is quoted in respect of any such investment or where dealings in such investment have been suspended on any relevant date or, in the case of (B) above, if there have been no dealings recorded in respect of any such investment for any of the 5 Business Days up to and including the Calculation Date, the value will be determined in accordance with (D) above; and
 - (b) where any such investment as is referred to therein is, as the Calculation Date, subject to any legally binding obligation on the relevant company to dispose of the same, whether as a result of the Scheme or otherwise, at a price lower or higher than that determined in accordance with (A) to (D) above, as the case may be, then such investment shall be valued at such offer price unless that obligation or entitlement is unconditionally and irrevocably waived or lapses before the close of business on the Calculation Date.
4. The independent expert referred to in this Appendix shall mean a member of the London Investment Banking Association or a member firm of the London Stock Exchange or a member of the Institute of Chartered Accountants in England and Wales selected by BDO Stoy Hayward Corporate Finance and Soditic. In making any determination referred to in accordance with this Appendix, BDO Stoy Hayward Corporate Finance and Soditic or any independent expert, as the case may be, shall act as experts and not as arbitrators, and their determination shall, in the absence of fraud (and subject to any agreement otherwise between Exploration and El Oro), be final and legally binding on all interested parties and, in the absence of fraud, none of them shall be under any liability to any person by reason thereof or by anything done or omitted to be done by them for the purposes thereof or in connection therewith.
5. With regard to (D) and/or (E) above, the directors of the relevant company and, if appointed, any independent expert shall have regard, inter alia, to the following when determining the valuation of any investment or other asset (which shall be calculated on the basis of a notional sale by a willing seller to a willing buyer, without regard to any additional value that might be attributed to the investment or asset by any special category or potential purchaser):
 - (a) the existence of any pre-emption rights or obligations of such investment or asset or any other restrictions on the transfer or disposal of the same which may exist or which may arise as a consequence of the transfer of such investment or asset to any party on the winding up of the relevant company;
 - (b) the marketability of such investment or asset; and
 - (c) the terms of any recent dealings in such investment or asset.

6. With regard to (E) above, the directors of the relevant company and, if appointed, the independent expert, shall, except in the case of debtors and tangible assets, have regard to but shall not be bound by the accounting policies used by the relevant company in their respective audited financial statements for the year ended 31 December 2002.
7. The directors of the relevant company will prepare the calculations of the FAV and, accordingly, the Scheme Exchange Ratio on the Calculation Date. Such calculations will be reviewed by BDO Stoy Hayward and will then be submitted for the approval of Soditic on behalf of Exploration and BDO Stoy Hayward Corporate Finance on behalf of El Oro.

PART 7

DEFINITIONS

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

“Act”	the Companies Act 1985 (as amended)
“Admission”	admission to the Official List and admission to trading on the London Stock Exchange of the New Exploration Stock Units becoming effective by the decision of the UK Listing Authority to admit such Exploration Stock Units to listing being announced in accordance with paragraph 7.1 of the Listing Rules and by the decision of the London Stock Exchange to admit such Exploration Stock Units to trading being announced in accordance with LSE Admission Standards
“Articles”	the articles of association of the Company
“Australia”	the Commonwealth of Australia, its states, territories and possessions
“BDO Stoy Hayward”	BDO Stoy Hayward, Chartered Accountants of 8 Baker Street, London W1U 3LL
“BDO Stoy Hayward Corporate Finance”	BDO Stoy Hayward Corporate Finance, a division of BDO Stoy Hayward, which is regulated in the United Kingdom by the Financial Services Authority
“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
“Calculation Date”	the date upon which the Scheme is approved by the El Oro Shareholders at the Class Meetings
“Canada”	Canada, its provinces and territories and all areas subject to its jurisdiction and any political sub-division thereof
“certificated” or “in certificated form”	a share or other security which is not in uncertificated form (that is, not in CREST)
“Class A Shareholders”	El Oro Shareholders who are members of or nominees of members of the Parish Family and their respective related trusts
“Class B Shareholders”	El Oro Shareholders who are not members of or nominees of members of the Parish Family and their respective related trusts, excluding Exploration and Danby Registrars
“Class Meetings”	the meeting of Class A Shareholders and the meeting of Class B Shareholders, in each case convened by an order of the Court in connection with the Scheme
“Code”	the City Code on Takeovers and Mergers
“Court”	the High Court of Justice of England and Wales
“Court Hearing”	the hearing by the Court of the petition to sanction the Scheme and to confirm the reduction of share capital which forms part of it
“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 Registrars”	Danby Registrars Limited, registered in England and Wales with number 342210 (an associated undertaking of Exploration and El Oro)

