EL ORO AND EXPLORATION COMPANY p.l.c.

Company No: 80408

Founded 1 November 1886

Non-statutory accounts

for the twelve months ended 31 December 2005

CONTENTS

DIRECTORS:
C. R. W. Parish, M. A. (Oxon)
(Chairman and Managing Director)
The Hon. Mrs. E. C. Parish
E. W. Houston
D. R. L. Hunting
R. E. Wade
J. A. Wild

REGISTERED OFFICE:
41 Cheval Place
London
SW7 1EW

SECRETARY:
C. E. J. Burman, FCA

REGISTRARS AND TRANSFER OFFICE:
Lloyds TSB Registrars
The Causeway
Worthing
West Sussex
BN99 6DA

REGISTERED AUDITORS:
PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Southwark Towers
32 London Bridge Street
London
SE1 9SY

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

LAWYERS:
McDermott Will & Emery UK LLP
7 Bishopsgate
London
EC2N 3AR

WEBSITE:
www.eloro.co.uk

DIRECTORS' STATEMENT

Financial Statements

The Directors submit their statement and non-statutory financial statements of the Group for the year ended 31 December 2005.

Directors' Responsibilities

The AIM Rules for Companies require the Directors to prepare non-statutory financial statements where more than nine months have elapsed since the latest published annual report.

In preparing these non-statutory financial statements the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State that the financial statements comply with International Financial Reporting Standards (IFRS);
- Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the group will continue in business; and
- Maintain the integrity of the web site.

The Directors confirm that they have complied with the above requirements in preparing these non-statutory financial statements.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Principal activities

The principal activity of the Group is dealing in investments. The main aim of the Group since 1938 has been to increase the asset value of the stockholders' units whilst continually increasing their dividends and at the same time not asking them to put up any new money.

The Group has changed the Group's accounting reference date from 31 December to 30 June.

There were no other significant changes in the Group's activities during the year.

It is the Directors intention to continue to manage the Group's affairs in accordance with its stated business objectives.

The Company is domiciled in the United Kingdom and is registered and incorporated in England and Wales.

DIRECTORS' STATEMENT *continued*

Results	**2005** **£**	2004 restated £
Group profit before taxation	**8,934,524**	3,005,700
Deduct: Taxation	**2,752,454**	1,080,051
Profit for the year	**£6,182,070**	£1,925,649

Dividend
An interim dividend is proposed for the period ended 31 December 2005 of 12.0p (2004: 11.5p) per stock unit, which, will be paid on 26 October 2006 to members registered in the books of the Company at the close of business on 20 September 2006.

Review of the Business
A review of the Group's activities is given in the Chairman's Statement in the unaudited interim report for the twelve month period ended 31 December 2005, which can be seen on the Group's website, www.eloro.co.uk.

Charitable Donation
The Group made a donation of £1,000 (2004: £nil) to the Zimbabwe Benefit Foundation.

Cancellation of 5p stock units in the Company.

	2005 Number	**2005 Nominal Value £**	**2005 Amount paid £**	**2005 % of issue**	2004 Number	2004 Nominal value £	2004 Amount paid £	2004 % of issue
Purchase and cancellation for trading reasons:								
29 June 2004	–	–	–	–	9,679	484	40,405	0.08%
22 October 2004	–	–	–	–	92,350	4,617	358,441	0.77%
10 September 2005	**10,000**	**500**	**49,600**	**0.09%**	–	–	–	–
22 October 2005	**3,000**	**150**	**15,279**	**0.03%**	–	–	–	–
	13,000	**650**	**64,879**	**0.12%**	102,029	5,101	398,846	0.85%
Cancelled resulting from disposal of Danby Registars Limted:								
14 January 2005	**992,197**	**49,610**	**–**	**8.38%**	–	–	–	–
	1,005,197	**£50,260**	**£64,879**	**8.50%**	102,029	£5,101	£398,846	0.85%

Danby Registrars Limited
On 14 January 2005, Danby Registrars Limited, a fully owned subsidiary of the Company and the owner of Walcot Estate, was disposed of on a debt free, cash free basis at a true and fair value to Perceval Limited, a company wholly owned by C.R.W. Parish, the Chairman of the Company. The Disposal was implemented via a scheme of arrangement under Section 425 of the Companies Act 1985 (as amended) whereby 837,662 stock units held by C.R.W. Parish in the Company were redesignated and cancelled by way of a reduction of capital in the Company in consideration for Danby Registrars Limited being transferred to Perceval Limited. The designated unit value of the stock units cancelled was 385p, being the market price of the stock units on 15 October 2004.

This transaction was a related party transaction due to the fact that C.R.W. Parish is a substantial shareholder and Director of the Company and is the owner of Perceval Limited. It is also a related party transaction in respect of The Hon. Mrs. E. C. Parish, a likely protected tenant of Walcot (Danby Registrar Limited's principal asset) and a director of the Company.

The disposal of this company has resulted in the elimination of these losses for the Group going forward.

Further details of this transaction are given in note 24 to the financial statements.

DIRECTORS' STATEMENT *continued*

Directorate
A list of the current members of the Board of Directors is shown on page 2 and constitutes part of this Directors' Statement. C.R.W. Parish and The Hon. Mrs. E.C. Parish retire by rotation and, being eligible, offer themselves for re-election.

The interests of the Directors who held office during the year in the Company's stock units are shown in the Remuneration Report.

An indemnity insurance policy is in place for Directors and officers of the Group. The details of other risks are outlined in note 26.

Non-Executive Directors
All the non-executive directors, with the exception of E. W. Houston, are independent directors. The directorships of the non-executive directors in companies other than El Oro and Exploration Company p.l.c. are as follows:

	Executive director	Non-executive director
E. W. Houston	–	–
D. R. L. Hunting	Hunting Investments Limited	–
R. E. Wade (a citizen of the USA)	–	Franklin Mutual Series Funds Inc. (USA)
		Franklin Managed Trust
		Franklin Value Investors Trust
		ARC Wireless Solutions Inc
		Templeton Growth Fund, Inc.
		Templeton Funds, Inc.
		Templeton Global Smaller Companies Fund
		Templeton Income Trust
		Templeton Developing Markets Trust
		Templeton China World Fund
		Templeton Emerging Markets Fund
		Templeton Global Income Fund
		Templeton Global Investment Trust
		Templeton Globe Opportunities Trust
		Templeton Emerging Markets Income Fund
		Templeton Dragon Fund, Inc.
		Templeton Dragon Fund - Delaware Statutory Trust
		Templeton Russia and East European Fund, Inc.
J. A. Wild	Dean Property Group Limited	El Oro Mining and Exploration Company Limited
	J. Wild Investments Limited	James Halstead plc
	Wilds Limited	

Financial Instruments
The use of financial instruments, including financial risk management objectives and policies, exposure to price risk, credit risk, liquidity risk, and cash flow risk are disclosed in note 26 to the non-statutory financial statements.

Approval of the Financial Statements
The non-statutory financial statements on pages 12 to 34 were approved by the Board of Directors on 26th June 2006, and were signed on its behalf by C. R. W. Parish and J. A. Wild.

DIRECTORS' STATEMENT *continued*

Substantial Interests

So far as your Directors are aware, at no time during the year, or up to the issue of this Report, has any other company or person, who is not a Director of the Company, held an interest comprising 3% or more of the issued capital of the Company with the exception of the stockholders disclosed below.

Stockholders	%	Total Stock Units	Beneficial	Non-beneficial
Mr. S. B. & Mrs. S. W. Kumaramangalam	14.81	1,605,109	1,063,562	541,547
Mr. W. B. & Mrs. P. Fraser	17.68	1,915,634	7,515	1,908,119
JM Finn Nominees Limited	17.37	1,882,610	–	1,882,610
Mr. G. & Mrs. C.W. Zegos	10.99	1,190,770	709,223	481,547

As a result of Mr. & Mrs. Kumaramangalam, Mr. & Mrs. Fraser, JM Finn Nominees Limited and Mr. & Mrs. Zegos being trustees of several family trusts, their non-beneficial interests in the Stock units of El Oro and Exploration Company p.l.c. contain a degree of duplication.

The interests of the Directors of the Company, which include substantial interests other than shown above, are shown on page 11.

Statement of Compliance with the Combined Code of Corporate Governance 2003 (Combined Code)

Your Board complies, where practical, with the provisions of the Combined Code which forms part of the UK Listing Authority Listing Rules. All matters requiring a Board decision are dealt with quickly and effectively following consultations among the Directors and, when further guidance is required, the Group's professional advisers.

The Board normally meets every eight weeks and encourages the development of the non-executive Directors' understanding of the business, and the views of its major stockholders.

Your Board takes the view that, due to the nature of the Group's business and its size, this flexible and direct approach is more effective than the more formal procedures that may suit larger trading and financial organisations. It believes that this policy has made a positive contribution to your Group's success. It is for these reasons that your Board does not comply with certain parts of the provisions of the Combined Code. The areas of non-compliance are listed below.

Schedule of matters specifically reserved to the Board

Your Board does not consider it is necessary to prepare a formal schedule of matters reserved as your Board takes decisions on all material matters.

