EL ORO AND EXPLORATION COMPANY plc

Company No: 80408

Founded 1 November 1886

Annual Report

for the year ended 30 June 2008

El Oro and Exploration Company plc ("the Company") is the parent company of the following companies:

- El Oro Mining and Exploration Company Limited;
- General Explorations Limited;
- Group Traders Limited; and
- Investigations and Management Limited.

Each company is registered in England and Wales and are collectively referred to as the "Group" throughout this document.

CONTENTS

[1] International Financial Reporting Standards ("IFRS").
[2] United Kingdom - Generally Accepted Accounting Principles ("UK GAAP").

CHAIRMAN'S STATEMENT

The Group profit before tax for the year-ended 30 June 2008 was £6,699,292 (year-ended 30 June 2007 was £5,427,232) under IFRS. The Group's net assets at 30 June 2008 under IFRS were £74,638,810 or 692.6 pence per stock unit (2007: £85,511,984 or 793.5 pence per stock unit).

The Board has declared a first and only interim dividend of 14.0 pence per stock unit for the full year ended 30 June 2008, with the dividend paid on 24 October 2008 to Members registered on the books of the Company at the close of business on 3 October 2008.

The attempt by scientists supervising the Large Hadron Collider, to replicate the conditions leading to Big Bang has been overshadowed by the implosion occurring in the world's Financial markets: the gruesome truth has emerged that Bankers and their hired-hand Magicians, intoxicated by greed and dancing with the devilry of Derivatives, far from fostering a Golden Goose, have succeeded in producing Solfataric emissions so toxic to have nearly extinguished the Western Financial system.

Those of us who retain that deluded belief in Gold, that Barbarous Relic, fortified by its mystique and durability over thousands of years, can only wonder at the swift acceptance of the ultimately insane trust in Swaps and Derivatives, incomprehensible to all but their progenitors, and very likely including them: sadly one of the oldest Human vices pervaded the ranks of the financial sector, and suborned the politicians, who saw their electorate and themselves suddenly enriched by unbelievable asset growth.

The warnings of the wise against 'Financial Weapons of Mass Destruction' went unheeded and the downward spiral of the United States into a humiliated entity led by a former Master of the Universe, and teetering on the edge of Bankruptcy, threatens to bring down the Banking system as it has evolved over centuries. The Emperor has been discovered to have no clothes, and his cohorts have been found to be swimming naked.

In scenes reminiscent of the retreat of the Romans from Britain, the banking battalions have relinquished the ramparts, with no 'cohorts gleaming in purple and gold', but surreptitiously and swiftly; the Satraps have been abandoned, and their toys and trivia will clutter the auction catalogues for years to come.

The Financial tornado that has torn apart the core of Capitalism has destroyed value more quickly than in any preceding period, and leaves the world in a position markedly similar in its differences to the World pre-1914 to that pertaining at the conclusion of the Great War. The sweeping aside of Emperors, Kaisers, Kings and Sultans has been replicated over the last few weeks as the upper echelons of the Banking community have been eradicated or belittled; power has shifted irresistibly Eastwards and into the hands of Regulators. Whether either of those groups have the talent or ability to resurrect an effective alternative, remains to be seen.

Seldom can the predictions and forebodings of the pessimists have been so suddenly realised, even though their denouement has been deferred for so long: sadly, the consequences of that deferral now threaten impoverishment on a scale and breadth far beyond what more cautious and restrictive management of the economy could have achieved: this applies as much to the United States and Britain, as it does to the Southern perimeter of the European Union, where the housing bust is now engulfing Ireland and Spain, not to mention parts of Scandinavia and Iceland, due to wrong but equal levels of interest rates.

James V. vv 1,2:
Go to now, ye rich men, weep and howl for your miseries that shall come upon you. Your riches are corrupted, and your garments are moth-eaten. Your gold and silver is cankered; and the rust of them shall be a witness against you ...

Sadly for your portfolio the good times have come to a grinding halt, and our layers of protection prepared for these latter days have yet to fully justify their potential, steadfast as we remain in believing in the ultimate sanctuary of Gold.

The Pub sector in particular has seen substantial falls, precipitated by the decline in property prices, but more disturbingly driven by dismally disastrous Government interference: this has been catalogued in far greater detail by many chief executives, outlining the devastating effects of the smoking ban, allied to the plethora of asinine and ridiculous regulations and outrageous increases in beer duty: the survival of a sector historically at the heart of many communities and villages has been undermined and its existence threatened, often by unelected officials and at the behest of the cappuccino classes from Islington and Edinburgh.

CHAIRMAN'S STATEMENT

We hear from Shropshire of the imposition of new fire Regulations, and the requirement to spend huge sums to be able to resume and continue a business that has traded satisfactorily and safely to the enjoyment of many, for nigh on 30 years. In the opinion of the Gauleiters, this was deserving of instant closure, posing an 'imminent threat to life'. We read of many similar stories, and doubt whether many of the smaller businesses will be able to survive this assault of recent and largely irrelevant regulation. No doubt the officials of this caustic new order are fulfilling their obligations to the letter; as with the demise of the Douglas Dakota, and the QE2, whether at the diktat of the UK or EU, we are uncertain: what is sure is that the costs for some, at a time when the economy is predicted to cool rapidly, if not fall off a cliff, may be terminal.

Amongst the endless absurdities of the Health and Safety Executive and its minions, we learn that Champagne bottles may no longer be opened in the offices of a leading firm of accountants (presumably only the insolvency side would be considering such an action); The estimable Ian from Burton on Trent Civic Society, reports that on advising the Council where they would be planting bulbs as had been their practice for many years, he was told a Risk Assessment would be required, and submitted to 5 different departments. In consequence: No Bulbs for Burton.

Our property holdings have suffered with the drought in commercial lending, and downward revisions to Asset Values, exacerbated amongst AIM listed trading companies, such as Adnams and Young's by the 80% increase in Capital Gains applicable to that sector. If ever there was a case of Government action being timed to perfection to make a bad situation worse, this is a fine example. Several deals within our own portfolio, promising at the time of their announcement, now appear in jeopardy due to the dearth of liquidity.

The pressure has been particularly severe in the mining sector: commodity prices have declined precipitously, in some cases by more than 50%, accentuated by the cessation of production in parts of China during the Olympics, thereby perhaps helping our Oarsmen, women and cyclists to gain more Silver, Gold and Glory during that refreshing interlude to summer squalls and financial mayhem.

Mining share prices have declined by an even greater extent, and such earlier stalwarts as Albidon and International Ferro Metals that were until recently riding the crest of the Resources wave, have been dumped onto the reef. Doubtless there has been distress selling as funds dispose of their profitable positions in the quest for liquidity or facing redemptions; this, combined with the belief by many that the Bubble has burst for Resources, has greatly reduced values across the board, whilst the Platinum price has halved, faced by reduced demand for cars, the travails of the United States' motor industry, and consequent lower demand for Catalytic converters.

We are not convinced that China's slowdown justifies such dramatic and persistent falls, though we can be rebuked for failing to follow Warren Buffet's maxim of trying to be 'fearful when others are greedy', despite some modest reductions in our profitable positions. Perhaps the counterpoint to that quote is now applicable: 'to be greedy when others are fearful'.

The rapid retreat of the price of Gold after surpassing $1,000 in March has also been double-echoed by the falls in the prices of our Gold mining shares, and in some cases, such as recently announced by Serabi Mining, their impending closure. Troy has at least paid a dividend, albeit reduced, and we are heartened by the fortuitous timing of its sale of the Comaplex holding, and the development of its Iron ore project in conjunction with its Andorinhas Gold Mine. Two new mines, 50,000 ounces of gold per annum, and half the share price underpinned by cash, would indicate to us some sort of bottom; how wrong we have been so far.

We do believe that Troy is well poised to benefit from a change in sentiment or an increase in the price of Gold and that applies to many cash or ounce-rich Companies, and the Promised Land remains on the horizon, even if just out of reach: we think of Archipelago with production now in sight after such a fraught wait, and many other projects hit by the double-whammy of a falling price and restricted credit.

We congratulate the directors of Sunshine Gas on brightening our bedraggled summer with their proposed merger with Queensland Gas, and a sizeable uplift on our own position: another win for Rhodesian refugees from the monster Mugabe.

We are now confronted by the nationalisation of the United States' Financial system and the priming of the printing presses by the combination of one of the Investment Banks' foremost beneficiaries, with an academic who declared he was prepared to drop money from helicopters to avoid deflation: thereby bringing us closer to the abyss than ever before. Anyone who can seriously regard the United States as a going concern, confronted by One, or even Three trillion Dollar liability to bail out the Banks and housing sector, is more sanguine and optimistic than befits these pages.

CHAIRMAN'S STATEMENT

The refusal of the National Audit Office to sign off the United Kingdom's accounts due to the uncertainty surrounding Northern Rock indicates the possible insolvency of the United Kingdom; all this before HBOS and Bradford and Bingley hit the buffers. Lord Healey will no doubt be watching with wry amusement the impending arrival of the IMF, with a rescue package and obligatory spending cuts, not so long ago the preserve of Asia during their crisis in 1998.

The death throes of this magnificently and boundlessly incompetent administration and its enormous client state, constructed with such guardianista glee for the past 11 years, will inflict pain and suffering across a huge swathe of British society. So much so that those Gurkhas awarded the Victoria Cross for Gallantry fighting for Britain, and yet, until recently denied entry by junior bureaucrats as having 'insufficient connection with Britain', may well think twice about re-applying; whilst perhaps some of the 10,500 Afghans already granted citizenship will look elsewhere. Perhaps.

Almost every Government initiative has made a bad situation worse, and raised costs at a time of rising prices due to food and energy increases: closing excellent and viable schools, whilst offering to provide nursery places for 2 year olds; the Climate change levy, Congestion charges, Rubbish charges, HIPS inflicted on an already dying housing market, the Energy Efficiency Survey on let property; the Power of Attorney has not escaped the grasp of these mad meddlers, so that a brief visit to a solicitor has been replaced by up to three-month's wait and a bill for as much as £1,000.

Perhaps most ominous and catastrophic of all, the compliance with the European Directive on Renewable Energy threatens to precipitate the closure of most of our Nuclear Power Stations, and rely on the fantasy of some grossly ineffective windmills and 'renewables' providing power to Britain: thus risking running rapidly out of energy and greatly inflating the price of power to the populace and industry; mainly undertaken as a sop to the increasingly strident and economically naive-Green lobby so that even former civil servants in the Power sector are now warning of the 'Energy Poverty Trap'. Our Government, in selling British Energy, has decided to depend on the French for our future nuclear power, with all its ominous connotations for the British Civil Engineering sector, thereby abnegating its role as provider of last resort, to concentrate no doubt, on expanding the Civil Service.

Surely the final ignominy is the proposal by the Ministry of Defence to investigate the sale of H.M.S. Victory, due to the cost of its upkeep: having so disgracefully underfunded our serving soldiers and services, it now proposes disposing of one of the greatest of all emblems of Britain's Power and Glory, which gave us mastery of the Oceans for the nearly 150 years.

The sale of Damien Hirst's Golden Calf summarises succinctly the excess and folly of these final days of heaven: occurring as it did at the same moment that the US financial system was being sacrificed on the altar of State intervention. We do not think its purchasers will fare any better than those who worshipped Aaron's original. We do not share the sentiment of the following quote, recently received from the successors to the late and lamented Ian Notley:

"Gold is not necessary. I have no interest in gold. We'll build a solid state without an ounce of gold behind it." Adolf Hitler.

Echoed in the U.S.A.: by the order of President Roosevelt, anyone found hoarding over $100 in gold or gold certificates was made subject to two years imprisonment and $10,000 fine.

Perhaps the days of confiscation are already at hand, just as short-selling has been stopped on financial stocks: it is possible that the price is already indicating the death of confidence in those great edifices constructed by man's ingenuity and cunning.

As we see the demise of Britain's once solid economy, destroyed by vacuousness and vapidity, we hear of scions of British industry in tears as workers are laid off from empires carefully constructed after years of endeavour, great estates put up for sale, and most tragic of all, the death of those unable to cope with the humiliation of losing their homes or businesses.

We recall the words of Joel:

That which the palmerworm hath left hath the locust eaten; that which the locust hath left hath the cankerworm eaten; and that which the cankerworm hath left hath the caterpillar eaten. (Joel 1.v 4).

CHAIRMAN'S STATEMENT

We cannot pretend to any pleasure in seeing such wanton destruction wreaked over our country, and over your portfolio, even though we remain convinced, however unappealing the reasons will prove, that Gold will underpin our own recovery. We also own a wide spread of stocks in excellent companies, that will thrive again in due course once this leaden weight of lunatic interference is removed. Now that growth has dissolved into the ether perhaps even the Conservatives will think about cutting the monstrous excess of state spending, and release the people from the tyranny of Government interference on all fronts. It is even possible that the British financial sector will emerge in a stronger position, if that of the United States is regulated to extinction, under its new hair-shirt regime of salving the sensibilities of Main Street.

