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If you have sold or otherwise transferred all of your Stock Units, please forward this document, together with the accompanying documents, at once to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee. If you have sold or otherwise transferred part of your registered holding of Stock Units, please retain these documents and consult the stockbroker, bank or other agent through whom the sale or transfer was effected. However such documents should not be distributed, forwarded or transmitted in, or into, the United States, Canada, Australia or Japan or into any jurisdiction if to do so would constitute a violation of the relevant laws of such other jurisdiction.

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Auden Capital, which is authorised and regulated in the UK by the FSA, is acting exclusively for El Oro and New El Oro and no-one else in connection with the Proposals and Admission and is not, and will not be, responsible to anyone other than El Oro and New El Oro for providing the protections afforded to clients of Auden Capital, or for providing advice in connection with the Proposals, Admission or the contents of this document.

This document should be read in conjunction with the accompanying Forms of Proxy.

El Oro & Exploration Company p.l.c.

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

Recommended proposals to establish El Oro Ltd. as the holding company of El Oro & Exploration Company p.l.c. by means of a scheme of arrangement under section 899 of the Companies Act 2006

Application for admission of 10,776,501 El Oro Ltd. Shares to the Official List of the Channel Islands Stock Exchange

Your attention is drawn to the letter from the Chairman of El Oro on behalf of the Directors which is set out in Part 1 of this document, which contains the background to and reasons for the Proposals and which contains the unanimous recommendation of the Directors that you vote in favour of the Scheme at the Court Meeting and in favour of the Special Resolution at the General Meeting. A letter from Auden Capital explaining the Proposals appears in Part 2 of this document and constitutes an explanatory statement in compliance with section 897 of the Companies Act.

Notices convening the Court Meeting and the General Meeting, both of which will be held at the offices of El Oro at 41 Cheval Place, London SW7 1EW on 26 February 2009, are set out at the end of this document. The Court Meeting will start at 10.00 a.m. and the General Meeting will start at 10.15 a.m. (or as soon thereafter as the Court Meeting has been concluded or adjourned).

The action to be taken by Stockholders in respect of the Meetings is set out on pages 15 and 25. You will find enclosed with this document a blue Form of Proxy for use in relation to the Court Meeting and a pink Form of Proxy for use in relation to the General Meeting. Whether or not you plan to attend both or either of the Meetings, please complete and sign the enclosed Forms of Proxy and return them in accordance with the instructions printed thereon, whether or not your Stock Units are in uncertificated form (i.e. in CREST), as soon as possible, but in any event so as to be received by post or, during normal business hours, by hand, to El Oro's registrars, Equiniti Limited, Aspect House, Spencer Rd, Lancing, West Sussex BN99 6ZL by 10.00 a.m. on 24 February 2009 in the case of the Court Meeting and by 10.15 a.m. on 24 February 2009 in the case of the General Meeting or in the case of any adjournment, not later than 48 hours before the time fixed for the holding of the adjourned meeting. If the blue Form of Proxy for use at the Court Meeting is not lodged by 10.00 a.m. on 24 February 2009, it may be handed to Equiniti Limited on behalf of the Chairman at the Court Meeting before the taking of the poll. However, in the case of the General Meeting, unless the pink Form of Proxy is lodged so as to be received by 10.15 a.m. on 24 February 2009, it will be invalid. The completion and return of a Form of Proxy will not prevent you from attending and voting at either of the Meetings, or any adjournment thereof, in person should you wish to do so.

If you have any questions relating to this document or the completion and return of your Forms of Proxy, please call El Oro's registrars, Equiniti Limited on 0871 384 2050 (or, if you are calling from outside the United Kingdom, +44 121 415 0259) between 9.00 a.m. and 5.30 p.m. Monday to Friday (excluding bank or public holidays). Please note that calls to these numbers may be monitored or recorded, and no advice can be given on the merits of the Proposals nor can any financial or taxation advice be given. Calls to these numbers are charged at 8 pence per minute from a BT landline. Other telephony providers' costs may vary.

Certain words and expressions used in this document are defined in Part 5 of this document.

Application will be made to the CISX for the New El Oro Shares to be admitted to the Official List of the CISX. If the Scheme proceeds as presently envisaged, it is expected that dealings in Stock Units will continue until close of business on 16 March 2009 and that Admission will become effective, and that dealings in New El Oro Shares on the Official List of the CISX will commence, on the Effective Date.

As a registered closed ended investment fund, New El Oro may not offer the New El Oro Shares to any persons resident within the Bailiwick of Guernsey other than persons regulated under any of the Guernsey financial services regulatory laws. New El Oro is a Registered Closed Ended Investment Scheme registered under Section 8 of the Protection of Investors (Bailiwick of Guernsey) Law, 1987 as amended (the "POI" law). The GFSC has not reviewed this document but instead has relied on specific warranties provided by Capita Financial Administrators (Guernsey) Limited, the Company's Designated Manager. Neither the States of Guernsey Policy Council nor the GFSC take any responsibility for the financial soundness of New El Oro or for the correctness of any statements made or opinions expressed with regard to it. Investors in New El Oro are not eligible for the payment of any compensation under the Collective Investment Schemes (Compensation of Investors) Rules 1988 made under the POI Law.

This document also comprises listing particulars for the purposes of the application for Admission and includes particulars given in compliance with the Listing Rules of the Channel Islands Stock Exchange for the purpose of giving information with regard to the issuer in relation to the application for Admission and listing of New El Oro Shares on the Official List of the CISX. The New El Oro Directors whose names appear in paragraph 2.3 of Part 4 of this document accept full responsibility for the information contained in this document insofar as it relates to New El Oro, Admission and their interests and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein for which they accept responsibility misleading.

Neither the Admission nor the approval of this document pursuant to the listing requirements of the CISX shall constitute a warranty or representation by the CISX as to the competence of the service providers to, or any other party connected with, New El Oro, the adequacy and accuracy of the information contained in this document or the suitability of New El Oro for investment or for any other purpose.

IMPORTANT NOTICE

This document does not constitute an offer or an invitation to purchase or subscribe for any securities or a solicitation of an offer to buy any securities pursuant to this document or otherwise in any jurisdiction in which such offer or solicitation is unlawful. This document and the accompanying documents have been prepared in connection with proposals in relation to, *inter alia*, a scheme of arrangement and reduction of share capital pursuant to and for the purpose of complying with English law and the AIM Rules for Companies and information disclosed in connection therewith may not be the same as that which would have been prepared in accordance with the laws of jurisdictions outside the United Kingdom. Nothing in this document or the accompanying documents should be relied on for any other purpose.

The distribution of this document in jurisdictions outside the United Kingdom may be restricted by the laws of those jurisdictions and therefore persons into whose possession this document comes should inform themselves about and observe such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. All Stockholders or other persons (including nominees, trustees and custodians) who would otherwise intend to, or may have a contractual or legal obligation to, forward this document and the accompanying Forms of Proxy to a jurisdiction outside the United Kingdom should refrain from doing so and seek appropriate professional advice before taking any action.

Securities may not be offered or sold in the United States unless they are registered under the US Securities Act or exempt from such registration. The New El Oro Shares will not be, and are not required to be, registered with the SEC under the US Securities Act in reliance on the exemption from registration provided by Section 3(a)(10) thereof or with the state securities commission in the United States. Neither the SEC nor any other US federal or state securities commission or regulatory authority has approved or disapproved the New El Oro Shares or passed on the adequacy of this document. Any representation to the contrary is a criminal offence in the United States.

No person has been authorised to make any representations on behalf of any member of the El Oro Group concerning the Proposals which are inconsistent with the statements contained in this document and any such representations, if made, may not be relied upon as having been so authorised.

The summary of the principal provisions of the Scheme contained in this document is qualified in its entirety by reference to the Scheme itself, the full text of which is set out in Part 3 of this document. Each Stockholder is advised to read and consider carefully the text of the Scheme itself. This is because this document, and in particular, the Chairman's Letter (Part 1) and Explanatory Statement (Part 2) have been prepared solely to assist Stockholders in respect of voting on the Scheme.

Stockholders should not construe the contents of this document as legal, taxation or financial advice, and should consult with their own advisers as to the matters described in this document.

The statements contained in this document are made as at the date of this document, unless some other time is specified in relation to them, and service of this document shall not give rise to any implication that there has been no change in the facts set forth in this document since such date. Nothing contained in this document shall be deemed to be a forecast, projection or estimate of the future financial performance of New El Oro or El Oro or the New El Oro Group except where otherwise stated.

INFORMATION FOR UNITED STATES STOCKHOLDERS

In the United States, this document is being furnished to Stockholders solely to explain the Proposals and describe the action recommended to be taken by Stockholders in relation to the Court Meeting and General Meeting. This document is personal to each Stockholder and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire New El Oro Shares. This document is not an offer of securities for sale in the United States. The New El Oro Shares to be issued to Stockholders in connection with the Scheme will not be, and are not required to be, registered with the SEC under the US Securities Act in reliance upon the exemption from the registration requirements of the US Securities Act provided by Section 3(a)(10) of that Act. For the purpose of qualifying for the Section 3(a)(10) exemption with respect to the New El Oro Shares issued pursuant to the Scheme, El Oro will advise the Court that it will rely on the Section 3(a)(10) exemption based on the Court's sanctioning of the Scheme, which will be relied upon by El Oro as an approval of the Scheme following a hearing on its fairness to Stockholders at which hearing all such Stockholders will be entitled to attend in person or through counsel to support or oppose the sanctioning of the Scheme and with respect to which notification has been or will be given to all such Stockholders.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This document contains certain forward-looking statements with respect to the financial condition, results of operations and business of the El Oro Group and the New El Oro Group and certain plans and objectives of the boards of El Oro and/or New El Oro with respect thereto. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements often use words such as "anticipate", "target", "expect", "estimate", "intend", "plan", "goal", "believe", "will", "may", "should", "would", "could", or other words of similar meaning. These statements are based on assumptions and assessments made by the boards of El Oro and/or New El Oro in light of their experience and their perception of historical trends, current conditions, expected future developments, financial performance and other factors they believe appropriate. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future and the factors described in the context of such forward-looking statements in this document could cause actual results and developments to differ materially from those expressed in or implied by such forward-looking statements. Although the Board (or, as the case may be, the New El Oro Board) believe that the expectations reflected in such forward-looking statements are reasonable, they can give no assurance that such expectations will prove to have been correct and therefore caution you not to place undue reliance on these forward-looking statements which speak only as at the date of this document. No member of the El Oro Group or the New El Oro Group assumes any obligation to update or correct the information contained in this document.

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Expected Timetable of Principal Events

<i>Event</i>	<i>Time and/or date</i>
Latest time for receipt of blue Forms of Proxy for the Court Meeting	10.00 a.m. on 24 February 2009 ⁽¹⁾
Latest time for receipt of pink Forms of Proxy for the General Meeting	10.15 a.m. on 24 February 2009 ⁽²⁾
Voting Record Time	6.00 p.m. on 24 February 2009 ⁽³⁾
Court Meeting	10.00 a.m. on 26 February 2009
General Meeting	10.15 a.m. on 26 February 2009 ⁽⁴⁾
Scheme Record Time	6.00 p.m. on 16 March 2009 ⁽⁵⁾
Last day of dealings in, and for registration of transfers of, Stock Units, and disablement in CREST of Stock Units	16 March 2009 ⁽⁵⁾
Suspension from trading of Stock Units on AIM	7.00 a.m. on 17 March 2009 ⁽⁵⁾
Court Hearing (to sanction the Scheme and confirm the Reduction of Capital)	17 March 2009 ⁽⁵⁾
Effective Date of the Scheme	18 March 2009 ⁽⁵⁾
Cancellation of admission to trading of Stock Units on AIM	7.00 a.m. on 19 March 2009 ⁽⁵⁾
Admission and first dealing date of New El Oro Shares	19 March 2009 ⁽⁵⁾
CREST accounts credited	19 March 2009 ⁽⁵⁾
Latest date for despatch of share certificates in respect of New El Oro Shares	1 April 2009 ⁽⁵⁾

Notes:

- (1) The blue Form of Proxy for the Court Meeting if not lodged by this deadline may be handed to El Oro's registrars, Equiniti Limited, on behalf of the chairman at the Court Meeting at any time before taking the poll.
- (2) The pink Form of Proxy for the General Meeting must be lodged by 10.15 a.m. on 24 February 2009 in order to be valid or, if the General Meeting is adjourned, not later than 48 hours before the time fixed for the holding of the adjourned meeting.
- (3) If either the Court Meeting or the General Meeting is adjourned, the Voting Record Time of the adjourned meeting(s) will be 48 hours before the time of such adjourned meeting.
- (4) The General Meeting is to commence at 10.15 a.m. or, if later, immediately after the conclusion or adjournment of the Court Meeting.
- (5) These dates are indicative only and will depend, among other things, on the dates upon which the Court sanctions the Scheme and the Court Order sanctioning the Scheme is delivered to the Registrar of Companies.

Unless otherwise stated, all references in this document to times are to London times.

The Court Meeting and the General Meeting will be held at the offices of El Oro, 41 Cheval Place, London SW7 1EW on 26 February 2009.

The dates given are based on El Oro's current expectations and may be subject to change. If the expected date of the Court Hearing changes, El Oro will give adequate notice of the change by issuing an announcement through a Regulatory Information Service. All Stockholders have the right to attend the Court Hearing.

ACTION TO BE TAKEN

The Court Meeting and the General Meeting will be held at the offices of El Oro & Exploration Company p.l.c., 41 Cheval Place, London SW7 1EW on 26 February 2009 at 10.00 a.m. and 10.15 a.m., respectively (or, in the case of the General Meeting, as soon thereafter as the Court Meeting has been concluded or adjourned). The Scheme requires approval at both of these meetings.

1. Please check you have received the following with this document:
 - a blue Form of Proxy for use in respect of the Court Meeting on 26 February 2009; and
 - a pink Form of Proxy for use in respect of the General Meeting on 26 February 2009.

If you have not received all of these documents please contact Equiniti Limited on the telephone number set out at the bottom of this page.

2. To vote on the Proposals

Whether or not you plan to attend the Meetings, PLEASE COMPLETE AND SIGN both the enclosed blue and pink Forms of Proxy and return them in accordance with the instructions provided thereon, as soon as possible, but in any event so as to be received by no later than 10.00 a.m. on 24 February 2009 in the case of the blue form in respect of the Court Meeting and by no later than 10.15 a.m. on 24 February 2009 in the case of the pink form in respect of the General Meeting. This will enable your votes to be counted at the Meetings in the event of your absence. If the blue Form of Proxy for use at the Court Meeting is not lodged by 10.00 a.m. on 24 February 2009, it may be handed to El Oro's registrars, Equiniti Limited, on behalf of the chairman at the Court Meeting before the taking of the poll. However, in the case of the General Meeting, unless the pink Form of Proxy is lodged so as to be received by 10.15 a.m. on 24 February 2009 (or, in the case of adjournment, not later than 48 hours before the time fixed for the holding of the adjourned meeting), it will be invalid.

Stockholders' attention is drawn to the fact that where they return the Form of Proxy for the General Meeting without denoting their voting preference, the chairman of the General Meeting will vote their Stock Units in favour of the Special Resolution. The completion and return of a Form of Proxy will not prevent you from attending and voting at the Court Meeting or the General Meeting, or any adjournment thereof, in person should you wish to do so.

IT IS IMPORTANT THAT, FOR THE COURT MEETING, AS MANY VOTES AS POSSIBLE ARE CAST SO THAT THE COURT MAY BE SATISFIED THAT THERE IS A FAIR AND REASONABLE REPRESENTATION OF THE OPINION OF STOCKHOLDERS. YOU ARE THEREFORE STRONGLY URGED TO SIGN AND RETURN YOUR FORMS OF PROXY AS SOON AS POSSIBLE.

Helpline

If you have any questions relating to this document or the completion and return of the Forms of Proxy, please call El Oro's registrars, Equiniti Limited, on 0871 384 2050 (or, if you are calling from outside the United Kingdom, +44 121 415 0259) between 9.00 a.m. and 5.30 p.m. Monday to Friday (excluding bank or public holidays). Please note that calls to these numbers may be monitored or recorded, and no advice can be given on the merits of the Proposals nor can any financial or taxation advice be given. Calls to these numbers are charged at 8 pence per minute from a BT landline. Other telephony providers' costs may vary.

This page should be read in conjunction with ACTION TO BE TAKEN on pages 15 and 25 of this document and the rest of this document.

PART 1

Letter from the Chairman of El Oro on behalf of the Directors

El Oro & Exploration Company p.l.c.

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

Directors:

C. Robin Woodbine Parish (*Chairman and Managing Director*)
The Hon. Mrs. E.C. Parish (*Non-Executive Director*)
Emma W. Houston (*Non-Executive Director*)
David R.L. Hunting (*Non-Executive Director*)
Robert E. Wade (*Non-Executive Director*)
J. Anthony Wild (*Non-Executive Director*)

Registered address and head office:

41 Cheval Place
London
SW7 1EW

2 February 2009

To: Stockholders

Dear Stockholder,

Recommended proposals relating to the introduction of New El Oro as the holding company of El Oro and the application for admission of New El Oro Shares to the Official List of the CISX

1. Introduction

On 22 January 2009, El Oro announced proposals relating to a change in the corporate structure, strategy and organisation of the El Oro Group, including the intention to create a new Guernsey incorporated holding company in respect of which application is to be made for its shares to be listed on the Official List of the CISX. The Proposals will be effected by putting in place New El Oro as the new holding company for the El Oro Group by way of a scheme of arrangement under section 899 of the Companies Act, which requires the approval of the Scheme Stockholders and the sanction of the Court.

The Directors have reviewed El Oro's strategic options as a company based in the UK with its Stock Units traded on AIM. The Board has decided that El Oro would be better served being based in Guernsey and listed on an exchange with characteristics more suited to the El Oro Group's business. The CISX provides a well regulated and cost effective listing service. As the CISX is a recognised exchange, in contrast to AIM, the New El Oro Shares will be eligible for ISAs and the Board believes that the Proposals will address a range of issues that have been hindering the growth of El Oro. In particular, El Oro is currently unable to enjoy the tax treatment associated with most collective investment vehicles.

As described in greater detail in paragraph 3 of this Part 1 and in paragraph 3 of Part 2, implementation of the Proposals will permit the segmentation of El Oro's existing portfolio into two discrete portfolios managed along distinctly different lines. Although realised gains on the portfolio to be retained in the United Kingdom will continue to be subject to tax, if the new structure is approved the gains realised in the portfolio held directly by New El Oro will not be subject to tax. The New El Oro Group's tax position will thus be more closely comparable to that of other collective investment vehicles with which it has to compete. The Directors believe that this should make New El Oro more attractive to both existing investors and to potential new investors, particularly those seeking a collective investment vehicle where the manager has a long and established track record.

New El Oro was incorporated under the Guernsey Companies Law on 9 December 2008, as a limited liability company with the name El Oro Ltd. If the Scheme becomes effective, El Oro will become a wholly-owned subsidiary of New El Oro, the admission of its Stock Units on AIM will be cancelled and it will be re-registered as a private company.

This letter sets out the background to the Proposals and the reason why the Directors consider the Proposals to be fair and reasonable and in the best interests of El Oro and Stockholders as a whole and why they are unanimously recommending that Stockholders vote in favour of the resolutions to be proposed at the Court Meeting and the General Meeting as they intend to do (or procure) in respect of their own respective beneficial and non-beneficial interests, amounting in aggregate to 4,566,856 Stock Units, representing approximately 42.6 per cent. of the Company's entire issued share capital. This document also contains notices of the Meetings at which the Proposals will be put to Stockholders.

Notices convening the Court Meeting and the General Meeting are set out in Parts 6 and 7 of this document.

2. Reasons for the Proposals

The Board believes El Oro's options in its current form are limited if it continues to be based only in the UK with its Stock Units admitted to trading on AIM. In essence, the Directors believe that El Oro's commercial objective is to be a collective investment vehicle. However, it is unable to enjoy the benefits normally associated with these vehicles while based solely in the UK.

In order to be competitive with other collective investment funds, the Board believes it is necessary to restructure the El Oro Group so as to be subject to a tax regime which makes it more comparable to vehicles such as unit trusts and investment trusts.

The Proposals are driven in particular by the need to make the Stock Units more attractive to investors and to increase liquidity in the Stock Units. The Directors believe that achieving these objectives should reduce the significant discount to net asset value at which the Stock Units have regularly traded and that this will considerably improve El Oro's ability to grow and thereby attract additional or successor management able and qualified to implement the Board's investment policy.

The Proposals are a more cost effective solution to the problems outlined than a wholesale conversion of El Oro to investment trust or unit trust status. Both of these alternatives have been considered by the Board but the Directors are of the opinion that they would be prohibitively expensive.

The move to the CISX will also make the New El Oro Shares eligible to be held in ISAs, which will be attractive to investors. The Directors believe that the CISX is well-regarded as a listing authority for investment funds and imposes administrative obligations which are appropriate for a company such as New El Oro.

El Oro currently prepares consolidated accounts for the El Oro Group on an IFRS basis and accounts for each entity within the El Oro Group on the basis of UK GAAP. It is proposed that New El Oro will prepare accounts on an IFRS basis and that its UK subsidiaries should continue to prepare entity accounts on the basis of UK GAAP. Since New El Oro will be following accounting policies in conformity with the EU 7th Directive, the New El Oro Group will be able to utilise certain exemptions for the accounting of its UK subsidiaries.

In common with a number of investment companies based in Guernsey, New El Oro will prepare accounts in accordance with IFRS which comprise standards and interpretations approved by the International Accounting Standards Board and International Accounting Standards and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect. The accounts will also comply with The Companies (Guernsey) Law 2008. Where presentational guidance set out in the Statement of Recommended Practice ("SORP") for investment trusts issued by the Association of Investment Companies in December 2005 is consistent with the requirements of IFRS, the financial statements will be prepared on a basis compliant with the recommendations of the SORP. New El Oro's investments will be held at fair value through the profit and loss account and they will be marked to market. The Directors believe that a move to the SORP would improve investors' understanding of the El Oro Group and make it easier to compare it with other collective investment funds.

In line with similar collective investment vehicles, following implementation of the Proposals, New El Oro intends putting in place the necessary arrangements to enable it to announce consolidated net asset value figures on a quarterly basis. This is expected to occur with effect from July 2009.