Directors taking independent professional advice

There is no agreed formal procedure for Directors in the furtherance of their duties to take independent professional advice, if necessary, at the Group's expense. It has, however, been your Board's practice to take independent advice, where necessary, from the Group's professional advisers on legal and financial matters and the Board intends to continue with this policy.

DIRECTORS' STATEMENT *continued*

Division of responsibilities at the head of the Group
The Chairman of your Group is also the Managing Director and is responsible for running both your Board and the Group's business. Having regard to the size of the Group, your Board sees no advantage in splitting these two roles.
Directors express their views at regular meetings and make a valuable contribution to the running of the Group.
From December 2001 there have been four non-executive Directors, three of whom are independent directors.

Transparent procedure for the appointment of new Directors to the Board
There is no formal and transparent procedure for the appointment of new Directors to your Board and the Group does not have a nomination committee. Having regard to the size of your Board, any appointments of new Directors would be considered at regular Board meetings.

Statement about applying the Principles of Good Governance
Your Board is committed to the principles of openness and accountability in dealing with the Group's affairs. It believes it has always acted in the best interests of the Group and its stockholders and that this is reflected in the past success of the Group.

The senior independent non-executive Director, J.A. Wild, is the primary point of contact for all staff of the Group to raise in confidence concerns they may have over possible improprieties, financial or otherwise. All employees have been notified of this arrangement.

The Group has applied the Principles of the Combined Code by complying with The Code of Best Practice as reported above. Given the detailed explanations above for the areas of non-compliance, your Board feels there is no fundamental reason for changing its policies in relation to the Combined Code and firmly believes its stockholders will support this view.

Audit Committee
The Audit Committee comprises three independent directors; D. R. L. Hunting, R. E. Wade and J. A. Wild (Chairman).

The external auditors report to the Directors and the Audit Committee on the actions they take to comply with the professional and regulatory requirements and best practice designed to ensure their independence from the Group.

The terms of reference for the Audit Committee is available to stockholders on written request to the Company Secretary.

Internal Control and Risk Management
Your Board has ultimate responsibility for the Group's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate those risks associated with the achievement of business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Combined Code includes a requirement that the Directors review, at least annually, the effectiveness of the Group's system of internal controls, including financial, operational and compliance controls and risk management. The Group last reviewed the effectiveness of the Group's system of internal controls was in December 2005.

In accordance with the Turnbull Guidance, your Board has established a defined process for identifying, evaluating and managing the significant risks faced by the Group. This has been in place since October 2000 and up to the date of approval of the Annual Report and Accounts. It consists of:

- the preparation of a formal risk and control matrix for each activity of the Group which identifies key risks, together with the controls in place to minimise these risks and the management responsible for operating the controls, and for reviewing the proper operation of the controls;
- the establishment of a procedure under which management are required to report to the Board on maintenance of these controls and provide feedback on the status of the controls on a regular basis; and
- the establishment of a regular bi-annual process of reporting any exceptions.

DIRECTORS' STATEMENT *continued*

This risk and control matrix is prepared and the bi-annual review undertaken by an independent consultant experienced in investment and accounting matters but due to the size of the Group, the Directors have determined that there is no requirement for an internal audit function.

Given the size of the Group, the Directors recognise that we are dependent upon key members of management.

Where required, during 2006, steps will be taken to deal with the minor areas of improvement brought to the notice of the Board.

Attendees at meetings
Board and Committee meetings held in the year ended 31 December 2005 were:

	Board	Audit	Remuneration
Number of meetings in year	7	1	1
Executive Directors			
C. R. W. Parish	7	1	–
The Hon. Mrs. E. C. Parish	–	–	–
Non executive Directors			
E. W. Houston	7	1	–
D. R. L. Hunting	7	1	1
R. E. Wade	7	1	1
J. A. Wild	7	1	1

The Board receives a steady flow of information to enable it to discharge its duties, including a monthly report detailing current and forecast trading results and treasury positions. It also receives a share register analysis on a regular basis. Board papers are generally distributed not less than five days in advance to allow the Directors to prepare fully for meetings, and minutes of the Audit and Remuneration Committee meetings are circulated to all Directors. In the very few instances when a Director has not been able to attend Board or other meetings, his/her comments on the papers to be considered at that meeting have been relayed in advance to the relevant Chairman.

Going Concern
Your Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the non-statutory financial statements as the assets of the Group consist mainly of listed investments which are readily realisable and whose fair values far exceed current or foreseeable liabilities.

Registered Auditors
A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the Group of Companies will be proposed at the Annual General Meeting. The auditors have indicated their willingness to continue in office.

Registered Office
41 Cheval Place,
London, SW7 1EW
26th June 2006

By Order of the Board
D. R. L. Hunting
Director

REMUNERATION REPORT

for the year ended 31 December 2005

Remuneration policy

not audited

The role of the Remuneration Committee is to decide the remuneration of the executive Directors.

The Group's policy on remuneration is to attract, retain and motivate the best staff, recognising that they are key to the ongoing success of the business.

Consistent with this policy, the Group's benefit package awarded to C.R.W. Parish, one of the executive Directors, is intended to be competitive and comprises a mix of performance-related and non-performance-related remuneration designed to motivate him, but not to detract from the goals of Corporate Governance.

The benefit packages of The Hon. Mrs. E. C. Parish, the other executive Director and the non-executive Directors are at levels which are not related to the performance of the Group.

The targeted composition of each executive Director's remuneration is as follows:

	Non-performance related	Performance-related
C.R.W. Parish	40%	60%
The Hon. Mrs. E. C. Parish	100%	0%

Directors' service contracts

not audited

The executive Directors do not have service contracts with the Group.

It is the Group's policy that the service contracts of the non-executive Directors should be no more than three years in duration, that they should have notice periods of not more than one year and that contractual termination payments should not exceed the Director's salary for the previous calendar year.

The details of the service contracts of the non-executive Directors who served during the year are:

	Contract date	Unexpired term	Notice period	Contract and termination payments
E. W. Houston	6.12.2004	1 year 11 months	1 year	nil
D. R. L. Hunting	6.12.2004	1 year 11 months	1 year	nil
R. E. Wade	6.12.2004	1 year 11 months	1 year	nil
J. A. Wild	6.12.2004	1 year 11 months	1 year	nil

Members of the Remuneration Committee

not audited

The members of the remuneration committee during the year were:

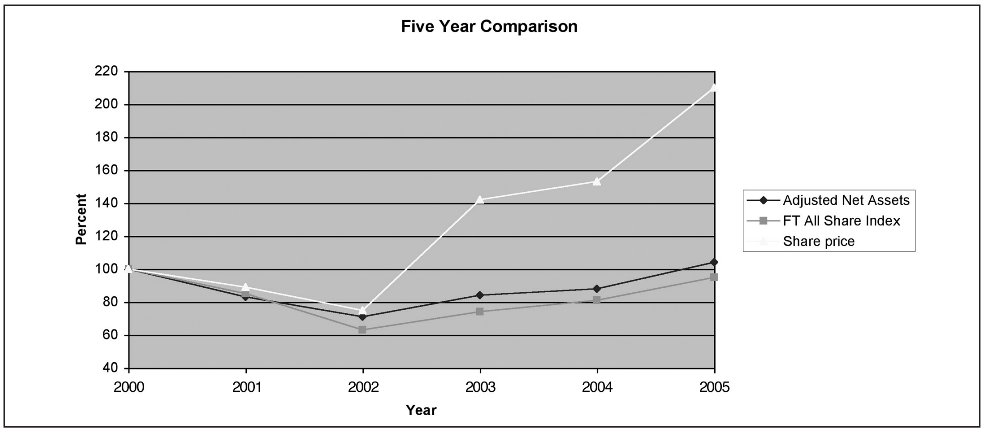
D. R. L. Hunting

R. E. Wade

J. A. Wild (Chairman)

REMUNERATION REPORT *continued*
for the year ended 31 December 2005

Performance graph
not audited



The Group's net asset value, which includes investments at fair value has increased over the last five year period by 4% compared with a fall in the FTSE-All Share Index over this period of 5%, while its share price has increased by 110% over this period.

The adjusted net asset figures that have been used for the years 2000 and 2001 are based on the merging of the El Oro and Exploration Company p.l.c. and El Oro Mining and Exploration Company p.l.c. groups and the elimination of the associated company elements contained within each of them.

In the opinion of the Directors, the FTSE-All Share Index is the most appropriate index against which the total stockholders return of the Group should be measured because it is an index of similar-sized companies to the Group.

Directors' detailed emoluments
audited

Directors' emoluments comprise:

	Fees £	**Salary and other remuneration** £	**Performance Bonus** £	**Benefit in Kind** £	**Pension Contributions** £	**2005** £	2004 £
Executive Directors							
C. R. W. Parish (Chairman)	1,750	178,250	360,000	963	29,733	570,696	283,620
The Hon. Mrs. E. C. Parish	1,350	–	–	–	–	1,350	1,350
Non-executive Directors							
E. W. Houston	10,000	–	–	–	–	10,000	10,000
D. R. L. Hunting	18,000	–	–	–	–	18,000	18,000
R. E. Wade	18,000	–	–	–	–	18,000	18,000
J. A. Wild	25,000	–	–	–	–	25,000	25,000
Total 2005	**£74,100**	**£178,250**	**£360,000**	**£963**	**£29,733**	**£643,046**	
Total 2004	£74,100	£168,550	£85,000	£–	£28,320		£355,970

The Chairman's emoluments for the year ended 31 December 2005 are detailed in the above table. The benefit in kind relates to payments made by the Group for medical insurance.

