

EL ORO AND EXPLORATION COMPANY plc

CHAIRMAN'S STATEMENT

The Group profit before tax for the year ended 30 June 2007 was £5,427,232 (eighteen months to 30 June 2006 was £12,018,986). The Group's net assets at 30 June 2007 under IFRS were £85,511,984 or 793.5 pence per stock unit (2006: £71,970,463 or 668.0 pence per stock unit).

The Board has declared a first and only interim dividend of 13.2p per stock unit for the full year ended 30 June 2007, with the dividend paid on 25 October 2007 to Members registered on the books of the Company at the close of business on 5 October 2007.

“Rock of Ages, cleft for me, let me hide myself in thee”.

Sadly, neither the spiritual solace once so confidently proclaimed from Britain's pulpits in Cathedrals and Chapels, nor the solidity and security of the Banking system, seem sufficient today to provide shelter from the financial storms confronting Western economies. Weighed down by the leaden lump of unrestrained government spending, individual indebtedness and excess consumption, personal and governmental profligacy threaten the very foundations of our financial system: an assault ameliorated and deferred, but not deterred, by easing of interest rates, initially in the United States.

The sale to Liggett Group by Jesse Boot of the company he had built with such prescience and persistence over the previous 40 years, hugely enhancing and endowing Nottingham in the process even if unrecognised by its Castle museum, preceded the 1929 stock market crash. It remained for his son Lord Trent to re-purchase it with the help of British financiers. There are disturbing similarities to be seen in its recent sale to its deputy chairman and KKR, where the banks have been unable to offload the bonds issued to finance the deal; more recently we have witnessed the collapse of the Qatari-backed bid for Sainsbury's, where the pension fund was thankfully defended by the eponymous and formerly executive-family: these are potent portents that a Rubicon may have been crossed in the ability to finance substantial deals on one hand, and the more mundane buy-to-let housing deals on the other. Stories of very substantial write-downs on recently built new apartments abound, echoing those of abandoned houses and streets within the United States: all bodes badly for property prices and the banks that have provided finance.

The first 12 months of results following the transition to AIM (as opposed to the preceding 18 month period), whilst not reaching the heady heights ascended previously, mingled with markets reaching their pinnacle in June and early July. This was before the iceberg of sub-prime, promulgated by the purveyors of mortgages to the NINJA market (No Income No Job), holed the supposedly impregnable ship of the financial sector. Property stocks had already begun to buckle under the weight of potential over-supply and increased borrowing costs: hence holdings such as Daejan fell from the inflated level reached on admittance to the FTSE 250 heights to a price at which they, amongst others, sell at a deep discount to assets.

We took the opportunity of converting some of our Greene King loan notes, issued on the takeover of Hardys and Hanson, into Lowland Investment Trust and British Portfolio Trust eschewing the certainty of fixed interest and repayable loan notes for the vagaries of the equity market: a sector that, whatever the short-term doubts, has hugely out-performed the fixed interest sector.

The accounts refer in more detail to the IFRS and UK GAAP treatments of appreciation. Credit is due to Steven McKeane for dealing with the thorny problem of 'impaired value' and the complex calculations required for valuing stocks that have fallen in price for a sustained period of time: we use six months as a guide.

This is also symptomatic of the complexities of modern accounting standards, of which 'mark to market' or 'mark to model' are perhaps the most seditious and dangerous. The caution that once prevailed within the portfolio of marking at lower of 'market or cost' has been supplanted by marking at market; thus exposing portfolio values to the greater volatility seemingly establishing itself today. More dangerous still is a practice utilised by some hedge funds for their portfolio valuations, which is termed 'mark to model' where a potentially self-administered theoretical valuation is applied, especially in the U.S. to funds whose value may be highly questionable, not to mention negligible. The removal of 'pre-emption' is now proposed, transferring power from current to future shareholders; over and above that, MIFID with its 'Day of the Triffids' connotation is another bureaucratic imposition spreading despair and frustration in the Financial community, with no apparent gain.

Another questionable requirement is the need to account for dividends on declaration as opposed to receipt – a measure whose wisdom has been challenged by Northern Rock's cancellation of its previously declared dividend. This recalls the catastrophic collapse of Burmah Oil in 1974, and its bailout by the Government. At least there the embedded value of its holding in BP shares provided significant salve for the taxpayers' wounds. No such Aladdin's Cave is apparent in Northern Rock: perhaps only Pandora's Box.

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We are reminded of events 40 years ago, when dissuaded by wiser and more experienced counsel, from seeking a higher yield from an advertised deposit taker by the adage that, 'higher interest implies higher risk'; sadly a neighbour's dividend cash was swallowed when the firm in question went bust; just as the Hebrides Council, years later and not privy to the City gossip which might have forewarned it, lost its rate payers' money in BCCI. That lesson is still being learnt as First Quantum, which excels in its mining of copper and coping with the intricacies of Africa, placed funds on advice from its bankers' HSBC, with Coventree in Canada, along with other mining firms, only to find its ability to repay called into question in the sub-prime debacle. The dire results from Merrill Lynch show how far the mighty have fallen, in the pursuit of those extra points of interest: a folly perpetuated by our present Prime Minister and his Treasury cohorts when selling our Gold at US \$ 250 per ounce, partly because it had no yield.