The United States has eschewed the advice of its finest statesmen, such as Paul Volcker, Warren Buffet and Charlie Munger; and is paying a heavy price for such denial. It does however, have vitality powerfully visible in the singing of the incomparable Boss, Bruce Springsteen, when performing at Manchester not long after the triumph over Russian money of the United team in Moscow. To perform for two and a half hours non-stop with such gusto cannot but help restore one's confidence in the endurance and ability of America's finest.

To encounter San Franciscan Marjorie on the train from Omaha to Sacramento was another serendipitous occasion and restorer of faith: she survived fraud at her night-clubs in an early business venture; unabashed set up in succession a telephone answering-service, a language school, and two newspapers; whilst travelling between 8 different houses; and at the age of 83 still made time before boarding the train in Chicago to visit Pastor Wright's Church, to gain first-hand experience of Prospective President Barack Obama's place of worship: these are the people whose tenacity and vigour and curiosity and resilience have made America great, and whose spirit will do so again.

Whatever the effortless accumulation of wealth amongst overweight Russians, quaffing champagne and ogling scantily dressed ladies at St. Tropez, or the emergence of a country whose entrepreneurs are prepared to poison its own people for a little extra profit margin, the model of the United States economy remains supreme, and is molested at the peril of the entire world. The cancellation or removal of the Credit Default Swaps, presently sucking the lifeblood out of the Western World's financial system, holds the key to our survival. Cauterising this fetid wound will require radical and prolonged treatment, and will inevitably involve vast write-downs and considerable suffering, but is now imperative and unavoidable.

Outlook
The outlook is hugely gloomy, but filled with promise:

It only remains for me to thank my co-directors for their resilience and support in a year which began with so many high hopes, and also to our loyal staff, Steven, Abbie and Vicky, coping gallantly and cheerfully with the slings and arrows of outrageous fortune.

C. Robin Woodbine Parish

FINANCIAL STATEMENTS - CONSOLIDATED

The consolidated financial statements have been prepared under IFRS.

Directors' report and financial statements for the year-ended 30 June 2008 with comparatives for the year-ended 30 June 2007.

DIRECTORS' REPORT

The Directors present their report, together with the audited consolidated financial statements for El Oro and Exploration Company plc (the "Company") and its subsidiaries (collectively, the "Group") for the year ended 30 June 2008.

Business review and principal activities
El Oro and Exploration Company plc, a company incorporated in England and Wales, was listed as a UK listed company on the Alternative Investment Market ("AIM"), a market of the London Stock Exchange, on 27 July 2006. The Group is domiciled in the United Kingdom.

The principal activity of the Group is dealing in investments world-wide, with investments in UK companies forming the larger portion of the portfolio. The main aim of the Company since 1938 has been to increase the asset value of the stockholders' units whilst continually increasing their dividends.

It is the Directors' intention to continue to manage the Group's affairs in accordance with its stated business objectives, the progress of this endeavour clearly shown in the table on pages 13 and 14. The Chairman's statement on pages 1 to 4 provides a comprehensive review of the Group's activities.

Investments where the Company's exposure has a fair value greater than £500,000 on 30 June 2008 are listed on page 47.

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

Results
The Group's results are set out in the consolidated income statement on page 15.

Statement of Directors' responsibilities
Company law requires the Directors to prepare financial statements for each financial period, which give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

In preparing these financial statements the Directors are required to:
- Select suitable accounting policies and apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State that the financial statements comply with IFRS as adopted by the European Union;
- Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Group will continue in business; and
- The Directors are responsible for the maintenance and integrity of the Company's website; legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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 (as amended) and Article 4 of the IAS regulations. 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.

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

DIRECTORS' REPORT

Group, Parent Company and subsidiary accounts

The Directors have applied IFRS (as adopted by the European Union) to the Group's consolidated financial statements since 1 January 2005.

The Directors have elected to continue to apply UK GAAP for the parent Company's financial statements in accordance with Section 226(2) (a) of the Companies Act 1985 (as amended). Therefore, in accordance with Section 227(c) of the Companies Act 1985 (as amended), the Company and each of its subsidiaries will continue to apply UK GAAP for their individual accounts for the year ended 30 June 2008.

Having been prepared in accordance with UK GAAP, the parent Company's financial statements are provided on a standalone basis and form the basis of future distributions to the Stockholders.

The Group results for the year ended 30 June 2008 with comparatives for the year ended 30 June 2007 are given below:

Group results

	30 June 2008	30 June 2007
	£	£
Group profit before taxation	**6,699,292**	5,427,232
Deduct: taxation	**(1,948,655)**	(1,681,632)
Group profit after tax	**4,750,637**	3,745,600
Parent company	**4,744,267**	3,739,994
Subsidiary companies	**6,370**	5,606
Group profit after tax	**4,750,637**	3,745,600

Dividend

For the year ended 30 June 2008, a first and only interim dividend of 14.0 pence (2007: 13.2 pence) per stock unit will be paid on 24 October 2008 to stockholders registered in the books of the Company at the close of business on 3 October 2008.

Key performance indicators

The Board believes that a steadily increasing net asset value and dividend are the most useful performance indicators for the Company that Stockholders can monitor. The Directors also consider the FTSE AllShare index when considering the portfolio's performance relative to the market. Further, full details on the historical performance of the Company are included on pages 13 and 14.

Financial instruments, principal risks and uncertainties

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 23 of the "Notes to the consolidated financial statements". The Board believes that these disclosures provide sufficient detail on the Company's principal risks and uncertainties.

Future outlook

The Board believes that the Chairman's statement sufficiently reviews the Company's operations in a straightforward, cautious and prudent manner, which considers the performance, marketplace and outlook for the Company's portfolio.

Charitable donation

The Company donated £2,500 during the year, which comprised £2,000 to the Bishops Castle Hospital Patient Fund and £500 to Young's Cycle Fund (2007: £1,900 - which comprised £1,500 to the Zimbabwe Benefit Foundation and £400 to Donation Crisis UK).

DIRECTORS' REPORT

Cancellation of 5 pence stock units

	2008 No.	**2008 Nominal value £**	**2008 Amount paid £**	**2008 % of issue**	2007 No.	2007 Nominal value £	2007 Amount paid £	2007 % of issue
Purchase and cancellation for trading reasons:								
None during 2008	–	–	–	–	–	–	–	–
31 May 2007	–	–	–	–	7,700	385	51,747	0.07
7 September 2006	–	–	–	–	51,500	2,575	271,780	0.48
Total	–	–	–	–	59,200	2,960	323,527	0.55

Directorate

A current list of Directors is shown on page 48 and forms part of this Directors' report. Mrs EW Houston and Mr RE Wade retire by rotation and being eligible, offer themselves for re-election.

Directors' interests in stock units

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

	30 June 2008 beneficial	**30 June 2008 non-beneficial**	30 June 2007 beneficial	30 June 2007 non-beneficial
CRW Parish	**911,614**	**1,599,493**	909,440	1,583,953
The Hon. Mrs. EC Parish	**331,463**	–	331,463	–
EW Houston	**1,091,023**	**564,303**	1,102,237	553,089
DRL Hunting	**1,248**	–	1,248	–
RE Wade	**67,712**	–	64,712	–
JA Wild	**25,000**	–	25,000	–

CRW Parish is a beneficiary and trustee of several family trusts, which results in a degree of duplication on his interests in the non-beneficial stock units of the Company. The substantial Stockholders interests are detailed in the Directors' report.

No changes to the Directors interests occurred before the date of this report and of the stock units in issue 5,805,146 or 53.87% are not in public hands.

No Director had a beneficial interest in any contract that the Company or any of the subsidiary companies were party to during the year. The Company maintains insurance against certain liabilities that could arise from a negligent act or a breach of duty by its Directors and officers in the discharge of their duties. Details of other risks are reviewed in note 23.

DIRECTORS' REPORT

Directors' remuneration

	Fees £	Salary and other £	Performance Bonus £	Benefits in kind £	Pension contribution £	Year to 30 June 2008 £	Period to 30 June 2007 £
Executive							
CRW Parish (Chairman)	–	207,161	239,442	657	34,101	481,361	374,789
Non-executive							
The Hon. Mrs. EC Parish	1,350	–	–	–	–	1,350	1,350
EW Houston	10,000	–	–	–	–	10,000	10,000
DRL Hunting	23,000	–	–	–	–	23,000	23,000
RE Wade	23,000	–	–	–	–	23,000	23,000
JA Wild	30,000	–	–	–	–	30,000	30,000
Total year to 30 June 2008	**87,350**	**207,161**	**239,442**	**657**	**34,101**	**568,711**	
Total period to 30 June 2007	87,350	211,140	132,753	896	31,784		**463,923**

The Chairman's emoluments for the year ended 30 June 2008 are detailed in the Director's remuneration table. The benefit in kind relates to payments made for medical insurance, the performance bonus is conditional upon a dividend of at least 1 pence per stock unit being paid to Stockholders and is then payable at a maximum rate of 5% of the remaining profit after taxation. The Remuneration Committee recommended and the Directors agreed that a performance bonus of £239,442 (2007: £132,753) is payable for the year ended 30 June 2008.

No Director waived emoluments in respect of either the year ended 30 June 2008 or the year ended 30 June 2007.

Directors' pension entitlement
The Group contributes to a Self Investing Personal Pension Plan for CRW Parish and contributions are payable up to normal retirement age of 65 years on 5 January 2015 or earlier retirement. The premium paid and payable in the year ended 30 June 2008 amounted to £34,101 (2007: £31,784). A contribution of £30,000 was due and payable at 30 June 2008 (2007: £30,000).

Non-executive Directors
All non-executive Directors, with the exception of The Hon. Mrs EC Parish and Mrs EW Houston, are independent Directors.

Approval of the financial statements
The Group financial statements on pages 15 to 33 were approved by the Board of Directors on 24 October 2008, and were signed on its behalf by Messrs. CRW Parish and JA Wild.

DIRECTORS' REPORT

Substantial interests
So far as the Directors are aware, at no time during the year, nor up to the date of this Directors' report, has any Stockholder, 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 those Stockholders disclosed below:

Stockholders	%	Stock Units	Beneficial	Non-beneficial
Mr SB & Mrs SW Kumaramangalam	15.00	1,617,213	1,065,562	551,651
Mr WB & Mrs P Fraser	17.85	1,923,157	7,515	1,915,642
JM Finn Nominees Limited	14.51	1,563,609	–	1,563,609
Mr G & Mrs CW Zegos	11.08	1,193,571	710,032	483,539

Mr & Mrs Kumaramangalam, Mr & Mrs Fraser, JM Finn Nominees Limited and Mr & Mrs Zegos are trustees of several family trusts, which results in a degree of duplication of their interests in the non-beneficial interests in the stock units of the Company.

Supplier payment policy
The Group complies with the settlement conditions of the various stock exchanges on which it trades, their settlement policies can be obtained on their respective websites. It is the Group's policy to agree the terms of payment with other suppliers prior to engaging them, ensuring that they are aware of the terms of payment and that payments are made in accordance with our contractual and other legal commitments. The payment policy applies to all payments for goods and services, without exception. The ratio expressed in days between the amounts outstanding to suppliers at 30 June 2008 and amounts invoiced to the Group by its suppliers in the year ended 30 June 2008 was 7 days (2007: 7 days), as calculated in accordance with the requirements of the Companies Act.

Corporate Governance
As an AIM listed company, compliance with the 2006 FRC Combined Code is not required. However, the Directors endeavour to comply with the provisions of the Combined Code of best practice to the extent that it is practicable for a Group of our size.

Audit Committee
Members of the Audit Committee comprise the three independent non-executive Directors Messrs. DRL Hunting, RE Wade and JA Wild (Chairman). Mr. Wild has recent and relevant financial experience that is supplemented with support and guidance from the Auditor, Company Secretary and other financial advisors. The Auditor reports to the Directors and the Audit Committee on the actions they take to comply with their professional and regulatory requirements and best practice designed to ensure their independence from the Group. The Audit Committee operates under written terms of reference approved by the Board which are available from the Company upon written request.

Remuneration Committee
The Remuneration Committee is responsible for making recommendations to the Board, within agreed terms of reference, on the Company's framework of executive remuneration and its cost. The Committee determines the contract terms, remuneration and other benefits for each of the executive and non-executive Directors, including performance-related bonus schemes, pension rights and compensation payments.

Details of the Company's policies on remuneration and service contracts are provided in the Directors' report.

DIRECTORS' REPORT

Internal control and risk management
The Company formally reports to stockholders twice a year in the Annual Report and the Interim Report and liaises with major stockholders on a regular basis and other relevant information is available on the Company's website at www.eloro.co.uk.

The Board is ultimately responsible for both the Group's system of internal control and also for reviewing its effectiveness. As systems are designed to manage rather than eliminate those risks associated with the achievement of business objectives, they can only provide reasonable and not absolute assurance against material mis-statement or loss.

The Directors recognise that given the size and structure of the Group, the Company is dependent upon key staff members.