HSBC Bank plc currently acts as custodian of securities held by El Oro and it is proposed that HSBC Bank plc should act as custodian for New El Oro and its UK subsidiaries. New El Oro will appoint Capita Financial Administrators (Guernsey) Limited to act as fund administrator with responsibility for group corporate secretarial, compliance and accounting functions. The outsourcing of these functions will allow New El Oro to streamline its organisation and contain costs.

3. Investment Management and Strategy

New El Oro's business will be the management of the securities vested in New El Oro and its holding of shares in El Oro itself. The portfolio investments and other assets (e.g. contracts for difference ("CFDs")) owned by El Oro will be managed by El Oro itself.

The New El Oro Board will consider the portfolio owned by New El Oro and its investment strategy, and will make decisions as to categories of investments to be held and retained by New El Oro. The El Oro Board will perform the same role in respect of El Oro. In each case, the task of implementing the policies and strategies set by the relevant board of directors for each portfolio will be delegated to a designated individual or team. In each case, this function will initially be carried out by Robin Parish (the "Manager"). Mr Parish has been responsible for the El Oro investment strategy as its Managing Director since 1994, having been employed by the El Oro Group since 1978. In light of this experience, the other El Oro Directors and New El Oro Directors are of the opinion that Mr Parish is the most appropriate person to give effect to and implement its investment strategy. The medium term plan is to attract additional or successor management able and qualified to implement the New El Oro Group's investment policies.

It is intended that the portfolio currently held by El Oro will be segmented into two discrete portfolios which will be managed along distinctly different lines and investment styles. It is proposed that:

- (i) the portfolio continuing to be vested in El Oro (and so in the UK) will be predominantly an income portfolio, focussing on stocks in relatively mature sectors (e.g. some, but not all, brewing, utility, and mining stocks) which are typically characterised by high yields. This investment style will be coupled with a hedging and trading program using CFDs and other derivative instruments. This will allow the hedging of long term positions as well as opportunistic trading to complement the basic stability of the Income Portfolio; and
- (ii) the remainder of the portfolio will comprise the stocks selected in pursuit of a blended value / growth investment style which seeks to identify companies which have good growth prospects which have not yet been fully recognised and priced into the market. These stocks will, insofar as possible, be transferred by way of dividend in specie to New El Oro. This will depend on the book value of the stocks to be so distributed to New El Oro and on there being sufficient distributable reserves to effect the distribution at the relevant time. As at 30 June 2008, there were approximately £39 million of distributable reserves so available and the book value of these stocks was approximately £38 million. This will be seen as a disposal and tax will be payable by El Oro on any resulting gain.

Given the distinct portfolio attributes, the portfolio continuing to be vested in El Oro is likely to remain the main source of New El Oro's dividends.

The individuals or teams charged with implementing the investment policies for the two portfolios will report quarterly to the respective boards of directors of New El Oro and El Oro. The separate reports to the boards of directors will include sufficient information to enable each such board to monitor adherence to the investment styles and strategies established by it for the relevant portfolio. Each report will provide full details of individual portfolio holdings and analyse overall asset allocation. The Manager will also report adherence to the investment guidelines which are determined by the respective boards of directors from time to time. The initial guidelines are set out below.

Initial guidelines for the implementation of the New El Oro investment policy

The intention of the New El Oro Board is for the Manager to implement a value growth strategy which is well diversified and biased towards listed equities. Accordingly it is intended that the majority of New El Oro's investments will be in listed securities. However the New El Oro Board wishes to preserve the

flexibility to hold a high proportion of cash or cash equivalent assets where market circumstances dictate, pending investment into listed securities. In addition, New El Oro will be able to employ derivatives, although there is no current intention to do so, to support the investment strategy. The New El Oro Board believes that derivatives can be part of a balanced investment strategy. Again, while there is no current intention for New El Oro to hold commodities directly, there should be the flexibility to do so, particularly at a time of patent distrust of many currencies. The same applies to holding foreign currencies, as the New El Oro Board considers currency allocation to be an important part of the asset allocation process. As a broad guideline the New El Oro Board considers that 10 per cent. of the portfolio for any one position should be observed, but have decided not to impose a specific limit. New El Oro will take decisions in relation to borrowings at board meetings. If a parent company guarantee is required for El Oro's borrowings, the New El Oro Board will consider whether to give it and whether it is appropriate to recharge the cost to El Oro. Decisions as to gearing will be taken at individual company level, consistent with the individual corporate perspective. The Board will establish a borrowing limit of 50 per cent. of the market value of securities held on a consolidated basis by the Group.

Initial guidelines for the implementation of the El Oro investment policy

The El Oro Board's intention is for the Manager to implement a strategy which focuses on sectors which are likely to provide good running yields and is well diversified and biased towards listed equities. It is acknowledged the investments could well be in sectors that are regarded as mature, such as utilities and brewing. El Oro will also take an opportunistic approach to investment opportunities and may use derivatives and direct commodity holdings to achieve this. While it is intended that the majority of El Oro's investments will be in listed securities, the Board wishes to preserve the flexibility to hold a high proportion of cash or cash equivalent assets where market circumstances dictate. In contrast to New El Oro, the use of derivatives and CFDs in particular could be extensive. The Board is conscious that the risk profile of El Oro will be greater than New El Oro and this will be carefully monitored.

Given the income producing nature of El Oro's portfolio, the New El Oro Group will be well positioned to pay interest and is in the process of renewing its existing £20 million secured banking facilities with Lloyds TSB Bank plc, comprising a £15 million business loan facility and a £5 million overdraft facility, on slightly amended terms including a change to the borrowing rate under the business loan to one per cent. above LIBOR. This level of borrowing is considered reasonable.

The boards of New El Oro and El Oro intend that their investment guidelines should not change materially for a period of three years without approval by shareholders in general meeting.

Investor Profile

New El Oro Shares are suitable for investors who are looking for long term capital growth whilst receiving regular dividend income.

Nature of Investments

The principal investment objective of New El Oro is long term capital appreciation through worldwide investment primarily in equity and equity related securities (such as CFDs) of companies predominantly in mining and utility industries. It is the intention that New El Oro will continue to invest in both securities listed on various international exchanges and, where appropriate, in unlisted securities.

New El Oro also has the flexibility to invest in equities outside the mining and utility industries. In addition, New El Oro may invest in debt instruments such as bonds, bills, notes, certificates of deposit and other debt-related instruments from time to time.

Potential corporate development and new revenue stream for New El Oro

Subject to market conditions, New El Oro could provide seed capital to launch one or more sub-funds. These could grow by issuing their own shares and attracting funds directly. In addition, New El Oro will be well placed to acquire existing specialist portfolios and bring them under its umbrella. In some cases the managers

of funds acquired in this way could be retained as part of the New El Oro Group's succession planning exercise.

4. Proposals

The Proposals will be effected by means of a scheme of arrangement between El Oro and the Scheme Stockholders under section 899 of the Companies Act. Under the Scheme, New El Oro will issue New El Oro Shares to former Stockholders in consideration for the cancellation of their Stock Units and the issue to New El Oro of new ordinary shares by El Oro. All the Stock Units (except for one Stock Unit held by New El Oro) will be cancelled and the resulting reserve in El Oro will be capitalised by the issue to New El Oro of fully paid new ordinary shares of El Oro. The New El Oro Shares will be issued to Scheme Stockholders on a one-for-one basis for their holdings of Scheme Stock Units. Accordingly, Stockholders will cease to own Stock Units and instead will own New El Oro Shares. If the Scheme becomes effective Scheme Stockholders on the register of members of El Oro at the Scheme Record Time will receive:

for each Scheme Stock Unit one New El Oro Share.

To become effective, the Scheme requires, among other things, the approval of Scheme Stockholders at a Court Meeting to be convened on 26 February 2009. The Scheme also requires the sanction of the Court and the passing of the Special Resolution to be proposed at the General Meeting which is also to be convened on 26 February 2009. Subject to the requisite approvals of the Scheme being obtained from Scheme Stockholders and the sanction of the Court, the Scheme is expected to become effective on 18 March 2009.

It is also proposed that, prior to the Scheme becoming effective, application will be made to the London Stock Exchange for the cancellation of the Stock Units from admission to trading on AIM. As part of the Scheme, it is proposed that El Oro will be re-registered as a private company following the Scheme becoming effective.

Application will be made to the CISX for the New El Oro Shares to be admitted to the Official List and to trading on the CISX's market for listed securities. It is expected that the New El Oro Shares will be listed, and that dealings in them will commence, on the Official List of the CISX at 8.00 a.m. on 19 March 2009. The cancellation of the Stock Units from admission to trading on AIM is also expected to occur at 7.00 a.m. on that date. Further details can be found in paragraph 7 of Part 2 of this document.

The Scheme will not substantially alter the assets and liabilities of the El Oro Group as a whole. Upon the Scheme becoming effective, a New El Oro Shareholder will have the same proportionate interest in the profits, net assets and dividends of the New El Oro Group as he has as a Stockholder in the profits, net assets and dividends of the El Oro Group before the Scheme becomes effective.

New El Oro is incorporated in Guernsey. A summary of the memorandum and articles of incorporation of New El Oro and a description of the implications of New El Oro being a Guernsey company are set out in paragraph 4 of Part 4 of this document.

Although the City Code currently applies to El Oro and will apply to New El Oro once the Scheme has become effective, the Panel has confirmed that the Proposals and related documents are not subject to the City Code.

The Explanatory Statement in compliance with section 897 of the Companies Act is set out in Part 2 of this document.

5. Board of New El Oro

The New El Oro Board comprises:

- C. Robin Woodbine Parish;
- Robert E. Wade;
- J. Anthony Wild;
- Rupert A. R. Evans; and
- Subbarayan B. Kumaramangalam.

Rupert A.R. Evans is a Guernsey based director; Robert E. Wade and Subbarayan B. Kumaramangalam are also both based outside the UK. This means a majority of the New El Oro Directors are based outside the UK.

Brief biographies of each of the New El Oro Directors are set out below:

C. Robin Woodbine Parish

Robin Woodbine Parish has been a director of El Oro since 1980. He has an MA from Oxford University and has been involved in the investment and mining industries for the past 36 years.

J. Anthony Wild

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 since 2001.

Robert E. Wade

Robert Wade, who is resident in the United States, graduated from NYU School of Law in 1971 and was a sole practitioner in Belvidere, New Jersey until 2008. He also has a BSEC from the Wharton School University of Pennsylvania. He has been a non-executive director of El Oro since 2001. He is also a chairman and director of Franklin Mutual Series Funds Inc. and a director of Templeton Funds Inc.

Rupert A.R. Evans

Rupert Evans practised at the Chancery Bar in London for 14 years before moving to Guernsey in 1976 where he practised as a funds and trust lawyer. In 2005 he was appointed by the Department of Commerce and Employment of the States of Guernsey as Chairman of the Trust Law Working Party to review the existing legislation in Guernsey relating to trusts. He was a partner of Ozannes, a leading firm of Channel Islands lawyers from 1982 to 2003 and is currently a consultant to the firm. He is also a director of a number of investment companies, some of which are listed.

Subbarayan B. Kumaramangalam

Subbarayan B. Kumaramangalam currently runs a portfolio of private investments and has done so for the past 12 years. He has a BSC in Physics from St Xavier's, Bombay and a Diploma in Agriculture from Cirencester College in the UK. He is also a member of the Royal Society of Asian affairs. As an Indian resident investor, the New El Oro Board believes he will be able to provide insights into this major market as well as the region.

Details of the interests of the New El Oro Directors in the issued share capital of El Oro (before the Scheme becomes effective) and New El Oro (once the Scheme has become effective) are set out in paragraph 3 of Part 4 of this document.

6. Income access share arrangements

New El Oro is contemplating the introduction, after the Scheme becomes effective, of income access share arrangements. If implemented, and to the extent that they are operated, these arrangements would mean that New El Oro Shareholders will be able to choose, in effect, whether they wished to receive their dividends from a company intended to be resident for tax purposes in Guernsey (i.e. New El Oro) or receive their

dividends under the IAS plan from a company resident for tax purposes in the UK (i.e. El Oro). New El Oro Shareholders will receive their dividends from New El Oro, a company intended to be resident for tax purposes in Guernsey unless they elect to receive their dividends under the IAS plan from the IAS Issuer.

If the IAS plan is put in place, New El Oro Shareholders would be able to serve a notice at any time electing not to receive dividends from New El Oro (and in consequence to participate in the IAS plan and to receive their dividends from the IAS Issuer) (a “New El Oro Election”) and would be able subsequently to elect to withdraw from the IAS plan by serving written notice (an “IAS Withdrawal Notice”). The New El Oro Election forms and IAS Withdrawal Notices would be available from the New El Oro Registrars.

Further details of the IAS plan are set out in paragraph 4 of Part 2 and paragraph 5 of Part 4 of this document.

7. United Kingdom and Guernsey Taxation

A summary of relevant UK and Guernsey taxation, which is intended as a general guide only, is set out in paragraph 8 of Part 4 of this document. If you are in any doubt as to your tax position, or you are subject to taxation in any jurisdiction other than Guernsey or the UK, you are strongly advised to consult an appropriate independent professional adviser.

8. Action to be taken

Your attention is drawn to paragraph 11 of Part 2 of this document, which explains the action to be taken in relation to the Proposals.

If you have any questions relating to this document or the completion and return of the Forms of Proxy, please contact Equiniti Limited on 0871 384 2050 (or, if you are calling from outside the United Kingdom +44 121 415 0259) between 9.00 a.m. and 5.30 p.m. Monday to Friday (excluding bank or public holidays). The helpline cannot provide advice on the merits of the Proposals nor can it give any financial or taxation advice. Calls to these numbers are charged at 8 pence per minute from a BT landline. Other telephony providers’ costs may vary.

Details relating to dealing and settlement are included in paragraph 7 of Part 2 of this document.

IN ORDER THAT THE COURT CAN BE SATISFIED THAT THERE IS A FAIR AND REASONABLE REPRESENTATION OF THE OPINION OF STOCKHOLDERS AT THE COURT MEETING, IT IS IMPORTANT THAT AS MANY VOTES AS POSSIBLE ARE CAST AT THE COURT MEETING. STOCKHOLDERS ARE THEREFORE URGED TO SIGN AND RETURN THEIR FORMS OF PROXY AS SOON AS POSSIBLE.

9. Overseas Stockholders

If you are a citizen, resident or national of a jurisdiction outside the United Kingdom, your attention is drawn to paragraph 8 of Part 2 of this document.

10. Further information

Please note that the information contained in this letter is not a substitute for reading the remainder of this document.

Your attention is drawn to the letter from Auden Capital set out in Part 2 of this document (being the Explanatory Statement pursuant to section 897 of the Companies Act). The terms of the Scheme are set out in full in Part 3 of this document. Your attention is also drawn to the further information contained in this document and, in particular, the additional information set out in Part 4 of this document.

11. Outlook

Your Chairman’s comments on the outlook for the El Oro Group made in the announcement on 22 January 2009 are still valid and are therefore reproduced here:

“Given recent market falls and extreme volatility, I also wanted to comment on the current outlook. We announced our preliminary results on 24th October 2008. At the time I noted that the global financial crisis had severely depressed commodity prices and the value of mining shares. I also drew attention to the precipitate falls in our investments in the pub and mining sectors. At current market levels we are not sellers of many of the good companies we hold, even though the outlook remains gloomy, as we cannot predict when it will change. Between 30 June 2008 and the end of the year the decline in El Oro’s share price was broadly commensurate with the fall in the market value of the holdings. In recent weeks, however, the implied discount to underlying net asset value per share has narrowed sharply and some of the lost ground has therefore been recovered. While the fall in the underlying value of our holdings is of course regrettable, it has some recompense as the low market values make the timing of the formation of New El Oro particularly opportune. The stocks making up the portfolio to be held directly by New El Oro will be transferred by way of dividend in specie to New El Oro. This will be treated as a disposal and tax will be payable by El Oro on any resulting gain. At current market valuations the tax charge is likely to be insignificant.

My statement in October concluded that the outlook is hugely gloomy, but filled with promise. The Directors believe that the formation of New El Oro will put the El Oro Group in a better position to take advantage of that promise.”

12. Recommendation

The Directors, who have been advised by Auden Capital, consider the terms of the Proposals to be fair and reasonable. In providing its advice, Auden Capital has relied upon the Directors’ commercial assessments.

The Directors consider that the Proposals are in the best interests of El Oro and Stockholders as a whole. Accordingly, the Directors recommend unanimously that Scheme Stockholders vote in favour of the resolutions to be proposed at the Court Meeting and the General Meeting, as they intend to do (or procure) in respect of their beneficial and non-beneficial interests, amounting, in aggregate, to 4,566,856 Stock Units, representing approximately 42.6 per cent. of El Oro’s entire issued share capital.

Yours faithfully,

Chairman

PART 2

Explanatory Statement

(in compliance with section 897 of the Companies Act)

2 February 2009

To: Stockholders

Dear Stockholder,

**Recommended proposals relating to the introduction of New El Oro as the holding company
of El Oro and the application for admission of the Shares of New El Oro to the
Official List of the CISX**

1. Introduction

On 22 January 2009, El Oro announced proposals relating to a change in the corporate structure, strategy and organisation of the El Oro Group, including the intention to create a new Guernsey incorporated holding company in respect of which application has been made for its shares to be listed on the Official List of the CISX. The Proposals will be effected by putting in place New El Oro as the new holding company for the El Oro Group by way of a scheme of arrangement under section 899 of the Companies Act, which requires the approval of the Scheme Stockholders and the sanction of the Court.

The Directors have been advised by Auden Capital in connection with the Proposals. We have been authorised by the Directors to write to you to explain the terms of the Proposals and to provide you with other relevant information. The Scheme is set out in full in Part 3 of this document.

Your attention is drawn to the letter from the Chairman of El Oro, set out in Part 1 of this document and to the remainder of this document. That letter includes, among other things, the background to and reasons for the Directors' recommendation and states that the Directors, who have been advised by Auden Capital, consider the terms of the Proposals to be fair and reasonable. In providing advice to the Directors, Auden Capital has relied upon the Directors' commercial assessment. The Directors unanimously recommend that Scheme Stockholders vote in favour of the resolutions to be proposed at the Court Meeting and the General Meeting.

2. Summary of the Proposals

The Proposals will be effected by means of a Court sanctioned scheme of arrangement between El Oro and the Scheme Stockholders under section 899 of the Companies Act. The Scheme involves a reduction of capital of El Oro which is subject to the confirmation of the Court.

Under the Scheme, New El Oro will issue New El Oro Shares to former Stockholders in consideration for the cancellation of their Stock Units and the issue to New El Oro of an equivalent number of new ordinary shares by El Oro. All the Stock Units will be cancelled except for one Stock Unit which is to be transferred to New El Oro. This is to enable the issue of new ordinary shares of El Oro to New El Oro under the Scheme to qualify for exemption from the requirements of section 103 of the Companies Act 1985. The single Stock Unit held by New El Oro will subsequently be converted into a New El Oro Share. The reserve arising in El Oro from the cancellation of the Stock Units will be capitalised by the issue of fully paid new ordinary shares in El Oro to New El Oro which will, as a result, become the holding company of El Oro. The New El Oro Shares will be issued to Scheme Stockholders on a one-for-one basis for their holdings of Scheme Stock Units. Accordingly, Stockholders will cease to own Stock Units and instead will own New El Oro Shares. If the Scheme becomes effective, Scheme Stockholders on the register of members of El Oro at the Scheme Record Time will receive:

for each Scheme Stock Unit one New El Oro Share.

The rights attaching to the New El Oro Shares will be substantially the same as those attaching to the existing Stock Units. A summary of the rights attaching to the New El Oro Shares is set out in paragraph 4 of Part 4 of this document.

The Scheme is set out in Part 3 of this document. The Scheme requires the approval of Stockholders by the passing of a resolution at the Court Meeting, to be held on 26 February 2009. The resolution must be approved by a majority in number of Stockholders present and voting, either in person or by proxy, representing not less than 75 per cent. in value of the Stock Units held by such holders.

Implementation of the Scheme will also require the passing at the General Meeting (which will be held immediately after the Court Meeting) of the Special Resolution. In respect of the Special Resolution, each Stockholder will be entitled to cast one vote for each Stock Unit held. Further details of the conditions relating to implementation of the Scheme are set out in paragraph 10 of this Part 2.

Following the Meetings, the Scheme and the Reduction of Capital must be sanctioned by the Court and will only become effective upon delivery to the Registrar of Companies of copies of the Court Order sanctioning the Scheme and confirming the Reduction of Capital and, in relation to the proposed Reduction of Capital, the registration of the Reduction Court Order. Upon the Scheme becoming effective, it will be binding on all Scheme Stockholders, irrespective of whether or not they attended or voted at the Court Meeting or the General Meeting. El Oro will not issue or register the transfer of any Stock Units after the Hearing Record Time until the Scheme has become effective.

Application will be made to the London Stock Exchange for the cancellation of the Stock Units from admission to trading on AIM. As part of the Scheme, it is proposed that El Oro will be re-registered as a private company following the Scheme becoming effective.

Prior to the Scheme becoming effective, application will be made to the CISX for the New El Oro Shares to be admitted to the Official List and to trading on the CISX's market for listed securities. It is expected that the New El Oro Shares will be listed, and that dealings in them will commence, on the CISX at 8.00 a.m. on 19 March 2009. The cancellation of the Stock Units from admission to trading on AIM is also expected to occur at 7.00 a.m. on that date.

While there are changes planned to the El Oro Group's commercial strategy which are outlined in paragraph 3 of this Part 2, the Scheme will not substantially alter the assets and liabilities of the El Oro Group as a whole. Upon the Scheme becoming effective, a New El Oro Shareholder will have the same proportionate interest in the profits, net assets and dividends of the New El Oro Group as he has as a Stockholder in the profits, net assets and dividends of the El Oro Group before the Scheme becomes effective.

Although the City Code currently applies to El Oro and will apply New El Oro once the Scheme has become effective, the Panel has confirmed that the Proposals are not subject to the City Code.

3. Effect of the Proposals

If the Scheme becomes effective, El Oro will become a wholly-owned subsidiary of New El Oro. The New El Oro Board comprises C. Robin Woodbine Parish, Robert E. Wade, and J. Anthony Wild, each of whom is a director of El Oro, and Rupert A.R. Evans and Subbarayan B. Kumaramangalam. The El Oro Board will remain as is. Further details of the New El Oro Board are set out in paragraph 6 of this Part 2 and paragraph 6 of Part 4.