The performance bonus is conditional on a dividend of at least 1p per stock unit being paid to stockholders and is then payable at a maximum rate of 5% of the remaining profit after taxation. The Directors have determined that a bonus of £360,000 (2004: £85,000) is payable for the year ended 31 December 2005.

No Director waived emoluments in respect of the year ended 31 December 2005 (2004: £nil).

REMUNERATION REPORT *continued*
for the year ended 31 December 2004

Interests in shares
not audited

The interests of your Directors who held office during the year in the Company's stock units of 5p each were as follows:

	31 Dec 2005 Beneficial	**31 Dec 2005 Non-beneficial**	31 Dec 2004 Beneficial	31 Dec 2004 Non-beneficial
C. R. W. Parish	**866,679**	**1,542,948**	1,682,481	1,529,128
The Hon. Mrs. E. C. Parish	**365,171**	**–**	362,851	–
E. W. Houston	**1,112,237**	**519,853**	1,110,383	519,033
D. R. L. Hunting	**1,248**	**–**	248	–
R. E. Wade	**58,712**	**–**	55,712	–
J. A. Wild	**22,500**	**–**	20,000	–

As a result of C. R. W. Parish being both a beneficiary and a trustee of several family trusts, his interests in the non-beneficial stock units of the Group contain a degree of duplication with the substantial stockholders interests detailed in the Directors' Report.

No other changes to the interests of Directors have been made to the date of this report.

During the year, none of your Directors had any beneficial interest in any contract to which the Company or the subsidiary companies were a party.

Directors' pension entitlement
audited
The Group contributes to a Self Investing Personal Pension Plan for C. R. W. Parish with contributions payable up to normal retirement age of 65 years on 5 January 2015 or earlier retirement. The premium paid in the year ended 31 December 2005 amounted to £29,733 (2004: £28,320). There are no contributions outstanding or prepaid at 31 December 2005 (2004: £nil).

On behalf of the Remuneration Committee

J. A. Wild
Chairman of the Remuneration Committee
26th June 2006

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2005

	Notes	Total 2005 £	Total 2004 restated* £
Revenue	**4**	**13,555,296**	5,184,007
Movement in fair value through the income statement investment		**110,090**	–
Movement in fair value of investment properties		**(15,114)**	(4,621)
Impairment (loss)/reversal of impairment on available for sale investments		**(2,346,191)**	798,513
Expenses	**5**	**(1,628,357)**	(2,236,176)
Operating profits		**9,675,724**	3,741,723
Finance costs:			
Banks		**734,900**	716,455
Other		**6,300**	19,568
		741,200	736,023
Profit before taxation		**8,934,524**	3,005,700
Taxation	**7**	**2,752,454**	1,080,051
Profit for the year		**£6,182,070**	£1,925,649
Earnings per stock unit (basic and diluted)	**8**	**56.80p**	16.15p

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

for the year ended 31 December 2005

	2005 £	2004 restated* £
Profit for the year	**6,182,070**	1,925,649
Recognition of financial instruments at 1 January 2005:		
Available for sale reserves	**25,640,476**	–
Retained earnings	**(232,665)**	–
Revaluation of available for sale investments	**19,578,921**	–
Tax on revaluation of available for sale investments	**(5,873,676)**	–
Total recognised income and expenses for year	**£45,295,126**	£1,925,649

The accompanying notes are an integral part of this consolidated profit and loss account.

* Restated for the effect of the adoption of IFRS (see note 2).

CONSOLIDATED BALANCE SHEET

at 31 December 2005

	Notes	2005 £	2004 restated* £
Assets			
Non-current assets			
Property, plant and equipment	9	**758,338**	1,343,175
Investment properties	10	**496,688**	611,475
		1,255,026	1,954,650
Current assets			
Trade and other receivables	12	**327,007**	380,635
Financial assets:			
Available for sale investments	13	**95,435,014**	39,693,884
Derivative financial instruments		**–**	39,325
Commodities		**1,236,774**	–
Cash and cash equivalents		**202,043**	173,608
		97,200,838	40,287,452
Liabilities			
Current liabilities			
Financial liabilities:			
Borrowings	14	**15,971,052**	12,400,813
Derivative financial instruments	15	**–**	128,481
Trade and other payables	16	**896,145**	735,117
Current tax liabilities	17	**7,498,377**	846,027
		24,365,574	14,110,438
Net current assets		**72,835,264**	26,177,014
Non-current liabilities			
Deferred tax liabilities	18	**8,572,530**	1,764
Net assets		**£65,517,760**	£28,129,900
Stockholders' equity			
Ordinary stock units	21	**541,785**	592,045
Share premium	23	**6,017**	6,017
Capital redemption reserve	23	**344,442**	294,182
Merger reserve	23	**3,563**	(149,798)
Other reserve	23	**33,700,049**	–
Retained earnings	23	**30,921,904**	27,387,454
Total equity	22	**£65,517,760**	£28,129,900

The accounts on pages 12 to 34 were approved by the Board of Directors and authorised for issuance on 26th June 2006 and were signed on its behalf by:

C. R. W. Parish
J. A. Wild
} *Directors.*

The accompanying notes are an integral part of these balance sheets.

* Restated for the effect of the adoption of IFRS (see note 2).

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2005

	2005 £	2004 restated £
Operating activities		
Net profit from operating activities	**6,182,070**	1,925,649
Adjustments for:		
Depreciation	**29,240**	58,933
Impairment (loss)/ reversal of impairment on available for sale investments	**2,346,191**	(798,513)
Foreign exchange profits	**(875,886)**	(109,017)
Movement in fair value of investment properties	**15,114**	4,621
Movement in fair value through the income statement investments	**(110,090)**	–
Interest expense	**741,200**	736,023
Income tax expense	**2,987,918**	1,080,051
Cash flow from operating profit before changes in working capital	**11,315,757**	2,897,747
Increase in available for sale investments	**(9,355,728)**	(2,756,496)
(Increase)/decrease in fair value through income statement investments	**(622,203)**	1,289,813
Decrease/(increase) in trade and other receivables	**11,174**	651,417
Decrease/(increase) in trade and other payables	**(57,943)**	215,302
Cash generated from operations	**1,291,057**	2,297,783
Income taxes paid	**(2,221,389)**	(1,191,264)
Cash flow from operating activities	**(930,332)**	1,106,519
Investing activities		
Net cash disposed of with Danby Registrars Limited	**(5,000)**	–
Cost of stock units repurchased and cancelled	**(14,621)**	(398,846)
Purchase of property, plant and equipment	**(34,801)**	(120,524)
Purchase of investment property	**(250,327)**	(138,787)
Cash flow from investing activities	**(304,749)**	(658,157)
Financing activities		
Interest paid	**(758,739)**	(702,759)
Dividends paid to equity stockholders	**(1,215,694)**	(1,311,727)
New mortgages	**194,402**	97,950
Repayment of mortgages	**(3,801)**	(2,229)
Cash flow from financing activities	**(1,783,832)**	(1,918,765)
Net decrease in cash and cash equivalents	**(3,018,913)**	(1,470,403)
Cash and cash equivalents at start of year	**(12,079,276)**	(10,608,873)
Effect of foreign exchange rate changes	**(98,789)**	–
Recognition of forward gold contracts at 1 January 2005 in accordance with IAS 39	**(456,274)**	–
Cash disposed of with subsidiary	**5,000**	–
Cash and cash equivalents at end of year	**£(15,648,252)**	£(12,079,276)

NOTES TO THE CONSOLIDATED ACCOUNTS

1. ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's non-statutory financial statements:

Basis of preparation

The principal accounting policies adopted in the preparation of these non-statutory financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

These non-statutory financial statements have been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations ("IFRS") issued by the International Accounting Standards Board (IASB), as adopted by the European Union, and with those parts of the Companies Act 1985 applicable to companies preparing their accounts under IFRS. This is the first time the Group has prepared its financial statements in accordance with IFRS, having previously prepared its financial statements in accordance with UK accounting standards (UK GAAP). The date of transition to IFRS was 1 January 2004. The most recent financial statements issued under UK GAAP were for the year ended 31 December 2004. Details of how the transition from UK accounting standards to IFRS has affected the Group's reported financial position, financial performance and cash flows are given in note 2.

The non-statutory financial statements are presented in sterling. They are prepared under the historical cost convention as modified by the revaluation of financial instruments held for trading, financial instruments classified as available for sale and investment properties.

The preparation of the non-statutory financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. Although these estimates are based on management's best knowledge of the amount, event or actions, where such judgements are made they are indicated within the accounting policies below.

The preparation of the non-statutory financial statements resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under previous GAAP. Comparatives have been prepared under IFRS, with the exception of items accounted for under IAS32 and IAS39 where the exemption for restatement of comparatives has been taken. The impact on the transition from previous GAAP to IFRS is explained in note 2.

