EL ORO AND EXPLORATION COMPANY p.l.c.

Company No: 80408

Founded 1 November 1886

Interim Report

for the six months ended 30 June 2005

EL ORO AND EXPLORATION COMPANY p.l.c.

CHAIRMAN'S STATEMENT
results for the half year ended 30 June 2005

The Group profit before tax for the first half of 2005 was £2,844,532 (2004: £408,422). Group net assets under IFRS, taking all assets at fair value were £55,250,489 (equal to 509p per stock unit) as compared with £52,160,821 (as adjusted to be comparable) at 31 December 2004 (equal to 441p per stock unit).

The measure for Group net assets at fair value has been amended from previous reporting and the comparative figure now includes the full potential for tax.

Fuelled by oil, fortified by metal and nourished by beer and water, these results almost succeed in offsetting the miasma of obfuscation created by the recently-introduced IFRS. As we saunter into a September of sere and sunlit beauty, bolstered by the thrilling fortitude of Flintoff and the English Cricket team, and the conquests of the formidable and hirsute British coxless four, we can reflect with satisfaction on strength in many areas of the portfolio.

Frustratingly, the anticipated cash inflow from Terra Firma for our holding in East Surrey has been stymied by the Northern Ireland Gas Regulator, and sidelined into German Railway workers' apartments. The Regulator's review of last year's award, and desire to recompense the gas consumer, flies in the face of economic reality, which has seen a surge in the value placed on assets offering a secure and longaevous cash return; the ever shrinking yield on long government bonds, despite expectations of inflation, reflects this paradox. We find it bewildering that consumers should not only be provided with gas, but also a gift-box to accompany it, like the bride at a Shower party: perhaps indicative of the socialist mentality still pervasive around former state sectors.

The income foregone from East Surrey has been exacerbated by the claw of the Chancellor, in the guise of the new tax regime under IAS. This requires tax to be paid on the uplift in assets, and anticipated profits, even when no disposals have been made: we regard this as pernicious; unrealised profits were previously used to compound the asset position of the company, whereas now we are entered into the sack race with the Inland Revenue, and we have had to sew the sack. Meanwhile shareholders continue to be taxed on their dividends, and have their accumulated savings assaulted by inheritance tax.

The nostrils of both the Chancellor and the Treasury remain insentient to the intoxicating aroma of the Flat Tax, drifting across Europe from Estonia to Greece and on across continents towards India: its possible introduction into Germany would further enhance that nation's economic resurgence, reinforced by the seemingly irresistible urge of London's Police, Ambulance and Bus Services to purchase German-made vehicles instead of rescuing its citizens with those made in Britain. We feel ever more fervour for W.S. Churchill's remark "I contend that for a nation to try to tax itself into prosperity is like a man standing in a bucket and trying to lift himself up by the handle".

Whilst we have every confidence in the spread of our investments, as always we are conscious of clouds on the horizon. The spectacle of lassitude and inertia displayed in New Orleans by all levels of U.S. Government stands in sorry contrast to their speed of response after the Tsunami. We are concerned that the catastrophe may presage a shock to the 'can-do' American psyche, already shaken by the deepening quagmire and insane strife within Iraq.

At home, the decisive rejection of the European Dream has not prevented its old protectionist urge to impede the proper attire of the ladies of the Realm; furthermore, the slyly imposed European-centric procurement policy for the Armed Forces threatens the ability to operate the age-old alliance with the United States and hugely increases the cost of their equipment. Even soldering lead for micro-circuitry does not escape its reach and the continued supply of a huge range of microelectronics is thus threatened. Meanwhile the madness of subjugation to the European Convention on Human Rights impedes our ability to expel the guests that even Thidwick the Big Hearted Moose in Dr. Seuss found ultimately intolerable.

More disturbing, on the World scene, particularly with respect to the health of the Mining and Oil industries, is the potential for upheaval in the Chinese Banking system, as recently highlighted by Bedlam Asset Management, and the importance of Guangxi (connections). We are concerned to see the rush into China by U.K. and U.S. Banks amongst others, an anxiety increased by reports of the number of projects and businesses that have little chance of ever being viable. In the light of the unacceptability of Saddam Hussein's policies, we observe continued unrest within China, flouting of democracy, and the alliances struck with those paragons of liberty, Messrs. Mugabe and Chavez. We wonder whether China will ever be, for overseas investors, the Pandora's box of riches that seduce so many, and observe the withdrawal of PZ Cussons, after losses of nearly £12 million over a period of ten years, despite their prowess in extracting profit from their operations in Nigeria. At the same time, we see pressures on the Indonesian Rupiah and hope these do not presage another currency crisis.

