EL ORO AND EXPLORATION COMPANY plc

Company No: 80408

Founded 1 November 1886

Interim Accounts 2008

for the period ended 31 December 2008

OFFICERS AND ADVISERS

DIRECTORS
CRW Parish, M. A. (Oxon)
(Chairman and Managing Director)

The Hon. Mrs. EC Parish
EW Houston
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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.

The Company became a wholly owned subsidiary of El Oro Ltd., a company incorporated in Guernsey and registered on the Channel Islands Stock Exchange (CISX) on 17 March 2009.

The Company became a Limited company on 18 March 2009 and changed its name to El Oro and Exploration Company Limited.

CHAIRMAN'S STATEMENT
Results for the period ended 31 December 2008

The Board have noted the decision of the parent company's board (El Oro Ltd.), following our recent move to Guernsey and listing on the Channel Islands Stock Exchange ("CISX"), relating to the declaration that the El Oro Group will utilise the Statement of Recommended Accounting Practice as issued by the Association of Investment Companies on 18 July 2008.

The key figures in the old accounting methodology would read as follows:
The Group loss before tax for the six month period ended 31 December 2008 was £11,781,598 (six months to December 2007: profit before tax £4,810,071) Group net assets at 31 December 2008 under IFRS, taking all assets at fair value were £42,478,227 (equal to 394p per stock unit) as compared with £81,588,816 at 31 December 2007 (equal to 757p per stock unit).

The key figures in the new accounting methodology read as follows:
The Group total losses before tax for the six month period ended 31 December 2008 was £41,581,520 (six months to December 2007: £3,397,455) Group net assets at 31 December 2008 under IFRS, taking all assets at fair value were £42,478,227 (equal to 394.17p per stock unit) as compared with £81,588,816 at 31 December 2007 (equal to 757.10p per stock unit).

The main change between these figures relate to the reduction in previously unrealised profits that moved from the AFS reserve to the Income Statement, providing the difference in income figures from the capital movements that would previously have been split between the income statement and the balance sheet's reserve accounts. There is no change to the net asset value of the Company using either methodology, there is simply a reallocation between the old AFS Reserve (now included within the Retained Earnings Reserve and the current Retained Earnings Reserve).

Heroes and Villains

These woeful results reflect the consequences of the collapse in World Stock markets that was precipitated by the fall of the House of Lehman, and that all-excusing phrase 'Global Credit Freeze'. Devastating declines occurred across all sectors of the market, not least in our Gold holdings, as investors from all echelons of Society scrambled to reduce debt and reverse the wondrous elixir of eternal growth, namely leverage.

Unlike the nefarious Mr. Madoff, we had not remained un-invested for the last 13 years, although that would now appear to have been the perfect recipe for investment success, or even better to have been asleep like Rip van Winkle. Hence we can only apologise for our failure to be sufficiently fleet of foot and nimble to sell soon enough and escape the swoon in stocks.

All our forebodings have been fulfilled at once to an extent greatly in excess of our worst nightmares. The security envisaged for Gold was reflected in the metal but not in the price of the shares, and hence prices fell precipitously across the portfolio, some of which will not be retrieved, where mines are closing or struggling to survive.

A rare beacon of light was the performance of Sunshine Gas, which in November was taken over by Queensland Gas, which itself succumbed to an offer from BG in rapid succession. We would like to offer our congratulations to the directors of those companies for achieving such a successful exit at a time so dire elsewhere.

We retain other interests in the coal bed methane market in Australia and New Zealand, and continuing activity in that area would seem to promise additional increases in asset values. The jostling for position between BG, Shell and Conoco, not to mention the smaller Australian companies, is proof that not all enterprises take a short term view of energy requirements and investment.

The vast resources of Australia, and the vital importance of a benign and upheld system of law, reinforces our predilection for the Anglo-Saxon ethos, whatever excitements emerge occasionally in more exotic areas.

Like a climber caught in a crevasse, we are slowly crawling back up the side, and are comforted to observe Troy commencing a similar ascent from its abysmal lows before Christmas, to a slightly more satisfactory level. This is also the pattern amongst other Gold shares, and even amongst the behemoths such as Black Rock Gold and General, AngloGold, Newcrest and others where the fundamentals of a high Gold price and steady or falling production costs are making themselves apparent.