CHANGES IN ACCOUNTING POLICIES

First-time adoption of IFRS

In preparing these non-statutory financial statements, the Group, where applicable has elected to apply the following transitional arrangements permitted by IFRS 1 'First-time Adoption of International Financial Reporting Standards':

• Business combinations effected before 1 January 2004, including those that were accounted for using the merger method of accounting under UK accounting standards have not been restated;
• Designation of financial investments as held for trading and available for sale was made on 1 January 2005;
• The freehold property at 41 Cheval Place, the Groups head office, has been measured at fair value on 1 January 2004, and has taken this as its deemed cost; and
• Make presentational changes to the cash flow statement.

Except as noted above, the following principal accounting policies have been applied consistently in the preparation of these non-statutory financial statements:

Significant accounting policies

El Oro and Exploration Company p.l.c. is a company domiciled in the United Kingdom. The consolidated financial statements of the Group for the year ended 31 December 2005 comprise the Company and its subsidiaries (together referred as the "Group"), details of which are set out in note 11.

The consolidated non-statutory financial statements were authorised by the Directors for issuance on 21 April 2006.

NOTES TO THE CONSOLIDATED ACCOUNTS *continued*

a. Basis of consolidation

i. Subsidiary Companies

The consolidated non-statutory financial information includes financial information in respect of the Company and its subsidiary companies. Subsidiary companies are entities that are controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiary companies acquired or disposed of in the year are included in the consolidated income statement from the date the parent gained control until such time control ceases.

ii. Transactions eliminated on consolidation

Intra-group balances and income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated non-statutory financial statements.

b. Foreign currency

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to sterling at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

c. Property, plant and equipment

i. Owned assets

Items of freehold property, plant and equipment are stated at cost less accumulated depreciation.

ii. Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of items of property, plant and equipment. The rates of depreciation are as follows:

Freehold property	2%
Paintings	2%
Computer equipment	33%
Fixtures and fittings	33%

d. Investments

Investments are recognised and de-recognised on the trade date where a purchase or sale is made under a contract whose terms require delivery within the timeframe established by the market concerned, and are initially measured at fair value.

i. Investments in debt and equity securities and other financial assets

The Group's investments are defined by IFRS as investments designated at fair value through the income statement or available for sale, depending on the purpose for which the investment or asset was acquired.

The Group's accounting policy for each category is as follows:

Fair value through the income statement:
This category comprises only derivatives and commodities. They are carried in the balance sheet at fair value with changes in fair value recognised in the income statement. Fair value is either the bid price or the last traded price, depending on the convention of the exchange on which the investment is listed. On disposal, realised gains and losses are also recognised in the income statement. Transaction costs are charged expenses in the income statement. The Group does not have any other assets held for trading nor does it voluntarily classify any other financial assets as being at fair value through the income statements.

All other investments in debt and equity securities and other financial assets, including available for sale instruments:
Non-derivative and commodities financial instruments not included in the above categories are classified as available for sale and comprise the Group's strategic investments in entities not qualifying as subsidiaries. They are carried at fair value with changes in fair value recognised directly in equity. Fair value is either the bid price or the last traded price, depending on the convention of the exchange on which the investment is listed. On disposal, realised gains and losses are recognised in the income statement. Transaction costs are included within the cost of the investments. Where a decline in the fair value of an available for sale investment constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognised in the income statement.

In respect of unlisted investments, or where the market for a financial instrument is not active, fair value is established by using valuation techniques, which may include using recent arms length market transactions between knowledgeable, willing parties, if available or reference to the current fair value of another instrument that is substantially the same. Where there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, that technique is utilised. Where no reliable fair value can be estimated for such unlisted investments, they are carried at cost, subject to any provision for impairment.

Foreign exchange gains and losses arising from investments fair valued through the income statement are included within the changes in their fair values.

ii. Investment Income

Income from investments includes all dividends, rents and interest on non-goverment securities receivable within the year.

NOTES TO THE CONSOLIDATED ACCOUNTS *continued*

d. Investments *continued*

Dividend income from investments is recognised when the Group’s right to receive payment has been established and this is normally the ex-dividend date. Provision is made for any dividends not expected to be received.

Where the Group has elected to receive dividends in the form of shares rather than cash, the amount of the cash dividend forgone is recognised as income. The excess, if any, in the value of shares received over the sum of the cash dividend forgone is recognised as a gain in the income statement.

UK dividend income is recorded at the amount receivable without any attributable tax credit. Overseas dividend income is shown gross of withholding tax.

Gains/losses on sale of investments are recognised in the income statement together with their related foreign exchange differences in respect of holdings in foreign investments.

iii. Investment properties

Investment properties are properties owned by the Group which are held to earn rental income and for capital appreciation. Investment properties are initially recognised at cost and revalued at the balance sheet date to full value as determined by professionally qualified external valuers on the basis of market value.

Any gain or loss arising from a change in fair value of investment properties is recognised in the income statement. The Group has elected to use the fair value model and depreciation is not provided on investment properties. Rental income from investment property is accounted for when due.

e. Transaction costs

Transaction costs are included in the costs of investments purchased and deducted from the proceeds of investments sold for available for sale investments. These costs are charged to the income statement for investments recognised as fair value through the income statement.

f. Trade and other receivables

Trade and other receivables do not carry any interest and are short term in nature; they are accordingly stated at their nominal values as reduced by appropriate allowances for estimated irrecoverable amounts.

g. Cash and cash equivalents

Cash and cash equivalents comprises cash balances with an original maturity of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group’s cash management are included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

h. Exceptional items

Exceptional items are major items which are separately disclosed by virtue of their size or incidence to enable a full understanding of the Group’s financial performance. Transactions which may give rise to exceptional items are principally gains or losses on disposal of freehold property.

i. Financial liabilities

The Group classifies its financial liabilities into one of two categories, depending on the purpose for which the asset was acquired. The Group's accounting policy for each category is as follows:

Fair value through the income statement:
This category comprises short derivative financial instruments. They are carried in the balance sheet at fair value with changes in fair value recognised in the income statement.

Other financial liabilities:
Other financial liabilities include the following items:

- Trade payables and other short term monetary liabilities, which are short term in nature and are therefore stated at their nominal values; and
- Bank borrowings and mortgages which are initially recognised at the amount advanced net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the balance sheet. "Interest expense" in this context includes initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

j. Taxation

The charge for current taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. It is calculated using rates that have been enacted or substantively enacted by the balance sheet date. Tax payable upon realisation of revaluation gains recognised in prior periods is recorded as a current tax charge with a release of the associated deferred tax.

Deferred tax is provided using the balance sheet liability method in respect of temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in computation of taxable profit with the exception of deferred tax on revaluation movements where the tax basis used is the accounts historic cost.

Deferred tax is provided on all temporary differences. Deferred tax will crystallize when the asset for which a deferral of tax has been made has been disposed of.

Deferred tax is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. It is recognised in the income statement except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

NOTES TO THE CONSOLIDATED ACCOUNTS *continued*

j. Taxation *continued*

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

k. Share capital

i. Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a change in equity.

ii. Dividends

Equity dividends are recognised when they become legally payable on approval by the shareholders at the annual general meeting of the Group.

l. Pension costs

The Group contributes to Self Investing Personal Pension plans for C.R.W. Parish and certain other employees. Contributions are recognised when payable.

NOTES TO THE CONSOLIDATED ACCOUNTS *continued*

2. FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

Consolidated income statement reconciliation
for the year ended 31 December 2004

El Oro and Exploration Company p.l.c. reported under UK GAAP in it's previously published financial statements for the year ended 31 December 2004. The analysis following shows a reconciliation of net assets and profits as reported under UK GAAP as at 31 December 2004 to the revised net assets and profit under IFRS as reported in these financial statements. There is also a reconciliation of net assets restated under IFRS at 31 December 2004 to the opening balances at 1 January 2005 under IFRS which take into account the adjustments for IAS 32 and IAS 39.