The margin for error remains slim, given the indebtedness of the United States and renewed signs of the unravelling of the housing market, both in the U.K., where the supply of unsold properties appears to be increasing and substantial discounts now pertain, and in the U.S. where Freddie Mac and Fannie Mae are writhing in discomfort after the exposure of their accounting infractions. The demise in Shropshire of the long-established firms of Lloyd's of Ludlow and E.W. Walters are perhaps earlier indicators of an oncoming colder climate.

We are grateful to John Jones for our recent visit to the opening of Troy's happily named Lords Nelson and Henry goldmines in Western Australia; an auspicious occasion that demonstrated the Troy team's ability to locate and develop new gold reserves rather like the Troy Chairman's renowned racehorse winning from far back in the field in its recent races; also because we consider Gold's slow, obscure but persistent progress to be the fail-safe should any of these less-attractive outcomes emerge beyond the Ashes.

We remain confident that our portfolio is well-positioned, despite the ravages of taxation and accountancy mayhem. We would like to express our thanks to all our team and advisers, and especially Christopher Burman as he steers through the shoals of regulation-infested waters, Abbie for her enthusiasm and ever-widening mastery of the settlement process, and Rosanna for invigorating good humour undoubtedly due to be inherited by her forthcoming and applauded offspring.

We are very much reminded of Helen Walton's dictum to her children "It is not what you gather in life, but what you scatter, that determines the quality of your life".

C.R. Woodbine Parish
Chairman
3 September 2005

CONSOLIDATED PROFIT AND LOSS ACCOUNT
(Unaudited)
for the half year ended 30 June 2005

	30 June 2005 £	30 June 2004 £
Income from investment trading	**3,913,373**	1,647,412
Management expenses	**724,938**	893,254
Operating profit	**3,188,435**	754,158
Interest payable:		
Banks	**343,903**	343,269
Other	–	2,467
	343,903	345,736
Profit before taxation	**2,844,532**	408,422
Taxation (see note l)	**762,424**	174,207
Profit for the half year	**2,082,108**	234,215
Earnings per stock unit (Basic and diluted)	**19.06p**	1.96p

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSES
(Unaudited)
for the half year ended 30 June 2005

	30 June 2005 £	30 June 2004 £
Profit for the half year	**2,082,108**	234,215
Revaluation of available for sale securities	**6,179,000**	–
Tax on revaluation of available for sale securities	**(1,853,700)**	–
Total recognised income and expense for the half year	**6,407,408**	234,215

EL ORO AND EXPLORATION COMPANY p.l.c.

BALANCE SHEETS
(Unaudited)
at 30 June 2005

	Group 30 June 2005 £	Group 31 Dec 2004 £	**Company 30 June 2005 £**	Company 31 Dec 2004 £
Assets				
Non-current assets				
Property, plant and equipment	**113,045**	703,321	**767,783**	767,661
Investment property	**269,788**	611,475	**269,788**	261,475
Investments in subsidiary companies	–	–	**462,438**	493,249
Deferred tax asset	–	4,518	–	4,518
	382,833	1,319,314	**1,500,009**	1,526,903
Current assets				
Trade and other receivable	**322,464**	380,635	**331,264**	315,247
Financial assets:				
Available for sale investments	**81,424,200**	39,693,884	**81,417,225**	39,686,909
Derivative financial instruments	–	39,325	–	39,325
Commodities	**376,439**	483,545	**376,439**	483,545
Cash and cash equivalents	**192,098**	173,608	**188,000**	161,412
	82,315,201	40,770,997	**82,312,928**	40,686,438
Liabilities				
Current Liabilities				
Financial liabilities:				
Borrowings	**12,651,478**	12,489,423	**12,651,478**	12,354,764
Derivative financial instruments	**231,671**	128,481	**231,671**	128,481
Trade and other payables	**2,626,679**	1,130,052	**16,476,711**	15,134,463
Current tax liabilities (see note l)	**2,655,419**	846,027	**2,655,419**	846,027
	18,165,247	14,593,983	**32,015,279**	28,463,735
Net current assets	**64,149,954**	26,177,014	**50,297,649**	12,222,703
Non-Current Liabilities				
Deferred taxation	**9,933,815**	–	**9,933,815**	–
Net assets	**54,598,972**	27,496,328	**41,863,843**	13,749,606
Stockholders' equity				
Ordinary stock units	**542,435**	592,045	**542,435**	592,045
Share premium	**6,017**	6,017	**6,017**	6,017
Capital redemption reserve	**343,792**	294,182	**343,792**	294,182
Merger reserve	**3,563**	(149,798)	–	–
Other reserves	**27,764,808**	–	**27,764,808**	–
Retained earnings	**25,938,357**	26,753,882	**13,206,791**	12,857,362
Total equity	**54,598,972**	27,496,328	**41,863,843**	13,749,606