Meetings
Board and Committee meetings held during the year ended 30 June 2008:

			Sub-committees		
	Board	**Audit**	**Remuneration**	**Project**	**Accounts**
Meetings	**6**	**6**	**2**	**2**	**1**
Executive					
CRW Parish	6	6*	–	2	1
Non executive					
The Hon. Mrs. EC Parish	1	–	–	–	–
EW Houston	6	5*	–	–	–
DRL Hunting	6	6	2	2	–
RE Wade	6	6	2	–	–
JA Wild	6	6	2	2	1

* Not a member of the Committee, attended by invitation.

The Board receives sufficient information to enable it to discharge its duties, including reports detailing current and forecast trading results and treasury position reports. Board papers are generally distributed at least five days before meetings to enable the Directors to fully prepare, with minutes of Audit and Remuneration Committee meetings circulated to each Director. Should a Director be unable to attend a meeting, their comments on the Board papers to be considered at that meeting and any other relevant issues are discussed in advance with the Chairman.

Going concern
The Directors, after making enquiries and on the basis of current financial projections and the available facilities, including that the assets of the Group comprise mainly readily realisable listed investments whose aggregate fair value far exceeds the Group's current or foreseeable liabilities, believe that the Group and the Company have adequate financial resources to continue in operation for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

DIRECTORS' REPORT

Auditor
The Directors, after making enquiries and in so far as they are aware, believe that there is no relevant audit information (that is, information needed by the Auditor in connection with preparing the audit report) that the Auditor is unaware of. The Directors believe that they have taken all reasonable steps to source all relevant audit information and to establish that the Auditor is aware of that information.

PricewaterhouseCoopers LLP have indicated their willingness to continue in office as Auditor and a resolution to reappoint them as Auditor to the Company will be proposed at the Annual General Meeting.

By order of the Board
Steven McKeane
Secretary
24 October 2008

Historical financial data

	THE EXPLORATION COMPANY plc				EL ORO MINING AND EXPLORATION COMPANY plc			
Period[4]	Dividends declared %	Profit/(loss) before tax £	Issued capital £	Net assets at fair value (IFRS) £	Dividends declared %	Profit/(loss) before tax £	Issued capital £	Net assets at fair value (IFRS) £
1950	-	2,991	157,777	107,261	-	1,644	292,202	160,047
1951	-	22,951	157,777	129,574	-	24,655	292,202	184,725
1952	-	6,104	157,777	136,398	-	1,363	292,202	186,686
1953	-	29,756	157,777	166,518	-	36,925	166,972	22,933
1954	-	47,134	157,777	237,627	-	60,470	166,972	319,256
1955	-	13,230	320,634	552,845	-	7,318	185,922	353,165
1956	-	20,600	320,634	580,245	-	17,533	186,972	375,284
1957	-	13,851	375,000	624,903	-	3,754	236,972	404,899
1958	3.06	98,297	375,000	836,633	3.06	56,519	236,972	544,862
1959	3.68	90,125	375,000	1,294,943	3.68	65,846	300,000	1,021,310
1960	4.29	72,850	400,000	1,185,437	4.29	53,327	300,000	855,431
1961	1.53	97,029	600,000[1]	1,261,848	1.53	44,870	450,000	892,466
1962	1.84	120,509	600,000	1,336,996	1.84	56,125	450,000	962,447
1963	2.45	136,085	600,000	1,651,454	2.45	92,859	450,000	1,188,391
1964	2.94	126,781	600,000	2,008,771	2.94	86,576	450,000	1,474,511
1965	5.88	157,264	600,000	2,258,181	5.88	104,685	450,000	1,651,027
1966	5.88	126,317	600,000	2,084,257	5.88	89,228	450,000	1,516,048
1967	11.75	184,054	600,000	3,256,899	11.75	139,202	450,000	2,492,348
1968	11.75	280,914	600,000	4,773,113	11.75	164,591	450,000	3,722,257
1969	11.75	176,789	600,000	5,194,065	11.75	132,968	450,000	3,963,291
1970	6.13	210,573	600,000	4,190,789	6.13	167,726	450,000	3,213,921
1971	6.13	378,863	600,000	4,413,814	6.13	322,473	450,000	3,315,685
1972	7.00	274,672	600,000	5,655,161	7.00	234,987	450,000	4,254,626
1973	7.04	256,814	600,000	4,029,713	7.04	176,011	450,000	3,210,061
1974	7.17	231,264	602,646[3]	3,875,955	7.17	182,673	451,113	3,052,782
1975	8.06	443,110	602,646	5,091,975	8.06	355,833	451,113	3,821,366
1976	9.00	559,879	602,646	4,393,499	9.00	456,732	451,113	3,377,804
1977	10.05	702,992	602,646	5,922,335	10.05	544,471	451,113	4,257,605
1978	11.54	780,287	602,646	6,417,405	11.54	566,937	451,113	4,589,108
1979	14.00	711,962	602,646	7,673,981	14.00	551,087	451,113	5,654,320
1980	17.50	947,985	602,646	9,709,921	17.50	739,037	451,113	7,147,841
1981	21.00	1,032,601	602,646	9,554,229	21.00	745,668	451,113	6,699,295
1982	24.50	926,667	602,646	11,463,211	24.50	739,873	451,113	7,881,703
1983	63.00	1,295,151	602,646	14,682,943	63.00	1,040,894	451,113	11,040,026
1984	42.00	1,111,935	602,646	15,440,172	42.00	882,791	451,113	11,504,985
1985	46.15	1,225,978	602,646	15,233,310	46.15	1,011,557	451,113	11,586,431
1986	50.00	1,451,334	602,646	20,238,397	50.00	1,185,397	451,113	15,823,277
1987	75.00	1,859,803	602,646	24,851,990	75.00	1,447,315	451,113	19,710,991
1988	100.00	2,189,351	602,646	26,606,199	100.00	1,712,278	451,113	19,741,508
1989	120.00	2,879,131	602,646	32,328,183	120.00	2,567,259	451,113	25,448,777
1990	240.00	2,961,319	602,646	26,581,117	240.00	2,382,239	451,113	20,418,932
1991	240.00	2,075,120	602,646	29,887,400	240.00	1,666,051	451,113	25,423,822
1992	240.00	2,481,252	602,646	30,588,772	240.00	1,935,122	451,113	26,944,101
1993	200.00	1,722,587	602,646	40,510,012	200.00	1,546,932	451,113	36,927,938
1994	200.00	2,296,357	602,646	38,468,620	200.00	1,884,186	451,113	31,414,422
1995	210.00	2,331,234	602,646	42,692,619	210.00	1,962,909	451,113	40,609,985
1996	220.00	3,074,173	602,646	49,066,701	228.00	2,746,454	451,113	41,950,851
1997	230.00	2,204,613	602,646	50,279,497	235.00	1,840,458	451,113	45,087,651
1998	240.00	5,406,542	602,646	44,128,780	245.00	4,271,443	451,113	35,861,218
1999	270.00	5,621,549	602,646	51,650,997	260.00	4,036,102	451,113	44,300,703
2000	270.00	1,690,006	602,646	47,333,362	260.00	2,076,730	451,113	43,656,695
2001	210.00	(75,552)	602,646	40,924,033	260.00	1,921,428	451,113	37,942,826
2002	210.00	2,049,124	602,646	37,353,176	260.00	1,434,175	451,113	36,830,273

EL ORO AND EXPLORATION COMPANY plc (formerly The Exploration Company plc)

Period[4]	Dividends declared %	Profit/(loss) before tax £	Issued capital £	Net assets at fair value (IFRS) £
2002	210.00	2,321,415	597,146	52,724,264[1]
2003	220.00	3,938,278	597,146	64,963,076[1]
2004	230.00	3,005,700[2]	592,045	67,905,581
2006	240.00	12,018,986	541,785	72,214,062
2007	264.00	5,427,232	538,825	103,451,384
2008	280.00	6,692,924	538,825	87,139,106

Historical financial data

The above table for The Exploration Company plc and El Oro Mining and Exploration Company plc indicates the progress of the two companies from 1950 to 2002 applying the accounting principles adopted throughout that period. The table for El Oro and Exploration Company plc indicates the progress for the Group since then, applying the currently adopted accounting principles as outlined in the notes to the accounts, note 1. Since, 2002 the net assets at fair value (IFRS) is calculated from the IFRS accounts of the parent Company as follows:

	30 June 2008	30 June 2007
	£	£
Net assets	**74,623,272**	85,502,815
Add: deferred tax	**13,685,845**	19,137,462
Less: fixed assets	**(1,170,011)**	(1,188,893)
Net assets at fair value	**87,139,106**	103,451,384

The dividends declared figure is expressed as a percentage of the amount paid/payable per stock unit against the 5 pence issue value of each stock unit. The only new money raised during all of the above periods was in aggregate £358,180.

The amounts paid or pending since 1958:

Dividends	28,691,381
Taxation	26,716,982
	55,408,363

[1] Bonus issue of one unit for every two units held.

[2] From 2004 the Group accounts have been prepared under IFRS and the measurement of net assets at fair value or up to and including 2004 had excluded the potential charge to corporation tax for the excess net value over book cost, while for 2005 this charge is included.

[3] 52,925 stock units issued to members exercising their options to take additional stock units in lieu of cash dividend.

[4] To 2004 the period end of the Group was the twelve months to 31 December. The period for 2006 relates to the eighteen months to 30 June 2006.

From 1970 to 2002 the accounts incorporate the Company's share of the result of their associated undertakings.

The middle market price per stock unit at 30 June 2008 was 560.8 pence (which with 1 for 2 bonus in 1961 equals 399.8 pence) compared with a middle market price of 2.0 pence per stock unit at 31 December 1950.

CONSOLIDATED INCOME STATEMENT
for the year ended 30 June 2008

	Notes	**30 June 2008** £	30 June 2007 £
Revenue	**3 a.**	**2,345,644**	2,448,192
Net gains on investments	**3 b.**	**14,023,177**	8,987,984
Impairment loss on available for sale investments		**(5,832,572)**	(2,466,602)
Expenses	**4**	**(1,826,483)**	(2,017,602)
Profit before finance costs and taxation		**8,709,766**	6,951,972
Finance costs			
Interest expense		**(2,010,474)**	(1,524,740)
Profit before taxation		**6,699,292**	5,427,232
Taxation	**6**	**(1,948,655)**	(1,681,632)
Profit after taxation		**4,750,637**	3,745,600
Earnings per stock unit (basic and diluted)	**7**	**44.08p**	34.70p

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE
for the year ended 30 June 2008

	Notes	**30 June 2008** £	30 June 2007 £
Profit for the year		**4,750,637**	3,745,600
Revaluation of available for sale investments during the year	**21**	**(7,243,164)**	16,291,894
Deferred tax on revaluation of available for sale investments during the year	**21**	**2,028,086**	(3,619,943)
Total recognised income and expense for the year		**(464,441)**	16,417,551

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET
as at 30 June

	Notes	**30 June 2008 £**	30 June 2007 £
Assets			
Non-current assets			
Property, plant and equipment	8	**708,073**	726,955
Investment properties	9	**131,941**	495,091
		840,014	1,222,046
Current assets			
Trade and other receivables	11	**1,492,279**	232,311
Financial assets			
Available for sale investments	12	**113,124,805**	134,809,425
Financial assets at fair value through the income statement			
Commodities		**3,248,078**	1,609,430
Cash and cash equivalents	17	**536,463**	1,881,480
		118,401,625	138,532,646
Liabilities			
Current liabilities			
Financial liabilities			
Borrowings	13	**12,908,051**	18,082,955
Financial liabilities at fair value	13	**1,337,123**	–
Trade and other payables	14	**821,843**	1,074,356
Current tax liabilities	15	**849,967**	947,934
		15,916,984	20,105,245
Net current assets		**102,484,641**	118,427,401
Non-current liabilities			
Borrowings	13	**15,000,000**	15,000,000
Deferred tax liabilities	16	**13,685,845**	19,137,463
		28,685,845	34,137,463
Net assets		**74,638,810**	85,511,984
Stockholders' equity			
Capital			
Stock units	19	**538,825**	538,825
Reserves			
Share premium	21	**6,017**	6,017
Capital redemption reserve	21	**347,402**	347,402
Merger reserve	21	**3,564**	3,564
Other reserve – available for sale	21	**35,280,747**	49,482,060
Retained earnings	21	**38,462,255**	35,134,116
Total equity	20	**74,638,810**	85,511,984
Net asset value per stock unit		**692.6p**	793.5p

The Board of Directors approved and authorised the consolidated financial statements for issue on 24 October 2008.