New El Oro's business will be the management of the securities vested in New El Oro and its holding of shares in El Oro itself. The portfolio investments and other assets (e.g. CFDs) owned by El Oro will be managed by El Oro itself.

The New El Oro Board will consider the portfolio owned by New El Oro and its investment strategy, and will make decisions as to categories of investments to be held and retained by New El Oro. The El Oro Board will perform the same role in respect of El Oro. In each case, the task of implementing the policies and strategies set by the relevant board of directors for each portfolio will be delegated to a designated individual or team. In each case, this function will initially be carried out by Robin Parish, although the medium term plan is to attract additional or successor management able and qualified to implement the New El Oro Group's investment policies.

It is intended that the portfolio currently held by El Oro will be segmented into two discrete portfolios which will be managed along distinctly different lines and investment styles. It is proposed that:

- (i) the portfolio continuing to be vested in El Oro (and so in the UK) will be predominantly an income portfolio, focussing on stocks in relatively mature sectors (e.g. some, but not all, brewing, utility, and mining stocks) which are typically characterised by high yields. This investment style will be coupled with a hedging and trading program using CFDs and other derivative instruments. This will allow the hedging of long term positions as well as opportunistic trading to complement the basic stability of the Income Portfolio; and
- (ii) the remainder of the portfolio will comprise the stocks selected in pursuit of a blended value / growth investment style which seeks to identify companies which have good growth prospects which have not yet been fully recognised and priced into the market. These stocks will, insofar as possible, be transferred by way of dividend in specie to New El Oro. This will depend on the book value of the stocks to be so distributed to New El Oro and on there being sufficient distributable reserves to effect the distribution at the relevant time. As at 30 June 2008, there were approximately £39 million of distributable reserves so available and the book value of these stocks was approximately £38 million. This will be seen as a disposal and tax will be payable on any resulting gain.

Given the distinct portfolio attributes, the UK Income Portfolio is likely to remain the main source of New El Oro's dividends.

The individuals or teams charged with implementing the investment policies for the two portfolios will report quarterly to the respective boards of directors of New El Oro and El Oro. The separate reports to the boards of directors will include sufficient information to enable each such board to monitor adherence to the investment styles and strategies established by it for the relevant portfolio. Each report will provide full details of individual portfolio holdings and analyse overall asset allocation. The Manager will also report adherence to the investment guidelines which are determined by the respective boards of directors from time to time. The initial guidelines are set out in paragraph 3 of Part 1.

4. Income access share arrangements

New El Oro is contemplating the introduction, after the Scheme becomes effective, of income access arrangements, which, if implemented, would be designed to ensure that, as under current El Oro dividend payment arrangements, New El Oro Shareholders remain entitled to a similar tax credit as if they had continued to hold Stock Units in El Oro. Whether or not the IAS plan is implemented, qualifying New El Oro Shareholders would be entitled to receive a tax credit in respect of dividends paid by New El Oro following the Finance Act 2008. The Finance Act 2008 provides that qualifying shareholders (in broad terms those with less than a 10 per cent. interest in any company resident outside the UK, as New El Oro is intended to be) will be entitled to a similar tax credit which for individuals discharges liability to income tax at the basic rate, and for higher rate taxpayers reduces their liability to tax to that which they would receive if they held shares in a UK resident company. Any New El Oro Shareholder who did not qualify for such tax credit (in particular any shareholder with a 10 per cent. or greater interest in New El Oro) would need to receive a dividend under the IAS plan to continue to be entitled to a UK tax credit.

All holders of New El Oro Shares will be paid dividends by New El Oro, which is intended to be tax resident in Guernsey. If the IAS plan is implemented and operated, New El Oro Shareholders will be able to serve a notice at any time electing not to receive dividends from New El Oro (and in consequence to participate in the IAS plan and to receive dividends from the IAS Issuer instead of dividends paid on their New El Oro Shares) and may subsequently withdraw from the IAS plan by serving an IAS Withdrawal Notice. The New El Oro Election forms and the IAS Withdrawal Notices will be available from the New El Oro Registrars.

Further details on the IAS plan are set out in paragraph 5 of Part 4 of this document.

5. Memorandum and Articles of Incorporation of New El Oro

A summary of the memorandum and articles of incorporation of New El Oro and a description of the implications of New El Oro being a Guernsey incorporated company are set out in paragraph 4 of Part 4 of this document.

6. Board of New El Oro

The New El Oro Board comprises:

- C. Robin W. Parish;
- Robert E. Wade;
- J. Anthony Wild;
- Rupert Evans; and
- Subbarayan B. Kumaramangalam.

Rupert A.R. Evans is a Guernsey based director; Robert E. Wade and Subbarayan B. Kumaramangalam are also based outside the UK. This means a majority of the New El Oro Directors are based outside the UK.

Brief biographies of each of the New El Oro Directors are set out in paragraph 5 of Part 1 of this document.

Details of the interests of the New El Oro Directors in the issued share capital of El Oro (before the Scheme becomes effective) and New El Oro (once the Scheme has become effective) are set out in paragraph 3 of Part 4 of this document.

7. Admission, dealings, share certificates and settlement

Assuming no Court adjournments, and assuming the Scheme becomes effective, the last day of dealings in, and for registration of transfers of, Stock Units will be 16 March 2009, following which the Stock Units will be suspended from trading on AIM. No transfers of Stock Units will be registered after this date.

Prior to the Scheme becoming effective, application will be made to the London Stock Exchange for the cancellation of the Stock Units from admission to trading on AIM. Accordingly, if the Court confirms the Scheme on 17 March 2009, the cancellation of trading in the Stock Units on AIM is expected to become effective at 7.00 a.m. on 19 March 2009.

On the Effective Date, share certificates in respect of Stock Units will cease to be valid and should, if so requested by El Oro, be sent to El Oro for cancellation. In addition, entitlements to Stock Units held within the CREST system will be cancelled on the Effective Date.

As part of the Scheme, it is proposed that El Oro will be re-registered as a private company.

Application will be made to the CISX for the New El Oro Shares to be admitted to the CISX. It is expected that the New El Oro Shares will be issued, their admission will become effective and that dealings will commence on 19 March 2009.

Subject to the Scheme becoming effective, settlement of the Consideration to which any Scheme Stockholder is entitled under the Scheme will be effected in the following manner:

(i) *Scheme Stock Units held in certificated form*

Where Scheme Stockholders at the Scheme Record Time hold Scheme Stock Units in certificated form, New El Oro Share certificates will be despatched in certificated form (i.e. not in CREST) as soon as possible after the Effective Date, and in any event no later than 14 days thereafter, to the addresses appearing in the register of members of El Oro at the Scheme Record Time. All documents sent through the post will be sent at the risk of the person(s) entitled thereto.

(ii) *Scheme Stock Units held in uncertificated form through CREST*

Where Scheme Stock Units are at the Scheme Record Time held in uncertificated form (i.e. in CREST), any New El Oro Shares to which a Scheme Stockholder is entitled will be issued to such

Stockholder in uncertificated form. New El Oro will procure that Euroclear is instructed to credit the appropriate stock account in CREST of the Scheme Stockholder concerned with such Stockholder's entitlement to New El Oro Shares and to cancel such Stockholder's holding of Scheme Stock Units, by no later than 14 days after the Effective Date. However, New El Oro may (if, for any reason, it wishes to do so) determine that the New El Oro Shares are to be issued in certificated form, to be despatched by post no later than 14 days after the Effective Date.

8. Overseas Stockholders

The implications of the Proposals for Scheme Stockholders resident in, or citizens of, jurisdictions outside the UK may be affected by the laws of the relevant jurisdiction. Overseas Stockholders should inform themselves about and observe any applicable requirements. It is the responsibility of each Overseas Stockholder to satisfy himself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with other necessary formalities which are required to be observed and the payment of any issue, transfer or other taxes due in such jurisdiction.

It is the responsibility of Scheme Stockholders who are citizens, residents or nationals of jurisdictions outside the United Kingdom to ensure that the correct rate of postage is paid before returning the enclosed Forms of Proxy. If New El Oro is advised that the allotment and issue of New El Oro Shares to any persons would infringe the laws of any jurisdiction outside the United Kingdom or would require New El Oro to observe any governmental or other consent or any registration, filing or other formality with which New El Oro is unable to comply or compliance with which New El Oro regards as unduly onerous, New El Oro may in its sole discretion determine that such New El Oro Shares shall not be allotted and issued to such persons but shall instead be allotted and issued to a nominee appointed by New El Oro as trustee and sold by the trustee for the benefit of such persons at the best price reasonably obtainable.

The distribution of this document in jurisdictions other than the United Kingdom may be restricted by law and therefore persons in such jurisdictions into whose possession this document comes should inform themselves about and observe such restrictions. Any failure to comply with applicable restrictions may constitute a violation of securities laws of any such jurisdiction. The New El Oro Shares to be issued pursuant to the Proposals have not been and will not be registered under the US Securities Act or under the securities laws of any state in the US. Furthermore, the New El Oro Shares have not been and will not be registered under any of the relevant securities laws of Canada, Australia, Japan or South Africa. Accordingly, the New El Oro Shares may not be offered, sold, resold or delivered directly or indirectly in or into Australia, Canada, Japan or South Africa or any jurisdiction in which to do so is unlawful (except in compliance with applicable legislation). In any case where the issue of New El Oro Shares would infringe the law of any foreign jurisdiction, or necessitate compliance with any special requirement, the Scheme provides that such shares may be issued to a nominee and then sold, with the net proceeds of sale being remitted to the relevant Overseas Stockholder.

This document does not constitute an offer to sell or the solicitation of an offer to buy New El Oro Shares or a solicitation of a vote or approval in any jurisdiction in which such offer or solicitation is unlawful. This document and the accompanying documentation have been prepared for the purposes of complying with English law, and all applicable rules and regulations of the London Stock Exchange (including the AIM Rules for Companies) and the information disclosed may not be the same as that which would have been disclosed if this document had been prepared in accordance with the laws of jurisdictions outside the United Kingdom.

Any person (including, without limitation, any custodian, nominee and trustee) who would, or otherwise intends to, or who may have a contractual or legal obligation to, forward this document and/or any other related document to any jurisdiction outside the United Kingdom should inform themselves of, and observe, any applicable legal or regulatory requirements of their jurisdiction before taking any action.

US Holders should note that the Scheme will relate to the stock units of a United Kingdom company that is a "foreign private issuer" as defined under Rule 3b-4 of the US Exchange Act, and will be governed by English law. Accordingly, the proxy solicitation rules under the US Exchange Act will not apply to the

Scheme. In addition, a transaction effected by means of a scheme of arrangement is not subject to the tender offer rules under the US Exchange Act. Moreover the Scheme will be subject to the disclosure requirements and practices applicable in the United Kingdom to schemes of arrangement, which differ from the disclosure requirements of the US proxy solicitation rules and tender offer rules. El Oro and New El Oro are companies registered in England and Wales and Guernsey, respectively. Directors and officers of El Oro and New El Oro may be located outside of the US and, as a result, it may not be possible for Scheme Stockholders who are resident in the US to effect service of process within the United States upon El Oro and New El Oro. A substantial part of the assets of the New El Oro Group may be located outside of the United States and as a result the enforcement by US Holders of civil liabilities under the United States securities laws may be affected.

The New El Oro Shares which will be issued in connection with the Proposals have not been, and will not be, registered under the US Securities Act or under the securities laws of any state in the United States and are being issued in reliance upon the exemption from registration provided by Section 3(a)(10) of the US Securities Act. For the purpose of qualifying for the exemption from the registration requirements of the US Securities Act provided by Section 3(a)(10), the Court, following an open hearing on the fairness of the Scheme, including the “exchange” of the New El Oro Shares for the Scheme Stock Units, must, based upon sufficient information necessary to determine the value of the Scheme Stock Units and the New El Oro Shares, affirmatively conclude that the terms and conditions of the “exchange” are fair to Scheme Stockholders to whom the New El Oro Shares will be issued. Adequate information and notice about the court hearing must be given to all Scheme Stockholders to whom New El Oro Shares will be issued inviting them to attend the court hearing in person or through representation to support or oppose the approval of the Scheme. Prior to the hearing, the Court must be advised by El Oro and New El Oro that they will rely on the Section 3(a)(10) exemption based upon the Court’s approval of the “exchange”. New El Oro Shares issued pursuant to Section 3(a)(10) of the US Securities Act may be resold without restriction under the US Securities Act by any former Scheme Shareholder in the US who is not an affiliate of New El Oro immediately before the Effective Date or who is not an affiliate of New El Oro after the Effective Date. An affiliate of an issuer is a person that directly, or indirectly, through one or more intermediaries, controls, or who is controlled by or is under common control with such issuer whether through ownership of securities or otherwise. Whether a person is an affiliate of an issuer depends upon the circumstances, but affiliates of an issuer can include certain officers and directors and significant shareholders. Former Scheme Stockholders in the US who are affiliates of New El Oro immediately before the Effective Date or who are affiliates of New El Oro after the Effective Date are subject to resale restrictions under the US Securities Act and may not resell New El Oro Shares in the US in the absence of an exemption from registration under the US Securities Act and may resell New El Oro Shares outside the US only pursuant to such an exemption. US Holders are urged to consult their legal advisers to determine the availability of applicable resale provisions.

In any case where the issue of New El Oro Shares would be subject to the securities laws of any state in the US which imposes regulatory obligations in connection with the sale of such securities, which New El Oro, in its sole judgment, considers unduly onerous or with which New El Oro is unable to comply, or, if at any time, when New El Oro ceases to maintain its primary trading market on a stock exchange outside the United States, the Scheme provides that New El Oro Shares that would otherwise have been deliverable to Scheme Stockholders resident in such states (“Ineligible Scheme Stockholders”) in consideration for the cancellation of their Scheme Stock Units pursuant to the Scheme may instead be issued to a UK nominee and then sold by the UK nominee with the net proceeds of the sale being remitted to the relevant Ineligible Scheme Shareholder(s).

Such New El Oro Shares will be sold as soon as practicable (and in any event not later than five business days) after receipt by the UK nominee of the certificate for the Scheme Stock Units tendered for exchange by the Ineligible Scheme Shareholder on whose behalf they are to be sold. Any such sale may be effected through the CISX or in any other securities market in which New El Oro Shares are then traded, or by private sale. The UK nominee may, in its sole discretion, sell such New El Oro Shares as part of one or more pools created by it for administrative convenience. Promptly after the sale of the New El Oro Shares, the UK nominee will forward to each person whose New El Oro Shares have been sold, a cheque in pounds sterling in an amount equal to the proceeds of the sale of such New El Oro Shares (on a pro rata basis in the case of

New El Oro Shares sold as part of a pool and, in each case, net of all applicable commissions in respect of such sales, any other related expenses and any applicable withholding taxes).

In effecting any sale of New El Oro Shares, the UK nominee will, subject to the foregoing, exercise its sole judgment as to the timing and manner of sale, and will not be obligated to seek or obtain a minimum price for any New El Oro Shares that it is selling. The sales price of New El Oro Shares sold by the nominee will fluctuate with the market price of the New El Oro Shares, and no assurance can be given that any particular price will be received in connection with any such sale. Neither New El Oro, El Oro nor the UK nominee will be liable for any loss arising out of any sale of the New El Oro Shares in accordance with the foregoing, relating to the manner or timing of such sale, the prices at which such New El Oro Shares are sold, or otherwise. Ineligible Scheme Stockholders who desire certainty with respect to the price to be received for their Scheme Stock Units may wish to consult their advisers regarding a sale of their Scheme Stock Units in the open market or otherwise, rather than tendering them for exchange pursuant to the Scheme.

Overseas Stockholders and US Holders should consult their own legal and tax advisers with respect to the legal and tax consequences of the Scheme.

9. United Kingdom and Guernsey Taxation

A summary of relevant UK and Guernsey taxation, which is intended as a general guide only, is set out in paragraph 8 of Part 4 of this document. If you are in any doubt as to your tax position, or you are subject to taxation in any jurisdiction other than Guernsey or the UK, you are strongly advised to consult an appropriate independent professional adviser.

10. Stockholders Meetings and the Court Hearing

Before the Court's approval of the Scheme can be sought, the Scheme will require approval by Stockholders at the Court Meeting and the passing of the Special Resolution at the General Meeting. Notices of the Meetings are set out at the end of this document. Stockholders' entitlement to attend and vote at the Meetings and the number of votes which may be cast at them will be determined by reference to the register of members of El Oro at the Voting Record Time or, if such Meetings are adjourned, on the register of members 48 hours before the relevant adjourned Meeting.

(a) The Court Meeting

You will find set out on pages 65 and 66 of this document the notice of the Court Meeting of the Stockholders which has been convened at the direction of the Court for the purpose of the Stockholders considering and, if thought fit, approving the Scheme.

The Court Meeting has been convened for 10.00 a.m. on 26 February 2009 at the offices of El Oro at 41 Cheval Place, London SW7 1EW. At the Court Meeting, voting will be by way of poll and not a show of hands and each Stockholder present in person or by proxy will be entitled to one vote for each Stock Unit held. The approval required at the Court Meeting is a majority in number of those Stockholders present and voting, whether in person or by proxy, at the Court Meeting representing not less than 75 per cent. in nominal value of the Stock Units held by such Stockholders.

Stockholders have the right to raise any objections they may have to the Scheme at the Court Meeting.

IT IS IMPORTANT THAT, FOR THE COURT MEETING, AS MANY VOTES AS POSSIBLE ARE CAST SO THAT THE COURT MAY BE SATISFIED THAT THERE IS A FAIR AND REASONABLE REPRESENTATION OF THE OPINION OF STOCKHOLDERS. YOU ARE THEREFORE STRONGLY URGED TO SIGN AND RETURN YOUR FORMS OF PROXY AS SOON AS POSSIBLE, AND, IN ANY EVENT SO AS TO BE RECEIVED BY 10.00 A.M. ON 24 FEBRUARY 2009 FOR THE COURT MEETING. A FORM OF PROXY FOR THE COURT MEETING NOT LODGED AT THE RELEVANT TIME MAY BE HANDED IN TO THE CHAIRMAN OF THE COURT MEETING BEFORE THE TAKING OF THE POLL.

(b) *The General Meeting*

In addition to the Court Meeting, the General Meeting has been convened for the same date as the Court Meeting at the offices of El Oro at 41 Cheval Place, London SW7 1EW at 10.15 a.m. (or as soon thereafter as the Court Meeting is concluded or adjourned) to consider and, if thought fit, pass the Special Resolution (which requires a vote in favour of not less than 75 per cent. of the votes cast in person, or in the event of a poll, by proxy at the General Meeting) to approve:

- (i) the Scheme;
- (ii) the cancellation of the Scheme Stock Units in accordance with the Scheme;
- (iii) the issue of new ordinary shares to New El Oro provided for in the Scheme and the conversion of the Stock Unit held by New El Oro to an ordinary share;
- (iv) the amendment to the articles in the manner described below;
- (v) the cancellation of the Stock Units from admission to trading on AIM; and
- (vi) the re-registration of El Oro as a private company.

Voting on the Special Resolution will be on a show of hands unless a poll is demanded. The chairman of the meeting reserves his right to demand that the vote of Stockholders be held by way of a poll and, in such event, each Stockholder present in person or by proxy will be entitled to one vote for every Stock Unit held.

You will find the notice of the General Meeting set out in Part 7 of this document. The quorum for the General Meeting will be two or more Stockholders present in person or by proxy.

(c) *Amendments to the Articles and re-registration of El Oro*

The Special Resolution includes a proposal to amend the Articles to ensure that any Stock Units issued after the General Meeting and before the Scheme Record Time will be subject to the Scheme. It is also proposed to amend the Articles so that any new Stock Units issued to any person (other than to New El Oro or any nominee(s) of New El Oro) after the Scheme Record Time will be automatically acquired by New El Oro on the same terms as under the Scheme.

These amendments are designed to avoid any person (other than New El Oro or any nominee of New El Oro) being left with Stock Units after dealings in such Stock Units have ceased on the London Stock Exchange (which will occur at the close of business on the Dealing Day before the Hearing Date). Paragraph (e) of the Special Resolution set out in the Notice of General Meeting at the end of this document seeks the approval of Stockholders to such amendments.

It is also proposed that El Oro will be re-registered as a private company following the Scheme becoming effective.

(d) *The Court Hearing*

The Court Hearing is scheduled for 17 March 2009. All Scheme Stockholders are entitled to attend the Court Hearing in person or to be represented by counsel to support or oppose the sanctioning of the Scheme and the Reduction of Capital. The Scheme will become effective on the delivery by El Oro to the Registrar of Companies of a copy of the Court Order and, in relation to the Reduction of Capital, the registration of such Court Order and the related Minute by the Registrar of Companies. Subject to the requisite approvals of the Scheme being obtained from Scheme Stockholders and the sanction of the Court, this is expected to occur on or by 18 March 2009.

Unless the Scheme becomes effective by no later than 31 May 2009 or such later date as El Oro and New El Oro may agree and the Court may allow, the Scheme will not become effective and the Proposals will not proceed.

(e) *Conditions of the Scheme*

The implementation of the Scheme is conditional upon:

- (i) the approval of the Scheme at the Court Meeting by a majority in number of the Scheme Stockholders present and voting, either in person or by proxy, representing 75 per cent. or more in value of the Stock Units;
- (ii) the Scheme becoming effective by not later than 31 May 2009 or such later date as El Oro and New El Oro may agree and the Court may approve, failing which the Scheme will never become effective;
- (iii) the passing of the Special Resolution required to implement the Scheme at the General Meeting or any adjournment of that meeting; and
- (iv) the sanction of the Scheme (with or without any modification agreed to by El Oro and New El Oro) and confirmation of the associated Reduction of Capital by the Court and the delivery of a copy of the Court Order and the related Minute to the Registrar of Companies and, in respect of the Reduction of Capital, the registration of the Court Order and Minute by the Registrar of Companies.

In addition, the Directors will not take the necessary steps to enable the Scheme to become effective unless, at the relevant time, the CISX has agreed to admit (subject to the satisfaction of conditions (i) to (iv) above, save to the extent such conditions are already satisfied) the New El Oro Shares to be issued in connection with the Scheme to the Official List of the CISX and to trading on its market for listed securities and its agreement not being withdrawn prior to the Effective Date.

11. Action to be taken

You will find enclosed with this document:

- (i) a blue Form of Proxy for use in respect of the Court Meeting on 26 February 2009; and
- (ii) a pink Form of Proxy for use in respect of the General Meeting on 26 February 2009.