CONSOLIDATED CASH FLOW STATEMENT

(Unaudited)
for the half year ended 30 June 2005

	30 June 2005 £	30 June 2004 £
Cash flows from operating activities		
Cash generated from operations	**510,147**	186,944
Interest paid	**(359,946)**	(336,812)
UK Corporation tax paid	**(913,903)**	(915,023)
Net cash from operating activities	**(763,702)**	(1,064,891)
Cash flows from investment activities		
Purchases of fixed assets	**(17,016)**	(182,977)
Purchases of available for sale investments and derivative financial instruments	**(18,326,575)**	(12,816,304)
Sales of available for sale investments and derivative financial instruments	**18,830,389**	12,991,007
Cash disposed of with subsidiary undertaking	**133,339**	–
Net cash from investment activities	**620,137**	(8,274)
Net decrease in cash and cash equivalents in the half year	**(143,565)**	(1,073,165)
Cash and cash equivalents at 1 January	**(12,315,815)**	(10,335,178)
Cash and cash equivalents at 30 June	**(12,459,380)**	(11,408,343)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM STATEMENTS

Primary note to the financial statements
The condensed consolidated interim financial statements for the first half of 2005 have been prepared in accordance with International Financial Reporting Standards, incorporating International Accounting Standards (IASs) and Interpretations (collectively 'IFRS') which are expected to be endorsed for use in the company's annual financial statements for the year ending 31 December 2005. Comparatives for the first half of 2004 and at 31 December 2004 have been restated from UK GAAP to IFRS, with the exception of the requirements of IAS32 "Financial Instruments: Disclosure and Presentation" and IAS39 "Financial Instruments: Recognition and Measurement", which have been applied with effect from 1 January 2005.

Significant accounting policies
El Oro and Exploration Company p.l.c. is a company domiciled in the United Kingdom. The condensed consolidated interim financial statements of the Group for the first half of 2005 comprise the Company and its subsidiaries (together referred as the "Group").

The condensed consolidated interim financial statements were authorised by the Directors for issuance on 6 September 2005.

a. **Statement of compliance**
The condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards, incorporating International Accounting Standards (IASs) and Interpretations (collectively 'IFRS') which are expected to be endorsed for use in the company's annual financial statements for the year ending 31 December 2005.

The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements. An explanation of how the transition to IFRSs has affected the reported financial position and performance of the Group is provided in note m. This note includes reconciliations of equity and profit or loss for comparative periods reported under UK GAAP (previous GAAP) to those reported for those periods under IFRSs.

b. **Basis of preparation**
The financial statements are presented in sterling. They are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial instruments held for trading, financial instruments classified as available for sale and investment property.

The preparation of interim 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.

The IFRSs that will be effective or available for voluntary early adoption in the annual financial statements for the period ended 31 December 2005 are still subject to change and to the issue of additional interpretation(s) and therefore cannot be determined with certainty. Accordingly, the accounting policies for that annual period that are relevant to this interim financial information will be determined only when the first IFRS financial statements are prepared at 31 December 2005.

The preparation of the condensed consolidated interim 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 IFRSs is explained in note m.

The accounting policies have been applied consistently throughout the Group for purposes of these condensed consolidated interim financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM STATEMENTS (continued)

c. Basis of consolidation

i. Subsidiaries

Subsidiaries 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.

ii. Transactions eliminated on consolidation

Intragroup balances and income and expenses arising from intragroup transactions, are eliminated in preparing the condensed consolidated interim financial statements.

d. Foreign currency

i. Foreign currency transactions

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 profit or loss.

ii. Derivative financial instruments

The Group holds derivative financial instruments for trading purposes which are accounted for as trading instruments.

Derivative financial instruments are recognised initially at cost. Subsequent to initial recognition, derivative financial instruments are stated at fair value, being their quoted bid price for short positions and quoted offer price for long positions. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss.

The fair value of forward exchange contracts is their quoted market price at the balance sheet date, being the present value of the quoted forward price.

e. Property, plant and equipment

i. Owned assets

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

ii. Depreciation

Depreciation is charged to profit and loss on a straight-line basis over the estimated useful lives of each part of an item of plant, equipment, fixtures and fittings. The rates of depreciation are as follows:

Freehold property	2%
Plant and equipment	33%
Fixtures and fittings	33%

f. Investments

i. Investments in debt and equity securities

Financial instruments held by the Group for trading are classified as being available for sale and are stated at fair value, with any resultant gain or loss recognised directly in equity, except for impairment losses and, in the case of monetary items, foreign exchange gains and losses. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss.

The fair value of financial instruments classified as available for sale is their quoted bid price.

Financial instruments classified as available for sale investments are recognised (derecognised) by the Group on the date it commits to purchase (sell) the investments (trade date accounting).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM STATEMENTS (continued)

f. Investments (continued)

ii. Investment property

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are stated at fair value. An external, independent valuer, having an appropriate recognised professional qualification and recent experience in the location and category of property being valued, values the portfolio every six months. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Valuations reflect, when appropriate; the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting of vacant accommodation and the market's general perception of their credit-worthiness; the allocation of maintenance insurance responsibilities between lessor and lessee; and the remaining economic life of the property.

