

EL ORO AND EXPLORATION COMPANY plc

Company No: 80408

Founded 1 November 1886



Interim Report

for the six months ended 31 December 2006

CONTACTS

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(Chairman and Managing Director)
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WEBSITE

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CHAIRMAN'S STATEMENT

results for the period ended 31 December 2006

The Group profit before tax for the six months to 31 December 2006 was £3,049,025 (six months to 31 December 2005: £7,180,828). Group net assets at 31 December 2006 under IFRS, taking all assets at fair value were £77,167,354 equal to 712p per stock unit, (31 December 2005: £65,517,760 equal to 605p per stock unit).

El Oro's team of heavy hitters, has been boosted by the bane of Mr. Flintoff, and increased its score with the takeover of Hardys and Hanson by Greene King, assisted by the ever-increasing value of other Brewery holdings, such as Adnams, Fuller, Smith and Turner and Young's.

The middle-order batsmen have been piling on the runs in the Property sector, with notable increases in the asset values of Daejan, Mountview and McKay Securities. MP Evans have also thrived with their transition from Malaysia to Indonesian Palm Oil production, whilst James Halstead continue to demonstrate their flawless ability to produce non-slip results.

Hard on their heels and not to be outdone, Egdon have flourished with its gas-storage project in the Isle of Wight. Amongst the precious metals, Troy's reinforced team have expanded their reserves both in Brazil and Canada, and are beginning to achieve belated recognition in the market. Hunting have soared beyond the expectations of many, whilst the platinum producers and explorers continue to flourish, upheld by a rising price due to catalytic converter and fuel-cell demand.

The seemingly-insatiable demand from China and India for both metals and energy has underpinned most metal prices, with stratospheric levels now reached in nickel, and uranium, whilst copper continues to rise after a brief fall in recent months. Within the last week, Lionore, in which in its earlier guise as Francistown Mining and Exploration, El Oro was a founder shareholder, has agreed a takeover by Xstrata. This has precipitated further advances in the nickel sector, where the folly of Western Mining's dispersal of its nickel interests in the Kambalda region has been the bounty of companies such as Mincor, Mirabella and Minara. Adding Iron Ore, Molybdenum and Natural Gas, it is little wonder that Perth property prices are now amongst the highest in Australia. Where Australians are not discovering new riches beneath their bountiful land, they are developing assets overseas. We were privileged to visit Albidon's nickel mine in Zambia, and International Ferro Metals' Chrome project in South Africa. We hold high expectations for both, despite South Africa's determination to increase turnover of Porsche Cayenne Turbos amongst the new business elite.

CHAIRMAN'S STATEMENT *continued*

In the longer term, as already criticised by Mr. de Klerk, the restrictive selection of personnel from a quota system and in particular from the 'disadvantaged' sector, can only damage a sophisticated economy such as South Africa's. This is exacerbated by increasing corruption, incompetence and anti-business sentiment, alongside the ever-present violence, which makes us fearful for the future in that beautiful country, particularly given its support for the wanton and tragic destruction of its neighbour to the North. Sadly, however tempting the assets, we see little hope of anything other than venality persisting in Zimbabwe. Ian Smith's hope, expressed to us recently to 'see that brigand driven out' may be accomplished, but the return of the halcyon days as the Jewel in the Crown of Africa are perhaps gone for ever.

On the home front, the dismal days of this dreadful government draw slowly to a close, with tax reimposed on the lowest level of earnings; newly-qualified doctors denied jobs by a selection system of unbelievable stupidity totally unsuited to the calibre and qualifications of the applicant; a dental system in decay; an Hogarthian desire for Casinos bordering on depravity; the plaintiff cries of cows culled by Death-dealing Defra for paper-work discrepancies ringing in the ears of their uncompensated owners; the ongoing payments fiasco at that same department preceding the promotion of its perpetrator onto the world stage, where our sailors are seized and the means of redress has probably been reduced beyond repair; an education system, where money has been poured into the morass of the lowest 20%, whilst the leading academic institutions are starved of resources, and the need for intellectual capital becomes, against competition from China and India, ever more acute; the disgraceful and disastrous starving of resources for the defence sector; the theft from the Lottery of funds earmarked for Sport to finance the ever-escalating cost of the Olympics; and the relentless extension of the State across ever greater areas of society and employment, into every nook and cranny of human and spiritual existence, typified, on the mundane level by the sprouting of congestion charge cameras on their lofty poles, in the Brompton Road.