“Effective Date”	the date the El Oro 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”	El Oro Mining and Exploration Company p.l.c, registered in England and Wales with number 424098
“El Oro Court Order”	the order of the Court sanctioning the Scheme and confirming the reduction of share capital of El Oro forming part of the Scheme
“El Oro EGM”	the extraordinary general meeting of El Oro Shareholders convened for the purpose of, inter alia, approving the Scheme
“El Oro Group”	El Oro, its subsidiaries and subsidiary undertakings
“El Oro Shareholders”	holders of El Oro Shares
“El Oro Shares”	ordinary shares of 10p each in the capital of El Oro
“Enlarged Group”	Exploration (to be renamed El Oro Mining and Exploration Company p.l.c.) and its subsidiaries following the Merger becoming effective
“Exploration”	The Exploration Company p.l.c. registered in England and Wales with number 80408
“Exploration AGM”	the annual general meeting of Exploration
“Exploration Capital Reduction”	the reduction of the issued share capital of Exploration by the cancellation of 5,781,624 Exploration Stock Units owned by El Oro (or its nominee) under Section 135 of the Act
“Exploration Circular”	the document to be sent to Exploration Stockholders explaining the Merger and containing the notice of the Exploration EGM
“Exploration EGM”	the extraordinary general meeting of Exploration Stockholders to approve, inter alia, the Merger and the Exploration Capital Reduction
“Exploration Group”	Exploration, its subsidiaries and subsidiary undertakings
“Exploration Stockholders”	holders of Exploration Stock Units, excluding any holding of New Exploration Stock Units arising pursuant to the Scheme
“Exploration Stock Units”	stock units of 5p each in the capital of Exploration
“FAV” or “Formula Asset Value”	the formula asset value of El Oro or Exploration calculated as at the Calculation Date in accordance with the formulae set out in the Appendix to the Scheme, a copy of which is set out in Part 6 of this document and the “El Oro FAV” and “Exploration FAV” shall be construed accordingly
“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
“LSE Admission Standards”	the rules issued by the London Stock Exchange in relation to the admission to trading of, and continuing requirements for, securities admitted to the Official List
“Merger”	the proposed merger of Exploration and El Oro to be effected by way of the Scheme
“New Exploration Stock Units”	the new Exploration Stock Units to be issued to Scheme Shareholders pursuant to the Scheme
“Official List”	the list maintained by the UK Listing Authority pursuant to Part VI of the Financial Services and Markets Act 2000
“Panel”	the Panel on Takeovers and Mergers
“Parish Family”	Robin Parish, Emma Houston, The Hon. Mrs. Elizabeth Parish, Suzanne Kumaramangalam, Caroline Zegos and their respective immediate families

“PwC”	PricewaterhouseCoopers LLP, Chartered Accountants, of Southwark Towers, 32 London Bridge Street, London, SE1 9SY
“Record Time”	6.00 p.m. in the United Kingdom, on the Effective Date
“Registrar of Companies”	the Registrar of Companies in England and Wales
“Regulations”	the Uncertificated Securities Regulations 2001 (SI No. 2001/3755)
“Scheme”	the scheme of arrangement of El Oro under Section 425 of the Act in order to effect the proposed merger of El Oro and Exploration
“Scheme Circular”	the circular to be sent to the El Oro Shareholders containing and setting out the terms and conditions of the Scheme and notices of the El Oro EGM and the Class Meetings
“Scheme Exchange Ratio”	the ratio of the number of New Exploration Stock Units per Scheme Share to which a Scheme Shareholder is entitled pursuant to the Scheme calculated in accordance with the formulae set out in the Appendix to the Scheme, a copy of which is set out in Part 6 of this document
“Scheme Shareholders”	holders of Scheme Shares
“Scheme Shares”	the El Oro Shares in issue at the date hereof and any El Oro Shares issued prior to the Record Time, excluding any El Oro Shares held by Exploration (or its nominee) at the Record Time
“Soditic”	Soditic Limited of Wellington House, 125 Strand, London WC2R 0AP
“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 VI of the Financial Services and Markets Act 2000
“uncertificated” or “in uncertificated form”	a share or other security title to which is recorded on the relevant register of the share or security concerned as being held in uncertificated form in CREST and title to which, by virtue of the Regulations, may be transferred by means of CREST
“United States of America”, “US” 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 jurisdiction
“£” or “Sterling”	pounds sterling and references to “pence” and “p” shall be construed accordingly

For the purpose of this document, “subsidiary” and “subsidiary undertaking” have the respective meanings given in the Act.