Any gain or loss arising from a change in fair value is recognised in profit or loss. Rental income from investment property is accounted for when due.

g. Trade and other receivables

Trade and other receivables are stated at their cost less impairment losses.

h. 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 statement of cash flow.

i. Impairment

i. Impairment

The carrying amounts of the Group's non-current assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

When a decline in the fair value of a financial asset that has been classified as available for sale has been recognised directly in equity and, at a subsequent date, there is objective evidence that the asset is impaired, the cumulative loss that has previously been recognised directly in equity is recognised in profit or loss, even though the related asset has not been derecognised. This amount is in addition to any further impairment that is also recognised in profit or loss.

The net amount of the cumulative loss that is recognised in profit or loss is the amount initially recognised less the current fair value, with that amount being reduced to the extent of any impairment loss that has previously been recognised in profit or loss in relation to the financial asset.

ii. Reversal of impairment

An impairment loss in respect of an investment in an equity instrument classified as available for sale is not reversed through profit or loss.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss has been recognised.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM STATEMENTS (continued)

j. Interest-bearing borrowings
Interest-bearing borrowings are initially recognised at fair value less directly attributable transaction costs. Subsequently, these borrowings are recognised at amortised cost.

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
Dividends to stockholders are recognised as a liability in the period in which they are declared. The following dividends were declared by the Group:

	2005	2004
	£	£
11.5p (2004: 11.0p) per stock unit	**1,247,601**	1,313,722

l. Taxation
The total tax charge and tax liability for the half year is treated within the financial statements as follows:

	2005	2004
	£	£
Shown within the profit and loss account:		
UK corporation tax charge for the half year	**762,424**	174,207
Included within current tax liabilities in the balance sheet:		
UK corporation tax charge for the half year	**735,759**	174,207
Corporation tax on the movement on the difference between fair value of available for sale investments and book cost between 1 January 2005 and 30 June 2005	**1,986,351**	–
Adjustments in respect of prior years	**(49,588)**	–
Overseas tax recoverable	**(17,103)**	–
	2,655,419	174,207

m. Explanation of transition to IFRS
The above accounting policies have been applied in preparing the condensed consolidated interim financial statements for the first half year of 2005, the comparative information for the first half of 2004 and the financial statements for the year ended 31 December 2004. The requirements of IAS32 “Financial Instruments: Disclosure and Presentation” and IAS39 “Financial Instruments: Recognition and Measurement” have been adopted with effect from 1 January 2005. The comparative figures do not therefore incorporate any restatements in respect of either IAS32 or IAS 39.

EL ORO AND EXPLORATION COMPANY p.l.c.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM STATEMENTS (continued)

m. Explanation of transition to IFRS (continued)

The following statement sets out the changes made to shareholders' funds at 31 December 2004 following the adoption of IFRS and separately the changes at 1 January 2005 to reflect the adoption of IAS32 and IAS39.

	Share Capital	Share Premium	Reval'n Reserve	Cap Red Reserve	Merger Reserve	Profit and Loss	Other Reserves	Total
At 31 Dec 04 (UK GAAP)	592,045	6,017	199,635	294,182	(149,798)	25,306,646		26,248,727
Note 1						1,247,601		1,247,601
Note 2			(199,635)			199,635		–
At 31 Dec 04 (IFRS)	592,045	6,017	–	294,182	(149,798)	26,753,882	–	27,496,328
Note 3						(358,560)		(358,560)
Note 4						9,051,690		9,051,690
Note 5						(9,284,355)		(9,284,355)
Note 6							36,987,812	36,987,812
Note 7							(11,096,344)	(11,096,344)
At 1 Jan 05 (IFRS)	**592,045**	**6,017**	**–**	**294,182**	**(149,798)**	**26,162,657**	**25,891,468**	**52,796,571**

Note 1 Adjustment due to dividends to stockholders being recorded in the period when are declared, where previously they were recorded in the period to which they were charged.

Note 2 Reclassification of Revaluation reserve balance to Profit and Loss account.

Note 3 Currency difference on the original and 1 January 2005 exchange rates on unimpaired overseas stocks.

Note 4 Release of provision on impaired stocks and derivative positions at 31 December 2004 at mid market price.

Note 5 Provision on impaired stocks and long derivative positions at 1 January 2005 at bid market price and provision on impaired short derivative positions at 1 January 2005 to offer market price.

Note 6 Uplift in value of unimpaired stocks and long derivatives at 1 January to bid market price and uplift in value of unimpaired short derivative positions at 1 January 2005 at offer market price.

Note 7 Transfer to Deferred taxation of the above item at 30%.

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