Whether or not you plan to attend both or either of the Meetings, please complete the enclosed Forms of Proxy and return them in accordance with the instructions printed thereon, whether or not your Stock Units are in CREST, as soon as possible, but in any event, so as to be received by post or by hand (during normal business hours) to the Company's registrars, Equiniti Limited, at Aspect House, Spencer Road, Lancing, West Sussex, BN99 6ZL by 10.00 a.m. on 24 February 2009 in the case of the Court Meeting and by 10.15 a.m. on 24 February 2009 in the case of the General Meeting (or, in the case of adjournment, not later than 48 hours before the time fixed for the holding of the adjourned meeting). If the blue Form of Proxy for use at the Court Meeting is not lodged by then, it may be handed to Equiniti Limited on behalf of the Chairman at the Court Meeting before the taking of the poll. However, in the case of the General Meeting, unless the pink Form of Proxy is lodged so as to be received by 10.15 a.m. on 24 February 2009, it will be invalid. Stockholders' attention is drawn to the fact that where they return a Form of Proxy for the General Meeting without denoting their voting preference, the Chairman of the General Meeting will vote their Stock Units in favour of the Special Resolution. The completion and return of a Form of Proxy will not prevent you from attending and voting at either the Court Meeting or the General Meeting, or any adjournment thereof, in person should you wish to do so.

IT IS IMPORTANT THAT, FOR THE COURT MEETING, AS MANY VOTES AS POSSIBLE ARE CAST SO THAT THE COURT MAY BE SATISFIED THAT THERE IS A FAIR AND REASONABLE REPRESENTATION OF THE OPINION OF THE STOCKHOLDERS. YOU ARE THEREFORE STRONGLY URGED TO SIGN AND RETURN YOUR FORMS OF PROXY AS SOON AS POSSIBLE.

If you have any questions relating to this document or the completion and return of the Forms of Proxy, please call Equiniti Limited on 0871 384 2050 (or, if you are calling from outside the United Kingdom, +44 121 415 0259) between 9.00 a.m. and 5.30 p.m. Monday to Friday (excluding bank or public holidays). The

helpline cannot provide advice on the merits of the Proposals nor can it give any financial or taxation advice. Calls to these numbers are charged at 8 pence per minute from a BT landline. Other telephony providers' costs may vary.

12. Further Information

The terms of the Scheme are set out in full in Part 3 of this document. Other parts of this document referred to in this Explanatory Statement should be regarded as incorporated into this Explanatory Statement. Further information regarding El Oro is set out in Part 4 of this document. Particulars of documents available for inspection are given in paragraph 19 of Part 4 of this document. Your attention is also drawn to the further information contained in Part 1 and the other parts of this document.

In the case of joint holders of Stock Units, one copy of this document is being delivered to the first registered joint holder. Further copies of this document may be requested by application in writing to El Oro's corporate secretary at El Oro & Exploration Company p.l.c., 41 Cheval Place, London SW7 1EW or by telephone on +44 (0) 207 581 2782.

Yours faithfully,

Auden Capital LLP

2 February 2009

PART 3

The Scheme of Arrangement

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT

No. 10383 of 2009

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

AND

IN THE MATTER OF THE COMPANIES ACT 2006

SCHEME OF ARRANGEMENT

(UNDER SECTION 899 OF THE COMPANIES ACT 2006)

BETWEEN

EL ORO & EXPLORATION COMPANY P.L.C.

AND

THE HOLDERS OF THE SCHEME STOCK UNITS

(as hereinafter defined)

Preliminary

(A) In this Scheme the following expressions have the meanings stated, unless they are inconsistent with the subject or context:

Business Day:	any day (other than a Saturday, Sunday or public holiday) on which clearing banks in the City of London are generally open for the transaction of normal Sterling banking business;
Companies Act:	the Companies Act 2006, as amended;
Company:	El Oro & Exploration Company p.l.c., a public company incorporated in England and Wales under registered number 80408;
Court:	the High Court of Justice in England and Wales;
Court Hearing:	the hearing by the Court of the application to sanction the Scheme and to confirm the Reduction of Capital;
Court Meeting:	the meeting of holders of Stock Units convened pursuant to an order of the Court pursuant to section 899 of the Companies Act, to be held at the offices of the Company at 41 Cheval Place, London SW7 1EW, on 26 February 2009 at 10.00 a.m., for the purpose of considering and, if thought fit, approving the Scheme (with or without amendment) of which notice is set out on page 65 of this document, including any adjournment thereof;
CREST:	the system for the paperless settlement of trades in securities operated by Euroclear in accordance with the Regulations;
Effective Date:	the date on which this Scheme becomes effective in accordance with its terms;
Euroclear:	Euroclear UK & Ireland Limited;

Hearing Date:	the date of the commencement of the Court Hearing;
Hearing Record Time:	6.00 p.m. on the Business Day immediately preceding the Hearing Date;
Holder:	a registered holder (and “Holder” includes any person entitled by transmission);
New El Oro:	El Oro Ltd., a limited liability company incorporated in Guernsey under registered number 49778 on 9 December 2008;
New El Oro Shares:	the ordinary shares of no par value in the capital of New El Oro to be issued as fully paid to the Scheme Stockholders pursuant to the Scheme;
New Ordinary Shares	the ordinary shares of 5 pence each in the capital of the Company to be credited and issued in accordance with clause 1.2 of this Scheme;
Overseas Stockholders	Scheme Stockholders (or nominees of, or custodians or trustees for Scheme Stockholders) who are resident in, or nationals or citizens of, jurisdictions outside the United Kingdom;
Registrar of Companies:	the Registrar of Companies of England and Wales;
Regulations:	the Uncertificated Securities Regulations 2001 (SI 2001 / 3755);
Scheme:	this scheme of arrangement under section 899 of the Companies Act between the Company and Scheme Stockholders in its present form or with or subject to any modification thereof or addition thereto or condition approved or imposed by the Court and agreed by the Company and New El Oro;
Scheme Record Time:	6.00 p.m. on the last Business Day immediately prior to the Effective Date;
Scheme Stock Units:	the Stock Units: <ul style="list-style-type: none"> (i) in issue at the date of this Scheme; (ii) (if any) issued after the date of this Scheme but before the Voting Record Time; and (iii) (if any) issued at or after the Voting Record Time and before the Hearing Record Time on terms that the original or any subsequent holders shall be, or shall have agreed in writing by such time to be, bound by this Scheme, but excluding any Stock Units held by New El Oro;
Scheme Stockholders:	holders of Scheme Stock Units;
Stock Units:	ordinary stock units of 5 pence each in the capital of the Company;
UK or United Kingdom	the United Kingdom of Great Britain and Northern Ireland;
uncertificated or in uncertificated form:	in relation to a share or other security, a share or other security title to which is recorded on the relevant register of the share or security as being held in uncertificated form in CREST, and title to which, by virtue of the Regulations, may be transferred by means of CREST; and

Voting Record Time: in relation to both the Court Meeting and the General Meeting, 6.00 p.m. on the day prior to the day immediately before the Court Meeting or, if either the Court Meeting or the General Meeting is adjourned, 48 hours before the time set for any such adjourned meeting.

- (B) The authorised share capital of the Company at the date of this Scheme is £994,890.26 divided into 7,947,075 ordinary shares of 5 pence each and 10,950,730 stock units of 5 pence each of which 10,776,501 Stock Units have been issued and are fully paid up, or credited as fully paid up, and the remainder are unissued. No ordinary shares of 5 pence each are currently in issue.
- (C) New El Oro was incorporated in Guernsey on 9 December 2008. The authorised share capital of New El Oro at the date of this Scheme comprises an unlimited number of ordinary shares of no par value of which one has been issued and fully paid up and registered in the name of C. Robin Woodbine Parish (a director and shareholder of the Company) and the remainder are unissued.
- (D) As at the date of this Scheme, New El Oro does not own any Stock Units, but will acquire one Stock Unit prior to the Court Hearing.
- (E) New El Oro has agreed to appear by Counsel at the Court Hearing, to submit thereto, to undertake to the Court to be bound thereby and to execute and do, or procure to be executed and done, all such documents, acts and things as may be necessary or desirable to be executed or done by it or on its behalf for the purpose of giving effect to this Scheme.

1 Cancellation of Scheme Stock Units and Issue of new ordinary shares

- 1.1 The share capital of the Company shall be reduced by cancelling and extinguishing all of the Scheme Stock Units.
- 1.2 Forthwith and contingently upon the reduction of capital referred to in clause 1.1 of this Scheme taking effect:
 - 1.2.1 the share capital of the Company shall be increased to its former amount by the creation of such number of New Ordinary Shares as have an aggregate nominal value equal to the aggregate nominal value of Scheme Stock Units cancelled as aforesaid; and
 - 1.2.2 the Company shall appropriate and apply the amount credited to the books of account of the Company arising as a result of such reduction of capital taking effect in paying up in full at par all of the New Ordinary Shares created pursuant to sub-clause 1.2.1 of this Scheme, which shall be allotted and issued, credited as fully paid (free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature whatsoever) to New El Oro and/or its nominee(s) in consideration for the New El Oro Shares to be issued by New El Oro as set out in clause 2 of this Scheme.

2 Consideration for cancellation of Scheme Stock Units

- 2.1 In consideration for the cancellation of the Scheme Stock Units and the issue to New El Oro and/or its nominee(s) of the New Ordinary Shares as provided in clause 1 of this Scheme, New El Oro shall (subject to the provisions of clause 2.2 of this Scheme) allot and issue New El Oro Shares, credited as fully paid, to the Scheme Stockholders in the register of members on the Scheme Record Time on the basis of one New El Oro Share for each Scheme Stock Unit held by such persons at the Scheme Record Time provided that fractional entitlements of New El Oro Shares will not be allotted or issued to Scheme Stockholders and that the ordinary share of no par value in the capital of New El Oro registered in the name of Robin Parish shall be deemed for the purpose of this Scheme to have been issued to him in accordance with this Scheme.
- 2.2 The provisions of this Scheme shall take effect subject to any prohibition or condition imposed by law. Without prejudice to the generality of the foregoing, the issue of New El Oro Shares pursuant to this

Scheme to Overseas Stockholders may only be carried out in full compliance with all applicable laws, rules and regulations of such jurisdictions. If, in respect of any Scheme Stockholder, El Oro is advised that the allotment or issue of New El Oro Shares pursuant to clause 2.1 of this Scheme would or might infringe the laws of any jurisdiction outside the United Kingdom or would or might require any governmental or other consent or any registration, filing or other formality which the Company or El Oro (as the case may be) is unable to comply with or regards as unduly onerous to comply with, El Oro may in its sole discretion determine that no New El Oro Shares shall be allotted and issued to such holder under the Scheme. In such circumstances, New El Oro will instead allot and issue the New El Oro Shares to which such holder is entitled to a nominee appointed by New El Oro as trustee for such holder, on terms that the nominee shall sell such shares as soon as reasonably practicable after the Effective Date at the best price which can reasonably be obtained at the time of sale and shall account by cheque for the net proceeds of such sale (after the deduction of all expenses and commissions, including any value added tax payable thereon) by sending a cheque to such Scheme Stockholders in accordance with the provisions of clause 3.2 of this Scheme.

- 2.3 The New El Oro Shares to be issued pursuant to clause 2.1 of this Scheme (or, as the case may be, clause 2.2 of this Scheme) shall rank in full for all dividends or other distributions made, paid or declared after the Effective Date on the ordinary share capital of New El Oro.

3 Settlement of Consideration

- 3.1 Within fourteen days after the Effective Date, New El Oro shall:

3.1.1 issue or despatch, or procure the issue or despatch, to the holders of Scheme Stock Units held at the Scheme Record Time in certificated form, certificates in respect of the New El Oro Shares being the consideration due to them under clause 2.1 of this Scheme; and

3.1.2 where Stock Units are held at the Scheme Record Time in uncertificated form (i.e. in CREST), arrange for New El Oro Shares to which a Scheme Stockholder is entitled in respect of the consideration payable to such Scheme Stockholder under clause 2.1 of this Scheme to be issued to such stockholder in uncertificated form. New El Oro will procure that Euroclear is instructed to credit the appropriate stock account in CREST of the Scheme Stockholder concerned with such Scheme Stockholder's entitlement to New El Oro Shares and to cancel such Scheme Stockholder's holding of Scheme Stock Units. However, New El Oro may (if, for any reason, it wishes to do so) determine that the New El Oro Shares are to be issued in certificated form, in which case they will be despatched by post.

- 3.2 All deliveries of certificates or cheques required to be made pursuant to this Scheme shall be made by sending the same by first class post in prepaid envelopes addressed to the persons entitled thereto at their respective addresses as appearing in the register of members of the Company at the Scheme Record Date (or, in the case of joint holders, to the address of the joint holder whose name stands first in the register in respect of such joint holding at such time) or in accordance with any special instructions regarding communications, and none of the Company, New El Oro or any nominee of New El Oro shall be responsible for any loss or delay in the transmission of any certificates or cheques sent in accordance with this clause 3.2 which shall be sent at the risk of the persons entitled thereto.

- 3.3 The provisions of this clause 3 and clause 4 of this Scheme shall take effect subject to any condition or prohibition imposed by law.

- 3.4 Any mandate in force at the Scheme Record Date relating to the payment of dividends on Scheme Stock Units and each instruction then in force as to notices and other communications shall, unless varied or revoked, be deemed as from the Effective Date to be a valid and effective mandate or instruction to New El Oro in relation to the corresponding New El Oro Shares to be allotted and issued pursuant to this Scheme.

4 Certificates and Cancellation

- 4.1 With effect from and including the Effective Date:

- 4.1.1 all certificates representing Scheme Stock Units shall cease to be valid as documents of title to the Stock Units represented thereby and shall be cancelled and each Scheme Stockholder shall be bound at the request of the Company to deliver up the same to the Company or to any person nominated by the Company for cancellation; and
- 4.1.2 in respect of Scheme Stockholders holding their Stock Units in uncertificated form, Euroclear shall be instructed to cancel such Scheme Stockholders' entitlements to such Stock Units.
- 4.2 As regards uncertificated Scheme Stock Units, appropriate entries will be made in the Company's register of members with effect from the Effective Date to reflect their cancellation.

5 Operation of this Scheme

- 5.1 This Scheme is conditional upon and shall become effective in accordance with its terms immediately upon a copy of the Court Order sanctioning this Scheme under section 899 of the Act and confirming the cancellation of the Scheme Stock Units and a copy of the Minute in relation thereto having been duly delivered to the Registrar of Companies for registration and registered by him.
- 5.2 Unless this Scheme shall become effective on or before 31 May 2009 or such later date, if any, as New El Oro and the Company may agree and the Court may allow, this Scheme shall never become effective.

6 Modification

New El Oro and the Company may jointly consent on behalf of all persons affected to any modification of, or addition to, this Scheme or to any condition which the Court may think fit to approve or impose.

7 Governing Law

This Scheme is governed by English law and is subject to the jurisdiction of the English courts.

Dated: 2 February 2009

PART 4

Additional Information

1. Responsibility

- 1.1 The El Oro Directors, whose names are set out in paragraph 2.1 below, accept responsibility for all of the information contained in this document, except for the information for which the New El Oro Directors take responsibility pursuant to paragraph 1.2 of this Part 4. To the best of the knowledge and belief of the El Oro Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document for which they accept responsibility is in accordance with the facts and does not omit anything likely to affect the import of such information.
- 1.2 The New El Oro Directors, whose names are set out in paragraph 2.3 below, accept responsibility for all of the information contained in this document insofar as it relates to New El Oro, the Admission and their interests in the New El Oro Group. To the best of the knowledge and belief of the New El Oro Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document for which they accept responsibility is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. Directors' Registered Office and Service Providers

- 2.1 The Directors and their respective positions are as follows:

<i>Name</i>	<i>Position held</i>
C. Robin Woodbine Parish	Chairman and Managing Director
The Hon. Mrs. E.C. Parish	Non-Executive Director
Emma W. Houston	Non-Executive Director
David R. L. Hunting	Non-Executive Director
Robert E. Wade	Non-Executive Director
J. Anthony Wild	Non-Executive Director

- 2.2 El Oro's registered office, which is also the business address of each of the Directors, is at 41 Cheval Place, London SW7 1EW.

- 2.3 The New El Oro Directors and their respective positions are as follows:

<i>Name</i>	<i>Position held</i>
C. Robin Woodbine Parish	Chairman and Managing Director
Robert E. Wade	Non-Executive Director
J. Anthony Wild	Non-Executive Director
Rupert A.R. Evans	Non-Executive Director
Subbarayan B. Kumaramangalam	Non-Executive Director

- 2.4 New El Oro's registered office and principal place of business, which is also the business address of each of the New El Oro Directors, is at 22 Smith Street, St Peter Port, Guernsey GY1 2JQ.

- 2.5 The other service providers to the New El Oro Group are as follows:

2.5.1 *English legal advisers*

Berwin Leighton Paisner LLP
Adelaide House
London Bridge
London
EC4R 9HA

2.5.2 *Guernsey legal advisers*

Carey Olsen
7 New Street
St Peter Port
Guernsey
GY1 4BZ

2.5.3 *Administrator, Designated Manager and Company Secretary*

Capita Financial Administrators (Guernsey) Limited
22 Smith Street
St Peter Port
Guernsey
GY1 2JQ

2.5.4 *CREST Registrar*

Capita Registrars (Guernsey) Limited
PO Box 344
Longue Hougue House
St Sampson
Guernsey
GY1 3US

2.5.5 *CISX Sponsor*

Capita Financial Administrators (Jersey) Limited
12 Castle Street
St Helier
Jersey
JE2 3RT

2.5.6 *Auditors*

PriceWaterhouseCoopers CI LLP
National Westminster House
Le Truchot
St Peter Port
Guernsey
GY1 4ND

2.5.7 *Custodians*

HSBC Bank plc
8 Canada Square
London
E14 5HQ

2.5.8 *Principal Bankers*

Lloyds TSB Bank plc
25 Gresham Street
London
EC2V 7HN

3. Disclosure of interests in Stock Units

3.1 *Interests in the Stock Units*

3.1.1 As at the disclosure date, the beneficial and non-beneficial interests of the Parish Family, the other El Oro Directors and the other New El Oro Directors and (so far as they are aware, having made due and careful enquiry) any members of their respective immediate families, related trusts and connected persons in the share capital of El Oro were as follows:

<i>Name</i>	<i>No. of Stock Units</i>	<i>Percentage of issued Stock Units</i>
Parish Family		
C. Robin Woodbine Parish ^{(1)*#}	2,511,107	23.30%
Hon Mrs Parish ^{(2)*}	331,463	3.08%
Emma Houston ^{(3)*}	1,655,326	15.36%
Caroline Zegos	1,195,571	11.09%
Subbarayan B. Kumaramangalam ^{(4)#}	1,617,213	15.01%
Total	5,711,187⁽⁵⁾	53.00%⁽⁵⁾

Other El Oro Directors and New El Oro Directors

David R.L. Hunting*	1,248	0.01%
Robert E. Wade*#	67,712	0.63%
Rupert Evans#	–	–
J. Anthony Wild*#	25,000	0.23%
Total	93,960	0.87%

* an El Oro Director

a New El Oro Director

Notes:

- (1) Mr Parish's beneficial holdings comprise, in aggregate, 911,614 Stock Units held through nominee accounts and pension accounts as well as in his own name, and include his wife's and children's holdings. Mr Parish's non-beneficial holdings of, in aggregate, 1,599,493 Stock Units are held in various family trusts, but are primarily held within the family trusts of his sisters' children, for which he is a trustee. Mr Parish will transfer one Stock Unit to New El Oro prior to the Court Hearing.
- (2) The majority of these Stock Units are held in the name of JM Finn Nominees.
- (3) Mrs. Houston's beneficial holdings comprise, in aggregate, 1,091,023 Stock Units held in her own name and include her husband's holdings. Mrs Houston's non-beneficial holdings of 564,303 Stock Units are held in various family trusts for which she is a trustee.
- (4) Mr Kumaramangalam's beneficial holdings comprise, in aggregate, 1,065,562 Stock Units held in his own name, and include his wife's and children's holdings. Mr Kumaramangalam's non-beneficial holdings of, in aggregate, 551,651 Stock Units are held in various family trusts, but are primarily held within the family trusts of his children, for which he and/or his wife are trustees.
- (5) Each of C. Robin Woodbine Parish, Emma Houston, Caroline Zegos and Subbarayan Kumaramangalam and/or his wife are the trustees of various family trusts of which a number of children of the members of the Parish Family are the beneficiaries. As such, there are a total of 1,599,493 Stock Units, representing 14.84 per cent. of the issued Stock Units, in which more than one member of the Parish Family is interested and which are, accordingly, duplicated in the table. By eliminating this duplication, the Parish Family and members of their respective immediate families are interested in a total of 5,711,187 Stock Units, representing 53.00 per cent. of the issued Stock Units.

3.1.2 As at the close of business on the disclosure date, there were no Stock Units under option.

3.2 *Interests in New El Oro*

3.2.1 As at the disclosure date, C. Robin Woodbine Parish is interested in one New El Oro Share.

- 3.2.2 Save as set out above, as at the close of business on the disclosure date, none of the Directors and members of their respective immediate families, related trusts and connected persons had any interest in New El Oro Shares.
- 3.2.3 Subject to the Scheme becoming effective, the interests of each member of the Parish Family, the other El Oro Directors and the other New El Oro Directors in New El Oro Shares on Admission will be the same as their interests in Stock Units at the disclosure date as set out in the table in paragraph 3.1.1 above.
- 3.2.4 Save as disclosed in paragraph 3.2.3 above, on the basis of El Oro's share register as at the disclosure date, there will be no persons holding voting rights representing 10 per cent. or more of the issued shares in New El Oro on Admission.

3.3 ***References in this paragraph 3 to:***

- 3.3.1 a "connected person" is as defined in sections 252 to 255 of the Companies Act 2006;
- 3.3.2 "control" means an interest, or interests, in shares carrying 30 per cent. or more of the voting rights of such a company which are currently exercisable at a general meeting, irrespective of whether such interest or interests give *de facto* control; and
- 3.3.3 "disclosure date" means 30 January 2009, being the last practicable date prior to the posting of this document.