In the face of this accumulating crisis, the leaders of the opposition float ever upwards in their beautiful balloon, on a diet of Juniper berries: "the world's a nicer place in my beautiful balloon, it wears a nicer face in my beautiful balloon, we'll search the clouds for a star to guide us": their assault on the every-day expectations of ordinary citizens to fly to their own holidays or homes, on deeply dubious environmental grounds, whilst continuing to rule out tax or spending cuts, leaves little hope for any change of substance from the tidal wave of expenditure, tax and regulation suffered for the past 10 years.

CHAIRMAN'S STATEMENT *continued*

Outlook

The gloom aforementioned is as nothing to the Sub-Prime crisis engulfing the United States housing market, which has every possibility of spreading to the Prime market itself. Indications that the French housing market is also beginning to suffer, and that Spain is seriously over-valued, are matched by remarks made by an increasing number that the UK Commercial property market is now in 'a bubble' fuelled by vast inflows from the Pension and Hedge Fund sectors. The trend of rising interest rates would not yet appear to have abated in the United Kingdom, and supposedly not in the United States. There are also indications that both the United States dollar as always, and the British pound sterling are overvalued and destined for significant and disturbing corrections.

At the same time, inflation is on an upwards trajectory: these factors, when taken together cause a degree of caution when looking beyond the immediate flood of funds fuelling takeovers for such venerable institutions as Sainsbury's and Alliance Boots, not to mention Altadis and numerous other approaches occurring in world markets.

We will therefore continue to keep our gold exposure, which appears on a rising trend. Our other metals, whilst subject to squalls from the Chinese/Indian economies and their progress will in coming years boost our portfolio which remains underpinned by those stalwarts mentioned earlier. Whilst realised profit will be subject to the happenstance of corporate activity and takeover, our goal remains raising the asset value per share.

After 6 months on the AIM market, we have now said farewell, to Chris Burman, and welcome Steven McKeane from Scotland via Sydney, as his highly competent successor. We also regrettably, have lost Rosanna to the hallowed environs of Oxford, but greet Vicky Clutterbuck stepping nimbly into her shoes; all assisted cheerfully and authoritatively by Abbie. I would like to thank them and my fellow directors for their continued support and wise advice, along with that of our advisers, brokers and colleagues.

Robin Woodbine Parish

30 March 2007

EL ORO AND EXPLORATION COMPANY plc

CONSOLIDATED INCOME STATEMENT

(Unaudited)

for the six months ended 31 December

	six months to 31 December 2006 £	six months to 31 December 2005 £
Revenue	6,978,291	9,249,151
Movement in fair value through the income statement investments	(240,578)	173,611
Movement in fair value of investment properties	41,139	(8,313)
Impairment loss on available for sale investments	(2,174,506)	(1,019,105)
Expenses	(909,295)	(817,660)
Profit before finance costs and taxation	3,695,051	7,577,684
Finance costs:		
Banks	646,026	397,297
Other	–	(441)
	646,026	396,856
Profit before taxation	3,049,025	7,180,828
Taxation	870,816	2,132,403
Profit for the period	2,178,209	5,048,425
Earnings per stock unit (basic and diluted)	20.10p	42.35p

CONSOLIDATED STATEMENT OF CHANGES IN INCOME AND EXPENSE

(Unaudited)

for the six months ended 31 December

	six months to 31 December 2006 £	six months to 31 December 2005 £
Profit for the period	2,178,209	5,048,425
Revaluation of available for sale investments during the period	9,835,193	13,943,864
Deferred tax on revaluation of available for sale investments during the period	(2,950,558)	(4,183,159)
Total recognised income and expense for the period	9,062,844	14,809,130