Even our dearly-beloved breweries have lifted themselves off the floor and whilst their recovery in the face of absurd assaults by the Government, the turbulent priest in the form of the Chief Medical Officer and an assembly of barmy policemen, continues to deliver body-blows to their viability, we suspect or at least hope, we may have reached the nadir. Reversing the ever-increasing excise duty, and tide of onerous legislation is essential; Tim Martin succinctly described the effect on Wetherspoon of an additional 8 days public holidays per annum, along with the imposition of further Health and Safety and other legislation; this of course applies across the board in our serene society of insane laws, particularly the hospitality industry where merely complying with the clipboard-carriers' fantastical regime is almost a full-time activity; this in the midst of a depression that will exceed anything for over 100 years.

Wherever we look, leadership today resembles that of the crew of the spoof movie 'Airplane', stumbling from one calamity to another, nowhere more so than in Great Britain today, where the experience of politicians of almost any hue in building real businesses, with a very few honourable exceptions, is almost totally absent.

The same applies with even greater gravity in the United States, where the newly-elected President has problems differentiating between price and profit. One can forgive a fresh-faced lawyer suddenly confronted by an economic collapse ranking amongst the worst of all time, but one does quail seeing the calibre of his lieutenants and the track-record of some of them (that is, those who have not already been disqualified from office.)

The dilemma is described by the largest creditor of the United States, China's Premier Wen Jiabao:

'We have lent a huge amount of money to the United States. I request the U.S. to maintain its good credit, to honour its promises and to guarantee the safety of China's assets. Of course we are worried concerning the safety of our assets…'

The 'selling of the farm' to foreigners was the warning flagged by Warren Buffet some years ago, one of the greater guardians of his shareholders' purse, yet who has himself now seen Berkshire's credit rating reduced to AA.

This succinctly describes the plight of the Savers, upon whom an unrelenting assault has been unleashed by all debtor nations, led by the United States and bolstered by Great Britain, as it slides inexorably into bankruptcy. As former President of Federal Reserve of St. Louis, William Poole has said 'The bail-out regime in which we find ourselves is an affront to the market and an affront to democracy'.

In Great Britain, the panacea to an over-borrowed government and populace is prescribed as millions more to be spent on megalithic monstrosities such as the Olympics and PFI projects; typical amongst these is refurbishment of secondary schools such as in Shrewsbury, and of hospitals, such as Walsgrave in Coventry, where all equipment is replaced, regardless of its efficacy. A generation or more will be saddled with the payments for these mostly unnecessary and superfluous projects, when 'making-do' has worked so well in the past, but provides less prominence and profit to politicians and construction companies. The rescue of the indigent and extravagant supersedes the reward for thrift and endeavour.

The practice of Japanese Gourmands in dicing with death by eating the testicles of the Blow Fish is now being aped by our own leaders following the path of 'Quantitative Easing'. The stability and survival of our society rests upon the success of this untested and deeply flawed policy.

The obscene and ever-rising tide of public pay and pensions is obscured by the red-herring positioned on Sir Fred's Pension platter. The Gideon Gono solution is utterly abhorrent for Great Britain, despite the messianic zeal with which it is now being promoted by the would-be Saviour of World Finance.

Sir Isaac Newton, prior to his role as Master of the Mint, discovered the Force of Gravity, yet practised Sound Money in his role at the helm of England's financial system, whereas the current incumbent is hell–bent on the destruction of Great Britain's solvency; moreover the Prime Minister, not content with recommending the architect of the financial collapse, Alan Greenspan, for a Knighthood, has now compounded such a grievous error, by recommending one for a Kennedy who even without his own personal failings, is a practising promoter of England's enemies.

The time for the Prime Minister to quit the scene, with his head bowed in shame, has surely been reached. The possibility of more damage being inflicted on our nation would seem almost impossible, but his capacity for invention and self-delusion is almost infinite.

Savage spending and tax cuts are now imperative, and reward and salvation for the savers; such action may possibly reinvigorate the lending market, by encouraging savers to put cash back in the banks.

In the words of Jeremiah, XVII.v11: ‘As the partridge sitteth on eggs, and hatcheth them not; so he that getteth riches, and not by right, shall leave them in the midst of his days, and at his end shall be a fool.’

The humbling of Manchester United by their old rivals, Liverpool, may be salutary and ultimately beneficial; we suspect what has been done to this country will take years to heal. Their manager is an example of those resilient Scots who have successfully transformed businesses and society around the world, in contrast to their pusillanimous counterparts crowding the corridors of Whitehall, collecting their ‘entitlements’.

In the meantime, plans for defacing the environs of Offa’s Dyke with windmills at Reeves Hill, one of the truly sublime places on this planet, continue apace; the false gods of global warming claiming another scalp in their attack, bolstered by the E.U., on our ability to provide reasonably priced power for the people, from secure and viable resources, without injuring our landscape.