4. Summary of the memorandum and articles of incorporation of New El Oro and implications of being a Guernsey incorporated company

4.1 ***Memorandum of Incorporation***

The memorandum of incorporation of New El Oro does not provide for any restrictions on the objects of New El Oro. Accordingly, the objects of New El Oro are unrestricted. However, New El Oro intends to carry on the business of an investment holding company. New El Oro is incorporated as a non-cellular company within the meaning of section 2(1)(c) of the Companies (Guernsey) Law, 2008 (as amended) and as such is incorporated with an unlimited number of shares of no par value.

4.2 ***Articles of Incorporation***

Unless defined in the document, words and expressions used in this summary of the New El Oro Articles shall have the same meaning as defined in the New El Oro Articles. The New El Oro Articles contain provisions, *inter alia*, to the following effect:

4.2.1 ***Issue of Shares***

Subject to the provisions of the Guernsey Companies Law, the New El Oro Directors may exercise the power of New El Oro to issue shares, grant rights to subscribe for or convert any security into shares, issue shares, issue shares of different types or classes and to issue shares with or without par value. The Listing Rules of the CISX require that, while the New El Oro Shares are listed on the CISX, further shares of the same class may not be issued at a price which is less than the net asset value per share of that share class at the time of issue, unless such shares are first offered on a pro-rata basis to all shareholders of that class or such issue is approved by a majority of the votes cast by shareholders of that class in general meeting.

The New El Oro Directors may allot, grant options over or otherwise dispose of shares to such persons, at such times and generally on such terms and conditions as they determine. New El Oro may on any issue of shares pay such commissions as may be fixed by the New El Oro Directors and disclosed in accordance with the Guernsey Companies Law. New El Oro may also pay such brokerage as may be lawful. No person shall be recognised by New El Oro as holding any shares upon any trust and New El Oro shall not be bound by or recognise any

interest or other right in or in respect of any share, except the holder's absolute right to the entirety of the share.

The New El Oro Articles also provide that the rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not (unless otherwise expressly provided by the terms of issue of the shares of that class) be deemed to be varied by (a) the creation or issue of further shares ranking as regards participation in the profits or assets of the company in some or all respects *pari passu* therewith but in no respect in priority thereto or (b) the purchase or redemption by the company of any of its own shares.

4.2.2 *Voting Rights*

Subject to any special rights or restrictions for the time being attached to any class of share on a show of hands every shareholder present in person or by proxy shall have one vote and on a poll every shareholder present in person or by proxy shall have such number of votes for each share of the relevant class held by him. Where there are joint registered holders of any share such persons shall not have the right of voting individually in respect of such share but shall elect one of their number to represent them and to vote whether in person or by proxy in their name. In default of such election the person whose name stands first on the share register of New El Oro shall alone be entitled to vote.

4.2.3 *Dividends and Reserves*

The New El Oro Directors may from time to time declare and pay dividends, including interim dividends, to the shareholders as appear in accordance with the Guernsey Companies Law to be justified. The New El Oro Directors may at any time declare and pay such interim dividends as appear in accordance with the Guernsey Companies Law to be justified. No dividend or other moneys payable on or in respect of a share shall bear interest against New El Oro. All unclaimed dividends may be invested or otherwise made use of by the New El Oro Directors for the benefit of New El Oro until claimed and New El Oro shall not be constituted as trustee in respect thereof. All dividends unclaimed on the earlier of (a) seven years after the date when it first became due for payment and (b) the date on which New El Oro is wound up shall be forfeited and shall revert to New El Oro without the necessity for any declaration or other action on the part of New El Oro. The New El Oro Directors may create reserves before recommending or declaring any dividend. The New El Oro Directors may also carry forward any profits which they think prudent not to distribute.

4.2.4 *Transfer of Ordinary Shares*

Subject to the Guernsey Companies Law, shares shall be issued and allotted in registered form and may be issued certificated or uncertificated as the New El Oro Directors may in their absolute discretion determine. Each shareholder may transfer all or any of his shares by instrument of transfer, in the case of certified shares, in any usual form or in any form approved by the New El Oro Directors. Such instrument shall be signed by or on behalf of the transferor and in the case of shares which are not fully paid up, by or on behalf of the transferee. In relation to uncertificated shares, references in the New El Oro Articles to instruments of transfer include instructions and/or notifications made in accordance with the relevant system relating to the transfer of such shares. The New El Oro Directors may, in their absolute discretion and without giving any reason, refuse to register any transfer of a share in certificated form unless: (a) it is in respect of a share which is fully paid up (b) it is in respect of a share upon which New El Oro has no lien (c) it is in respect of only one class of share (d) it is in favour of a single transferee or not more than four joint transferees (e) it is delivered for registration to the registered office of New El Oro or such other place as the New El Oro Directors may from time to time determine, accompanied, except in the case of a transfer by a recognised person where a certificate has not been issued, by the certificate (if any) for the shares to which it relates and such other evidence as the New El Oro Directors may reasonably require to prove the title of the transferor and the due execution by him of the transfer or, if the transfer is executed by some

other person on his behalf, the authority of that person to do so and (f) in the case of partly paid shares which are listed, any refusal prevents dealings in the shares taking place on an open and proper basis. The New El Oro Directors shall have power to implement such arrangements as it may, in its absolute discretion, think fit in order for any class of shares to be admitted to settlement by means of CREST. To the extent permitted by the Guernsey Companies Law the registration of transfers may be suspended at such times and for such periods (not exceeding 30 days in the aggregate in any calendar year) as the New El Oro Directors may decide on giving such notice as they deem appropriate and either generally or in respect of a particular class of share except that, in respect of any shares which are participating shares held in an uncertificated system, the Register shall not be closed without the consent of the Approved Operator.

Where any New El Oro Shares are, for the time being, admitted to settlement by means of CREST, such securities may be issued in uncertificated form in accordance with and subject as provided in the CREST Guernsey Requirements. Unless the New El Oro Directors otherwise determine, such securities held by the same holder or joint holder in certificated form and uncertificated form shall be treated as separate holdings. Such securities may be changed from uncertificated to certificated form, and from certificated to uncertificated form, in accordance with and subject as provided in the CREST Guernsey Requirements. Title to such of the shares as are recorded on the register as being held in uncertificated form may be transferred only by means of CREST and as provided in the CREST Guernsey Requirements. New El Oro shall comply in all respects with the CREST Guernsey Requirements and no provision of New El Oro's Articles shall apply so as to require New El Oro to issue a certificate to any person holding such shares in uncertificated form.

4.2.5 *Variation of Rights*

If at any time the New El Oro Shares are divided into different classes, all or any of the rights for the time being attached to any share or class of shares (and notwithstanding that New El Oro may or may be about to be in liquidation) may be varied or abrogated in such manner (if any) as may be provided by such rights or, in the absence of any such provision, either with the consent in writing of the holders of not less than three fourths in number of the issued shares of that class or with the consent of an extraordinary resolution passed at a separate general meeting of the holders of shares of the class duly convened and held as provided in the New El Oro Articles, but so that the quorum at such meeting (other than an adjourned meeting) shall be two persons holding or representing by proxy at least one third of the issued shares of the class in question provided that if any such meeting is adjourned for lack of a quorum, the quorum at the reconvened meeting shall be those holders of the shares of the class present in person or by proxy shall be a quorum).

4.2.6 *Alteration of Capital and Purchase of Ordinary Shares*

Subject to the New El Oro Articles, New El Oro may raise share capital of such amount to be divided into shares of such nominal value (if any) as the New El Oro Directors may determine and in accordance with any relevant restrictions on companies whose ordinary shares are listed and traded on the CISX. New El Oro may from time to time, subject to the provisions of the Guernsey Companies Law, purchase its own shares (including any redeemable shares) in any manner authorised by the Guernsey Companies Law and may hold any such shares as treasury shares provided that the number of shares held as treasury shares shall not at any time exceed any maximum or limit prescribed by the Guernsey Companies Law.

4.2.7 *General Meetings*

Not less than 14 days' notice specifying the date, time and place of any general meeting and specifying also in the case of any special business the general nature of the business to be transacted shall be given by notice sent by any lawful means by the Secretary or other officer of New El Oro or any other person appointed in that behalf by the New El Oro Directors to

such shareholders as are entitled to receive notices provided that with the consent in writing of all the shareholders entitled to receive notices of such meeting a meeting may be convened by a shorter notice or at no notice and in any manner they think fit. A shareholder shall not be entitled in respect of any share held by him to attend or vote (either personally or by representative or by proxy) at any general meeting or separate class meeting of New El Oro unless all calls due from him in respect of that share have been paid.

4.2.8 *Borrowing powers*

The New El Oro Directors may exercise all the powers of New El Oro to borrow money and to give guarantees, mortgage, hypothecate, pledge or charge all or part of its undertaking, property or assets and uncalled capital and to issue debentures and other securities whether outright or as collateral security for any liability or obligation of New El Oro or of any third party.

4.2.9 *Untraceable Members*

New El Oro shall be entitled to sell at the best price reasonably obtainable the shares of a shareholder or any shares to which a person is entitled by transmission on death or bankruptcy if and provided that: (a) for a period of twelve years no cheque or warrant sent by New El Oro through the post in a pre-paid letter addressed to the shareholder or to the person so entitled to the share at his address in the Register or otherwise the last known address given by the shareholder or the person entitled by transmission to which cheques and warrants are to be sent has been cashed and no communication has been received by New El Oro from the shareholder or the person so entitled provided that in such period of 12 years, New El Oro has paid out at least three dividends whether interim or final; (b) New El Oro has at the expiration of the said period of twelve years by advertisement in a newspaper circulating in the area in which the address referred to in (a) above is located given notice of its intention to sell such shares; (c) New El Oro has not during the period of three months after the date of the advertisement and prior to the exercise of the power of sale received any communication from the Shareholder or person so entitled; or (d) if any part of the share capital of New El Oro is quoted on any stock exchange, New El Oro has given notice in writing to the quotations department of such stock exchange of its intention to sell such shares. To give effect to any such sale the New El Oro Directors may appoint any person to execute as transferor an instrument of transfer of the said shares and such instrument of transfer of the said shares shall be as effective as if it had been executed by the registered holder of, or person entitled by transmission to, such shares and the title of the purchaser or other transferee shall not be affected by any irregularity or invalidity in the proceedings relating thereto. The net proceeds of sale shall belong to New El Oro which shall be obliged to account to the former shareholder or other person previously entitled as aforesaid for an amount equal to such proceeds and shall enter the name of such former shareholder or other person in the books of New El Oro as a creditor for such amount. No trust shall be created in respect of the debt, no interest shall be payable in respect of the same and New El Oro shall not be required to account New El Oro or invested in such investments (other than shares of New El Oro) as the New El Oro Directors may from time to time think fit.

4.2.10 *Directors*

Number and Residency

The number of the New El Oro Directors shall be not less than two and there shall be no maximum number unless otherwise determined by New El Oro by Ordinary Resolution. A majority of directors shall be resident outside the United Kingdom for United Kingdom tax purposes.

Appointment, Retirement and Disqualification

The New El Oro Directors shall have power at any time to appoint any person to be a New El Oro Director either to fill a casual vacancy or as an addition to the existing New El Oro Directors but so that the total number of the New El Oro Directors shall not at any time exceed

the number (if any) fixed pursuant to the New El Oro Articles. Any person so appointed by the New El Oro Directors shall hold office only until the next annual general meeting and shall then be eligible for election. The New El Oro Directors shall not be required to retire by rotation at each annual general meeting of New El Oro. Without prejudice to the powers of the New El Oro Directors, New El Oro by Ordinary Resolution may appoint any person to be a New El Oro Director either to fill a casual vacancy or as an additional director, but so that the total number of the New El Oro Directors shall not thereby exceed the maximum number (if any) fixed by or in accordance with the New El Oro Articles. No person shall be or become incapable of being appointed a New El Oro Director by reason of having attained the age of 70 or any other age and no New El Oro Director shall be required to vacate his office at any time by reason of the fact that he has attained the age of 70 or any other age.

Directors' Interests

Subject to the provisions of the Guernsey Companies Law, and provided that he has disclosed to the other New El Oro Directors the nature and extent of any material interest of his, a New El Oro Director notwithstanding his office: (a) may be a party to, or otherwise interested in, any transaction or arrangement with New El Oro, or in which New El Oro is otherwise interested; (b) may act by himself or through his firm in a professional capacity for New El Oro, otherwise than as Auditor and he or his firm shall be entitled to remuneration for professional services as if he were not a New El Oro Director; (c) may be a New El Oro Director or other officer of, or employed by, or a party to any transaction or arrangement with, a shareholder of or otherwise directly or indirectly interested in, any body corporate promoted by New El Oro or with which New El Oro has entered into any transaction, arrangement or agreement or in which New El Oro is otherwise interested; and (d) shall not by reason of his office, be accountable to New El Oro for any benefit which he derives from any such office or employment or from any such transaction or arrangement or from any interest in any such body corporate and no such transaction or arrangement shall be liable to be avoided on the ground of any such interest or benefit. Subject to the Guernsey Companies Law and to the provisions of the rules of any recognised investment exchange, a New El Oro Director shall be counted in the quorum at any meeting in relation to any resolution in respect of which he has declared an interest and may vote thereon. A New El Oro Director may continue to be or become a director, managing director, manager or other officer, employee or member of any company promoted by New El Oro or in which New El Oro may be interested or with which New El Oro has entered into any transaction, arrangement or agreement, and no such New El Oro Director shall be accountable for any remuneration or other benefits received by him as a director, managing director, manager, or other officer or member of any such other company.

Remuneration

The New El Oro Directors (other than any alternate New El Oro Directors) shall be entitled to receive by way of fees for their services as New El Oro Directors such sum as the New El Oro Directors may from time to time determine provided that the aggregate amount of such fees (including fees, if any, due to the New El Oro Directors for attendance at meeting of any committee of the New El Oro Directors) for all the New El Oro Directors collectively shall not exceed £250,000 in any financial year, or such higher amount as may be determined from time to time by Ordinary Resolution of New El Oro. The New El Oro Directors shall be entitled to be repaid all reasonable travelling, hotel and other expenses properly incurred by them in or about the performance of the New El Oro Directors or any committee of the New El Oro Directors or general meetings or separate meetings of the holders of any class of shares or of debentures of New El Oro.

Other

The New El Oro Directors may at any time appoint one or more of their body to be holder of any executive office including the office of managing director on such terms and for such periods as they may determine.

4.2.11 *Distribution of Assets upon a Winding-up*

On a winding-up the surplus assets remaining after payment of all creditors shall be divided amongst the classes of shares then in issue (if more than one) in the same proportions as capital is attributable to them at the relevant winding-up date as calculated by the New El Oro Directors or the liquidator in their discretion and within each such class, such assets shall be divided *pari passu* among the holder of shares of that class in proportion to the number of shares of that class held at the commencement of the winding-up, subject in any case to the rights of any shares which may be issued with special rights or privileges and no shareholder shall have any claim against New El Oro in respect of any shortfall. If New El Oro shall be wound up the liquidator may with the authority of an extraordinary resolution, divide among the shareholders in specie the whole or any part of the assets of New El Oro and whether or not the assets shall consist of property of a single kind and may for such purposes set such value as he deems fair upon any one or more class or classes or property and may determine how such division shall be carried out as between the shareholders or different classes of shareholders.

4.3 *Summary of the Differences between English Company law and Guernsey Company law.*

4.3.1 *Introduction*

The general provisions of Guernsey company law are found in the Companies (Guernsey) Law 2008 (as amended) (the “Guernsey Companies Law”). Many of the provisions are derived from previous English company legislation. The Guernsey legislation is supplemented by common law principles which are again drawn for the most part from English law.

4.3.2 *Company Formation*

The Companies Act makes a distinction between “public” and “private” companies. Section 24 of the Companies Act 1985 states that a public company must have a minimum of two members, while a private company can have just one member.

The Guernsey Companies Law does not make a distinction between public and private companies. One or more founder members are required to form a Guernsey company and it is a continuing requirement of a Guernsey company that there be a minimum of one member.

4.3.3 *Company Contracts*

Under English company law the ultra vires doctrine remains relevant as an internal control mechanism. Section 35A of the Companies Act 1985 states that the validity of an act done by a company shall not be called into question on the ground of lack of capacity by reason of anything in the company’s memorandum. It remains the duty of the directors to observe any limitations on their powers flowing from the company’s memorandum.

Under the Guernsey Companies Law no act of a Guernsey company shall be invalidated on the ground of lack of capacity by reason of anything contained in or omitted from that company’s memorandum. It remains the duty of a Guernsey company’s directors to observe any limitation on their powers imposed by or deriving from the company’s memorandum.

4.3.4 *Share Capital – Allotment and Maintenance*

Authority required to allot shares

Section 80 of the Companies Act 1985 restricts the power of directors of a company to allot shares unless they are authorised to do so either by the company in general meeting or by the articles of the company.

Under the Guernsey Companies Law the directors have the power to issue and allot shares in a Guernsey company in accordance with sections 292 and 293 of the Guernsey Companies Law. For Guernsey companies with more than one share class, section 292 of the Guernsey

Companies Law provides that the articles are required to include a general and unconditional power for directors to issue shares over a maximum of a 5 year period up to a maximum number of shares. For Guernsey companies with a single share class, section 293 of the Guernsey Companies Law provides that the directors can issue shares in the company except to the extent that they are prohibited from doing so by the company's memorandum, articles or any resolution of the company.

Pre-emption rights

Section 89 (1) of the Companies Act 1985 prohibits a company from allotting shares on any terms to any person unless it has first made an offer to each existing shareholder to allot to him, on the same or more favourable terms, a proportion of those shares equal to the proportion of shares in nominal value held by him, unless these pre-emption rights are waived or disapplied pursuant to Section 95 of the Companies Act 1985.

The Guernsey Companies Law does not impose pre-emption rights.

Allotment for non-cash consideration

Except in certain circumstances an English public company cannot allot shares as fully or partly paid up otherwise than in cash unless the consideration has been independently valued and a report with respect to its value has been made to the company within the six months preceding the allotment and a copy of the report has been sent to the proposed allottee.

A Guernsey company may make an allotment of its shares otherwise than in cash provided that before the shares are issued the board of directors must determine the reasonable present cash value of the non-cash consideration and the board of directors must resolve that in its opinion the present cash value of the non-cash consideration is not less than the amount to be credited as paid on the issuance of the shares. The directors must issue a certificate confirming the same.

Shares issued at a discount

Except for one specific instance an English company's shares cannot be allotted at a discount.

Section 294 (3) of the Guernsey Companies Law permits the issue of shares at a discount or the payment of a commission in respect of the issue of shares.

Nominal Capital

In the case of English companies limited by shares the capital must be divided into shares of a certain fixed amount, and a statement to that effect included in the memorandum.

Section 278 of the Guernsey Companies Law permits a Guernsey company to issue shares which have no nominal or par value if it is authorised to do so by its memorandum or articles.

Financial Assistance

Under section 678 of the Companies Act an English company is prohibited from giving financial assistance for the purchase of its own shares subject to certain exceptions.

Under section 329 of the Guernsey Companies Law a Guernsey company (which includes a Guernsey subsidiary of a non-Guernsey company) is permitted to give financial assistance whether directly or indirectly, to a person for the purpose of or in connection with the acquisition of its shares if it will, immediately after the financial assistance is given satisfy the solvency test set out in section 527 of the Guernsey Companies Law.

Dividends

Under section 830 of the Companies Act a company cannot make a distribution except out of profits available for the purpose. Profits available for distribution are defined in Section 830(2).

Under section 304 of the Guernsey Companies Law, the directors of a Guernsey company can authorise a dividend provided that (i) the company satisfies the solvency test set out in section 527 of the Guernsey Companies Law; (ii) the company satisfies any other requirement of its memorandum and articles; and (iii) the directors approve a certificate signed by one of them stating that in the directors opinion after payment of the dividend the company will satisfy the solvency test.

4.3.5 *Transfer and Transmission of Shares*

Stock Transfer Forms

Under Section 544(1) of the Companies Act shares are transferable in a manner provided by the company's articles but subject to the Stock Transfer Act 1963. Under Section 1 of the Stock Transfer Act 1963 simplified forms are provided for the transfer of fully paid shares.

The Guernsey Companies Law does not prescribe the format a stock transfer form must take.

4.3.6 *Membership of a Company*

Section 359 of the Companies Act 1985 prescribes that if the name of any person is without sufficient cause entered in or omitted from the register of members, or if default is made or unnecessary delay takes place in entering in the register the fact of any person having ceased to be a member, the person aggrieved, or any member of the company, or the company itself, may apply for an order of the court to rectify the register.

There is no specific provision in the Guernsey Companies Law dealing with the rectification of the register and a person, a member, or the company would have to apply to the Royal Court under its inherent jurisdiction for a rectification order.

4.3.7 *Shareholders' Meetings*

Every resolution (including special resolutions) must be registered within 15 days of being passed. If a company fails to register a resolution, the company and its officers are liable to a fine and for continued contravention, a daily default fine.

Under section 178(7) of the Guernsey Companies Law, certain resolutions must be filed with the Registrar within 30 days of the resolution being passed. Failure to comply makes the company guilty of an offence and liable to a civil penalty

4.3.8 *Accounts and Reports*

Each year the directors of an English company shall deliver to the Registrar a copy of the company's annual accounts together with a copy of the directors' report for that year and a copy of the auditors' report on those accounts.

Under the Guernsey Companies Law there is no obligation to file accounts with the Registrar, but New El Oro will be required to file its accounts with the CISX and the GFSC.

4.3.9 *Management of a Company*

Section 168 of the Companies Act provides that a company may, by ordinary resolution, remove a director before the expiration of his office, notwithstanding anything in the articles or in any agreement between the company and the director.

The Guernsey Companies Law does not contain such a provision although the memorandum and articles of incorporation may detail how directors are to be removed.

4.3.10 *The Duties of Directors*

Disclosure of interests in contracts

Under Section 177 of the Companies Act it is the duty of a director of a company who is in any way, whether directly or indirectly, interested in a contract or proposed contract with the company to declare the nature of his interest to the other directors.

The Guernsey Companies Law provides under section 162 that a director must, immediately after becoming aware of the fact that he is interested in a transaction or proposed transaction with the company, disclose to the board of directors, the nature and extent of that interest and where quantifiable the monetary value of that interest.

Directors service contracts

It is prohibited for any company falling within Section 188 of the Companies Act to incorporate in any director's employment contract a term of continuous employment of 2 years or more where that contract cannot be terminated by the company by notice or notice under certain circumstances unless that term is first approved by resolution of the company in general meeting.