Signed on behalf of the Board by:

CRW Parish — Chairman

JA Wild — Director

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 30 June 2008

	Notes	**30 June 2008 £**	30 June 2007 £
Operating activities			
Profit before taxation		**6,699,292**	5,427,232
Adjustments for			
Depreciation		**19,704**	25,042
Exchange (gains) / losses		**(988,343)**	396,704
Net losses / (gains) on fair value of investment properties		**4,205**	(17,898)
Net gains on impaired available for sale investments		**5,832,572**	2,466,602
Movement in fair value of investments through the income statement		**(544,775)**	140,150
Finance costs		**2,010,474**	1,524,740
Cash flow from operating profit before changes in working capital		**13,033,129**	9,962,572
Increase in available for sale investments		**(3,778,664)**	(16,295,694)
Decrease in fair value of investments through the income statement		**293,691**	1,636,198
Increase in forward gold contracts		**–**	(1,749,580)
Increase in trade and other receivables		**(1,259,968)**	(235)
(Increase) / decrease in trade and other payables		**(252,513)**	434,742
Cash generated from operations		**8,035,675**	(6,011,997)
Income taxes paid		**(1,822,827)**	(1,437,695)
Cash flow from operating activities		**6,212,848**	(7,449,692)
Investing activities			
Cost of stock units repurchased and cancelled		**–**	(323,527)
Purchase of property, plant and equipment		**(822)**	(4,580)
Sale of investment properties		**357,512**	–
Cash flow from investing activities		**356,690**	(328,107)
Financing activities			
Interest paid		**(2,016,957)**	(1,517,511)
Dividends paid to stockholders		**(1,443,400)**	(1,275,341)
Forfeited dividends		**–**	627
Repayment of mortgages		**(307,760)**	(5,018)
Cash flow from financing activities		**(3,768,117)**	(2,797,243)
Net increase / (decrease) in cash and cash equivalents		**2,801,421**	(10,575,042)
Opening cash and cash equivalents		**(30,891,807)**	(20,648,219)
Effect of foreign exchange rate changes		**718,798**	331,454
Closing cash and cash equivalents	17	**(27,371,588)**	(30,891,807)

The accompanying notes form an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

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

Basis of preparation

The principal accounting policies adopted in the preparation of the financial statements are set out below and, unless otherwise stated, have been applied consistently to all the periods presented. All results are from continuing operations, unless otherwise noted.

These 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 (as amended) applicable to companies preparing their accounts under IFRS. This is the third period that the Group has prepared its consolidated financial statements in accordance with IFRS. The transition date to IFRS was 1 January 2004.

The financial statements are presented in British Pounds ("GBP" or "£") and are prepared on a going concern basis and 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 financial statements requires that management 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, even though these estimates are soundly based on management's best knowledge of the amount, event or actions. Where any such judgement is made, it is highlighted in these accounting policies.

Standards, amendments and interpretations becoming effective in the year ended 30 June 2008

The following standards and amendments, which were not applicable in prior year and are mandatory for accounting periods beginning on or after 1 January 2007, were adopted by the Group on 1 July 2007:

- IFRS 7, Financial instruments: Disclosures; and
- IAS 1 (Amendment), Capital disclosures.

In accordance with the requirements of IFRS 7, disclosures relating to the Group's financial instruments have been given in notes 12, 13 and 23 to the financial statements. This standard does not have any impact on the classification and valuation of the financial instruments. In accordance with the requirements of the amendment to IAS 1, disclosures have been provided on the Company's objectives and policies for management of the Group's capital. There is no impact on the classification and measurement of the Group's capital.

The following standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1 January 2008, and would be the first year of adoption for the Group but are not relevant to the Group's operations:

- IFRIC 13, Customer loyalty programmes;
- IFRIC 14, The limit on a defined benefit asset, minimum funding requirements and their interaction; and
- IFRIC 16, Hedges of a net investment in a foreign operation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Interpretations to existing standards that are not yet effective and not relevant for the Group's operations
The following interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later periods but are not relevant for the Group's operations:

- IFRIC 12, Service Concession Arrangements (effective for annual periods beginning on or after 1 January 2008). IFRIC 12 outlines the accounting by operators for public-to-private service concession arrangements. IRIC 12 is not relevant to the Groups operations as it does not enter into such arrangements.
- IFRIC 13, Customer Loyalty Programmes (effective for annual periods beginning on or after 1 July 2008). IFRIC 13 clarifies that the sale of goods or services together with customer award credits is accounted for as a multiple element transaction. IFRIC 13 is not relevant to the Group's operations as it does not provide customer awards.
- IFRIC 14, IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction (effective for annual periods beginning on or after 1 January 2008). IFRIC 14 clarifies the amount of pension scheme surpluses that companies can include as a defined benefit asset in their balance sheets and when a funding requirement may give rise to additional liabilities. As the Group does not contribute to a defined benefit pension fund IFRIC 14 is not relevant to the Group's operations.

Significant accounting policies
The consolidated financial statements of the Group are for the year ended 30 June 2008 with comparatives for the year ended 30 June 2007. The consolidated figures include financial information in respect of the results from the Company and its subsidiaries (the "Group"), full details of which are set out in note 10.

a. Basis of consolidation

i. **Subsidiary companies**
Subsidiary companies are entities that are controlled by the Company, with control existing when the Company has the direct or indirect power 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 during the period are included in the consolidated income statement from the date the parent gained control until such time control ceases.

ii. **Transactions eliminated on consolidation**
Inter-group balances and income and expenses arising from inter-group transactions, are eliminated in the preparation of the consolidated financial statements.

b. Currency
The functional and presentational currency of the Group is British Pounds ("GBP" or "£"). Currency transactions are translated at the exchange rate ruling on the date of the transaction. Monetary assets and liabilities denominated in any other currency at the balance sheet date are translated to British Pounds utilising the market rate ruling at that date. 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%

Residual values and useful lives are reviewed each year end and adjusted as required, where an asset's carrying amount is greater than its estimated recoverable amount, it is immediately written down to its estimated recoverable amount.

d. Investments

Investment positions are recognised and closed on the trade date where a purchase or sale is made under a contract whose terms require delivery within the timeframe established in the relevant market. Investments are measured at fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

i. **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
Derivatives and commodities held in the portfolio have been designated fair value through the income statement and carried in the balance sheet at fair value, with all changes in fair value recognised in the income statement. The fair value price will depend upon the convention of the stock exchange where the investment is listed and it will be either the bid price or the last traded price. Realised gains and losses are recognised in the income statement on disposal with transaction costs expensed in the income statement. The Group has designated no other asset as held for trading, nor does it voluntarily classify any other asset at fair value through the income statement.

Available for sale - all other investments
Strategic investments in entities not qualifying as Group subsidiaries and non-derivative financial instruments and commodities that are not included in the “fair value through the income statement” category are classified as available for sale and carried in the balance sheet at fair value, with all changes in fair value recognised directly in equity. The fair value price will depend upon the convention of the stock exchange where the investment is listed and it will be either the bid price or the last traded price. Realised gains and losses are recognised in the income statement on disposal with transaction costs included within the cost of investment.

Where a decline in the fair value of an available for sale investment constitutes objective evidence of impairment, the amount of the decline in the fair value is removed from equity and recognised in the income statement.

The Board has determined that investments will be reviewed monthly for impairment, with a final assessment determining impairment on available for sale investments made every six months. The monthly review assesses investments for impairment either on the basis that an event permanently reduces the value of the investment, where the value of the investment has declined below cost by 20% or more, or where the value of the investment has been below cost for six consecutive monthly reviews. The final assessment of these stocks for impairment at the interim and year-end is performed by the Board.

Where the market for a financial instrument is inactive and also for unlisted investments, fair value is established by using valuation techniques that may when available, include using recent arms length market transactions between knowledgeable, willing parties or, by reference to the current fair value of a financial instrument that is substantially the same.

When market participants commonly use a valuation technique to price a financial instrument and that technique has also demonstrated that it provides reliable estimates of prices obtained in actual market transactions, that technique is utilised.

Unlisted investments are carried at cost, less provision for impairment when a reliable fair value cannot be estimated.

Currency translation
Exchange gains and losses arising on investments designated at ‘fair value through the income statement’ are recognised in the income statement.

Exchange gains and losses arising on ‘available for sale’ investments are recognised in the reserve “Other – available for sale”.

ii. **Investment income**
Investment income includes dividend, rent, interest on cash and non-government securities receivable.

Dividend income is recognised when the right to receive payment is established, which is normally the ex-dividend date.

Where an election is made for the receipt of shares rather than a cash dividend, the foregone dividend cash amount is recognised as income and taken as the cost of the shares received.

UK dividend income is recorded as the net amount receivable with no tax credit, while overseas dividend income is recorded gross of withholding tax. Gains and losses on the sale of investments are recognised in the income statement together with any related exchange difference on investments held in other currencies.

iii. **Investment properties**
The Group uses the fair value model and depreciation is not provided for on investment properties, with investment properties held for rental income and the potential for capital appreciation. Investment properties are initially recognised at cost and revalued to fair value by a professionally qualified independent valuer for both the interim and annual reports. Rental income is accounted for when due and any gain or loss arising from revaluating the fair value of an investment property is recognised in the income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

e. **Transaction costs**
In relation to 'available for sale' investments, the transaction costs are added to the purchase cost and deducted from the sale proceeds.

In relation to 'fair value through the income statement' investments, the transaction costs are charged to the income statement.

f. **Trade and other receivables**
Trade and other receivables are short term in nature and carrying no interest, they are shown at their nominal value with any reductions made for estimated irrecoverable amounts.

g. **Cash and cash equivalents**
Cash and cash equivalents include cash balances with an original maturity of three months or less and, bank overdrafts. Bank overdrafts are repayable on demand and form an integral part of the Group's cash management strategy they are included as a component of cash and cash equivalents in the consolidated cash flow statement.

h. **Financial liabilities**
The Group accounting policy classifies its financial liabilities into one of two categories, and considers the purpose for which a liability was incurred in the following way:

Fair value through the income statement:
Comprising short derivative financial instruments, this category is carried in the balance sheet at fair value with changes in fair value recognised in the income statement.

Other financial liabilities include:
- Trade payables and other monetary liabilities that are short term in nature and are stated at their nominal value; and
- Bank borrowings and mortgages that are initially recognised at the amount advanced net of transaction costs that are directly attributable to the issue of the instrument. These interest bearing liabilities are subsequently measured at the amortised cost using the effective interest rate method to ensure that any interest expense over the period is at a constant rate on the balance of the liability carried in the balance sheet. In this context, "interest expense" includes initial transaction costs and premiums payable on redemption, plus the interest or coupon payable while the liability is outstanding.
- Non-recallable 5 year loan facility of £15 million with Lloyds TSB has been reclassified in the Consolidated Balance Sheet from current liabilities to non-current liabilities.

i. **Taxation**
The charge for current taxation is based on the results for the period as adjusted for items that are non-assessable or disallowed. The charge is calculated using rates that have been enacted or substantially 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 historic cost. Deferred tax is provided for temporary differences on revaluation and crystallises when the asset is sold.

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. Deferred tax is recognised in the income statement except where it relates to items credited or charged directly to equity, in such case, the deferred tax is also dealt with in equity.

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

j. **Share capital**
i. **Repurchase of share capital**
When the Company repurchases share capital that is recognised as equity, all consideration paid, including any directly attributable cost; is recognised as a change in equity.

ii. **Dividends**
Equity dividends are recognised when they become legally payable, final dividends are authorised for payment by stockholders at the Annual General Meeting, with interim dividends authorised for payment by Board resolution.

k. **Pension costs**
The Group contributes to Self Investing Personal Pension plans for CRW Parish, with contributions recognised when payable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. 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 one reportable segment, which is dealing in investments, the only reportable segment.

3. REVENUE

	30 June 2008	30 June 2007
	£	£
a. **Revenue analysis**		
Dividends from listed available for sale investments	**1,921,638**	2,098,290
Dividends from unlisted available for sale investments	**360,483**	291,666
Other income	**63,523**	58,236
	2,345,644	2,448,192
b. **Net gains on investments**		
Net gains / (losses) on fair value of investments through the income statement	**544,775**	(140,150)
Net (losses) / gains on fair value of investment properties	**(4,205)**	17,898
Realised net losses on fair value of investments through the income statement	**(139,300)**	(933,683)
Net profit on available for sale investments realised	**12,633,564**	10,440,623
Net foreign exchange gains / (losses)	**988,343**	(396,704)
	14,023,177	8,987,984

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. EXPENSES

	30 June 2008 £	30 June 2007 £
Employment		
Employment costs	**580,471**	569,562
Employer's national insurance contributions and similar taxes	**84,132**	51,761
Pension costs	**30,000**	131,855
	694,603	753,178

	30 June 2008	30 June 2007
Average staff (including executive Directors)		
Investing	1	1
Administration	3	4
	4	5
Benefits in kind included within employees costs	**657**	896

The Company did not purchase any stock units for employees during the year to 30 June 2008 (2007: £nil).