All the evidence sadly points to a depression of inordinate length and searing severity; the disappearance of the American banking sector, echoed in England, and Europe, and the impending disintegration of its Eastern satellites, and quite possibly of the European Union itself under these enormous strains, prompts the call for men of stature and vision.

If they do not emerge swiftly, the spectre of the 80% declines that some are anticipating, becomes ever more imminent.

We are scouring the investment universe for safe Gold mines, secure dividend flows, and businesses that will ride out a prolonged and painful slump. The collapse of the auto industry will continue to damage the demand for platinum and many other metals, as will the breakdown of the building industry. Sound companies, even with new factories now moth-balled, will struggle to survive; some, such as Ennstone, and Van Dieman Mines, have already foundered.

Our move to Guernsey will at least mean that success in that quest will see us on an equal footing with our peers, and rather less hard-won resources percolating to the improvident and profligate.

Whether we are successful in the search, time alone will tell, but the core of sound businesses remains in our portfolio, and with good fortune will begin the long journey through a bleak landscape, to future prosperity.

My thanks to all my hard-working and patient team at Cheval Place, admirable advisers and distinguished directors dispensing wise counsel, who have helped so patiently during this traumatic year of transition.

Robin Woodbine Parish
31 March 2009

CONSOLIDATED INCOME STATEMENT
(Unaudited)

Six months to 31 December 2008	**Revenue £**	**Capital £**	**Total £**
Realised net gains on sales	-	2,580,559	**2,580,559**
Movement in unrealised appreciation	-	(43,166,039)	**(43,166,039)**
Net (losses)/gains on investments	**-**	**(40,585,480)**	**(40,585,480)**
Dividend income	1,094,503	-	**1,094,503**
Interest income	74,286	-	**74,286**
Other income	3,960	-	**3,960**
Other expenses	(1,024,134)	-	**(1,024,134)**
Direct operating expenses from investment properties	-	(2,034)	**(2,034)**
Depreciation of property, plant and equipment	-	(10,503)	**(10,503)**
Transaction costs	-	(480,857)	**(480,857)**
Net return before finance costs and tax	**148,615**	**(41,078,874)**	**(40,930,259)**
Finance costs	(116,760)	(534,501)	**(651,261)**
Net return on ordinary activities before tax	31,855	(41,613,375)	**(41,581,520)**
Tax on ordinary activities	37,071	10,892,576	**10,929,647**
Return attributable to equity shareholders	**68,926**	**(30,720,799)**	**(30,651,873)**
Returns per ordinary stock unit (basic and diluted)	0.64p	(285.07p)	**(284.43p)**

CONSOLIDATED INCOME STATEMENT
(Unaudited)

Six months to 31 December 2007	**Revenue £**	**Capital £**	**Total £**
Realised net gains on sales	-	8,640,395	**8,640,395**
Movement in unrealised appreciation	-	(10,649,752)	**(10,649,752)**
Net (losses)/gains on investments	**-**	**(2,009,357)**	**(2,009,357)**
Dividend income	1,288,653	-	**1,288,653**
Interest income	23,460	-	**23,460**
Other income	14,763	-	**14,763**
Other expenses	(876,629)	-	**(876,629)**
Direct operating expenses from investment properties	-	(21,518)	**(21,518)**
Depreciation of property, plant and equipment	-	(10,828)	**(10,828)**
Transaction costs	-	(691,110)	**(691,110)**
Net return before finance costs and tax	**450,247**	**(2,732,813)**	**(2,282,566)**
Finance costs	(347,969)	(766,920)	**(1,114,889)**
Net return on ordinary activities before tax	102,278	(3,499,733)	**(3,397,455)**
Tax on ordinary activities	(17,088)	913,873	**896,785**
Return attributable to equity shareholders	**85,190**	**(2,585,860)**	**(2,500,670)**
Returns per ordinary stock unit (basic and diluted)	0.79p	(24.00)p	**(23.21)p**

CONSOLIDATED BALANCE SHEET
(Unaudited)