The Guernsey Companies Law does not contain such a prohibition.

Substantial Property Transactions

Subject to certain statutory exceptions a company shall not enter into an arrangement: (a) whereby a director of the company or its holding company, or a person connected with such a director, acquires or is to acquire (directly or indirectly) a substantial non-cash asset from the company; or (b) whereby the company acquires or is to acquire a substantial non-cash asset from such a director or a person so connected, unless the arrangement is approved by resolution of the members of the company or is conditional on such approval being obtained.

The Guernsey Companies Law does not contain an equivalent restriction although under common law principles a director of a Guernsey company has a fiduciary duty to disclose such interests at a board meeting and the directors should resolve that such a transaction is in the best interests of the Company and does not amount to a preference or a fraud on creditors.

Payments in connection with loss of office

Section 217 of the Companies Act requires the approval by the company in general meeting of certain types of payment made to directors connected with the loss of their office.

There is no requirement under the Guernsey Companies Law to make such disclosures.

4.3.11 *The Public Issue of Securities*

A private English company may not offer its securities to the public nor may its securities be admitted to official listing.

The Guernsey Companies Law does not contain such prohibitions.

4.3.12 *Takeovers and Mergers*

Reconstruction and amalgamation

A company may carry out a sale of its undertaking in contemplation of, or after the commencement of, a voluntary liquidation, under the powers contained in sections 110 and 111 of the Insolvency Act 1986. A reconstruction can also be carried out in pursuance of a compromise or arrangement under section 899 of the Companies Act.

The Guernsey Companies Law does not contain provisions such as those under the UK Insolvency Act. Part VIII of The Guernsey Companies Law provides for arrangements and reconstructions to be carried out.

Compulsory Acquisition of shares

Section 979 of the Companies Act permits an offeror who has contracted to acquire or acquires 90 per cent of the shares to which the takeover offer relates to compulsorily acquire the remaining 10 per cent.

The Guernsey Companies Law provides under part XVIII for the squeezing out of minority shareholders where an offer to acquire a Guernsey company is approved by shareholders comprising 90 per cent. in value of the shares effected.

4.3.13 *Corporate Reconstruction and Insolvency*

Under English law a creditor of an insolvent company may appoint a receiver, place the company in administration or petition to have the company compulsorily wound up.

The Guernsey Companies Law whilst permitting compulsory and voluntary winding up and placing a Guernsey company into administration does not recognise the concept of receivership. Where a Guernsey company is unable to pay its debts it is said to be *en état de désastre*. Désastre is customary in origin; there are no written rules establishing the procedure and few governing it and it is concerned entirely with Guernsey personality. The philosophy underpinning désastre is to permit all the creditors to share the proceeds of sale of a debtor's chattels, as opposed to a single creditor liquidating assets for his exclusive benefit. In respect of any Guernsey based realty owned by a Guernsey company a creditor must elect to institute saisie proceedings whereby the realty will be conveyed to the creditor by order of the Court following which the creditor is free to sell or keep the realty as it pleases.

5. Income access share arrangements

5.1 Introduction

New El Oro is contemplating the introduction, after the Scheme becomes effective, of income access share arrangements, which are intended to ensure that, as under current El Oro dividend payment arrangements, New El Oro Shareholders remain entitled to a similar tax credit as if they had continued to hold Stock Units in El Oro. Whether or not the IAS plan is implemented, qualifying New El Oro Shareholders would be entitled to receive a tax credit in respect of dividends paid by New El Oro following the Finance Act 2008. The Finance Act 2008 provides that qualifying shareholders (in broad terms those with less than a 10 per cent. interest in any company resident outside the UK, as New El Oro is intended to be) will be entitled to a similar tax credit which for individuals discharges liability to income tax at the basic rate, and for higher rate taxpayers reduces their liability to tax to that which they would receive if they held shares in a UK resident company. Any New El Oro Shareholder who did not qualify for such tax credit (in particular any shareholder with a 10 per cent. or greater interest in New El Oro) would need to receive a dividend under the IAS plan, to continue to be entitled to a UK tax credit.

5.2 Election

All holders of New El Oro Shares will be paid dividends by New El Oro, which is intended to be a tax resident in Guernsey. If the IAS plan is implemented and operated, New El Oro Shareholders may serve a New El Oro Election at any time electing not to receive dividends from New El Oro (and in consequence to participate in the IAS plan and to receive dividends from the IAS Issuer) and may subsequently elect to withdraw from the IAS plan by serving an IAS Withdrawal Notice. The New El Oro Election forms and the IAS Withdrawal Notices will be available from the New El Oro Registrar.

5.3 Structure

Following the Scheme becoming effective, if the IAS plan is put in place, New El Oro intends to arrange for the IAS Issuer to issue the IAS directly to the IAS Trustee. An IAS Trust will be constituted pursuant to a trust deed which will provide that:

- (a) the IAS Trustee will hold the IAS share on terms that any dividend paid (not just declared) on the IAS share will be held on trust for the New El Oro Shareholders who have elected not to receive dividends from New El Oro (and in consequence to receive dividends pursuant to the IAS plan) and who are New El Oro Shareholders when the dividend is paid (“Elected Shareholders”). Subject to this, the IAS will be held on trust for New El Oro; and
- (b) the dividends paid on the IAS share will be paid to the Elected Shareholders pro rata to their shareholdings. To the extent that the dividend received by the Elected Shareholders is equal to the gross dividend which they would have received from New El Oro on their New El Oro Shares, the Elected Shareholders will receive no further dividends. If there is a shortfall, see paragraph 5.4 below.

The IAS Trust will be set up in a suitable jurisdiction which will enable it to continue indefinitely.

5.4 ***Shortfall in dividend payment***

To the extent that the dividends paid to the IAS Trust are insufficient to pay the Elected Shareholders an amount equal to the dividends they would otherwise have received on their New El Oro Shares, New El Oro will pay the balance of the dividend which would have been due to those shareholders, by way of a dividend on the New El Oro Shares. Any such dividend paid on the New El Oro Shares will have a Guernsey source and so a UK shareholder would not be entitled to a UK tax credit in respect of such dividends. In such circumstances, there will be no grossing up by New El Oro or the IAS Issuer nor will New El Oro or the IAS Issuer compensate New El Oro Shareholders for any adverse consequences.

5.5 ***Termination***

New El Oro and the IAS Issuer will be able to suspend or terminate the IAS plan at any time, in which case the full New El Oro dividend will be paid directly to all New El Oro Shareholders (including New El Oro Shareholders who have made an IAS Election) by New El Oro. In such circumstances, New El Oro and the IAS Issuer will not compensate New El Oro Shareholders for any adverse tax consequences.

Any IAS Withdrawal Notice shall remain effective unless and until a contrary election in writing is made to New El Oro. Any New El Oro Shareholders can elect at any time to change a previous election made or deemed to have been made by notifying New El Oro in writing.

5.6 ***Taxation***

A summary of certain tax implications for certain categories of New El Oro Shareholders of the IAS plan are set out in paragraph 8 of this Part 4.

6. Directors’ service agreements and letters of appointment

- 6.1 The following Directors have entered into service contracts or letters of appointment with El Oro as follows:

6.1.1 *C. Robin Woodbine Parish*

A service agreement dated 14 January 2009 between El Oro and Robin Parish setting out the terms of Robin Parish’s employment as Executive Chairman and Managing Director of El Oro. The agreement is for an initial period of two years subject to it being terminable by either party on six months’ written notice, at a salary of £78,234 per annum (subject to review) and benefits commensurate with his position including £10,500 per annum of pension contributions. Mr Parish is to provide 12¼ hours of service per week and such additional hours as are reasonably required in order for him to carry out his duties. The agreement is subject to and conditional upon the Scheme becoming effective in accordance with its terms.

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

A letter of appointment dated 26 November 2008 setting out the terms of The Hon. Mrs. Elizabeth Parish's appointment as a non-executive director of El Oro. The agreement is for an initial period of two years subject to it being terminable by either party on giving 12 months' prior written notice. The letter provides for an annual fee of £1,350 which is subject to annual review.

6.1.3 *Emma W. Houston*

A letter of appointment dated 6 December 2007 setting out the terms of Emma Houston's appointment as a non-executive director of El Oro. The agreement is for an initial period of three years subject to it being terminable by either party on giving 12 months' prior written notice. The letter provides for an annual fee of £10,000 which is subject to annual review.

6.1.4 *David R.L. Hunting*

A letter of appointment dated 6 December 2007 setting out the terms of David Hunting's appointment as a non-executive director of El Oro. The agreement is for an initial period of three years subject to it being terminable by either party on giving 12 months' prior written notice. The letter provides for an annual fee of £23,000 which is subject to annual review.

6.1.5 *Robert E. Wade*

A letter of appointment dated 6 December 2007 setting out the terms of Robert Wade's appointment as a non-executive director of El Oro. The agreement is for an initial period of three years subject to it being terminable by either party on giving 12 months' prior written notice. The letter provides for an annual fee of £23,000 which is subject to annual review. With effect from Admission, this fee will be reduced to £10,000 as Mr. Wade will be paid an annual fee of £13,000 in his capacity as a non-executive director of New El Oro.

6.1.6 *J. Anthony Wild*

A letter of appointment dated 6 December 2007 setting out the terms of Anthony Wild's appointment as a non-executive director of El Oro. The agreement is for an initial period of three years subject to it being terminable by either party on giving 12 months' prior written notice. The letter provides for an annual fee of £30,000 which is subject to annual review. With effect from Admission, this fee will be reduced to £10,000 as Mr. Wild will be paid an annual fee of £20,000 in his capacity as a non-executive director of New El Oro.

6.2 ***Remuneration of Directors***

Details of the remuneration of the Directors as at the date of this document are as follows:

<i>Director</i>	<i>Annual Salary</i>
C. Robin Woodbine Parish	£78,234
The Hon. Mrs. E.C. Parish	£1,350
Emma W. Houston	£10,000
David R. L. Hunting	£23,000
Robert E. Wade	£23,000
J. Anthony Wild	£30,000

6.3 The following New El Oro Directors have entered into service contracts or letters of appointment with New El Oro as follows:

6.3.1 *C. Robin Woodbine Parish*

A service agreement dated 14 January 2009 between New El Oro and Robin Parish setting out the terms of Robin Parish's employment as Executive Chairman and Managing Director of New El Oro. The agreement is for an initial period of two years subject to it being terminable

by either party on six months' written notice, at a salary of £145,289 per annum (subject to review) and benefits commensurate with his position including £19,500 per annum of pension contributions. Mr Parish is to provide 22¾ hours of service per week and such additional hours as are reasonably required in order for him to carry out his duties. The agreement is subject to and conditional upon Admission occurring before 31 May 2009.

6.3.2 *Robert E. Wade*

A letter of appointment dated 14 January 2009 setting out the terms of Robert Wade's appointment as a non-executive director of New El Oro. The agreement is for an initial period of one year subject to it being terminable by either party on giving 3 months' prior written notice. The letter provides for an annual fee of £13,000 which is payable with effect from Admission and subject to annual review.

6.3.3 *J. Anthony Wild*

A letter of appointment dated 14 January 2009 setting out the terms of Anthony Wild's appointment as a non-executive director of New El Oro. The agreement is for an initial period of one year subject to it being terminable by either party on giving 3 months' prior written notice. The letter provides for an annual fee of £20,000 which is payable with effect from Admission and subject to annual review.

6.3.4 *Rupert A. R. Evans*

A letter of appointment dated 14 January 2009 setting out the terms of Rupert Evans's appointment. The agreement is for an initial period of one year subject to it being terminable by either party on giving 3 months' prior written notice. The letter provides for an annual fee of £15,000 which is subject to annual review.

6.3.5 *Subbarayan B. Kumaramangalam*

A letter of appointment dated 14 January 2009 setting out the terms of Subbarayan Kumaramangalam's appointment as a non-executive director of New El Oro. The agreement is for an initial period of one year subject to it being terminable by either party on giving 3 months' prior written notice. The letter provides for an annual fee of £8,000 which is payable with effect from Admission and subject to annual review.

6.4 ***Aggregate remuneration payable to New El Oro Directors***

The aggregate annual remuneration payable by New El Oro to the New El Oro Directors is approximately £201,289.

6.5 ***Statement regarding contracts***

Save as disclosed in this document, there are currently no contracts or arrangements to which New El Oro is party in which any of the New El Oro Directors has a material interest.

6.6 ***Statement regarding loans to New El Oro Directors or guarantees provided to them by New El Oro***

There are currently no loans or guarantees provided by New El Oro to the New El Oro Directors.

7. **Material Contracts**

7.1 ***New El Oro***

The following contracts have been entered into by New El Oro during the period commencing on the date of its incorporation and ending on 30 January 2009 (being the latest practicable date before the posting of this document) which are outside the ordinary course of business and are or may be considered material:

7.1.1 *Administration agreement*

New El Oro has appointed Capita Financial Administrators (Guernsey) Limited to perform certain administrative duties. The Administrator was registered in Guernsey on 30 March 2007. The Administrator is licensed to provide administrative and other services to collective investment schemes by the Guernsey Financial Services Commission. Pursuant to an administration agreement dated 14 January 2009 (the “Administration Agreement”) between the Administrator and New El Oro, the Administrator will be responsible, among other things, for the following matters, under the general supervision of the New El Oro Directors:

- communicating with shareholders of New El Oro;
- keeping the accounts of New El Oro and any necessary books and records as required by Guernsey law;
- processing subscription applications;
- determining the net asset value of New El Oro and its subsidiaries;
- calculating the fees of the Administrator; and
- verifying the identity of investors and the source of subscription monies, in compliance with anti-money laundering procedures.

The Administration Agreement may be terminated by either party on not less than 180 days’ notice, or earlier upon certain breaches of the Administration Agreement or the insolvency or receivership of either party or if the Administrator ceases to be qualified to act as such.

New El Oro have agreed that it shall not hold the Administrator liable for any acts or omissions in the performance of its services under the Administration Agreement in the absence of wilful misfeasance, negligence, bad faith, reckless disregard and fraud and subject thereto to indemnify the Administrator, to the extent permitted by law, against all actions, proceedings, claims and demands arising in connection with the performance of its services.

There are no arrangements with third parties under which the Administrator will receive indirect payments for its services.

Any changes to a New El Oro shareholder’s details must be notified immediately to the Administrator in writing. New El Oro reserves the right to require an indemnity or verification countersigned by a bank, stockbroker or other party acceptable to it before the Administrator can accept instructions to alter the Register.

7.1.2 *Registrar agreement*

Pursuant to an agreement dated 14 January 2009 between New El Oro and Capita Registrars (Guernsey) Limited (the “Registrars Agreement”) New El Oro has appointed Capita Registrars (Guernsey) Limited to act as company registrar to maintain the Register. The New El Oro Registrar has made arrangements with the Administrator for subscription and redemption requests to be forwarded to the Administrator.

All New El Oro Shares issued will be registered and the Register will be conclusive evidence of ownership. The Register may be inspected by Shareholders during normal business hours on any Business Day at the registered office of the Administrator.

Any changes to a Shareholder’s details must be notified immediately to the Administrator in writing. The Directors reserve the right to require an indemnity or verification countersigned by a bank, stockbroker or other party acceptable to it before the Administrator can accept instructions to alter the Register.

The Registrar Agreement may be terminated by either party on not less than 3 months notice, or earlier upon certain breaches of the Registrar Agreement or the insolvency or receivership of either party or if the Registrar ceases to be qualified to act as such.

New El Oro has agreed that it shall not hold the Registrar liable for any acts or omissions in the performance of its services under the Registrar Agreement in the absence of wilful misfeasance, negligence, bad faith, reckless disregard and fraud and subject thereto to indemnify the Registrar, to the extent permitted by law, against all actions, proceedings, claims and demands arising in connection with the performance of its services.

7.1.3 *CISX Sponsor Agreement*

A letter of engagement and terms of business have been agreed between Capita Financial Administrators (Jersey) Limited and New El Oro dated 14 January 2009 for the provision of listing sponsorship to the CISX (the “CISX Sponsor Agreement”).

As sponsor the CISX Sponsor will make the listing application on behalf of New El Oro and conduct all necessary ongoing CISX listing obligations for New El Oro.

The CISX Sponsor Agreement may be terminated by either party on not less than 90 days’ notice, or earlier upon certain breaches of the CISX Sponsor Agreement or the insolvency or receivership of either party or if the CISX Sponsor ceases to be qualified to act as such.

New El Oro have agreed that it shall not hold the CISX Sponsor liable for any acts or omissions in the performance of its services under the CISX Sponsor Agreement in the absence of wilful misfeasance, negligence, bad faith, reckless disregard and fraud and subject thereto to indemnify the CISX Sponsor, to the extent permitted by law, against all actions, proceedings, claims and demands arising in connection with the performance of its services.

7.2 *The El Oro Group*

No contracts have been entered into by members of the El Oro Group, during the period commencing on 30 January 2007 (being the date two years prior to the latest practicable date before the posting of this document) and ending on 30 January 2009 (being the latest practicable date before the posting of this document) which are outside the ordinary course of business and are or may be considered material.

8. **United Kingdom and Guernsey Taxation**

8.1 *United Kingdom taxation*

The comments set out below summarise the UK taxation treatment of Scheme Stockholders under the Scheme. They are based on current legislation and the practice of HM Revenue & Customs at the date of this document and summarise certain limited aspects of the United Kingdom taxation treatment of the Proposals. They are intended as a general guide and apply to Scheme Stockholders who are individuals and resident or ordinarily resident for tax purposes in the UK and who hold Scheme Stock Units as an investment (and not as securities to be realised in the course of a trade) and who are the absolute beneficial owners of those Stock Units. The comments below may not apply to certain classes of persons such as dealers, persons holding Stock Units in a personal equity plan or individual savings account, companies or trustees of certain trusts.

Stockholders who are in any doubt about their taxation position, or who are resident in a jurisdiction outside the UK, should consult their own professional advisers.

8.1.1 *Capital gains*

The issue of New El Oro Shares pursuant to the Scheme should be treated by HM Revenue & Customs as a reorganisation of El Oro’s share capital for the purpose of UK capital gains tax. Accordingly, provided certain conditions are met, the cancellation of Scheme Stock Units in consideration of the issue of New El Oro Shares pursuant to the Scheme should not constitute a disposal for the purposes of the UK capital gains tax. On this basis, the New El Oro Shares issued to a Scheme Stockholder pursuant to the Scheme should be treated as the same asset as the cancelled holding of Scheme Stock Units in respect of which the New El Oro Shares are

issued, acquired at the same time and for the same amount as the cancelled holding of Scheme Stock Units.

Depending on the holder's circumstances, a subsequent disposal of New El Oro Shares may give rise to a liability to UK capital gains tax.

8.1.2 *Stamp duty and stamp duty reserve tax*

No stamp duty or stamp duty reserve tax will be payable on the issue of the New El Oro Shares, unless the issue is to a person to whom the depository receipts or clearances service charge applies. As the Scheme involves the cancellation of Scheme Stock Units, stamp duty or stamp duty reserve tax will not be payable on the cancellation of Scheme Stock Units.

8.1.3 *Dividends paid on the New El Oro Shares*

Although New El Oro is intended to be tax resident in Guernsey (and hence shareholders will not be entitled to the tax credit referable to dividends paid by a UK resident company), qualifying New El Oro Shareholders would be entitled to receive a tax credit in respect of dividends paid by New El Oro following the Finance Act 2008. The Finance Act 2008 provides that qualifying shareholders (in broad terms those with less than a 10 per cent. interest in any company resident outside the UK, as New El Oro is intended to be) will be entitled to a similar tax credit (which for individuals discharges liability to income tax at the basic rate, and for higher rate taxpayers reduces their liability to tax to that which they would be subject) as if they held shares in a UK resident company.

8.1.4 *Dividends paid under the IAS plan*

All Shareholders will be paid dividends by New El Oro, which is intended to be a tax resident in Guernsey. If the IAS plan is implemented and operated, New El Oro Shareholders may serve a notice at any time electing not to receive dividends from New El Oro (and in consequence to participate in the IAS plan and to receive dividends from the IAS issuer).

If a New El Oro Shareholder receives dividends under the IAS plan, such New El Oro Shareholder will be receiving dividends from the IAS Issuer. There will not be a requirement to withhold at source any amount in respect of UK tax from dividend payments made under the IAS plan regardless of who receives the payment.

A New El Oro Shareholder who is an individual resident (for tax purposes) in the UK and who receives a dividend from the IAS Issuer under the IAS plan should be taxed on dividends received under the IAS plan in the same manner as such individual is currently taxed on dividends from El Oro i.e. prior to the date on which the Scheme becomes effective.

A New El Oro Shareholder who is not liable to tax on dividends received under the IAS plan will not be entitled to claim payment of the tax credit in respect of those dividends.

The right of a New El Oro Shareholder who is not resident for tax purposes in the UK to a tax credit in respect of a dividend received under the IAS plan and to claim payment of any part of that tax credit will depend on the existence and terms of any double tax treaty between the UK and the country in which the holder is resident. A New El Oro Shareholder who is not solely resident in the UK should consult his own tax adviser concerning his tax liabilities on dividends received under the IAS plan, whether he is entitled to claim any part of the tax credit and, if so, the procedure for doing so.

8.2 ***Guernsey taxation***

8.2.1 *General*

New El Oro has applied to Guernsey's Administrator of Income Tax for exempt status under the Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989 (the "**Ordinance**"). As an exempt company, New El Oro will be treated as non resident in Guernsey for the purposes of

liability to Guernsey income tax. It is the intention of the New El Oro Directors to apply for similar treatment in future years and to conduct the affairs of New El Oro so as to ensure that it retains such exempt status. Under the provisions of the Ordinance New El Oro pays an annual fee to the Guernsey Income Tax Authority that is currently fixed at £600, but will be exempt from tax in Guernsey on both bank deposit interest and any income that does not have its source in Guernsey. It is not anticipated that any income other than bank interest will arise in Guernsey and therefore New El Oro is not expected to incur any liability to Guernsey tax.

Guernsey does not levy taxes upon capital inheritances, capital gains (with the exception of a profit tax on dwellings that are located in Guernsey), gifts, sales or turnover. There are no estate duties other than a small ad valorem fee for the grant of probate in Guernsey. No stamp duty is chargeable in Guernsey on the issue, transfer, conversion or redemption of shares (see paragraph 8.2.2 below).