	30 June 2008 £	30 June 2007 £
Operating	**1,045,574**	1,058,268
Direct operating expenses arising from investment properties	**21,518**	33,259
Transaction costs for fair value through the income statement investments	**58,505**	349,926
Depreciation of property, plant and equipment	**19,704**	25,042
Directors' emoluments	**568,711**	463,923
Auditors' remuneration		
- fee payable to the Company's Auditors for the financial statements' audit	**93,436**	80,487
- fee payable to the Company's Auditors and its associates for other services	**19,035**	6,697
	1,826,483	2,017,602

5. DIVIDENDS

	Paid during	
	30 June 2008 £	30 June 2007 £
Interim dividend of 13.2 pence (2006: 12.0 pence) per ordinary stock unit proposed and paid during the period relating to the previous period's results	**1,422,498**	1,294,103

Proposed dividends

The Directors approved a first and only interim dividend of 14.0 pence (interim 2007: 13.2 pence) per stock unit totalling £1,508,710 (2007: £1,422,498). This dividend is not accrued for in the balance sheet as it is only accounted for when paid, or in the case of a final dividend, until it is approved at the Annual General Meeting. The first and only interim dividend paid on 24 October 2008 to stockholders on the register of members on Friday 3 October 2008.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. TAXATION

	30 June 2008	30 June 2007
	£	£
Analysis of tax charge		
Current tax:		
UK corporation tax on profits for the period	**1,767,984**	1,875,669
Adjustment in respect of previous year	**(43,124)**	(32,547)
Total current tax	**1,724,860**	1,843,122
Deferred tax:		
Origination and reversal of timing differences	**223,797**	(161,490)
Total deferred tax	**223,797**	(161,490)
Tax on profit from ordinary activities	**1,948,657**	1,681,632

Factors affecting tax charge

The tax assessed is lower (2007: higher) than the standard rate of corporation tax in the UK of 29.5% (2007: 30%).

The differences are explained below		
Profit on ordinary activities before tax	**6,699,292**	5,427,232
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 29.5% (2007: 30%)	**1,976,291**	1,628,170
Effects of		
Expenses not deductible for tax	**23,629**	87,712
Income not subject to corporation tax	–	(2,290)
Depreciation in excess of capital allowances	**261**	312
Adjustments to tax charge in respect of prior year	**(51,524)**	(32,272)
Total tax charge for the period	**1,948,657**	1,681,632

The Group anticipates claiming 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 FINANCIAL STATEMENTS

7. EARNINGS PER STOCK UNIT

	30 June 2008	30 June 2007
	£	£
Profit after tax	**4,750,637**	3,745,600
Weighted average number of stock units in basic and diluted EPS	**10,776,501**	10,793,142
Earnings per stock unit (basic and diluted)	**44.08p**	34.70p

8. PROPERTY, PLANT AND EQUIPMENT

	Freehold property	**Fixtures, fittings paintings and computer equipment**	**Total**
	£	**£**	**£**
At 30 June 2007			
Opening net book value	706,990	40,427	747,417
Additions	–	4,580	4,580
Depreciation	(14,884)	(10,158)	(25,042)
Closing net book value	**692,106**	**34,849**	**726,955**
At 30 June 2008			
Opening net book value	692,106	34,849	726,955
Additions	–	822	822
Depreciation	(14,884)	(5,498)	(20,382)
Depreciation – written back on disposals	–	678	678
Closing net book value	**677,222**	**30,851**	**708,073**

9. INVESTMENT PROPERTIES

	30 June 2008	30 June 2007
	£	£
Opening net book value	**495,091**	406,014
Exchange difference to opening balance	**(1,433)**	71,179
Movement in value of investment	**(4,205)**	17,898
Disposal of property	**(357,512)**	–
Closing net book value	**131,941**	495,091

The investment property was valued on 30 June 2008 on the basis of open market value by Linda CN 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 valuation was 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 the investment property and there is currently no obligation to purchase, construct, or develop the investment property. Two of the three investment properties were disposed of during the year, with the proceeds fully repaying the mortgages over each of the three investment properties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. SUBSIDIARY COMPANIES

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 as at the 30 June 2008.

	No. shares	Nominal value	Business	Net assets	Profit before tax	value
El Oro Mining and Exploration Company Limited	4,511,135	ord. shares of £0.10	Dormant	453,546	–	456,110
General Explorations Limited	1,000,000	ord. shares of £0.05	Dormant	50,000	–	2,747
Group Traders Limited	30,040	ord. shares of £0.05	Dormant	1,502	–	37,500
Investigations and Management Limited	5,000	ord. shares of £1.00	Investment Company	58,939	6,367	3,080

The subsidiaries El Oro Mining and Exploration Company Limited, General Explorations Limited and Group Traders Limited each paid an inter-group dividend during the year to 30 June 2007; this single transaction reclassified them from dormant to active during the comparative year.

11. TRADE AND OTHER RECEIVABLES

	30 June 2008	30 June 2007
	£	£
Amounts due from brokers - unsecured and receivable on demand	**1,227,037**	3,621
Other debtors	**265,242**	228,690
	1,492,279	232,311

12. FINANCIAL ASSETS - AVAILABLE FOR SALE INVESTMENTS

	30 June 2008 Fair and book value	30 June 2007 Fair and book value
	£	£
Listed - London Stock Exchange	**41,200,280**	53,930,487
- London AIM	**18,916,360**	20,779,144
- International	**39,501,791**	48,256,227
	99,618,431	122,965,858
Unlisted	**13,506,374**	11,843,567
	113,124,805	134,809,425

Available for sale investments at 30 June 2007 and 30 June 2008 are recorded at fair value. For listed stocks, the fair value is determined by the bid price for buying an investment or the offer price for selling an investment. For unlisted stocks, the Board utilises common valuation techniques to determine the basis, based upon the best available information, for fair value, which could include the last known traded price. The Board has considered this methodology and is satisfied that the valuation process is both reasonable and consistently followed, out of the unlisted stock, £13.5 million was valued in this manner.

Impaired available for sale investments held for:		
Up to 90 days	**12,951**	103,839
90 to 180 days	**161,689**	39,298
180 + days	**24,917,185**	20,481,400
	25,091,825	20,624,537
Unimpaired available for sale investments held for:		
Up to 90 days	**7,399,717**	10,753,862
90 to 180 days	**5,640,363**	4,837,896
180 + days	**74,992,900**	98,593,130
	88,032,980	114,184,888
	113,124,805	134,809,425

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. FINANCIAL LIABILITIES – BORROWINGS AND DERIVATIVES

	30 June 2008	30 June 2007
	£	£
Current		
Bank overdrafts	**8,124,690**	6,226,423
Mortgages	**–**	309,668
Amounts due to brokers	**4,783,361**	11,546,864
Financial liabilities at fair value	**1,337,123**	–
	14,245,174	18,082,955
Non-current		
Bank overdrafts	**15,000,000**	15,000,000
	15,000,000	15,000,000

The Company has overdraft facilities that are repayable on demand and additional a bank loan that is not recallable for five years with Lloyds TSB plc. These facilities are comprised of a fully drawn loan of £15 million, with a further £5 million for working capital and liquidity management. The £15 million non-current loan was reclassified from current to non-current liabilities. There is a registered charge on all of the assets in favour of Lloyds TSB plc, the Group's bankers, as security for all liabilities and obligations owed by the Group to the bank. The Company has a line of credit for bullion trading with each of HSBC Bank plc (up to USD 2.5 million) and Lloyds TSB plc (up to GBP 5.0 million).

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

Within the amounts due to brokers, there is a lien on all assets held in favour of National Financial Services, 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 National Financial Services, Inc and Man Financial Limited.

Collateral placed with broker for financial liabilities at fair value		
Man Financial Limited	**2,956,916**	1,102,503
National Financial Services LLC	**–**	1,745,452
	2,956,916	2,847,955

The Company sold two of the three investment properties in New Zealand and fully repaid the mortgages from ANZ Banking Group (New Zealand) Limited. The terms of the each of the three mortgages was 25 years and the interest rate of each was variable after an agreed rate for an initial fixed period. There was a lien in favour of ANZ Banking Group (New Zealand) Limited as security for each of these mortgages.

14. FINANCIAL LIABILITIES – TRADE AND OTHER PAYABLES

	30 June 2008	30 June 2007
	£	£
Amounts due to brokers - unsecured and payable on demand	**221,732**	545,196
Other tax and social security taxes	**52,894**	15,065
Other payables	**10,673**	507
Accruals	**391,160**	389,106
Unclaimed dividends	**145,384**	124,482
	821,843	1,074,356

15. FINANCIAL LIABILITIES – CURRENT TAX LIABILITIES

	30 June 2008	30 June 2007
	£	£
Corporation tax	**849,967**	947,934
	849,967	947,934

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. DEFERRED TAX LIABILITIES

	30 June 2008	30 June 2007
	£	£
Opening balances at 1 July	**19,137,463**	16,218,592
Net (losses) / gains in available for sale investments	**(5,675,415)**	3,080,360
Increase in provision for impaired available for sale investments	**223,536**	(161,593)
Depreciation in excess of capital allowances	**261**	104
Closing balances at 30 June	**13,685,845**	19,137,463

Deferred tax is calculated in full on temporary differences under the liability method using an average tax rate (2007: 30%). The UK tax rate reduced to 28% from 30% on 1 April 2008. Deferred tax has been calculated at the rate at which the deferred tax is expected to reverse.

The fair value adjustments relating to the available for sale investments and the movement during the period in available for sale investments have been taken through equity and are included in other reserves. All other movements are shown in the income statement.

17. CASH AND CASH EQUIVALENTS

	30 June 2008	30 June 2007
	£	£
Cash available on demand	**536,463**	1,881,480
Bank loan and overdraft	**(23,124,690)**	(21,226,423)
Amounts due to brokers	**(4,783,361)**	(11,546,864)
	(27,371,588)	(30,891,807)

18. COMMITMENTS AND CONTINGENT LIABILITIES

Within the normal course of business, the Group has committed to subscribe for securities to a value. As at 30 June 2008 this commitment totalled £126,465 (2007: £140,871).

In the normal course of business, the Group had pledged security investments as collateral at 30 June 2008 with a value of £3,500,607 (2007: £3,396,047).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. STOCKHOLDERS' EQUITY – STOCK UNITS

Authorised	**30 June 2008 No.**	**30 June 2008 £**	30 June 2007 No.	30 June 2007 £
Shares of 5 pence	**7,947,075**	**397,354**	7,947,075	397,354
Stock units of 5 pence	**11,942,927**	**597,146**	11,942,927	597,146
		994,500		994,500
Issued and fully paid				
Shares of 5 pence	–	–	–	–
Stock units of 5 pence				
Opening balances	**10,776,501**	**538,825**	10,835,701	541,785
Purchase of stock units for cancellation [(i)]	–	–	(59,200)	(2,960)
Closing balance	**10,776,501**	**538,825**	10,776,501	538,825

Stock units have equal voting rights.

[(i)] **The Company purchased stock units for cancellation as follows:**

	No.	**Nominal value £**	**Amount paid £**
7 September 2006	**51,500**	**2,575**	**271,780**
31 May 2007	**7,700**	**385**	**51,747**

The following subsidiary company held an investment in the stock units of its parent company El Oro and Exploration Company plc.

	30 June 2008 No.	30 June 2007 No.
Investigations and Management Limited	**60,000**	60,000
	60,000	60,000

20. CHANGES IN STOCKHOLDERS' EQUITY

	30 June 2008 £	30 June 2007 £
Movement during the year		
Movement in recognised income and expense	**(464,441)**	16,417,551
Purchase and cancellation of stock units	–	(2,960)
Reduction in equity on cancellation of stock units	–	(320,567)
Dividend paid	**(1,422,498)**	(1,294,103)
Forfeited dividends	–	627
Fair value of available for sale investments transferred to the income statement	**(12,633,564)**	(1,798,610)
Available for sale reserve released on investments that have increased in value before impairment	**3,647,329**	539,583
	(10,873,174)	13,541,521
Opening balances	**85,511,984**	71,970,463
Closing balances	**74,638,810**	85,511,984

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. RESERVES

	Share premium £	Capital redemption £	Merger £	Other - AFS £	Retained earnings £
As at 30 June 2007	**6,017**	**347,402**	**3,564**	**49,482,060**	**35,134,116**
Movement in values of available for sale assets				(7,243,164)	
Tax effect on above				2,028,086	
Fair value of available for sale investments recycled to income statement				(12,633,564)	
Available for sale reserve released on investments that have increased in value before impairment				3,647,329	
Forfeited dividends					
Profit for the year					4,750,637
Dividends paid					(1,422,498)
At 30 June 2008	**6,017**	**347,402**	**3,564**	**35,280,747**	**38,462,255**

Reserve	**Description and purpose**
Share premium	This reserve maintains the amount that has been subscribed for share capital in excess of the share capital's par, or nominal value.
Capital redemption	This reserve maintains the par or nominal value amount that is transferred from share capital on the cancellation of issued shares.
Merger	This reserve arose when merging the accounts from the El Oro Mining Company plc and Exploration Company plc merger, plus the subsequent adjustment on the disposal of Danby Registrars Limited.
Available for sale	This reserve maintains the unrealised net gains arising from the recognition of financial assets that have been classified as available for sale at fair value.
Retained earnings	This reserve maintains the net gains and losses recognised in the consolidated income statement and is the only distributable reserve.