As at 31 December

	31 December 2008 £	31 December 2007 £
Assets		
Non-current assets		
Property, plant and equipment	**708,927**	716,127
Investment properties	**-**	504,504
	708,927	1,220,631
Current assets		
Trade and other receivables	**1,655,844**	128,025
Financial assets fair valued through the income statement:		
- Securities	**56,945,349**	126,012,539
- Commodities	**1,203,311**	2,892,093
Cash and cash equivalents	**4,237,489**	1,505,262
	64,041,993	130,537,919
Liabilities		
Current liabilities		
Financial liabilities:		
Borrowings	**4,130,763**	16,285,214
Trade and other payables	**385,132**	915,462
Current tax liabilities	**-**	1,276,394
	4,515,895	18,477,070
Net current assets	**59,526,098**	112,060,849
Non-current liabilities		
Borrowings	**15,000,000**	15,000,000
Deferred taxation	**2,756,798**	16,692,664
	17,756,798	31,692,664
Net assets	**42,478,227**	81,588,816
Stockholders' equity		
Ordinary stock units	**538,825**	538,825
Share premium reserve	**6,017**	6,017
Capital redemption reserve	**347,402**	347,402
Merger reserve	**3,564**	3,564
Retained earnings reserve	**41,582,419**	80,693,008
Total equity	**42,478,227**	81,588,816
Net asset value per stock unit	**394.17 p**	757.10 p

CONSOLIDATED CASH FLOW STATEMENT
(Unaudited)

for the six months ended 31 December	**six months to 31 December 2008 £**	six months to 31 December 2007 £
Net cash inflow from operating activities	**18,160,669**	4,868,131
Income tax paid	**(1,049,956)**	(1,219,555)
	17,110,713	3,648,576
Cash flow from investing activities	**123,262**	-
Cash flow from financing activities	**(3,349,704)**	(2,529,519)
Net increase in cash and cash equivalents	**13,884,271**	1,119,057
Cash and cash equivalents at 30 June	**(27,371,588)**	(30,891,807)
Effect of foreign exchange rate changes	**(1,405,957)**	301,747
Cash and cash equivalents at 31 December	**(14,893,274)**	(29,471,003)

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL INFORMATION

The Unaudited Consolidated Interim Financial Information ("Financial Information") for the six months ended 31 December 2008 does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985.

The Financial Information has been prepared using accounting policies and principles consistent with those applied in the preparation of the audited accounts of El Oro and Exploration Company plc for the year ended 30 June 2008. No changes were made to those policies in the preparation of this Financial Information except that the Statement of Recommended Practice (SORP) as issued by the Association of Investment Companies on 18 July 2008 has been adopted. This has had no effect on the reported assets and liabilities but has changed the presentation of the income statement, with investments not previously categorised as fair value through the profit and loss account now being categorised directly in the income statement.

An interim dividend of 14.0 pence was paid in relation to the year ended 30 June 2008 on 24 October 2008.

The Financial Information was approved by a Committee of the Board of Directors on 31 March 2009.

The Financial Information has not been subject to review or audit by the Group's Auditor PriceWaterhouseCoopers.

The Company delisted from the London Stock Exchange's AIM market on 17 March 2009 and became wholly owned by El Oro Ltd., which is listed on the Channel Islands Stock Exchange (CISX). The Company became a Limited Company on 18 March 2009.

The total profit before tax for the period to 31 December 2007 was originally shown as £4,810,071. This figure has been adjusted for transaction costs of £691,110 and decreases in unrealised gains of £7,516,416 over the relevant period for the conversion to the Statement of Recommended Accounting Practices (SORP) as published by the Association of Investment Companies.

CASH AND CASH EQUIVALENTS	**31 December 2008 £**	31 December 2007 £
Cash available on demand	**4,237,489**	1,505,262
Bank overdrafts	**(16,524,630)**	(22,255,783)
Amounts due to brokers	**(2,606,133)**	(8,720,482)
	(14,893,274)	(29,471,003)

RESERVES	**31 December 2008**	31 December 2007
Movement on change to AIC SORP	**£**	£
Other reserve – available for sale	**35,280,747**	**49,482,060**
Retained earnings	**38,462,255**	**35,134,116**
As at 30 June 2008 - IFRS	**73,743,002**	**84,616,176**
Total losses for the period	(30,651,873)	(2,500,670)
Dividend paid	(1,508,710)	(1,422,498)
As at 31 December 2008	**41,582,419**	**80,693,008**

The other reserves did not change during the period.

CHANGES IN SHAREHOLDERS' EQUITY	**31 December 2008**	**31 December 2007**
Movement during the period	**£**	**£**
Total losses for the period	**(30,651,873)**	**(2,500,670)**
Dividend paid	**(1,508,710)**	**(1,422,498)**
	(32,160,583)	**(3,923,168)**
Opening balances	**74,638,810**	**85,511,984**
Closing balances	**42,478,227**	**81,588,816**