In response to a review carried out by the European Union Code of Conduct Group, the States of Guernsey has abolished exempt status for the majority of companies with effect from January 2008 and has introduced a zero rate of tax for all companies other than regulated utilities companies and companies carrying on a few specified types of banking (including financing and lending businesses). However, the States of Guernsey has agreed that, because collective investment schemes, including closed-ended investment vehicles, were not one of the regimes in Guernsey that were classified by the EU Code of Conduct Group as being harmful, collective investment schemes and closed-ended investment vehicles will continue to be able to apply for exempt status for Guernsey tax purposes. New El Oro will therefore be able to continue to be eligible for exempt status. The Policy Council of the States of Guernsey has stated that it may consider further revenue raising measures in 2011/2012, including possibly the introduction of a goods and services tax, depending on the state of Guernsey's public finances at that time.

Whilst New El Oro is not required to deduct Guernsey income tax from dividends on any New El Oro Shares (if applicable) paid to Guernsey residents, New El Oro is required to make a return to the Guernsey Administrator of Income Tax of the names, addresses and gross amounts of income distributions paid to Guernsey resident shareholders during the previous year, on an annual basis.

8.2.2 *Guernsey stamp duty*

Under Guernsey law, upon the death of a shareholder of a Guernsey incorporated company (whether or not resident in Guernsey), a Guernsey grant of representation, (grant of probate/ letters of administration/ letters of administration with will annexed) will be required to transfer the shares of the deceased person or otherwise deal with the deceased person's personal estate in Guernsey.

Court fees are payable in Guernsey on the issue of a Guernsey grant of representation.

If Probate or a similar court order has been granted in any other jurisdiction before the Guernsey application, court fees in Guernsey are paid on the gross value of the Guernsey assets only. If no prior probate or similar court order has been obtained in any other jurisdiction, court fees in Guernsey are payable on the gross value of the deceased's worldwide personal estate (including any New El Oro Shares or interests therein).

Upon an application to the Guernsey Court, court fees are payable on a sliding scale according to the value of the personal estate declared, together with document and registration fees depending upon the nature of the application, which for assets of £80,000 will be fees of £155 plus document fees of £10 per document (power of attorney/oath/renunciation) and registration fees of £1.00 per page, reducing for each amount per £10,000 under £80,000. For value exceeding £80,000, additional fees are payable at the rate of £35 per £10,000 value or part thereof.

Except as noted above, under Guernsey law, on the transfer of shares in a Guernsey incorporated company following a shareholders death:

- (i) there are no death or estate duties, gift, wealth, inheritance or taxes in Guernsey; and
- (ii) no Guernsey stamp duty shall be levied on the issue or transfer of New El Oro Shares.

9. Transfers of New El Oro Shares

New El Oro will be applying for permission for the New El Oro Shares to be transferable following Admission by means of CREST. Settlement of transfers through CREST will permit shareholders to hold their New El Oro Shares in electronic form in a CREST account. All transfers of New El Oro Shares shall be effected by transfer in writing in any usual or common form in use in the Island of Guernsey or in any other form approved by the New El Oro Directors but need not be under seal, and every form of transfer shall state the full name and address of the transferor and transferee and be signed by the transferor. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The New El Oro Directors shall decline to recognise any transfer of shares unless:

- (i) the instrument of transfer is deposited at New El Oro's registered office or such other place as the New El Oro Directors may reasonably require, accompanied by such evidence as the New El Oro Directors may reasonably require to show the right of the transferor to make the transfer; and
- (ii) the instrument of transfer relates to shares only.

If the New El Oro Directors decline to register a transfer of any New El Oro Shares they shall, within one month after the date on which the transfer was lodged with New El Oro, send to the transferee notice of the refusal. The registration of transfers may be suspended at such times and for such periods as the New El Oro Directors may from time to time determine, PROVIDED ALWAYS that such registration of transfers shall not be suspended for more than thirty days in any year. The New El Oro Directors may, by notice to a shareholder, at any time request a shareholder to furnish a declaration, in a form satisfactory to the New El Oro Directors, as to his place of residence, citizenship or domicile and any such other information as may be reasonably required by the New El Oro Directors to satisfy themselves that such person is qualified to hold New El Oro Shares in New El Oro. All instruments of transfer which shall be registered shall be retained by New El Oro, but any instrument of transfer which the New El Oro Directors may decline to register shall (except in any case of fraud) be returned to the person depositing the same.

10. New El Oro Administrator

New El Oro has appointed Capita Financial Administrators (Guernsey) Limited to act as its administrator and to provide it with administrative and secretarial services. The Administrator is a company incorporated in Guernsey on 30 March 2007 and which is licensed by the GFSC. The principal business of the Administrator is the provision of administrative services, including the provision of company secretarial, accounting and associated services. The Administrator is entitled to an initial fee of £10,000 payable immediately, thereafter its fees are as follows:

10.1 *New El Oro*

Administration, company secretarial and accounting/NAV services (including annual statutory accounts to IFRS), based upon a percentage of the net asset value the following fees will be charged:

<i>Net Asset Value</i>	<i>Relevant Percentage</i>
£0 million ≤ £70 million	0.12%, thereafter
£70 million ≤ £100 million	0.10%, thereafter
> £100 million	0.05%

Subject to a minimum of £75,000 per annum.

This fee is inclusive of settlement services assuming daily trading summaries are passed to Capita.

10.2 *El Oro*

Accounting services, namely the production of financial statements (to UK GAAP & IFRS), including facilitating an annual dividend distribution, a fee of £12,000 per annum.

Production of monthly management accounts £10,000 per annum.

These fees will be accrued on a monthly basis and be payable quarterly in arrears.

The Administration Agreement is terminable by either party giving not less than 180 days notice. Further details of the Administration Agreement are set out in paragraph 7.1.1 of this Part 4.

11. **New El Oro CISX Sponsor**

New El Oro has appointed Capita Financial Administrators (Jersey) Limited to act as its listing sponsor in connection with the listing of the New El Oro Shares on the CISX. The Sponsor is to make an application for listing of New El Oro on the CISX under Section 7.2.22 of the Listing Rules. The listing application will be made on the basis of an exchange or substitution of securities. The CISX Sponsor is entitled to an initial fee of £5,000 for sponsorship onto the exchange (payable immediately) and an annual fee of £2,500 per annum, payable quarterly in advance. The CISX Sponsor Agreement is terminable by either party giving not less than 3 months' notice. Further details of the CISX Sponsor Agreement are set out in paragraph 7.1.3 of this Part 4.

12. **New El Oro Auditors**

New El Oro will appoint PricewaterhouseCoopers CI LLP to act as its Auditors.

13. **The CREST Registrar**

New El Oro has appointed Capita Registrars (Guernsey) Limited to act as its CREST registrar. The CREST Registrar is entitled to a minimum annual maintenance fee of £7,500, payable quarterly in advance. An additional transaction cost is charged on transactions exceeding 25 per cent. of the shares in issue of £0.20 per CREST transaction and £5.00 per non CREST transaction fee. New El Oro also has an option to take advantage of the Registrars Web based Portal service for an additional fee of £1,500 per annum. The CREST Registrar will also be entitled to reimbursement for out-of-pocket expenses incurred, including reasonable legal fees. The Registrar Agreement is terminable by either party giving not less than 3 months' notice, such notice to expire at any time on or after the first anniversary of the date of the agreement. Further details of the Registrar Agreement are set out in paragraph 7.1.2 of this Part 4.

14. **Financial Information and Reports**

The first accounting period of the New El Oro will run until 30 June 2009 and, thereafter, accounting periods will end on 30 June in each year. It is expected that the audited annual accounts will be sent to New El Oro shareholders within six months of the year end to which they relate. Unaudited half yearly reports, made up to 31 December each year, will be sent to New El Oro shareholders within three months thereof.

The audited annual accounts and half yearly reports will also be available at the registered office of the Administrator and of New El Oro and on the New El Oro website.

15. **Valuation of New El Oro Shares**

New El Oro intends to publish its Net Asset Value (NAV) quarterly by making market announcements on the CISX no later than one month from the date of the quarter-end.

The NAV of New El Oro will be calculated in accordance with New El Oro's accounting policies for its consolidated accounts. When preparing its consolidated financial statements, the New El Oro Board intends to adopt IFRS in the form of the 'Investment Trust SORP' approved by the Association of Investment Companies.

Listed securities will be valued at their current market value, which in normal circumstances will be their most recently traded price. In the opinion of the New El Oro Board, this is likely to be the most appropriate valuation method for most of the listed securities held by the group.

Where securities are not listed and prices are not readily available, the New El Oro Directors will review the current valuations to be applied to such securities in the accounts. New El Oro will apply valuation techniques that are appropriate to such securities, including the Board's knowledge of the underlying business, its market sector and any financial information provided to New El Oro by that business. These valuations will be prepared with due regard to the International Private Equity and Venture Capital Valuation Guidelines and reviewed at least every six months.

The NAV of New EL Oro will be calculated by initially valuing New El Oro's subsidiary companies on the same accounting and valuation basis as New El Oro. This requires valuing their investment portfolios at market value, adding any receivables, deducting any payables and accounting for all income and expense on an accruals basis to provide the value of New El Oro's investments in its subsidiary companies. The investment portfolio for New El Oro will include this current NAV for the subsidiary group of companies.

The NAV of New El Oro will be divided by the number of its shares in issue to provide the NAV per share.

16. New El Oro Risk Factors

16.1 *Guernsey Law*

New El Oro is a limited liability company incorporated in Guernsey under the Guernsey Companies Law. Guernsey law does not make a distinction between private and public companies and some of the protections and safeguards that investors may expect to find in relation to a public company under the Companies Act 1985 and the Companies Act are not provided for under Guernsey law.

16.2 *Concentration Risk*

A significant portion of New El Oro's equity investments will be in mining and commodities. As a result, the impact on New El Oro's performance and the potential returns to shareholders will be more adversely affected if securities in these issuers perform badly than would be the case if the New El Oro's portfolio of investments was to be more diversified. The New El Oro Directors intend however to maintain a spread of risk within these categories of investments.

16.3 *Dependence on Key Individual*

Shareholders will be relying on the ability of one key individual (the "Manager") to identify the investments to be made by New El Oro. New El Oro will therefore be dependent on the diligence and skill of the Manager. New El Oro's future success will depend on the continued service of the Manager as no successor has been identified. Accordingly, the loss of the services of the Manager might have a material adverse effect on the future of New El Oro's business.

16.4 *Illiquidity of Certain Investments.*

A proportion of New El Oro's investments will be made up of unlisted securities which, together with some small listed holdings, may be illiquid. Consequently New El Oro might not be able to sell such investments at prices that reflect New El Oro's assessment of their value or the amount paid for such investments. Illiquidity might result from the absence of an established market for the investments as well as contractual or other restrictions on their resale and other factors.

16.5 *Leverage*

New El Oro might trade on margin, engage in other forms of borrowing to finance its operations and use other forms of financial leverage. New El Oro might pledge its assets in order to borrow additional funds for investment purposes. New El Oro might leverage its investment returns with options, short sales, swaps, forward contracts and other derivative instruments. While leverage presents opportunities for increasing a total return, it also potentially increases losses as well. Any event which

adversely affects the value of an investment will be magnified to the extent the investment is leveraged. The cumulative effect of the use of leverage in a market that moves adversely to its investments could result in a substantial loss.

16.6 *General Economic Conditions*

The success of any investment activity is affected by general economic conditions, which may affect the level and volatility of markets and the extent and timing of investor participation in such markets. Unexpected volatility or illiquidity in the markets in which New El Oro directly or indirectly holds positions could impair New El Oro's ability to carry out its business or cause it to incur losses.

16.7 *Internal Control and Risk Management*

The board of New El Oro will be ultimately responsible for its system of internal controls and also for reviewing its effectiveness. As systems are designed to manage rather than eliminate those risks associated with the achievement of business objectives, they can only provide reasonable and not absolute assurance against material mis-statement or loss.

16.8 *Market Price Risk*

The exposure to market price risk will be mainly contained in potential movements in the fair value of New El Oro's investments, including equities, property and commodities. It will manage this price risk within its long-term investment strategy to manage a diversified exposure to the market principally in commodities and the exploration, mining, property and brewing sectors. The investments will not be tied to a linear market price risk owing to the portfolio's diversified structure.

16.9 *Currency risk*

Exposure to currency risk will come from investment in listed overseas stock markets, short-term funding from transactions with overseas stockbrokers and also from foreign property investment. New El Oro will not hedge against currency movement as the relative strength and weakness of a currency is considered when making an investment decision. Receipts in a currency other than British Pounds will be converted only to the extent that they are not required for settlement obligations in that currency.

16.10 *Counterparty and Settlement Risk*

New El Oro will take a credit risk on parties with whom it trades and will also bear the risk of settlement default.

16.11 *Derivative Transactions*

New El Oro might invest in derivative instruments and CFDs either directly or through investments in funds that themselves invest in derivatives. Derivative instruments, or "derivatives", include futures, options, swaps, structured securities and other instruments and contracts that are derived from or the value of which is related to one or more underlying securities, financial benchmarks, currencies or indices. Derivatives can allow an investor to hedge or speculate upon the price movements of a particular security, financial benchmark, currency or index at a fraction of the cost of investing in the underlying asset.

Specifically New El Oro, via its holding in its subsidiary, is likely to be exposed to movements in CFDs. CFDs allow investors to take long or short positions, and unlike futures contracts have no fixed expiry date.

The value of a derivative depends largely upon price movements in the underlying asset. Therefore, many of the risks applicable to trading the underlying asset are also applicable to derivatives of such asset. However, there are a number of other risks associated with derivatives trading. For example, because many derivatives are "leveraged", and thus provide significantly more market exposure than the money paid or deposited when the transaction is entered into, a relatively small adverse market

movement can not only result in the loss of the entire investment, but might also expose El Oro (and hence) New El Oro or underlying fund to a possibility of a loss exceeding the original amount invested.

In addition, derivative contracts might directly or indirectly expose New El Oro or underlying fund to the credit risk of the parties with which they deal. Non-performance of such contracts by counterparties, for financial or other reasons, could expose New El Oro or its subsidiaries to losses, whether or not the transaction itself was profitable. Derivatives may also expose investors to liquidity risk, as there may not be a liquid market within which to close or dispose of outstanding derivative contracts.

16.12 *No Formal Diversification Policies*

The New El Oro Directors do not intend to restrict the percentage of New El Oro assets that may be invested in any particular instrument, market or asset class. New El Oro will not be required to adopt fixed guidelines for diversification of its investments among issuers, industries, instruments or markets and may be heavily concentrated, at any time, in a limited number of positions. In attempting to maximise returns, the New El Oro Directors may concentrate the holdings of New El Oro in those industries, companies, instruments or markets which, in the judgment of the New El Oro Directors, provide the best profit opportunity in view of the Board's expertise.

16.13 *Non-UK Securities and Currencies*

New El Oro might invest all or a portion of its assets in securities of non-UK issuers. New El Oro will not have restrictions on the amount of its assets that may be invested in such securities and may purchase securities of issuers in any country, developed or undeveloped. In addition, in order to hedge currency exchange rate risks which may arise from the purchase of such securities, New El Oro might invest in foreign currencies and foreign currency-related products. These types of investments entail risks in addition to those involved in investments in securities of domestic issuers. Investing in foreign securities may represent a greater degree of risk than investing in domestic securities due to exchange rate fluctuations, possible exchange controls, less publicly-available information, different accounting and auditing standards, more volatile markets, less securities regulation, less favourable tax provisions (including possible withholding taxes), political and social upheaval, war or expropriation. Foreign securities also may be less liquid and more volatile than UK securities and may involve higher transaction and custodial costs. In addition, hedging foreign currency exchange rate risk entails additional risk since there may be an imperfect correlation between New El Oro's portfolio holdings of securities denominated in a particular currency and New El Oro's portfolio holdings of currencies and foreign currency related products purchased by New El Oro to hedge any exchange rate risk. Such imperfect correlation may prevent New El Oro from achieving the intended hedge or expose New El Oro to additional risk of foreign exchange rate loss.

16.14 *Portfolio Turnover*

New El Oro will not place any limits on the rate of portfolio turnover and portfolio securities may be sold without regard to the time they have been held when, in the opinion of the New El Oro Directors, investment considerations warrant such action. In light of certain of New El Oro's investment objectives and trading strategies, it is likely that portfolio turnover rate will be substantial. A high rate of portfolio turnover involves correspondingly greater expenses than a lower rate.

16.15 *Regulatory Change*

The Guernsey closed ended fund industry is subject to significant regulation. Regulations now affecting the industry may be changed at any time, and the interpretation of these regulations by examining authorities is also subject to change. There can be no assurance that these or any future changes in the laws or regulations or in their interpretation will not adversely affect the business of companies in such industries or the ability of New El Oro successfully to implement its strategy.

16.16 *Tax Considerations*

Where New El Oro invests in securities that are not subject to withholding tax at the time of acquisition, there can be no assurance that tax may not be withheld in the future as a result of any change in applicable laws, treaties, rules or regulations or the interpretation thereof. New El Oro might not be able to recover such withheld tax and so any such change would have an adverse effect on the Net Asset Value of the Shares. Where New El Oro holds a short position by virtue of CFDs dealt in, any price obtained on reversing this short position will reflect the withholding tax liability of the purchaser. In the event that in the future such securities cease to be subject to withholding tax, the benefit thereof will accrue to the purchaser and not to New El Oro.

16.17 *Volatility*

Movements in the Net Asset Value per Share may be volatile from month to month. The positions taken by New El Oro may well be based upon its expectations of price movements over a period of several months following the trade. In the meantime, the market value of the positions may not increase, and, indeed, may decrease, and this will be reflected in the announced Net Asset Value.

The foregoing factors are not exhaustive and do not purport to be a complete explanation of all the risks and considerations involved in investing in New El Oro. In particular, New El Oro's performance may be affected by changes in market or economic conditions, and legal, regulatory and tax requirements.

New El Oro will be responsible for paying fees and expenses regardless of the level of profitability.

Investment in New El Oro may only be suitable as a limited part of an overall portfolio. The general objective of New El Oro is to secure capital growth in the long term and investors should accordingly regard investment in New El Oro as long term in nature. There can be no assurance that the investment policy of New El Oro will be successful or that the investment objectives of New El Oro will be attained.

The value of Shares (and any income from them) may fall as well as rise and investors may not get back, on a redemption or otherwise, the amount originally invested. Accordingly, an investment in New El Oro should only be made by persons who are able to bear the risk of the loss of the capital invested.

Whilst it may be possible for New El Oro to hedge some of the risks outlined above, it will not be obliged to do so and, if such hedging is carried out, there can be no assurance that it will be successful and it may negate certain profits which New El Oro might otherwise have earned or even incur a loss. New El Oro will bear the cost of all such hedging. Furthermore, it may not always be possible to hedge certain risks in many of the less developed markets in which the investment vehicles may invest as exchange-traded futures and options are not available in certain markets.

17. **Other Information**

- 17.1 Auden Capital has given and has not withdrawn its written consent to the issue of this document with the inclusion of the Explanatory Statement in Part 2 of this document and the references to its name in the form and context in which they appear. Auden Capital is authorised and regulated by the Financial Services Authority.
- 17.2 Settlement of the Consideration will be implemented in full in accordance with the terms of the Scheme without any regard to any lien or right of set-off, counter claim or other analogous right of which New El Oro may otherwise be, or claim to be, entitled against such Scheme Stockholder.
- 17.3 Save as disclosed (i) in this document (in particular in paragraph 11 of Part 1, entitled "Outlook"); or (ii) publicly announced in accordance with the AIM Rules for Companies by El Oro, there has been no material change in the financial or trading position of El Oro since 30 June 2008, the date to which the latest published audited accounts of El Oro were prepared.

- 17.4 There are no legal or arbitration proceedings, including threatened proceedings involving New El Oro of which the New El Oro Directors are aware.
- 17.5 The statutory records of New El Oro will be kept at its registered office at 22 Smith Street, St Peter Port, Guernsey GY1 2JQ.
- 17.6 The expenses associated with Admission (excluding adviser fees) are estimated not to exceed £15,000, including the listing fee of the CISX (£3,800) and the listing fee of the CISX sponsor (approximately £5,000).
- 17.7 Since its incorporation,
- (i) there have been no alterations of New El Oro's share capital; and
 - (ii) no options have been granted over New El Oro Shares, and no such alterations or granting of options are envisaged prior to Admission.

18. Documents available for Inspection

Copies of the following documents will be available for inspection during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the offices of Berwin Leighton Paisner LLP at Adelaide House, London Bridge, London EC4R 9HA and at the offices of Capita Financial Administrators (Guernsey) Limited at 22 Smith Street, St Peter Port, Guernsey GY1 2JQ from the date of this document until the close of business on the day of the Court Meeting and the General Meeting:

- 18.1 the memorandum and articles of incorporation of New El Oro;
- 18.2 the memorandum and articles of association of El Oro;
- 18.3 the audited consolidated accounts of El Oro for the 18 months ended 30 June 2006 and for the two years ended 30 June 2007 and 30 June 2008;
- 18.4 the material contracts summarised in paragraph 7 of this Part 4;
- 18.5 the letter of consent referred to in paragraph 17.1 of this Part 4; and
- 18.6 this document and the Forms of Proxy.