	Notes	UK GAAP £	Effect of transition to IFRS £	**IFRS restated** **£**
Revenue	a	5,850,165	–	**5,850,165**
Movement in fair value of investment properties		–	(4,621)	**(4,621)**
Expenses	b,e	1,459,975	643,846	**2,103,821**
Operating profit		**4,390,190**	**(648,467)**	**3,741,723**
Exceptional costs	b	628,962	(628,962)	**–**
Profit on ordinary activities before taxation		**3,761,228**	**(19,505)**	**3,741,723**
Finance costs:				
Banks		716,455	–	**716,455**
Other		19,568	–	**19,568**
		736,023	–	**736,023**
Profit before taxation		**3,025,205**	**(19,505)**	**3,005,700**
Taxation	c	1,083,787	(3,736)	**1,080,051**
Profit for the year		**£1,941,418**	**(£15,769)**	**£1,925,649**

NOTES TO THE CONSOLIDATED ACCOUNTS *continued*

Consolidated balance sheet reconciliation

	Notes	UK GAAP 1 Jan 2004 £	Effect of transition to IFRS 1 Jan 2004 £	**IFRS 1 Jan 2004 £**	UK GAAP 31 Dec 2004 £	Effect of transition to IFRS 31 Dec 2004 £	**IFRS 31 Dec 2004 £**
Assets							
Non-current assets							
Property, plant and equipment	e	626,846	654,738	**1,281,584**	703,322	639,853	**1,343,175**
Investment properties		477,309	–	**477,309**	611,475	–	**611,475**
Deferred tax asset	c	3,106	(3,106)	–	4,518	(4,518)	–
		1,107,261	**651,632**	**1,758,893**	**1,319,315**	635,335	**1,954,650**
Current assets							
Trade and other receivables		1,032,052	–	**1,032,052**	380,635	–	**380,635**
Financial assets:							
Available for sale investments		37,126,786	–	**37,126,786**	39,693,884	–	**39,693,884**
Derivative financial instruments		541,809	–	**541,809**	39,325	–	**39,325**
Cash and cash equivalents		431,691	–	**431,691**	173,608	–	**173,608**
		39,132,338	–	**39,132,338**	**40,287,452**	–	**40,287,452**
Liabilities							
Current liabilities							
Financial liabilities:							
Borrowings		11,092,715	–	**11,092,715**	12,400,813	–	**12,400,813**
Derivative financial instruments		438,080	–	**438,080**	128,481	–	**128,481**
Trade and other payables	d	1,800,330	(1,313,455)	**486,875**	1,982,719	(1,247,602)	**735,117**
Current tax liabilities		952,092	–	**952,092**	846,027	–	**846,027**
		14,283,217	(1,313,455)	**12,969,762**	**15,358,040**	(1,247,602)	**14,110,438**
Net current assets		**24,849,121**	(1,313,455)	**26,162,576**	**24,929,412**	1,247,602	**26,177,014**
Non current liabilities							
Deferred tax liabilities	c	–	6,912	**6,912**	–	1,764	**1,764**
Net assets		**£25,956,382**	£1,958,175	**£27,914,557**	**£26,248,727**	£1,881,173	**£28,129,000**
Stockholders' equity							
Ordinary stock units		597,146	–	**597,146**	592,045	–	**592,045**
Share premium		6,017	–	**6,017**	6,017	–	**6,017**
Capital redemption reserve		289,081	–	**289,081**	294,182	–	**294,182**
Merger reserve		(149,798)	–	**(149,798)**	(149,798)	–	**(149,798)**
Other reserves	a	204,256	(204,256)	–	199,635	(199,635)	–
Retained earnings	a,c,d & e	25,009,680	2,162,431	**27,172,111**	25,306,646	2,080,808	**27,387,454**
Total equity		**£25,956,382**	£1,958,175	**£27,914,557**	**£26,248,727**	£1,881,173	**£28,129,900**

NOTES TO THE CONSOLIDATED ACCOUNTS *continued*

The following adjustments were made to the Consolidated balance sheet on 1 January 2005 to recognise the effects of the transition to IFRS in accordance with IAS 32 and 39.

	Notes	IFRS 31 Dec 2004 restated £	Effect of transition to IFRS 1 Jan 2005 £	**IFRS 1 Jan 2005** £
Assets				
Non-current assets				
Property, plant and equipment		1,343,175	–	**1,343,175**
Investment properties		611,475	–	**611,475**
		1,954,650	**–**	**1,954,650**
Current assets				
Trade and other receivables		380,635	–	**380,635**
Financial assets:				
Available for sale investments	f	39,693,884	36,379,830	**76,073,714**
Derivative financial instruments	f	39,325	(2,018)	**37,307**
Commodities	f	–	456,274	**456,274**
Cash and cash equivilents		173,608	–	**173,608**
		40,287,452	**36,834,086**	**77,121,538**
Liabilities				
Current liabilities				
Financial liabilities:				
Borrowings	f	12,400,813	456,274	**12,857,087**
Derivative financial instruments	f	128,481	(18,775)	**109,706**
Trade and other payables		735,117	–	**735,117**
Current tax liabilities		846,027	–	**846,027**
		14,110,438	**437,499**	**14,547,937**
Net current assets		**26,177,014**	**36,396,587**	**62,573,601**
Non current liabilities				
Deferred tax liabilities	f	1,764	10,988,776	**10,990,540**
Net assets		**£28,129,900**	**£25,407,811**	**£53,537,711**
Stockholders' equity				
Ordinary stock units		592,045	–	**592,045**
Share premium		6,017	–	**6,017**
Capital redemption reserve		294,182	–	**294,182**
Merger reserve		(149,798)	–	**(149,798)**
Other reserves	f	–	25,640,476	**25,640,476**
Retained earnings	f	27,387,454	(232,665)	**27,154,787**
Total equity		**£28,129,900**	**£25,407,811**	**£53,537,711**

NOTES TO THE CONSOLIDATED ACCOUNTS *continued*

Notes:

a. IAS 40 "Investment Property"
IAS 40 requires that the surplus or deficit on the revaluation of investment properties is recorded as operating income in the income statement.

Under UK GAAP, revaluation surpluses or deficits, to the extent that any deficit was not permanent, were reported as a movement in the revaluation reserve.

Recognition of the surplus on the Group's investment properties through the income statement has resulted in a transfer of £204,256 from "Other reserves" to "Retained earnings" at 1 January 2004. The effect on the Company's accounts has been to transfer £34,414 from "Other reserves" to Retained earnings" at 1 January 2004.

b. IAS 1 "Presentation of Financial Statements"
Under UK GAAP, certain exceptional items were permitted to be shown beneath operating profit. In the year ended 31 December 2004, exceptional costs relating to the sale of Danby Registrars Limited from the Group were recognised below operating profit and disclosed as "Exceptional costs".

Under IFRS, such presentation is not permitted. As a result, the £628,962 disclosed as exceptional costs in the financial statements for the year ended 31 December 2004, have been disclosed within "Expenses" for the purposes of IFRS disclosure.

c. IAS 12 "Income Taxes"
IAS 12 requires that a provision for deferred tax is made on the uplift in value of investment properties.

Under UK GAAP, a deferred tax provision was only required to be recognised on the uplift in value of investment properties if there was a binding agreement for their disposal out of the Group.

The recognition of a deferred tax provision on the uplift in fair value of investment properties has resulted in a decrease in reserves of £10,018 at 1 January 2004 and a release in this provision for deferred tax of £3,736 during the year ended 31 December 2004 for the Group.

d. IAS 10: "Events after the Balance Sheet Date"
Under IAS 10, the declaration of a dividend after the reporting date is no longer an adjusting post balance sheet event as it was under UK GAAP. Accordingly, the final dividends for the years ended 31 December 2003 and 31 December 2004 do not constitute a liability at the respective balance sheet dates under IAS 10.

The impact of this has been to increase net assets by £1,313,455 at 1 January 2004 and to increase the dividend charged for the year ended 31 December 2004 by £65,853 for the Group.

Another impact of IFRS with regards to dividends is that they are no longer shown on the face of the profit and loss account, but instead as a movement on reserves for the relevant year.

e. IFRS 1 "First-time Adoption of International Financial Reporting Standards" and IAS 16 "Property, Plant and Equipment"
IFRS 1 allows a first-time adopter of IFRS to use a previous GAAP revaluation of an item of property, plant and equipment at the date of transition to IFRSs as deemed cost at the date of the revaluation, if the revaluation was broadly comparable to fair value. The Group has elected to use this option under IFRS 1 with regard to the freehold property at 41 Cheval Place. This has resulted in an uplift on cost of £654,738, which has increased net assets at 1 January 2004 for the Group by that same amount. Depreciation has been charged at £14,884 for the year ended 31 December 2004.

f. IAS 39 "Financial Instruments: Measurement"
The Group has adopted IAS 39 with effect from 1 January 2005. The full accounting policies for both financial assets and financial liabilities is given in note 1 to these financial statements. As a result of adoption of IAS 39, the value of available for sale investments was increased by £36,396,587, of which £36,834,086 was taken to the available for sale reserve, with £232,665 being debited being to retained earnings as an additional impairment charge. Commodities were taken onto the balance sheet with no impact on net assets. A deferred tax liability of £10,988,776 was provided on the uplift of available for sale investments at 1 January 2005. The net impact on reserves due to the adoption of IAS 39 is an increase of £25,640,476 for both the Group .

g. Financial instruments (comparative information)
The Group has taken advantage of the transitional provisions in IFRS 1 not to present comparative information in accordance with IAS 32 "Financial Instruments: Presentation and Disclosure" and IAS 39 "Financial Instruments: Recognition and Measurement", but to retain the accounting applied in the 2004 financial statements when the Group applied UK GAAP. The nature of the main adjustments to the balance sheet that would make the information at 1 January 2004 and 31 December 2004 comply with IAS 32 and IAS 39 are as follows:

- Available for sale assets and all derivatives would have to be adjusted to fair value. They are currently shown at the lower of cost and market valuation.

- Forward contracts to purchase commodities would have to be held on the balance sheet at fair value. They are currently not held on the balance sheet.