EL ORO AND EXPLORATION COMPANY plc

CONSOLIDATED BALANCE SHEET

(Unaudited)

as at 31 December

	31 December 2006 £	31 December 2005 £
Assets		
Non-current assets		
Property, plant and equipment	734,895	758,338
Investment properties	444,933	496,688
	<u>1,179,828</u>	<u>1,255,026</u>
Current assets		
Trade and other receivables	191,408	327,007
Financial assets:		
Available for sale investments	116,492,915	95,435,013
Financial assets - fair valued through the income statement:		
Commodities	2,146,315	1,236,774
Cash and cash equivalents	236,565	202,043
	<u>119,067,203</u>	<u>97,200,837</u>
Liabilities		
Current liabilities		
Financial liabilities:		
Borrowings	23,564,269	15,971,052
Trade and other payables	422,470	896,144
Current tax liabilities	1,211,438	7,498,377
	<u>25,198,177</u>	<u>24,365,573</u>
Net current assets	<u>93,869,026</u>	<u>72,835,264</u>
Non-current liabilities		
Deferred taxation	17,881,500	8,572,530
Net assets	<u>77,167,354</u>	<u>65,517,760</u>
Stockholders' equity		
Ordinary stock units	539,210	541,785
Share premium	6,017	6,017
Capital redemption reserve	347,018	344,442
Merger reserve	3,564	3,564
Other reserves	42,653,699	33,700,049
Retained earnings reserve	33,617,846	30,921,903
Total equity	<u>77,167,354</u>	<u>65,517,760</u>

EL ORO AND EXPLORATION COMPANY plc

CONSOLIDATED CASH FLOW STATEMENT

(Unaudited)

for the six months ended 31 December

	six months to 31 December 2006 £	six months to 31 December 2005 £
Cash flow from operating activities	569,923	(314,289)
Income taxes paid	(503,787)	(1,160,796)
	66,136	(1,475,085)
Cash flow from investing activities	(271,780)	(300,092)
Cash flow from financing activities	(1,922,508)	(1,443,638)
Net decrease in cash and cash equivalents	(2,128,152)	(3,218,815)
Cash and cash equivalents at 30 June	(20,648,219)	(12,322,091)
Effect of foreign exchange rate changes	(259,132)	98,789
Cash and cash equivalents at 31 December	(23,035,503)	(15,442,117)

**NOTES TO THE UNAUDITED CONSOLIDATED INTERIM
FINANCIAL INFORMATION**

The Unaudited Consolidated Interim Financial Information ("Financial Information") for the six months ended 31 December 2006 does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985. The Financial Information has been prepared using accounting policies and principles consistent with those applied in the preparation of the audited accounts of El Oro and Exploration Company plc for the 18 month period ended 30 June 2006. No changes were made to those policies in the preparation of this Financial Information. The Directors have elected not to adopt IFRS 7 "Financial Instruments: Disclosure" or IFRS 8 "Operating Segments" early.

There was a first and final dividend of 12 pence paid on 26 October 2006 in relation to the 18 month period ended 30 June 2006.

The Financial Information was approved by a Committee of the Board of Directors on 30 March 2007. The Financial Information has not been subject to review or audit by the Group's auditor.

REVENUE

(Unaudited)

for the six months ended 31 December

	six months to 31 December 2006 £	six months to 31 December 2005 £
Dividends from listed available for sale investments	1,006,036	1,008,757
Dividends from unlisted available for sale investments	146,775	120,983
Net loss on fair value through the income statement investments realised	(80,828)	(307,437)
Net profit on available for sale investments realised	5,993,499	8,494,584
Currency translation losses	(110,619)	(109,352)
Other income	23,428	41,616
	<u>6,978,291</u>	<u>9,249,151</u>

**NOTES TO THE UNAUDITED CONSOLIDATED INTERIM
FINANCIAL INFORMATION**

RESERVES

(Unaudited)

	Share premium	Capital redemption	Merger	Other	Retained earnings
At 1 July 2006	6,017	344,442	3,564	38,069,136	33,005,519
Purchase and cancellation of own shares		2,576			(271,780)
Movement in period in values of AFS assets				9,835,193	
Tax provided on above				(2,950,558)	
Fair value of AFS investments recycled to income statement				(3,285,817)	
Tax relief on above				985,745	
Profit for the period					2,178,209
Dividends paid					(1,294,102)
At 31 December 2006	6,017	347,018	3,564	42,653,699	33,617,846

	Share premium	Capital redemption	Merger	Other	Retained earnings
At 1 July 2005	6,017	343,792	3,564	27,764,808	25,938,357
Purchase and cancellation of own shares		650			(64,879)
Movement in period in values of AFS assets				13,943,864	
Tax provided on above				(4,183,159)	
Fair value of AFS investments recycled to income statement				(5,464,948)	
Tax relief on above				1,639,484	
Profit for the period					5,048,425
Dividends paid					—
At 31 December 2005	6,017	344,442	3,564	33,700,049	30,921,903