The Institute of Chartered Accountants in England and Wales (ICAEW), in its technical guidance TECH 01/08, states that profits arising out of a change in fair value of assets, recognised in accordance with Accounting Standards, may be distributed, provided the change recognised can be readily converted into cash. Securities listed on a recognised stock exchange are generally regarded as being readily convertible into cash and hence unrealised profits in respect of such securities, currently included within the 'Available for sale reserve', may be regarded as distributable under Company Law. This technical interpretation of the meaning of distributable reserves would, as a consequence, give rise at 30 June 2008 to capital reserves available for distribution of £32 million.

22. RELATED PARTY TRANSACTIONS

The Company and its subsidiary companies are related parties; as such, any transactions between these related parties have been eliminated in consolidating the Group's figures.

During the year:

- The Company purchased goods amounting to £6,165 (2007: £570) from Danby Registrars Limited, a company wholly owned by CRW Parish, an executive Director of the Company..

The Company owns the Group's registered office, 41 Cheval Place. CRW Parish, The Hon. Mrs. EC Parish and EW Houston paid accommodation costs to the Company for the use of the property during the year to 30 June 2008 this amounted to £540 (2007: £1,528). No amounts remain outstanding at the year ended 30 June 2008 (2007: £nil). Accommodation has not been provided to staff since 31 March 2007.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. FINANCIAL INSTRUMENTS AND RISK PROFILE

The Group's financial instruments are contained within 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 to partly finance the Group's operations.

The principal activity of the Group is dealing in investments world-wide, with the investments in UK companies forming the larger portion of the portfolio. The Group's main aim is to steadily increase the net asset value and dividend. The Group deals in listed and unlisted investments or other financial instruments, including derivatives and commodities. The Group is exposed to certain inherent risks that could result in either a reduction in the net assets, or a reduction in the profits available for distribution by way of dividends.

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 may not be immediately or readily realisable, this is generally not significant in normal market conditions as the majority of the Company's investments are listed on recognised stock exchanges and are generally liquid. Hence, liquidity risk is not considered to be significant. The Directors take this risk into account before making such investments and when determining the valuation of these assets.

Credit risk is the potential exposure of the Group to loss in the event of a non-performing counterparty. The Group manages the credit risk that arises during normal commercial operations, within the guidelines set by the Board. The Group also has credit exposures in financial and specialised markets as a result of dealing in investments and other financial instruments, including derivatives and commodities. The Group controls the related credit risk in financial and specialised markets by only entering into contracts with highly credit-rated counterparties who are duly registered securities dealers that are in the Board's estimation, and on the basis of past performance, historically sound.

The contractual maturities of the financial liabilities at 30 June 2008, based on the earliest date on which payment can be required to be made was as follows:

	Repayable on demand	3 months or less	Not more than 1 year	Not more than 5 years	Total
As at 30 June 2008					
Creditors: amounts due within one year:					
Overdrafts – due on demand	9,660				9,660
Brokers		1,559			1,559
Other creditors		63	392	145	600
Commodities – forward contracts			3,248		3,248
Tax – current			850		850
Creditors: amounts due after one year:					
Bank loan				15,000	15,000
Tax – deferred				13,686	13,686
	9,660	**1,622**	**4,490**	**28,831**	**44,603**

Fair values of financial assets and financial liabilities

The purpose of the following table is to summarise the fair and book value of the financial assets together with the financial liabilities. There is no difference between the book value and fair value and this summary excludes short-term debtors and creditors. The Group's policy in relation to the role of financial instruments and risk and is consistent with the position throughout the year and also during the comparative period.

	30 June 2008 Fair and book value £	30 June 2007 Fair and book value £
Financial assets		
Cash and bank balances	**536,463**	1,881,480
Listed available for sale investments	**99,618,431**	122,965,858
Unlisted available for sale investments	**13,506,374**	11,843,567
Commodities	**3,248,078**	1,609,430
	116,909,346	138,300,335
Financial liabilities		
Bank loan and overdrafts	**23,124,690**	21,226,423
Mortgages	–	309,668
Amounts due to broker	**6,120,484**	11,546,864
	29,245,174	33,082,955

23. FINANCIAL INSTRUMENTS AND RISK PROFILE *continued*

Fair value is determined from the bid price on the purchase of an investment or the offer price on the sale of an investment.

The principal risks the Group faces in its portfolio management activities are:
- market price risk (movements in the value of investment holdings caused by factors other than interest rate or currency movement);
- currency risk; and
- interest rate risk.

The Group takes account of these risks when setting investment policy and making investment decisions, by monitoring economic and market data to minimise the Group's exposure.

Market price risk
The Group exposure to market price risk is mainly contained in potential movements in the fair value of its investments, including equities, property and commodities. The Group manages this price risk within its long-term investment strategy to manage a diversified exposure the market principally in commodities and the exploration, mining, property and brewing sectors. The Group's investments are not tied to a linear market price risk owing to the portfolio's diversified structure. However, in line with IFRS 7, were each of the equities holdings to experience a 5 percent rise or fall in their fair value this would result in the Group's assets at balance date increasing or decreasing the Group's net asset value by £5,656,240 or 7.6% (2007: £6,740,471 or 7.9%). Additionally, were each of the commodities holdings to experience a 5 percent rise or fall in their fair value this would result in the Group's assets at balance date increasing or decreasing the Group's net asset value by £162,404 or 0.2% (2007:£80,472 or 0.09%).

The impact on the income statement is impossible to estimate, being the outcome of all the transactions in the portfolio throughout the year. The currency risks attached to these investments do not necessarily move in line with the underlying securities value, the currency risks are noted below. The principal investment exposures greater than £500,000 as at 30 June 2008 are included on page 47.

Currency Risk
The Group exposure to currency risk comes from investment in listed overseas stock markets, short-term funding from transactions with overseas stockbrokers and also from foreign property investment. The Group does not hedge against currency movement as the relative strength and weakness of a currency is considered when making an investment decision. Receipts in a currency other than British Pounds are converted only to the extent that they are not required for settlement obligations in that currency. The Group exposure to currency from overseas investment at fair value in British Pounds:

	30 June 2008	30 June 2007
	£	£
Key currencies		
Australian dollar	**15,690,226**	15,927,967
Canadian dollar	**7,131,922**	11,823,238
South African rand	**5,983,079**	7,181,867
US dollar	**8,449,705**	5,835,118
	37,254,932	40,768,190
Other		
Danish kroner	**12**	(2,820)
Euro	**1,490,228**	1,716,874
Hong Kong dollar	**9,268**	406,216
Japanese yen	**4,510**	198,928
Malaysian ringitt	**1,446,765**	1,326,164
New Zealand dollar	**176,866**	1,536
Norwegian krone	**57,356**	4,730
Swedish krona	**308,251**	239,046
Swiss franc	**173,921**	161,780
Thai bhat	**124,135**	118,233
	3,791,312	4,170,687
	41,046,244	44,938,877

It should be noted that for the purposes of IFRS 7, currency risk does not arise from financial instruments that are non-monetary items.

23. FINANCIAL INSTRUMENTS AND RISK PROFILE *continued*

Key currencies	2008	2007	Change in currency rate (%)	Effect on net assets (£'000) 2008	Effect on net assets (£'000) 2007
Australian dollar	**15,690,226**	15,927,967	5	**785**	796
Canadian dollar	**7,131,922**	11,823,238	5	**357**	591
South African rand	**5,983,079**	7,181,867	5	**299**	359
US dollar	**8,449,705**	5,835,118	5	**422**	292
	37,254,932	40,768,190		**1,863**	2,038
Other currencies	**3,791,312**	4,170,687	5	**190**	209
	41,046,244	44,938,877		**2,053**	2,247

A 5 percent rise or fall in the value of the British Pound against other currencies would result in the Group's assets that are denominated in currencies other than British Pounds at balance date increasing or decreasing the Group's net asset value by £2,053,000 or 2.8% (2007:£2,247,000 or 2.6%). The impact on the income statement is impossible to estimate, being the outcome of all the transactions in the portfolio throughout the year.

Interest rate risk
The Group has both interest bearing assets and liabilities.

The Group has an indirect exposure to interest rate risk, which results from the effect that changes in interest rates might have on the valuation of investments within the portfolio. The majority of the portfolio's financial assets are equity shares that pay dividends, not interest. Interest is charged on the bank overdraft and other bank loans; the interest rate is over various currency base rates or at rates negotiated with other financial institutions. Borrowing at year-end was £29,245,174 (2007: £33,082,955) (see note 13) and if that level of borrowing were maintained for a year with a 1 percent point change in the interest rate (up or down) net revenue would increase or decrease by £292,452 or 0.4% on net assets (2007: £330,830 or 0.4% on net assets).

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

	30 June 2008 Fixed Rate at fair value £	30 June 2007 Fixed Rate at fair value £
Fixed rate notes	**1,082,038**	1,037,788

There were no fixed rate liabilities held by the Company.

The Group has, in addition to the financial assets listed above, open forward contracts in commodities, as shown in the consolidated balance sheet on page 16. The effective interest rate on these financial assets is 12.8% (2007: 10.1%).

Capital management policies and procedures
The Company's capital management objectives are to ensure that it will be able to continue as a going concern, and to maximise the income and capital return to stockholders through an appropriate balance of equity capital and debt.

The portfolio includes unquoted investments which total £13.5 million or 12.0% (2007: £11.8 million or 9.0%) of the total portfolio on a fair value basis. These unquoted investments are held at valuations determined by the Directors, as discussed in note 12.

The Company's capital at 30 June comprises equity share capital, reserves and debt as shown in the consolidated balance sheet at a total of £102,547,000 (2007: £118,595,000).

The Director's review and consider the broad structure of the Company's capital on an ongoing basis. These considerations include:
- Stock unit repurchases, determined from the stock price discount/premium to net asset value;
- Equity issues; and
- Dividend policy.

The Company is subject to externally imposed capital requirements in that as a public company, the Company is required to have a minimum share capital of £50,000 and is only able to pay dividends from distributable reserves as required by the Companies Act.

The Company has complied with the Board's requirements in relation to the Company's policies and processes for managing the Company's capital, these were unchanged from the comparative financial year.

INDEPENDENT AUDITORS REPORT

to the members of EL ORO AND EXPLORATION COMPANY plc

We have audited the group financial statements of El Oro and Exploration Company plc for the year ended 30 June 2008 which comprise the Consolidated Income Statement, the Consolidated Statement of Recognised Income and Expense, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement and the related notes. These group financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the parent company financial statements of El Oro and Exploration Company plc for the year ended 30 June 2008.

Respective responsibilities of directors and auditors

The Directors' responsibilities for preparing the Annual Report and the group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union are set out in the Statement of Directors' responsibilities.

Our responsibility is to audit the group 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 Company's members as a body in accordance with Section 235 of the Companies Act 1985 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 group financial statements give a true and fair view and whether the group financial statements have been properly prepared in accordance with the Companies Act 1985. We also report whether in our opinion the information given in the Directors' Report is consistent with the group financial statements. In addition, we report to you if, in our opinion, we have not received all the information and explanation we require for our audit, or if information specified in law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited group financial statements. The other information comprises only the Directors' Report and the Chairman's Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the group 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 group financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the group financial statements, and of whether the accounting policies are appropriate to the Group'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 group 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 group financial statements.

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union, of the state of the Group's affairs as at 30 June 2008 and of its profit and cash flows for the year then ended;

- the group financial statements have been properly prepared in accordance with the Companies Act 1985; and

- the information given in the Directors' Report is consistent with the group financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
LONDON
24 October 2008

FINANCIAL STATEMENTS - PARENT COMPANY

The Company financial statements have been prepared under UK GAAP.

Directors' report and financial statements for the year ended 30 June 2008 with comparatives for the year ended 30 June 2007.

DIRECTORS' REPORT

Financial statements
The Directors present their report together with the audited financial statements for El Oro and Exploration Company plc for the year ended 30 June 2008. The Directors' report relating to the "Financial statements – consolidation" can be found on pages 6 to 12.

Introduction
El Oro and Exploration Company plc, a company incorporated in England and Wales, became a UK listed company on the Alternative Investment Market ("AIM") on 27 July 2006. The Company is domiciled in the United Kingdom.

The principal activity of the Company is dealing in investments globally, with the investments in UK companies forming the larger portion of the portfolio. The main aim of the Company since 1938 has been to increase the asset value of the stockholders' units whilst continually increasing their dividends.

It is the Directors' intention to continue to manage the Company's affairs in accordance with its stated business objectives. The Chairman's statement on pages 1 to 4 provides a comprehensive review of the Company's activities.

There were no significant changes in the Company's activities during the current year.