The nature of the main adjustments to the income statement and statement of recognised income and expense that would make the information for the year to 31 December 2004 comply with IAS 32 and IAS 39 are as follows:

- Market gains and losses arising on available for sale assets would be taken to equity. Currency gains and losses arising on available for sale assets would be taken to the income statement. As all financial instruments are shown at the lower of cost and market value, no movements in fair value have been accounted for during the year to 31 December 2004; and

- Gains and losses on derivatives (including forward contracts to purchase commodities) would be taken to the income statement.

NOTES TO THE CONSOLIDATED ACCOUNTS *continued*

h. Cash flow statement for the year ended 31 December 2004

Under IFRS, the consolidated cash flow statement reconciles the movement in cash and cash equivalents, whereas in the last audited UK GAAP financial statements it reconciled the movements in cash only. Other than this the only material differences relates to the reclassification of certain balances including:

- Classifying tax cash flows as relating to operating activities; and
- Classifying equity dividends as relating to financing activities.

3. SEGMENT INFORMATION

The Directors have considered the requirements of IAS 14 "Segment reporting" and are of the opinion that the whole of the Group's business comprises within one reportable segment, which is dealing in investments, which, in the opinion of the Directors, is the only reportable segment.

4. REVENUE

	2005	2004 restated
	£	£
Dividends from listed available for sale investments	**1,644,378**	1,870,855
Dividends from unlisted available for sale investments	**402,059**	102,625
Net profit/(loss) on fair value through the income statement investments	**133,568**	(1,157,458)
Net profit on available for sale investments realised	**10,471,852**	3,987,384
Currency translation profits	**875,859**	109,017
Other income	**27,580**	271,584
	£13,555,296	£5,184,007

5. EXPENSES

	2005	2004 restated
	£	£
General	**723,974**	976,485
Costs relating to disposal of Danby Registrars Limited	**23,782**	628,962
Direct operating expenses arising from investment property	**9,859**	4,737
Transaction costs for fair value through income statement	**126,938**	132,355
Depreciation of property, plant and equipment	**29,240**	58,933
Directors' emoluments	**643,046**	355,970
Auditors' remuneration- audit services	**71,518**	77,484
- non-audit services	–	1,25
	£1,628,357	£2,236,176

	2005 Number	2004 Number
The average weekly number of persons (including Executive Directors) employed during the year was:		
Investing	**1**	1
Administration	**4**	13
	5	14

NOTES TO THE CONSOLIDATED ACCOUNTS *continued*

5. EXPENSES *continued*

	2005	2004 restated
	£	£
Employee benefit expense		
Employment costs	**762,941**	599,568
Employers national insurance contributions and similar taxes	**92,017**	53,259
Stock units purchased and granted to employees on the same day as a bonus	**5,031**	-
Pension costs	**55,253**	50,505
	£915,242	£703,332
Benefits in kind included within employment costs are:	**£8,975**	£–

6. DIVIDENDS

	2005	2004 restated
	£	£
Final dividend of 11.5 pence (2004: 11.0 pence) per ordinary stock unit proposed and paid during the year relating to the previous year's results	**1,247,601**	1,313,455
	£1,247,601	£1,313,455

The Directors are proposing an interim dividend of 12.0 pence (2004: 11.5 pence) per stock unit totalling £1,380,284 (2004: £1,247,601). This dividend has not been accrued at the balance sheet date as it is not accounted for until it has been approved at the Annual General Meeting in respect of the eighteen month period to 30 June 2006. The dividend will be paid on 26 October 2006 to stockholders on the register of members on 20 September 2006.

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2005	2004 restated
	£	£
Analysis of tax charge in year		
Current tax:		
UK corporation tax on profits for the year	**2,723,292**	1,109,298
Adjustment in respect of previous year	**27,599**	(24,099)
Total current tax	**£2,750,891**	£1,085,199
Deferred tax:		
Origination and reversal of timing differences	**1,563**	(5,148)
Total deferred tax	**£1,563**	£(5,148)
Taxation	**£2,752,454**	**£**1,080,051

Factors affecting tax charge for the year

The tax assessed is lower (2004: higher) than the standard rate of corporation tax in the UK (30%).
The differences are explained below:

	2005	2004 restated
Profit on ordinary activities before tax	**8,934,524**	3,005,700
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2004: 30%)	**2,680,358**	901,711
Effects on:		
Expenses not deductible for tax purposes	**44,447**	413,071
Effect of fair value adjustments	**-**	(5,733)
Income not subject to corporation tax	**(22,571)**	(207,109)
Depreciation in excess of capital allowances	**5,771**	–
Increase in excess tax losses	**15,287**	7,359
Adjustments to tax charge in respect of prior year	**27,599**	(24,099)
Origination and reversal of temporary deferred tax differences	**1,563**	5,148
Total tax charge for the year	**£2,752,454**	£1,080,051

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

NOTES TO THE CONSOLIDATED ACCOUNTS *continued*

8. EARNINGS PER STOCK UNIT

	2005	2004 restated
Numerator		
Profit for the year	**£6,182,070**	£1,925,649
Denominator		
Weighted average number of stock units in basic and diluted EPS	**10,883,114**	11,920,093
Earnings per stock unit (basic and diluted)	**56.80p**	16.15p

9. PROPERTY, PLANT AND EQUIPMENT

	Freehold property £	Fixtures, fittings pictures and computer equipment £	Total £
At 31 December 2004 - restated			
At cost	1,094,353	563,450	1,657,803
Accumulated depreciation	(14,884)	(299,744)	(314,628)
Net book value	**£1,079,469**	**£263,706**	**£1,343,175**
At 31 December 2005			
At cost	744,200	158,802	903,002
Accumulated depreciation	(29,768)	(114,896)	(144,664)
Net book value	**£714,432**	**£43,906**	**£758,338**
Year ended 31 December 2004 - restated			
Opening net book value	376,138	250,708	626,846
Restatement of 41 Cheval Place to deemed cost	654,738	–	654,738
Acquired from subsidiary company	–	–	–
Additions	63,477	57,047	120,524
Depreciation for year	(14,884)	(44,049)	(58,933)
Closing net book value	**£1,079,469**	**£263,706**	**£1,343,175**
Year ended 31 December 2005			
Opening net book value	1,079,469	263,706	1,343,176
Additions	–	34,801	34,801
Disposal of Danby Registrars Limited	(350,153)	(439,449)	(789,602)
Depreciation for year	(14,884)	(14,356)	(29,240)
Depreciation written back on disposal	–	199,204	199,204
Closing net book value	**£714,432**	**£43,906**	**£758,338**

The freehold property, 41 Cheval Place, has been included within the opening IFRS balance sheet at fair value as deemed cost. The property was last valued in January 2004 on an open market value basis by qualified valuers from Allsop & Co, an independent firm of chartered surveyors. The valuations were carried out in accordance with guidance issued by the Royal Institute of Chartered Surveyors. The Directors are of the opinion that market values have not changed significantly over the period to 31 December 2005.

NOTES TO THE CONSOLIDATED ACCOUNTS *continued*

10. INVESTMENT PROPERTIES

	£
At 31 December 2004 - restated	
At value	611,475
Net book value	**£611,475**
At 31 December 2005	
At value	496,688
Net book value	**£496,688**
Year ended 31 December 2004 - restated	
Opening net book value	477,309
Movement in value of Investment property	(4,621)
Additions	138,7877
Closing net book value	**£611,475**
Year ended 31 December 2005	
Opening net book value	611,475
Additions	250,327
Movement in value of investment property	(15,114
Disposal of Danby Registrars Limited	(350,000)
Closing net book value	**£496,688**

The investment properties were valued on 31 December 2005 on the basis of open market value by Linda C.N. Holdaway, Registered Valuer, an independent firm of Registered Valuers in New Zealand. Market value represents the figure that would appear in a hypothetical contract of sale between a willing buyer and a willing seller. The valuations were completed in accordance with the New Zealand Institute of Valuers and Property Institute of New Zealand Code of Ethics, and Valuation Standards. There are no restrictions on the realisability of investment properties. There are currently no obligations to purchase, construct, or develop the investment properties.

11. SUBSIDIARY COMPANIES

	2005 £	2004 restated £
Shares in subsidiary companies at cost	**£461,938**	£493,249

At 31 December 2005, the Company held the entire issued share capital and voting power of the following companies all of whom are registered in England and Wales and operate in England.

		Nominal value	**Nature of business**
Investigations and Management Limited	5,000	ordinary shares of £1.00	Investment Company
El Oro Mining and Exploration Company Limited	4,511,135	ordinary shares of £0.10	Dormant
General Explorations Limited	50,000	ordinary shares of £0.05	Dormant
Group Traders Limited	30,040	ordinary shares of £0.05	Dormant

Brickleaf Limited was incorporated on 28 September 2004, was put into liquidation on 29 November 2004 and was disolved on 28 July 2005.

On 14 January 2005, Danby Registrars Limited was disposed of on a debt free, cash free basis to Perceval Limited, a company wholly owned by C.R.W. Parish, the Chairman of the Company.