2 February 2009

PART 5

Definitions

The following definitions apply throughout this document (with the exception of Part 3) unless the context otherwise requires:

“Administration Agreement”	the agreement dated 14 January 2009 between New El Oro and the Administrator as described in paragraph 7.1.1 of Part 4 of this document
“Administrator”	Capita Financial Administrators (Guernsey) Limited or such other administrator as may be appointed by New El Oro from time to time
“Admission”	the admission of the New El Oro Shares to the Official List of the CISX and to trading on the CISX’s market for listed securities in accordance with the CISX Rules
“AIM”	the AIM market operated by the London Stock Exchange
“AIM Rules for Companies”	the rules for companies applying for admission to and whose securities are traded on AIM and published by the London Stock Exchange as amended from time to time
“Approved Operator”	the official operator of a transfer, settlement and clearing system for shares approved by the New El Oro Directors
“Articles”	the articles of association of El Oro from time to time
“Auden Capital”	Auden Capital LLP
“Auditors”	PricewaterhouseCoopers LLP
“Australia”	the Commonwealth of Australia, its states, territories and possessions and all areas subject to its jurisdiction or any subdivision thereof
“Board” or “Directors” or “El Oro Board”	the board of directors of El Oro
“Business Day”	any day (other than a Saturday, Sunday or public holiday) on which clearing banks in the City of London are generally open for the transaction of normal Sterling banking business
“Canada”	Canada, its provinces and territories and all areas under its jurisdiction and political sub-divisions thereof
“certificated” or “in certificated form”	where a share or other security is not in uncertificated form (that is, not in CREST)
“City Code”	the City Code on Takeovers and Mergers
“CISX”	Channel Islands Stock Exchange LBG
“CISX Rules”	the listing rules published by the CISX and applicable to securities listed on the CISX
“CISX Sponsor”	Capita Financial Administrators (Jersey) Limited

“Closing Price”	the closing middle market quotation of a relevant share as derived from the AIM Appendix to the London Stock Exchange’s publication the “Daily Official List”
“Companies Act”	the Companies Act 2006 (as amended)
“Companies Act 1985”	the Companies Act 1985 (as amended)
“Consideration”	the New El Oro Shares to be issued to Scheme Stockholders at the Scheme Record Time pursuant to the Scheme
“connected persons”	has the meaning given to it in section 252 of the Companies Act 1985
“Court”	the High Court of Justice in England and Wales
“Court Hearing”	the hearing by the Court of the application to sanction the Scheme and to confirm the Reduction of Capital
“Court Meeting”	the meeting of the Stockholders to be convened pursuant to an order of the Court pursuant to section 899 of the Companies Act at 41 Cheval Place, London SW7 1EW on 26 February 2009 for the purposes of considering and, if thought fit, approving the Scheme (with or without amendment), notice of which is set out at the end of this document, and any adjournment thereof
“Court Order”	the order of the Court sanctioning the Scheme under section 899 of the Companies Act and confirming the Reduction of Capital
“CREST”	the system for the properties settlement of trades in securities and the holding of uncertificated securities operated by Euroclear in accordance with the Regulations
“CREST Guernsey Requirements”	Rule 8 and such other rules and requirements of Euroclear as may be applicable to Guernsey issuers as from time to time specified in the CREST Manual
“CREST Manual”	the CREST Manual issued by CREST dated May 1996
“CREST participant”	a person who is, in relation to CREST, a system participant (as defined in the Regulations)
“CREST payment”	has the meaning given in the CREST Manual issued by Euroclear
“CREST Proxy Voting Service”	has the meaning given in the CREST Manual issued by Euroclear
“CREST Registrar”	Capita Registrars (Guernsey) Limited
“Designated Manager”	the Administrator
“Directors”, “El Oro Directors” or “El Oro Board”	the board of directors of El Oro
“Effective Date”	the date on which this Scheme becomes effective in accordance with its terms under Clause 5 of the Scheme
“El Oro”	El Oro & Exploration Company p.l.c., a company incorporated in England and Wales with registered number 80408 with its registered office at 41 Cheval Place, London SW7 1EW
“El Oro Group”	El Oro, its subsidiaries, any holding company of El Oro (intermediate or otherwise) and their subsidiary undertakings from

	time to time, or any of them, as the context requires
“Euroclear”	Euroclear UK & Ireland Limited
“EU 7th Directive”	the Seventh Council Directive 83/349/EEC of 13 June 1983 based on Article 54 (3) (g) of the Treaty on consolidated accounts
“Explanatory Statement”	the explanatory statement relating to the Scheme, as set out in Part 2 of this document, which together with the documents incorporated therein constitute the explanatory statement relating to the Scheme as required by section 897 of the Companies Act
“Financial Services Authority” or “FSA”	the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000
“Forms of Proxy”	the pink form of proxy in connection with the General Meeting and the blue form of proxy in connection with the Court Meeting, or either of them as the context requires
“FSMA”	the Financial Services and Markets Act 2000 (as amended)
“General Meeting”	the general meeting of the Stockholders (and any adjournment thereof), convened in connection with the Proposals notice of which is set out at the end of this document
“GFSC”	the Guernsey Financial Services Commission acting in its capacity as the regulatory body for the financial services sector in Guernsey
“Guernsey Companies Law”	The Companies (Guernsey) Law, 2008 (as amended) and subordinate legislation made thereunder and every modification or re-enactment thereof for the time being in force
“Hearing Date”	17 March 2009
“Hearing Record Time”	6.00 p.m. on the Business Day immediately preceding the Hearing Date
“HMRC”	HM Revenue & Customs
“holder(s)”	a registered holder, including any person(s) entitled by transmission
“IAS”	the income access share which may be issued by the IAS Issuer as described in more detail in paragraph 5 of Part 4 of this document
“IAS Issuer”	El Oro or a UK tax-resident subsidiary of El Oro which will issue the IAS to the IAS Trustee if the IAS plan is implemented
“IAS plan”	the income access share plan as described in paragraph 5 of Part 4 of this document
“IAS Trust”	the non-UK resident trust which will hold the IAS in accordance with the IAS plan if the IAS plan is implemented
“IAS Trustee”	the trustee of the IAS Trust
“IAS Withdrawal Notice”	a notice at any time electing not to participate in the IAS plan and instead to receive dividends from New El Oro
“IFRS”	International Financial Reporting Standards

“ISA”	an Individual Savings Account, being a financial product available to UK residents for the purpose of investment and savings with a favourable tax status
“Japan”	Japan, its cities, prefectures, territories and possessions and all areas subject to its jurisdiction or any sub-division thereof
“London Stock Exchange”	London Stock Exchange plc
“Meetings”	the Court Meeting and/or the General Meeting as the context requires
“Minute”	the minute (approved by the Court) showing with respect to El Oro’s share capital, as altered by the Court Order, the information required by section 138 of the Companies Act 1985
“New El Oro”	El Oro Ltd., a limited liability company incorporated in Guernsey with registered number 49778 with registered office at 22 Smith Street, St Peter Port, Guernsey GY1 2JQ
“New El Oro Articles”	the articles of incorporation of New El Oro from time to time
“New El Oro Board” or “New El Oro Directors”	the board of directors of New El Oro
“New El Oro Election”	a notice at any time electing not to receive dividends from New El Oro (and in consequence to participate in the IAS plan and to receive dividends paid on the IAS by IAS Issuer)
“New El Oro Group”	New El Oro and its subsidiary undertakings following the Scheme becoming effective;
“New El Oro Registrars”	Capita Registrars (Guernsey) Limited
“New El Oro Shareholders”	a holder for the time being of New El Oro Shares
“New El Oro Shares”	the ordinary shares of no par value in the capital of New El Oro to be issued credited as fully paid to the Scheme Stockholders pursuant to the Scheme
“Official List”	the list of securities or units admitted to listing on the CISX which is published by the CISX on a daily basis
“Overseas Stockholders”	Scheme Stockholders who are resident in, or nationals or citizens of, jurisdictions outside the United Kingdom
“Panel”	the Panel on Takeovers and Mergers
“Parish Family”	Robin Parish, The Hon. Mrs Elizabeth Parish, Emma Houston, Subbarayan Kumaramangalam and Caroline Zegos
“pounds” or “Sterling”, “£”, “pence”	the lawful currency of the United Kingdom
“Proposals”	the Scheme and the other matters to be considered at the Meetings
“Reduction of Capital”	the proposed reduction of the share capital of El Oro under section 135 of the Companies Act 1985 by the cancellation and extinguishing of the Scheme Stock Units, to be effected as part of the Scheme
“Register”	the register of Shareholders of New El Oro to be kept pursuant to the Guernsey Companies Law

“Registrar of Companies”	the Registrar of Companies of England and Wales
“Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001/3755)
“Regulation S”	Regulation S under the US Securities Act
“Regulatory Information Service”	has the meaning given in the AIM Rules for Companies
“Restricted Overseas Person”	a person (including an individual, partnership, unincorporated syndicate, limited liability company, unincorporated organisation, trust, trustee, executor, administrator or other legal representative) in, or resident in, or any person whom New El Oro reasonably believes to be in, or resident in the United States, Australia, Canada or Japan, or a US Person and persons in any other jurisdiction (other than persons in the UK) whom New El Oro is advised to treat as restricted overseas persons in order to observe the laws of such jurisdiction or to avoid the requirement to comply with any governmental or other consent or any registration, filing or other formality which New El Oro regards as unduly onerous
“Scheme” or “Scheme of Arrangement”	the proposed scheme of arrangement under section 899 of the Companies Act between El Oro and the Scheme Stockholders set out in Part 3 of this document, with or subject to any modification thereof or in addition thereto or condition approved or imposed by the Court and agreed by El Oro
“Scheme Record Time”	6.00 p.m. on the Business Day immediately preceding the Hearing Date
“Scheme Stockholder”	a holder of Scheme Stock Units
“Scheme Stock Units”	the Stock Units: <ul style="list-style-type: none"> (i) in issue at the date of this document; (ii) (if any) issued after the date of this Scheme but before the Voting Record Time; and (iii) (if any) issued at or after the Voting Record Time and before the Hearing Record Time on terms that the original or any subsequent holders shall be, or shall have agreed in writing by such time to be, bound by this Scheme, but excluding any Stock Units held by New El Oro
“SDRT”	UK stamp duty reserve tax
“SEC”	the US Securities and Exchange Commission
“Special Resolution”	the special resolution to be proposed by El Oro at the General Meeting in connection with, amongst other things, amendments to be made to the Articles, the approval of the Scheme and the confirmation of the Reduction of Capital
“Stockholders”	holders of Stock Units
“Stock Units”	the ordinary stock units of 5p each in the capital of El Oro
“subsidiary”, “subsidiary undertaking”, “associated undertaking” and “undertaking”	have the meanings ascribed to them under the Companies Act

“Third Party”	any government, government department, or governmental, quasigovernmental, supranational, statutory, regulatory or investigative body, authority, court, trade agency, association, institution or professional or environmental body or any other person or body whatsoever in any relevant jurisdiction (excluding for these purposes any anti-trust or merger control authority)
“UK” or “United Kingdom”	United Kingdom of Great Britain and Northern Ireland
“UK GAAP”	UK generally accepted accounting practice
“uncertificated” or “in uncertificated form”	in respect of a share or other security, where that share or security is recorded on the relevant register of the share or security concerned as being in uncertificated form, in CREST and title to which may be transferred by means of CREST
“United States” or “US”	the United States of America (including the states of the United States and the District of Columbia), its possessions and territories and all other areas subject to its jurisdiction
“US Exchange Act”	the United States Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder
“US Holder(s)”	holder(s) of the applicable security, who is in the United States including a US Person
“US Person”	a US Person as defined in Rule 902(K) under Regulation S promulgated under the US Securities Act including, but not limited to any natural person in the United States
“US Securities Act”	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
“Voting Record Time”	in relation to both the Court Meeting and the General Meeting, 6.00 p.m. on the day prior to the day immediately before the Court Meeting or, if either the Court Meeting or the General Meeting is adjourned, 48 hours before the time set for any such adjourned meeting

Unless otherwise stated, all times referred to in this announcement are references to the time in London.

Words importing the singular shall include the plural and vice versa, and words importing the masculine gender shall include the feminine or neutral gender.

PART 6

Notice of Court Meeting

No 10383 of 2009

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT

Registrar Simmonds

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

and

IN THE MATTER OF THE COMPANIES ACT 2006

NOTICE IS HEREBY GIVEN that, by an Order dated 29 January 2009 made in the above matters, the Court has directed a meeting (the “**Court Meeting**”) to be convened of the holders of stock units of 5 pence each in the capital of El Oro & Exploration Company p.l.c. (“**El Oro**”), other than El Oro Ltd., for the purpose of considering and, if thought fit, approving (with or without modification) a scheme of arrangement pursuant to section 899 of the Companies Act 2006 (the “**Scheme**”) proposed to be made between El Oro and its Scheme Stockholders (as defined in the Scheme) and that such Court Meeting will be held at 41 Cheval Place, London SW7 1EW on 26 February 2009 at 10.00 a.m. at which place and time all such holders (the “**Stockholders**”) are requested to attend.

A copy of the said Scheme and a copy of the explanatory statement required to be furnished pursuant to section 897 of the Companies Act 2006 are incorporated in the document of which this Notice forms part.

Stockholders entitled to attend and vote at the Court Meeting may vote in person at the Court Meeting or they may appoint another person, whether a member of El Oro or not, as their proxy to attend and vote in their stead. A blue form of proxy for use at the Court Meeting is enclosed with this Notice. Completion and return of a blue form of proxy will not preclude a Stockholder from attending and voting at the Court Meeting, or any adjournment thereof, in person if he wishes to do so.

Whether or not a Stockholder proposes to attend the Court Meeting in person, it is requested that blue forms of proxy appointing proxies be lodged with El Oro’s registrars, Equiniti Limited, Aspect House, Spencer Rd, Lancing, West Sussex BN99 6ZL, not less than 48 hours before the time appointed for the Court Meeting but if forms are not so lodged, they may be handed to El Oro’s registrars, Equiniti Limited, on behalf of the chairman of the Court Meeting at the Court Meeting and still be valid.

In the case of joint holders of Stock Units, any one such joint holder may tender a vote, whether in person or by proxy, at the Court Meeting, but if more than one such joint holder shall tender a vote, the vote of the person named first in the register of members of El Oro shall be accepted to the exclusion of the other joint holder(s).

By the said Order, the Court has specified that entitlement to attend and vote at the said Court Meeting and the number of votes which may be cast thereat will be determined by reference to the register of members of El Oro as at 6.00 p.m. on 24 February 2009 or, in the event that the said Court Meeting is adjourned, the register of members of El Oro 48 hours prior to the reconvened meeting. In each case, changes to the registered members of El Oro after such time shall be disregarded.

By the said Order, the Court has appointed Clement Robin Woodbine Parish or, failing him, David Richard Lindsay Hunting or, failing him, James Anthony Wild, to act as chairman of the Court Meeting and has directed the chairman to report the results thereof to the Court.

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

Dated: 2 February 2009

Berwin Leighton Paisner LLP
Adelaide House
London Bridge
London
EC4R 9HA
Solicitors for El Oro

PART 7

Notice of General Meeting

EL ORO & EXPLORATION COMPANY P.L.C.

(Registered in England and Wales with number 80408)

NOTICE IS HEREBY GIVEN that a general meeting of El Oro & Exploration Company p.l.c. (“**El Oro**”) will be held at 41 Cheval Place, London SW7 1EW on 26 February 2009 at 10.15 a.m. (or, if later, as soon thereafter as the Court Meeting (as defined in the document of which this Notice forms part) shall have been concluded or adjourned) for the purpose of considering and, if thought fit, passing the following resolution which will be proposed as a special resolution:

SPECIAL RESOLUTION

THAT:

- (a) the scheme of arrangement dated 2 February 2009 between El Oro and the Scheme Stockholders (as defined in the document of which this Notice forms part) in its original form or with or subject to any modification, addition or condition agreed between El Oro and El Oro Ltd. (“**New El Oro**”) and approved or imposed by the Court (the “**Scheme**”) (a print of which has been produced to the Meeting and, for the purpose of identification only, signed by the Chairman thereof) be approved and the Directors be authorised to take all such action as they may consider necessary or appropriate for carrying the Scheme into effect;
- (b) the share capital of El Oro be reduced by cancelling and extinguishing all of the Scheme Stock Units (as defined in the Scheme);
- (c) subject to, and forthwith upon, the reduction of share capital referred to in paragraph (b) above taking effect and notwithstanding anything to the contrary in El Oro’s articles of association:
 - (i) the share capital of El Oro be increased to its former amount by the creation of such number of new ordinary shares of 5 pence each as have an aggregate nominal value equal to the aggregate nominal value of the Scheme Stock Units cancelled pursuant to paragraph (b) above;
 - (ii) the reserve arising in the books of account of El Oro as a result of the reduction of share capital referred to in paragraph (b) above shall be capitalised and applied in paying up in full at par all of the new ordinary shares in El Oro created pursuant to sub-paragraph (i) above, which shall be allotted and issued credited as fully paid to New El Oro and/or its nominee(s) in accordance with the Scheme; and
 - (iii) each of the unissued Stock Units and the Stock Unit registered in the name of New El Oro be converted into an ordinary share of 5 pence;
- (d) the board of directors be and is hereby generally and unconditionally authorised pursuant to section 80 of the Companies Act 1985, in substitution for all prior authorities conferred upon the board of directors, but without prejudice to any allotments made pursuant to the terms of such authorities, to exercise all the powers of El Oro to allot relevant securities (within the meaning of section 80(2) of the Companies Act 1985) in connection with the Scheme provided always that:
 - (i) the maximum aggregate nominal amount of relevant securities that may be allotted under this authority shall be the aggregate nominal amount of the said new ordinary shares created pursuant to subparagraph (c)(i) of this resolution; and
 - (ii) this authority shall expire (unless previously revoked, varied or renewed) on the fifth anniversary of the passing of this resolution;

- (e) with effect from the passing of this resolution, the articles of association of the Company be and are hereby amended by the adoption and inclusion of the following new article 157:

“Shares not subject to Scheme of Arrangement

157.1 In this Article, references to the “**Scheme**” are to the Scheme of Arrangement between the Company and the holders of Scheme Stock Units (as defined in the Scheme) dated 2 February 2009 (with or subject to any modification, addition or condition approved or imposed by the Court) under Part 26 of the Companies Act 2006 and terms defined in the Scheme shall have the same meanings in this Article.

157.2 Notwithstanding any other provision of these Articles, if the Company issues any ordinary shares or stock units other than to New El Oro or its nominee(s) after the date of adoption of this Article and prior to the Scheme Record Time, such shares or stock units shall be issued subject to the terms of the Scheme and shall be Scheme Stock Units for the purposes thereof and the holder or holders of such ordinary shares or stock units shall be bound by the Scheme accordingly.

157.3 Notwithstanding any other provision of these Articles, if any ordinary shares or stock units are issued to any person (a “**New Member**”) other than New El Oro or its nominee(s) on or after the Scheme Record Time (the “**Post-Scheme Shares**”), they will, conditional on the Scheme having become effective, be immediately transferred to New El Oro (the “**Purchaser**”) (or as it may direct) in consideration of and conditional on the issue to the New Member of such New El Oro Shares as such person would have received had such Post-Scheme Shares been Scheme Stock Units and such person had been bound by the Scheme.

157.4 To give effect to any transfer required by Article 157.3 the Company may appoint any person as attorney for the New Member to transfer the Post-Scheme Shares to the Purchaser and/or its nominee(s) and do all such other things and execute and deliver all such documents as may in the opinion of the attorney be necessary or desirable to vest the Post-Scheme Shares in the Purchaser or its nominee(s) and pending such vesting to exercise all such rights attaching to the Post-Scheme Shares as the Purchaser may direct. If an attorney is so appointed, the New Member shall not thereafter (except to the extent that the attorney fails to act in accordance with the directions of the Purchaser) be entitled to exercise any rights attaching to the Post-Scheme Shares unless so agreed by the Purchaser. The attorney shall be empowered to execute and deliver as transferor a form of transfer or instructions of transfer on behalf of the New Member (or any subsequent holder) in favour of the Purchaser and the Company may give good receipt for the purchase price of the Post-Scheme Shares and may register the Purchaser (or its nominee(s)) as holder thereof and issue to it certificates for the same. The Company shall not be obliged to issue a certificate to the New Member for the Post-Scheme Shares. The Purchaser shall send a cheque drawn on a UK clearing bank in favour of the New Member (or any subsequent holder) for the purchase price of such Post-Scheme Shares within 14 days of the time on which the Post-Scheme Shares are issued to the New Member.

157.5 If the Scheme is not sanctioned by the Court by 31 May 2009 or such later date as the Company and New El Oro may agree and the Court may allow, this Article 157 shall be deemed to be removed from these Articles and shall be of no further effect.”

- (f) subject to and forthwith upon the reduction of share capital referred to in paragraph (b) of this resolution taking effect:
- (i) Article 3 of the Company’s articles of association shall be deleted and replaced by the following new Article 3:
- “3. The share capital of the Company at the date of the adoption of this Article is £944,890.26 divided into 18,897,805 ordinary shares of 5 pence each”.
- (ii) Article 47 of the Company’s articles of association shall be deleted.

- (g) the making by El Oro, pursuant to Rule 41 of the AIM Rules for Companies, of an application to the London Stock Exchange plc (the “**Exchange**”) for the cancellation of admission to trading on AIM, a market operated by the Exchange, of all of the stock units of 5 pence each in the capital of El Oro and the effecting of such cancellation be approved; and
- (h) with effect from the passing of this resolution, El Oro be re-registered as a private limited company and that in consequence:
 - (i) the name of El Oro changed to El Oro & Exploration Company Limited; and
 - (ii) the memorandum of association of El Oro be altered by the deletion of Clause 1 and the substitution for it of the following: “the name of the Company is “El Oro & Exploration Company Limited”.”

Registered office:
41 Cheval Place
London
SW7 1EW

BY ORDER OF THE BOARD
Steven McKeane
Company Secretary

2 February 2009

Notes

1. Every member entitled to attend and vote at the General Meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A pink form of proxy is enclosed for this purpose. A proxy need not be a member of El Oro. Instructions for use are shown on the form.
2. The completed form of proxy, together with any power of attorney or other authority (if any) under which it is signed, or notarially certified copies of such power of attorney or authority, must be received by El Oro’s registrars, Equiniti Limited, Aspect House, Spencer Rd, Lancing, West Sussex BN99 6ZL, by 10.15 a.m. on 24 February 2009. Completion and return of a proxy form will not prevent a member from attending and voting at the General Meeting, or any adjournment thereof, in person if he wishes to do so.
3. Copies of El Oro’s existing articles of association and copies of the articles of association as proposed to be amended by paragraphs (e) and (f) of the special resolution set out in the notice of meeting are available for inspection at Berwin Leighton Paisner LLP, Adelaide House, London Bridge, London EC4R 9HA and at El Oro’s registered office, 41 Cheval Place, London SW7 1EW until opening of business on the day on which the meeting is held and will also be available for inspection at the place of the General Meeting for at least 15 minutes prior to the General Meeting.
4. El Oro, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that entitlement to attend and vote at the General Meeting, and the number of votes which may be cast thereat, will be determined by reference to the register of members of El Oro at 6.00 p.m. on the day prior to the day immediately before the General Meeting and, in the case of an adjourned meeting, 48 hours before the time of such adjourned meeting. Changes to the register of members after 6.00 p.m. on 24 February 2009 or, if the General Meeting is adjourned, 48 hours before the time appointed for the adjourned meeting, will be disregarded in determining the rights of any person to attend or vote at the General Meeting.