Parent Company accounts
In accordance with Section 226(2)(a) of the Companies Act 1985, as revised by the Companies Act 1985 (International Accounting Standards and Other Accounting Amendments) Regulations 2004, the Board has elected to continue to comply with UK GAAP in accordance with Section 226(a) for the Company's individual accounts. Hence, all UK subsidiaries within the Group continue to apply UK GAAP in their statutory accounts up to and as of 30 June 2008 as per Section 227(c).

This financial information has been specifically prepared for the Company only and consists of the Company's Balance Sheet as at 30 June 2008 and related notes under UK GAAP. The Company has elected to utilise the exemption provided under Section 230 of the Companies Act 1985, whereby the Company is not required to produce a Profit and Loss account with related notes, therefore, this financial information does not represent a full set of statutory accounts under UK GAAP.

The Directors do not foresee any change in the principal activities of the Company over the coming year.

Results and dividend
During the period the Company made a profit after taxation of £4,147,860 (2007: £17,568,584) – which includes Group dividends received of £nil (2007: £13,391,514). For the year ended 30 June 2008, an interim dividend of 14.0 pence (2007: 13.2 pence) per stock unit paid on 24 October 2008 to stockholders registered in the books of the Company at the close of business on 3 October 2008.

Key performance indicators
The Board believes that a steadily increasing asset value and dividend are the most useful performance indicators for the Company that Stockholders can monitor.

Financial instruments, principal risks and uncertainties
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 23 of the "Notes to the consolidated financial statements". The Board believes that these disclosures provide sufficient detail on the Company's principal risks and uncertainties.

Future outlook
The Board believes that the Chairman's statement sufficiently reviews the prospects for the Company's portfolio in a straightforward, cautious and prudent manner.

Corporate governance
Full corporate governance details are detailed in the Directors' report of the "Financial statements – consolidation" section of the Annual Report.

Directors' interests
Disclosures outlining Directors' interests can be found in the Directors' report of the "Financial statements – consolidation" section of the Annual Report.

DIRECTORS' REPORT

Directors' remuneration
Disclosures outlining Directors' remuneration can be found in the Directors' report of the "Financial statements – consolidation" section of the Annual Report.

Supplier payment policy
The Company's supplier payment policy is consistent with the Group and is disclosed in the Directors' report of the "Financial statements – consolidation" of the Annual Report.

Statement of Directors' responsibilities
Company law requires the Directors to prepare parent Company financial statements for each financial period, which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements the Directors are required to:
- Select suitable accounting policies and apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State that the financial statements comply with UK GAAP;
- Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business; and
- The Directors are responsible for the maintenance and integrity of the Company's website; legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

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

Auditor
PricewaterhouseCoopers LLP have indicated their willingness to continue in office as Auditor and a resolution to reappoint them as Auditor to the Company will be proposed at the Annual General Meeting.

Registered Office
41 Cheval Place,
London, SW7 1EW
24 October 2008

By Order of the Board
Steven McKeane
Secretary

COMPANY BALANCE SHEET
at 30 June 2008

	Notes	30 June 2008 £	30 June 2007 £
Fixed assets			
Tangible assets	4	**840,014**	1,222,046
Investments in subsidiary companies	5	**461,938**	461,938
		1,301,952	1,683,984
Current assets			
Debtors – other	6	**1,513,528**	251,559
Investments	7	**64,507,119**	67,259,527
Cash and bank balances		**530,976**	1,865,492
		66,551,623	69,376,578
Current liabilities			
Creditors: due within one year	8	**13,206,170**	18,845,535
Net current assets		**53,345,453**	50,531,043
Non-current assets			
Debtors – deferred tax	6	**14,276**	6,138
Total assets less current liabilities		**54,661,681**	50,537,181
Non-current liabilities			
Creditors: due longer than one year	8	**15,000,0000**	15,280,643
Net assets		**39,661,681**	36,940,522
Capital and reserves			
Share capital	9	**538,825**	538,825
Share premium	12	**6,017**	6,017
Revaluation reserve	12	**23,590**	27,795
Capital redemption reserve	12	**347,402**	347,402
Profit and loss account	12	**38,745,847**	36,020,483
Stockholders' equity	10	**39,661,681**	36,940,522

The Board of Directors approved and authorised the Company's financial statements for issue on 24 October 2008.

Signed on behalf of the Board by:

CRW Parish
Chairman

JA Wild
Director

The accompanying notes form an integral part of this balance sheet.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

The Company's accounting policies have been applied consistently in dealing with items that are considered material in relation to the financial statements:

a. Basis of preparation

The principal accounting policies adopted in the preparation of the financial statements are set out below and, unless otherwise stated, have been applied consistently to all the periods presented. All results are from continuing operations unless otherwise noted and the financial statements are presented in British Pounds.

The accounts have been prepared on a going concern basis and on the historical cost basis of accounting and in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom as modified by the revaluation of certain fixed assets (note 1 (c)). Compliance with SSAP 19 requires departure from the requirements of the Companies Act 1985 relating to depreciation and an explanation of the departure is given below in fixed tangible assets.

The preparation of the financial statements requires that management 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, even though these estimates are soundly based on management's best knowledge of the amount, event or actions. Where any such judgement is made, it is highlighted in these accounting policies.

b. Currency

The functional and presentational currency of the Group is British Pounds ("GBP" or "£"). Currency transactions are translated at the exchange rate ruling on the date of the transaction. Monetary assets and liabilities denominated in any other currency at the balance sheet date are translated to British Pounds utilising the market rate ruling at that date. Exchange differences arising on translation are recognised in the profit and loss account.

c. Fixed tangible assets

The cost of freehold properties, fixtures and fittings and computer equipment includes purchases at cost, together with any incidental cost of acquisition.

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

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

Investment property is included in the balance sheet at market value, with the variance to cost recorded in the revaluation reserve. Linda C. N. Holdaway, Registered Valuer, provided a valuation of the New Zealand property as at 30 June 2008. Property is treated as acquired when the Company enters into an unconditional purchase contract and as sold when subject to an unconditional contract of sale.

In accordance with SSAP19, depreciation is not provided on investment property that is held as freehold or on leases having more than 20 years unexpired. This is a departure from the Companies Act 1985 (as amended), which requires all tangible assets to be depreciated. It is the Directors opinion that this departure is necessary for the financial statements to give a true and fair view and comply with applicable accounting standards that require investment property to be included in the financial statements at market value. The effect of depreciation is implicitly reflected in the valuation of investment property, and the amount attributable to this factor cannot reasonably be separately identified or quantified by the valuers. Had the provisions of the Act been followed, net assets would not have been affected but revenue profits would have been reduced for this and earlier years and revaluation surpluses/deficits would have been correspondingly increased/decreased.

d. Investment income

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

NOTES TO THE COMPANY FINANCIAL STATEMENTS

e. Investments

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

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

The Company also holds from time to time forward contracts in gold, silver and palladium. To the extent that an additional liability arises from the market movement, any shortfall in value is recognised as an increase in provision for diminution in value of these contracts.

f. Deferred taxation

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

g. Pension costs

The Company contributes to a Self Investing Personal Pension Plan for CRW Parish, with contributions recognised when paid.

h. 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 stockholders at the Annual General Meeting of the Company.

i. Cash flow statement

The Directors have utilised the exemption to not produce a cash flow statement as provided by Financial Reporting Standard 1 "Cash Flow Statements" because they believe that the consolidated Group cash flow statement included in the "Financial statements – consolidation" section of the Annual Report provides sufficient detail for stockholders.

j. Creditors

Non-recallable 5 year loan facility of £15 million with Lloyds TSB has been reclassified in the Balance sheet from Creditors: due within one year, to Creditors: due longer than one year.

NOTES TO THE COMPANY'S FINANCIAL STATEMENTS

2. MANAGEMENT EXPENSES

	30 June 2008 £	30 June 2007 £
Employment		
Employment costs	**580,471**	569,562
Employer's national insurance contributions and similar taxes	**84,132**	51,761
Pension costs	**30,000**	131,855
	694,603	753,178
Benefits in kind included within employees costs	**657**	896

	30 June 2008 £	30 June 2007 £
Average staff (including executive Directors)		
Investing	**1**	1
Administration	**3**	4
	4	5

	30 June 2008 £	30 June 2007 £
Auditors' remuneration		
– fee payable to the Company's Auditors for the financial statements' audit	**93,436**	80,487
– fee payable to the Company's Auditors and its associates for other services	**19,035**	6,697
	112,471	87,184

3. DIVIDENDS

	Paid during year to	
	30 June 2008 **£**	30 June 2007 £
Interim dividend of 13.2 pence (2007: 12.0 pence) per ordinary stock unit proposed and paid during the period relating to the previous year's results	**1,422,498**	1,294,103

Proposed dividends

The Directors approved a first and only interim dividend of 14.0 pence (2007: 13.2 pence) per stock unit totalling £1,508,710 (2007: £1,422,498). This dividend is not accrued for in the balance sheet as it is only accounted for when paid, or in the case of a final dividend, until it is approved at the Annual General Meeting. The first and only interim dividend was paid on 24 October 2008 to stockholders on the register of members on Friday 3 October 2008.

NOTES TO THE COMPANY'S FINANCIAL STATEMENTS

4. TANGIBLE ASSETS

	Freehold property (at cost) £	Investment and properties (at value) £	Fixtures, fittings, paintings and computer equipment £	Total £
Year-ended 30 June 2007				
Opening net book value	706,990	406,014	40,427	1,153,430
Additions	–	–	4,580	4,580
Depreciation for period	(14,884)	–	(10,158)	(25,041)
Exchange difference to opening balance	–	71,179	–	71,179
Movement in value of Investment properties	–	17,898	–	17,898
Closing net book value	692,106	495,091	34,849	1,222,046
Year-ended 30 June 2008				
Opening net book value	692,106	495,091	34,849	1,222,046
Additions	–	–	822	822
Depreciation for period	(14,884)	–	(5,498)	(20,382)
Depreciation – written back on disposals	–	–	678	678
Disposal of investment properties	–	(350,119)	–	(350,119)
Exchange difference to opening balance	–	(1,433)	–	(1,433)
Movement in value of Investment properties	–	(11,598)	–	(11,598)
Closing net book value	**677,222**	**131,941**	**30,851**	**840,014**

The investment properties were valued as follows:	**£**
At 30 June 2008	
Apartments - Auckland, New Zealand	131,941
At 30 June 2007	
Apartments – Auckland, New Zealand	495,091

The investment property was valued on 30 June 2008 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 valuation was 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 the investment property and there is currently no obligation to purchase, construct, or develop the investment property. The Company sold two of the three investment properties during the year. The increase in value of investment property over book cost is credited to the Revaluation reserve.

5. SUBSIDIARY COMPANIES

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 as at the 30 June 2008.

	No. shares	Nominal value	Business	Net assets	Profit before tax	value
El Oro Mining and Exploration Company Limited	4,511,135	ord. shares of £0.10	Dormant	453,546	–	456,110
General Explorations Limited	1,000,000	ord. shares of £0.05	Dormant	50,000	–	2,747
Group Traders Limited	30,040	ord. shares of £0.05	Dormant	1,502	–	37,500
Investigations and Management Limited	5,000	ord. shares of £1.00	Investment Company	58,939	6,367	3,080

The subsidiaries El Oro Mining and Exploration Company Limited, General Explorations Limited and Group Traders Limited each paid an inter-group dividend during the year to 30 June 2007; this single transaction reclassified them from dormant to active during the comparative year.

NOTES TO THE COMPANY'S FINANCIAL STATEMENTS

6. DEBTORS

	30 June 2008 £	30 June 2007 £
Due within one year:		
Amounts due from brokers	**1,227,037**	3,621
Accrued income	**58,474**	218,134
Other debtors	**228,017**	29,804
	1,513,528	251,559
Due after one year:		
Deferred taxation – 2008: 28% (2007: 28%)	**14,276**	6,138
	1,527,804	257,697

7. INVESTMENTS

	30 June 2008 £	30 June 2007 £
a. Investments at the lower of cost and fair valuation or Directors' valuation as per balance sheet:		
Listed - London Stock Exchange	**23,564,698**	23,632,024
- London AIM	**9,031,401**	9,037,447
- International	**23,118,435**	27,130,450
	55,714,534	59,799,921
Unlisted	**8,792,585**	7,459,606
	64,507,119	67,259,527
b. Investments at fair valuation or Directors' valuation		
Listed investments at fair valuation	**101,247,762**	124,323,620
Unlisted investments at Directors' valuation	**13,510,880**	11,843,566
	114,758,642	136,167,186

In the event that the current asset investments were realised at the market or Directors' valuation there is a potential corporation tax liability of £13,685,845 (2007: £19,137,463) calculated at the rate of 28% (2007: 28%). The Company has open positions in forward contracts to purchase gold, the agreed price for these contracts is £2,843,453 (2007: £1,749,580) and the market value of the contracts at 30 June 2008 is £3,248,078 (2006: £1,609,430).