12. TRADE AND OTHER RECEIVABLES

	2005 £	2004 restated £
Due within one year:		
Amounts due from brokers for future settlement	**192,346**	55,084
Accrued income	**120,000**	239,729
Other debtors	**14,661**	60,823
	327,007	355,636
Due after one year:		
Spital Square Limited (interest rate 12.93%)	–	24,999
	£327,007	£380,635

NOTES TO THE CONSOLIDATED ACCOUNTS *continued*

13. FINANCIAL ASSETS - AVAILABLE FOR SALE INVESTMENTS

	2005 Fair and book value	2004 Market value restated	2004 Book value restated
	£	£	£
Listed - London Stock Exchange	**41,727,518**	34,033,052	16,898,435
- London AIM	**9,035,099**	6,578,187	3,711,531
- International	**36,204,536**	29,789,644	15,265,433
	86,967,153	70,400,883	35,875,399
Unlisted	**8,467,861**	6,941,693	3,818,485
	£95,435,014	£77,342,576	£39,693,884

Available for sale investments at 31 December 2004 are recorded at book value, while the available for sale investments at 31 December 2005 are recorded at fair value.

Market value is determined by the mid price between the bid and offer price of an investment while the fair value is determined by the bid price for the initiating purchase of an investment or the offer price for the initiating sale of an investment.

14. FINANCIAL LIABILITIES - BORROWINGS

	2005	2004 restated
	£	£
Bank overdrafts	**12,167,516**	11,857,949
Mortgages	**326,892**	147,929
Amounts due to brokers for future settlement	**3,476,644**	394,935
	£15,971,052	£12,400,813

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

The investment properties were purchased with mortgages from ANZ Banking Group (New Zealand) Limited. The terms of each of the three mortgages is 25 years and the interest rate of each is variable after an agreed rate for the first year of each mortgage. There is a lien in favour of ANZ Banking Group (New Zealand) Limited as security for each of these mortgages.

There is a lien on all assets in favour of Fiserv Securities, Inc and Man Financial Limited, as brokers, as security for all liabilities and obligations owed in respect of contracts entered into by the Group to Finserv Securities, Inc and Man Financial Limited.

15. FINANCIAL LIABILITIES - DERIVATIVES

	2005 Fair value	2004 Book value restated
	£	£
Short positions held	**£–**	£128,481

The market value of the short positions held at 31 December 2005 was £nil (2004: £108,131).

16. TRADE AND OTHER PAYABLES

	2005	2004 restated
	£	£
Due to brokers for settlement of contracts - unsecured	**206,135**	–
Other tax and social security taxes	**46,582**	12,710
Other payables	**27,525**	380,215
Accruals	**503,578**	260,243
Unclaimed dividends	**112,325**	81,949
Amounts due to subsidiary companies	**–**	–
	£896,145	£735,117

NOTES TO THE CONSOLIDATED ACCOUNTS *continued*

17. CURRENT TAX LIABILITIES

	2005 £	2004 restated £
Amount due on mainstream corporation tax	**4,044,275**	846,02
Amount due on available for sale unrealised gains since 1 January 2005	**3,454,102**	–
	£7,498,377	£846,027

18. DEFERRED TAXATION

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 30% (2004: 30%)
The movement in the deferred tax is as shown below:

	2005 £	2004 restated £
At 1 January	**1,764**	6,912
Recognition of available for sale securities at 1 January 2005	**10,988,776**	–
At 1 January 2005 as restated under IFRS	**10,990,540**	6,912
On available for sale securities recycled through income statement	**(2,419,573)**	–
Revaluation of investment property	**1,563**	(5,148)
At 31 December	**£8,572,530**	£1,764

19. CASH AND CASH EQUIVALENT

	2005 £	2004 restated £
Cash available on demand	**202,043**	173,608
Bank overdrafts	**(12,167,516)**	(11,858,006)
Net amounts due to brokers	**(3,682,779)**	(394,935)
	(£15,648,252)	(£12,079,333)

20. COMMITMENTS AND CONTINGENT LIABILITIES

The Group is commited to subscribe for securities within its normal course of business. At 31 December 2005 the commitment totalled £852,368 (2004: £852,345).

NOTES TO THE CONSOLIDATED ACCOUNTS *continued*

21. CALLED UP SHARE CAPITAL

Authorised	2005 Number	2005 £	2004 Number	2004 restated £
Shares of 5p each	**7,947,075**	**397,354**	7,947,075	397,354
Stock units of 5p each	**11,942,927**	**597,146**	11,942,927	597,146
		£994,500		£994,500

Issued and fully paid	2005 Number	2005 £	2004 Number	2004 restated £
Shares of 5p each	**–**	**£–**	–	£–
Stock units of 5p each				
At beginning of year	**11,840,898**	**592,045**	11,942,927	597,146
Purchase of own shares for cancellation	**(13,000)**	**(650)**	(102,029)	(5,101)
Stock units cancelled on disposal of Danby Registrars Limited	**(992,197)**	**(49,610)**	–	–
At end of year	**10,835,701**	**£541,785**	11,840,898	£592,045

All stockholders receive equal voting rights.

The following subsidiary companies held investments in the stock units of the parent company El Oro and Exploration Company p.l.c.

	2005 Number	2004 Number
Danby Registrars Limited	**–**	154,535
Investigations and Management Limited	**60,000**	60,000
	60,000	214,535

22. CHANGES IN SHAREHOLDERS' EQUITY

	2005 £	2004 restated £
Changes in the year		
Total recognised income and expenses	**45,295,126**	1,925,649
Purchase and cancellation of own shares	**(14,619)**	(393,745)
Reduction in share capital on cancellation of stock units	**(50,260)**	(5,101)
Dividend paid	**(1,247,601)**	(1,313,455)
Forfeited dividends	**1,531**	1,995
Adjustment at 1 January 2005 in respect of IAS 32 and IAS 39	**(8,065,245)**	**–**
Tax relief on above	**2,419,573**	**–**
Elimination of reserves of Danby Registrars Limited	**(1,104,006)**	–
Movement in merger reserve on disposal of Danby Registrars Limited	**153,361**	–
	37,387,860	215,343
At start of year	**28,129,900**	27,914,557
At end of year	**£65,517,760**	£28,129,900

NOTES TO THE CONSOLIDATED ACCOUNTS *continued*

23. RESERVES

	Share premium £	Capital redemption reserve £	Merger reserve £	Other reserve £	Revaluation reserve £	Retained earnings £
At 1 January 2004 - under UK GAAP	**6,017**	**289,081**	**(149,798)**	**–**	**204,256**	**25,009,680**
IFRS adjustments	–	–	–	–	(204,256)	2,162,431
At 1 January 2004 - under IFRS - restated	**6,017**	**289,081**	**(149,798)**	**–**	**–**	**27,172,111**
Purchase and cancellation of own shares	–	5,101	–	–	–	(398,846)
Forfeited dividends	–	–	–	–	–	1,995
Profit for the year	–	–	–	–	–	1,925,649
Dividends paid	–	–	–	–	–	(1,313,455)
At 31 December 2004	**6,017**	**294,182**	**(149,798)**	**–**	**–**	**27,387,454**
Adjustment at 1 January 2005 in respect of IAS 32 and IAS 39	–	–	–	25,640,476		(232,665)
At 1 January 2005 - restated	**6,017**	**294,182**	**(149,798)**	**25,640,476**	**–**	**27,154,789**
Purchase and cancellation of own shares	–	50,260	–	–	–	(64,879)
Elimination on disposal of Danby Registrars Limited	–	–	153,361	–	–	(1,104,006)
Forfeited Dividends	–	–	–	–	–	1,531
Movement in year in values of available for sale assets	–	–	–	19,578,921	–	–
Tax provided on above	–	–	–	(5,873,676)	–	–
Fair value of available for sale investments recycled to income statement	–	–	–	(8,065,245)	–	–
Tax relief on above	–	–	–	2,419,573	–	–
Profit for the year	–	–	–	–	–	6,182,070
Dividends paid	–	–	–	–	–	(1,247,601)
At 31 December 2005	**£6,017**	**£344,442**	**£3,563**	**£33,700,049**	**£–**	**£30,921,904**

NOTES TO THE CONSOLIDATED ACCOUNTS *continued*

23. RESERVES *continued*

The following describes the nature and purpose of each reserve within the Group.

Reserve	Description and purpose
Share premium	Amount subscribed for share capital in excess of nominal value.
Capital redemption reserve	Amounts transferred from share capital on redemption of issued shares.
Merger reserve	Resulted from the merger of the Company and El Oro Mining and Exploration Company p.l.c. with subsequent adjustments for the demerger of Danby Registrars Limited.
Available for sale	Gains/losses arising on recognising financial assets classified as available for sale at fair value.
Retained earnings	Cumulative net gains and losses recognised in the consolidated income statement.

Retained earnings are the sole distributable reserves of the Group.

24. DISPOSAL OF SUBSIDIARY

On 14 January 2005 the Group disposed of Danby Registrars Limited, one of its subsidiary companies, to a company owned by C.R.W. Parish, the Chairman of the Company.

Consideration received:	**£**	£
Cancellation of 154,535 stock units held by Danby Registrars Limited and 837,662 stock units held by C.R.W. Parish in the Company.		992,197
Net assets disposed:		
Freehold property	350,153	
Investment properties	350,000	
Plant and equipment	240,246	
Trade and other receivables	21,799	
Other financial assets	24,999	
Balance at bank	5,000	
		992,197
Gain on disposal of Danby Registrars Limited		£–
The net cash outflow comprises:		
Cash disposed of with subsidiary		(£5,000)

The designated unit value of the stock units cancelled was 385p, being the market price of the stock units on 15 October 2004.