The preservation of capital in the face of the grotesque imbalance in the financial sector, both government and private, has now become the principal challenge confronting us: this at a time when government spending is running amok, disarray over levels of depositor protection is every day apparent and the Governor of the Bank of England considers himself restrained from covert action by a European directive, which is subsequently attributed to an imposition by the Treasury. The folly of the division of supervisory and regulatory roles is now fully exposed. As we watch the Lifeboat tossing amongst the tumultuous waves, we realise that the Chancellor is no Grace, nor is he the Special One. We are not heartened by the prospect of being led by politicians from either main party lacking evident practical experience in business or finance.

In the case of Europe, the refusal of our current Prime Minister to consider a referendum of a new (or old) Treaty means the EC will continue with its increasingly confrontational and Statist policies, devoid of entrepreneurial inspiration, such as the malign attack on Microsoft, which almost single-handedly has transformed the way in which world business operates. The imbedded deficits in France, the debt levels of Spain, the fractured society of government-less Belgium, dubious financial practices and levels of local subsidy, combined with the soaring level of the Euro, not to mention dismal demographics and a declining birth rate amongst the original population, threaten the very structure of the European Union and as such, are symptoms and part of a quagmire best avoided.

Meanwhile our own Government threatens the stability of the United Kingdom by its unannounced, uninvited and unapproved-by-the-electorate level of immigration: indiscriminate between the cognoscenti and contributors from riff-raff from sundry sections of the globe, many with no historical allegiance or connection to Britain. Their entry seems to be expedited or ignored, whilst the departure of British citizens from its airports is subjected to almost unbearable intrusion and inconvenience, with its adverse effects on business. The threat to stability has been highlighted in areas such as Cambridge; age-old balances and checks within our indigenous population are undone, and the faith and self-assurance of our society is assailed, whilst the Health Service and Housing are burdened with its insatiable demands, and an exorbitant level of tax is exacted on those citizens too compliant or too immobile to avoid its clutches. Housing, education, health and our landscape are increasingly confronted with dereliction and their provision denied to British tax-payers; the Armed Forces, already cut to the bone, under-equipped and stretched to breaking point, are to be reduced further, if reports regarding the Navy are to be believed; even centuries' old Village Schools, such as Lydbury North's, face closure by a Shropshire Council hell-bent on cutting its peripheries, ignoring excellence and creating ever larger and more inaccessible monolithic structures; those great pinnacles of education, Oxford and Cambridge are accused of elitism, the crime to which they should be most assiduously aspiring.

The release of Foot and Mouth virus from a government-owned laboratory is a consequence of the chronic malaise and incompetence that has permeated the hitherto sound structures of the British Government where the diversion or reduction of resources often for political ends is increasingly visible: especially in the immigration service, where the absence of any checks at most airports is only too apparent, and has left our society open to corruption, disease and criminality. Seldom since the time of Moses has a government perpetrated pestilence on its own land and people on such a scale: animals slaughtered either from infection or the consequent export ban, and individuals falling in their thousands as a result of hospital-acquired infection. Piling Ossa on Pelion, our by-ways are festooned with speed cameras, the tarmac coruscated with humps, and an ever-dafter array of requirements under Health and Safety imposed, such as the absurd HIPS, 150 Year Flood Test for Reservoirs, No Smoking Notices in Churches. All point to the extension of Government beyond Representation and Protection. All these measures, however laughable and absurd in themselves, involve an ever-rising cost of compliance, whilst the vibrant economies pursue production, profit and development with astonishing speed, as evident by the predominantly overseas-purchasers of prime London property.

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Perhaps one of the few benefits of a slowing economy may be that the newly-resurgent St. Paul's, recently unwrapped to reveal and revel in its gleaming glory, and the City skyline itself, may at least temporarily be saved from Shards of Glass and other inappropriate intrusions: the ruin of Wren averted by a Northern Wreck.

The guff of responsibility for Global-warming and other Malthusian-like scares move us inexorably into a fully-compliant, eco-friendly, fully-insulated, multi-cultural, sexually uncertain, smoke-free, carbon-neutral cocoon; blinded to the economic, competitive and cultural destruction of our Society. The Classical simplicity and Georgian serenity, so evident in cities such as Liverpool and Edinburgh, is replaced by ugliness and pretence, such as plastic windows, and the soul of the nation left scarred as it panders to a phantasmagoria of practices and faiths.

Confronted by immediate financial uncertainty, the growth of the Brazilian, Russian, Indian and Chinese (BRIC) economies remains crucial to the continuing strength of metal markets. Whilst the shambles of the sell off in August led to substantial declines in mining shares the underlying metals themselves only fell modestly. At the time of writing most shares have more than made up for those falls, underpinned by new highs in Gold and the upward ascent of Copper, Lead, Oil and Wheat.