NOTES TO THE COMPANY'S FINANCIAL STATEMENTS

8. CREDITORS

	30 June 2008	30 June 2007
	£	£
Due within one year		
Bank overdrafts	**4,876,612**	4,639,655
Mortgages	–	29,025
Amounts due to brokers - secured	**6,190,199**	11,546,864
Amounts due to brokers - unsecured	**221,732**	545,196
Other tax and social security taxes	–	15,065
Other payables	**63,567**	140,660
Accruals	**391,161**	389,106
Unclaimed dividends	**145,384**	124,482
Amounts due to Group undertakings	**467,548**	467,548
Corporation tax	**849,967**	947,934
	13,206,170	18,845,535
Due over one year		
Bank loan	**15,000,000**	15,000,000
Mortgages	–	280,643
	15,000,000	15,280,643
	28,206,170	34,126,178

The Company has overdraft facilities that are repayable on demand and additional a bank loan that is not recallable for five years with Lloyds TSB plc. These facilities are comprised of a fully drawn loan of £15 million, with a further £5 million for working capital and liquidity management. The £15 million non-current loan was reclassified from current to non-current liabilities. There is a registered charge on all of the assets in favour of Lloyds TSB plc, the Group's bankers, as security for all liabilities and obligations owed by the Group to the bank. The Company has a line of credit for bullion trading with each of HSBC Bank plc (USD 2.5 million) and Lloyds TSB plc (GBP 5.0 million).There is a general lien on assets in favour of HSBC Bank plc as security for any liabilities and obligations owed by the Group to the bank.

The Company sold two of the three investment properties in New Zealand and fully repaid the mortgages from ANZ Banking Group (New Zealand) Limited. The terms of the each of the three mortgages was 25 years and the interest rate of each is variable after an agreed rate for an initial fixed period. There was a lien in favour of ANZ Banking Group (New Zealand) Limited as security for each of these mortgages.

Within the amounts due to brokers, there is a lien on all assets held in favour of National Financial Services, 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 National Financial Services, Inc and Man Financial Limited.

9. CALLED UP SHARE CAPITAL

Movements in the capital issues and changes in issued capital during the year are fully disclosed in note 19 in the "Financial statements – consolidation" section of the Annual Report.

10. CHANGES IN STOCKHOLDERS' EQUITY

	30 June 2008	30 June 2007
	£	£
Profit for the period (including inter-company dividends)	**4,147,862**	17,568,584
Movement in value of investment properties	**(4,205)**	17,898
Purchase and cancellation of own shares	–	(2,960)
Reduction in share capital on cancellation of stock units	–	(320,567)
Dividend paid	**(1,422,498)**	(1,294,103)
Forfeited dividends	–	627
	2,721,159	15,969,479
Opening balances	**36,940,522**	20,971,043
Closing balances	**39,661,681**	36,940,522

NOTES TO THE COMPANY'S FINANCIAL STATEMENTS

11. COMMITMENTS AND CONTINGENT LIABILITIES

Full details of commitments and contingent liabilities are disclosed in note 18 in the "Financial statements – consolidation" section of the Annual Report.

12. RESERVES

	Share premium £	Capital redemption reserve £	Revaluation reserve £	Retained earnings £
At 30 June 2007	**6,017**	**347,402**	**27,795**	**36,020,483**
Movement in value of investment properties	–	–	(4,205)	–
Purchase and cancellation of own shares	–	–	–	–
Forfeited dividends	–	–	–	–
Profit for the period	–	–	–	4,147,862
Dividend paid	–	–	–	(1,422,498)
At 30 June 2008	**6,017**	**347,402**	**23,590**	**38,745,847**

13. RELATED PARTIES TRANSACTIONS

The Directors have utilised the exemption from reporting transactions with fellow Group undertakings as provided in Financial Reporting Standard 8 "Related Parties disclosures" because the requisite disclosures have been made for the Company at the Group level and are disclosed in note 22 included in the "Financial statements – consolidation" section of the Annual Report.

14. FINANCIAL INSTRUMENTS AND RISK PROFILE

Full details of the Company's Financial Instruments and Risk Profile are disclosed in note 23 of the Consolidated Financial Statements of the Annual Report. Details for the Company are identical to that of the Group with the exception that one of the subsidiaries holds a listed investment with a book value at 30 June 2008 of £25,688 (2007: £6,820) and a market value at 30 June 2008 of £23,851(2007: £9,800).

The Company's exposure to market price risk is mainly contained in potential movements in the value of its investments. The principal investment exposures greater than £500,000 as at 30 June 2008 are included on page 47.

INDEPENDENT AUDITORS REPORT
to the Members of EL ORO AND EXPLORATION COMPANY plc

We have audited the parent company financial statements of El Oro and Exploration Company plc for the year ended 30 June 2008 which comprise the Balance Sheet and the related notes. These parent company financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the group financial statements of El Oro and Exploration Company plc for the year ended 30 June 2008.

Respective responsibilities of directors and auditors
The Directors' responsibilities for preparing the Annual Report and the parent company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' responsibilities.

Our responsibility is to audit the parent company 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 Company's Members as a body in accordance with Section 235 of the Companies Act 1985 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 parent company financial statements give a true and fair view and whether the parent company financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' report is consistent with the parent company financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited parent company financial statements. The other information comprises only the Directors' Report and the Chairman's Statement and all of the other information listed on the contents page. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent company 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 parent company financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the parent company 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 parent company 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 parent company financial statements.

Opinion
In our opinion:
- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 30 June 2008;
- the parent company financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' report is consistent with the parent company financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
LONDON
24 October 2008

INVESTMENTS WITH AN EXPOSURE GREATER THAN £500,000

based upon fair values at 30 June 2008

	Base currency	Market value IFRS £	
Young & Co Brewery	GBP	6,053,248	Travel & Leisure
M P Evans Group	GBP	4,400,585	Food Producers
Troy Resources	AUD	3,763,723	Materials
Portland Gas	GBP	3,256,200	Energy
James Halstead	GBP	2,950,075	Construction & Materials
Anglo Platinum	ZAR	2,350,443	Mining
Sunshine Gas	AUD	2,303,938	Energy
Fuller, Smith & Turner	GBP	2,002,935	Travel & Leisure
Centamin Egypt	AUD	1,974,994	Materials
Blackrock Am UK Gold & General	GBP	1,668,036	Equity Investment Instruments
Archipelago Resources	GBP	1,603,360	Mining
Mountview Estates	GBP	1,572,918	Real Estate
Dee Valley Group	GBP	1,440,537	Gas, Water & Multi-utilities
Albidon	GBP	1,384,500	Mining
Daejan Holdings	GBP	1,339,643	Real Estate
Wadworth & Co	GBP	1,276,455	Travel & Leisure
Moet Hennessy - unsecured loan	GBP	1,188,738	Travel & Leisure
Kuala Lumpur Kepong	MYR	1,172,435	Food, Beverages & Tobacco
Impala Platinum	USD	1,110,134	Mining
Davis Service Group	GBP	1,054,294	Support Services
Heavitree Brewery	GBP	1,043,700	Travel & Leisure
Greene King - unsecured loan	GBP	1,022,788	Travel & Leisure
Thwaites (Daniel)	GBP	960,230	Travel & Leisure
Bisichi Mining	GBP	959,739	Mining
Vietnam Enterprise Investments	USD	877,824	Equity Investment Instruments
Exeter Resources	CAD	877,619	Materials
Gold Fields	ZAR	868,747	Mining
Oxiana	AUD	806,580	Mining
International Ferro Metals	GBP	796,660	Industrial Metals
Yamana Gold	USD	792,644	Mining
Oil Search	AUD	766,033	Energy
Remgro	ZAR	735,327	Industrials
Earthport	GBP	714,463	Internet Security
Avocet Mining	GBP	673,625	Mining
Leucadia National	USD	658,740	Diversified Operations
Lowland Investment company	GBP	637,200	Equity Investment Instruments
Royal Dutch Shell	GBP	624,800	Oil & Gas Producers
Nighthawk Energy	GBP	607,329	Oil & Gas Producers
Dynamis Energy	USD	605,215	Energy
Creso Resources Ltd	CAD	594,324	Mining
Uruguay Minerals Exploration	CAD	575,279	Mining
Hurricane Exploration	GBP	555,159	Mining
Shepherd Neame	GBP	530,000	Travel & Leisure
Anglo American	GBP	528,054	Mining
Sovereign Reversion	GBP	521,368	Real Estate
Diagnos	CAD	519,363	Applications Software
Mc Mullen	GBP	518,000	Travel & Leisure
Total		**63,238,001**	

OFFICERS AND ADVISERS

DIRECTORS
CRW Parish, M. A. (Oxon) (Chairman and Managing Director)
The Hon. Mrs. EC Parish
EW Houston
DRL Hunting
RE Wade
JA Wild

REGISTERED OFFICE
41 Cheval Place
London
SW7 1EW

Telephone	020 7581 2782
Facsimile	020 7589 0195
Website	www.eloro.co.uk

SECRETARY
S McKeane

AUDITOR
PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Hay's Galleria
1 Hay's Lane
London
SE1 2RD

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

NOMINATED AIM ADVISER (NOMAD)
Grant Thornton Corporate Finance
Grant Thornton House
Melton Street, Euston Square
London
NW1 2EP

STOCKBROKER
JM Finn & Co.
4 Coleman Street
London
EC2R 5TA

REGISTRAR
Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6ZL

EL ORO AND EXPLORATION COMPANY plc

NOTICE OF ANNUAL GENERAL MEETING

(Registered in England no. 80408)

NOTICE IS HEREBY GIVEN that the ONE HUNDRED AND FOURTH ANNUAL GENERAL MEETING OF THE COMPANY will be held at 41 Cheval Place, London, SW7 1EW on 18 November 2008, at 12 noon for the following purposes:

Ordinary resolutions:

1. To receive the Directors' report and financial statements for the year ended 30 June 2008.

2. To re-elect EW Houston who retires by rotation as a Director of the Company.

3. To re-elect RE Wade who retires by rotation as a Director of the Company.

4. To re-appoint PricewaterhouseCoopers LLP as Auditor of the Company, to hold office until the conclusion of the next General Meeting at which accounts are laid before the Company and to authorise the Directors to fix their remuneration.

Special resolutions:

5. To authorise the Company generally and unconditionally to make market purchases (within the meaning of Section 163(3) of the Companies Act 1985) of its Stock Units of 5 pence each in the capital of the Company ("Stock Units") upon or subject to the following conditions:
   a) the maximum number of Stock Units hereby authorised to be purchased is 1,077,650;
   b) the maximum price at which Stock Units may be purchased shall be 5% above the average of the middle market quotations for the Stock Units as taken from the London Stock Exchange Daily Official List for the five business days preceding the date of purchase and the minimum price shall be 5 pence, being the nominal value of a Stock Unit, in both cases exclusive of expenses; and
   c) the authority to purchase conferred by this Resolution shall expire on the earlier of 12 June 2010 or at the conclusion of the next Annual General Meeting of the Company after the passing of this Resolution save that the Company may before such expiry enter into a contract of purchase under which such contract may be completed or executed wholly or partly after the expiration of this authority.

The Board recommends that stockholders vote in favour of all resolutions.

Registered Office
41 Cheval Place,
London, SW7 1EW
24 October 2008

By Order of the Board
Steven McKeane
Secretary

NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING

Entitlement to attend and vote

1. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those members registered on the Company's register of members at:
   - 6.00 pm on 13 November 2008; or,
   - if this Meeting is adjourned, at 6.00 pm on the business day two days prior to the adjourned meeting, shall be entitled to attend and vote at the Meeting

Appointment of proxies

2. If you are a member of the Company at the time set out in note 1 above, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the Meeting and you should have received a proxy form with this notice of meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.
3. A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Details of how to appoint the Chairman of the Meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the Meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.
4. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. Details on how to appoint more than one proxy are set out in the proxy form.
5. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting.

Appointment of proxy using proxy form

6. The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold their vote.
   To appoint a proxy using the proxy form, the form must be:
   - completed and signed;
   - sent or delivered to the Registrar; and
   - received by the Registrar no later than 6.00 pm on 13 November 2008.

   In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.
   Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.

Appointment of proxy by joint members

7. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

Changing proxy instructions

8. To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.
   Where you have appointed a proxy using the proxy form and would like to change the instructions using another proxy form, please contact the Registrar.
   If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

Termination of proxy appointments

9. In order to revoke a proxy instruction you will need to inform the Registrar by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to the Registrar. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.
   The revocation notice must be received by the Registrar no later than 6.00 pm on 13 November 2008.
   If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.
   Appointment of a proxy does not preclude you from attending the Meeting and voting in person. If you have appointed a proxy and attend the Meeting in person, your proxy appointment will automatically be terminated.

Communication

10. Except as provided above, members who have general queries about the Meeting should contact in writing (1) Steven McKeane, Company Secretary of El Oro and Exploration Company plc at the registered office address; or (2) the Registrar. No other method of communication will be accepted.

REGISTRAR - Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6ZL

Designed & Produced by Rede Design Limited Tel: 020 8863 7676 E-mail: sales@rede.co.uk