Danby Registrars Limited did not contribute any increase or decrease in cash and cash equivalent to the group from 1 January 2005 to the date of disposal. During the year ended 31 December 2004, Danby Registrars Limited contributed £42,910 to the cash flow from operating activities, used £102,548 of cash in investing activities and used £100,462 of cash in financing activities.

25. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiary companies, which are related parties, have been eliminated on consolidation for the Group.

The Company provided accommodation at a cost of £2,000 (2004: £333) to Investigations and Management Limited, one of its subsidiary companies.

The Company provided services to Danby Registrars Limited, a company that is now owned by C.R.W. Parish, an executive Director of the Company. During the period 1 January 2005 to 14 January 2005 the service charge was £95,918 and for the period 15 January 2005 to 31 December 2005 was £nil. During the year ended 31 December 2004, when Danby Registrars Limited was a wholly owned subsidiary of the Company the service charge between the two companies was a charge by Danby Registrars Limited to the Company of £50,000.

The Company purchased goods amounting to £400 (2004: £nil) from Danby Registrars Limited, a company wholly owned by C.R.W. Parish, the Chairman of the Company.

The Company owns 41 Cheval Place, the Group's registered office, which it brought from Danby Registrars Limited in November 2004. C. R. W. Parish, The. Hon. Mrs. E. C. Parish and E. W. Houston paid accommodation costs to Danby Registrars Limited and the Company for the use of the property. During the year this amounted to £2,340 (2004: £2,160). No amounts remain outstanding at the year end (2004: £nil).

On 14 January 2005 Danby Registrars Limited was disposed on a debt free cash free basis to a company wholly owned by C. R. W. Parish, the Chairman of the Company. Further details of the disposal is shown on page 4.

NOTES TO THE CONSOLIDATED ACCOUNTS *continued*

25. RELATED PARTY TRANSACTIONS *continued*

The loan to Spital Square Limited, as shown in note 12, was removed from the Group as part of the disposal of Danby Registrars Limited's disposal transaction.

Significant balances between the Company and its subsidiary companies are shown below:

	2005	2004
	£	£
Investigations and Management Limited	**35,000**	–
El Oro Mining and Exploration Company Limited	**12,661,131**	12,669,850
General Exploration Limited	**1,485,381**	1,485,381
Group Traders Limited	**1,144,682**	1,144,682
Danby Registrars Limited	**–**	233,816

26. FINANCIAL INSTRUMENTS AND RISK PROFILE

The Group's financial instruments comprise its portfolio in investments, derivatives and commodities, cash balances, receivables and payables that arise directly from its operations, such as sales and purchases awaiting settlement, and bank borrowings used partly to finance the Group's operations.

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

The Group is financed mainly through retained profits, bank overdrafts and secured borrowings on transactions with brokers.

The Group has little exposure to credit and cash flow risk as a large proportion of its current assets are in readily realisable investments. Unlisted investments in the portfolio are subject to liquidity risk. The Directors take this risk into account before making such investments and when determining the valuation of these assets.

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

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

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

Credit risk is the potential exposure of the Group to loss in the event of non-performance by a counterparty. The credit risk arising from the Group's normal commercial operations is controlled by the accounting staff of the Group within guidelines set by the Board. In addition, as a result of its dealing in investments or other financial instruments, including derivatives and commodities, the Group has credit exposures through its dealings in financial and specialised markets. The Group controls the related credit risk by entering into contracts only with highly credit-rated counterparties.

NOTES TO THE CONSOLIDATED ACCOUNTS *continued*

26. FINANCIAL INSTRUMENTS AND RISK PROFILE *continued*

Fair Values of Financial Assets and Financial Liabilities

The purpose of the following table is to summarise both the book and fair value of financial instruments held by the Group together with current borrowings. There is no difference between the book value and fair value at 31 December 2005.

The numerical disclosure below excludes short-term debtors and creditors. The position at 31 December 2005 is in accordance with the Group's policy for the role of financial instruments and risk and is consistent with the position during the year.

	2005 Fair and book value £	2004 Market value restated £	2004 Book value restated £
Financial assets:			
Cash and bank balances	**202,043**	173,608	173,608
Listed available for sale investments	**86,967,153**	70,400,883	37,251,093
Unlisted available for sale investments	**8,467,861**	6,941,693	2,482,116
Commodities	**1,236,774**	–	–
	£96,873,831	£77,516,184	£39,906,817
Financial liabilities:			
Bank overdrafts	**12,167,516**	11,858,006	11,858,006
Mortgages	**326,892**	147,872	147,872
Amounts due to brokers for future settlement	**3,476,644**	394,935	394,935
Short positions on options	**–**	108,131	128,481
	£15,971,052	£12,508,944	£12,529,294

The listed and unlisted available for sale investments at 31 December 2005 are shown at fair value and at 31 December 2004 are shown at market value. Fair value is calculated using bid prices for long positions and offer prices for short positions, and market value using mid prices.

Market Price Risk
The Group's exposure to market price risk mainly comprises movements in the value of its investments.

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

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

	2005 £	2004 £
Australian dollar	**9,556,402**	8,078,499
Canadian dollar	**9,493,425**	10,032,305
Euro	**1,083,173**	1,356,268
Hong Kong dollar	**247,031**	149,338
Indonesia rupia	–	35,146
Japanese yen	**25,465**	–
Malaysian dollar	**674,647**	509,318
New Zealand dollar	**154,235**	325,724
South African rand	**4,399,143**	3,017,730
Swedish krona	**117,402**	430
Swiss franc	**77,433**	69,814
Thai bhat	**104,423**	97,603
US dollar	**7,178,359**	5,839,345
	£33,111,138	£29,511,520

NOTES TO THE CONSOLIDATED ACCOUNTS *continued*

26. FINANCIAL INSTRUMENTS AND RISK PROFILE *continued*

Interest Rate Risk
The Group has both interest bearing assets and interest bearing liabilities.
The Group is exposed indirectly to interest rate risk through the effect of interest rate changes on the valuation of its investment portfolio. The majority of its financial assets are equity shares, which pay dividends, not interest. Interest is charged on bank overdrafts above the bank's Sterling base rate and at rates negotiated with other financial institution lenders.

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

	2005 Floating Rate £	**2005 Fixed Rate £**	**2005 Total £**	2004 Floating Rate £	2004 Fixed Rate £	2004 Total £
Financial assets:						
Australian dollar	**–**	**126,297**	**126,297**	–	99,205	99,205
Canadian dollar	–	**43,028**	**43,028**	–	59,673	59,673
South African rand	–	**64,115**	**64,115**	–	64,115	64,115
Sterling	**845,609**	**207,875**	**1,053,483**	3,668	1,002,603	1,006,271
US Dollar	–	**30,417**	**30,1747**	–	124,904	124,904
	£471,732	**£1,317,341**	**£1,317,341**	£3,668	£1,350,500	£1,354,168
Financial liabilities:						
Sterling	**12,727,983**	–	**12,727,983**	11,858,006	–	11,858,006
US dollar	**2,916,177**	–	**2,916,177**	**–**	–	–
New Zealand dollar	**153,305**	**173,587**	**326,892**	54,961	92,911	147,872
	£15,797,465	**£173,587**	**£15,971,052**	£11,912,967	£92,911	£12,005,878

In addition to the financial assets listed above, the Group holds forward contracts in commodities which are shown in the balance sheet on page 13.

Financial assets comprise non-equity shares and loan stocks. The weighted average interest rate on these financial assets is 10.11% (2004: 5.21%) and financial liabilities is 5.31% (2004: 5.77%). Financial liabilities all fall due within one year with the exception of the mortgages with the New Zealand properties which full due over one year.

INDEPENDENT AUDITORS' REPORT
to the directors of EL ORO AND EXPLORATION COMPANY p.l.c.

We have audited the consolidated non-statutory financial statements of El Oro and Exploration Company p.l.c. for the year ended 31 December 2005 which comprise the Consolidated Income Statement, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Recognised Income and Expense and the related notes. These non-statutory financial statements have been prepared under the accounting policies set out therein.

These non-statutory financial statements were prepared solely for the purposes of management, have not been prepared under section 226 of the Companies Act 1985 and are not the Group's statutory financial statements.

Respective responsibilities of the directors and auditors

The directors' responsibilities for preparing the non-statutory financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the non-statutory financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the directors as a body, for management purposes in accordance with our engagement letter dated 23 June 2006 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the non-statutory financial statements give a true and fair view.

We read the other information contained in the Non-statutory Report, and consider whether it is consistent with the audited non-statutory financial statements. This other information comprises only the Directors' Statement and the Remuneration Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the non-statutory financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the non-statutory financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the non-statutory financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the non-statutory financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the non-statutory financial statements.

Opinion

In our opinion the non-statutory financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 December 2005 and of its profit and cash flows for the year then ended.

PricewaterhouseCoopers LLP
Chartered Accountants
LONDON
26th June 2006