Troy Resources' new CEO has been greeted by the return of the share price towards its old highs, amidst promising developments at its new Brazilian gold mine. Smelter problems at International Ferro Metals reduced its share price from its recent highs, and the continuing impasse with its gold mining permit in Sulawesi has restrained Archipelago.

Nighthawk has excelled with its United States' exploration successes, and Egdon's Portland Gas storage scheme awaits the planners' decision. Whilst British sportsmen in Rowing and Rugby have relinquished their titles, we retain our faith for future triumphs in these and many others in our mining portfolio whilst continually monitoring new mines and regions. We believe that along with Gold, the mining market will take up and compensate for the reduced growth we anticipate in the British market although such favourites as James Halstead continue to astound and exceed expectations. Many others remain and thrive at the core of the portfolio, such as Young's with their impressive array of attractive pubs, Fullers and Wadworths, even if the near term outlook is significantly less favourable than a year ago.

Outlook

We are soundly positioned for an uncertain future accompanied by siren voices predicting a slow-down; the housing imbroglio in the United States and the unknown identity of the next President of the United States promise extra interest in 2008 and 2009; as does the leadership and attitude of Russia and the belligerence of Iran. The profligacy of a spendthrift nation allied to the power of the printing press has inundated the emerging economies with prodigious quantities of dollars; supplying Sovereign Wealth Funds with almost limitless firepower, and reasserting the Sage of Omaha's warning two years ago about the threat of Foreigners buying the Farm, and its political implications: the only assets able to absorb them are the purchase of major U.S. corporations, or just possibly and eventually, Gold itself.

Our Gold holdings we believe will come to the fore, along with many ships in the mining sector, whilst we would expect our high quality portfolio of leading small capitalisation companies to continue to flourish.

We are as always grateful to the team at Cheval Place where Steven McKeane quietly transforms into figures an array of questions thrown at him; Abbie calmly copes with a plethora of trades and Vicky grapples with the latest mobile and computer technologies with good grace and a smile.

I am equally indebted to my co-Directors, brokers and advisers, whose sage advice collectively places your Company in such a powerful position for all new challenges.

C. Robin Woodbine Parish

9 November 2007

FINANCIAL STATEMENTS - CONSOLIDATION

The consolidated financial statements have been prepared under IFRS.

Directors' report and financial statements for the year ended 30 June 2007 with comparatives for the eighteen months to 30 June 2006.

EL ORO AND EXPLORATION COMPANY plc

DIRECTORS' REPORT

The Directors present their report, together with the audited financial statements for El Oro and Exploration Company plc (the "Company") and its subsidiaries (collectively, the "Group") for the year ended 30 June 2007.

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. Since 1938, the Group's main aim has been to steadily increase asset value and dividends, with no additional capital investment.

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 page 13. The Chairman's statement on pages 1 to 3 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 2007 are listed on page 44.

There were no significant changes in the Group's activities during the current year, although the Company changed its accounting reference date from 31 December to 30 June on 26 April 2006 resulting in comparative figures for the eighteen months to 30 June 2006.

Results

The Group's results are set out in the consolidated income statement on page 14.

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 UK GAAP;
- 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.

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). 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.

IFRS adoption

The Directors initially elected to prepare the consolidated financial statements under IFRS for the eighteen months to 30 June 2006, with the IFRS transition date 1 January 2004. IFRS treatment on financial instruments was applied from 1 January 2005; the comparative results for the year to 30 June 2007 are for the eighteen months to 30 June 2006.

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DIRECTORS' REPORT

Parent Company and subsidiary accounts

The Directors have elected to continue to apply UK GAAP for the 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 to 30 June 2007 in their individual accounts.

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

The results for the current period are for the year ended 30 June 2007 with comparatives for the eighteen months to 30 June 2006.

Group Results

	12 months to 30 June 2007	18 months to 30 June 2006
	£	£
Group profit before taxation	5,427,232	12,018,986
Deduct: taxation	1,681,632	3,753,302
Group profit after tax	3,745,600	8,265,684
Parent company	3,739,994	8,321,422
Subsidiary companies	5,606	(55,738)
Group profit after tax	3,745,600	8,265,684

Dividend

For the year ended 30 June 2007, a first and only interim dividend of 13.2 pence (2006: 12.0 pence) per stock unit was paid on 25 October 2007 to stockholders registered in the books of the Company at the close of business on 5 October 2007.

Key performance indicators

The Board believes that a steadily increasing asset value and dividend, with no additional capital investment requests are the most useful performance indicators for the Company that Stockholders can monitor. The Directors also use the FTSE Allshare index when considering the portfolio's performance relative to the market. Full details on the historical performance of the Company are included on page 13.

Principal risks and uncertainties

The Board believes that their disclosures made in Note 23 of the "Notes to the consolidated financial statements", 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 £1,900 during the year, which was comprised of £1,500 to the Zimbabwe Benefit Foundation and £400 to Donation Crisis UK (2006: £1,000 - to the Zimbabwe Benefit Foundation).

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DIRECTORS' REPORT

Cancellation of 5 pence stock units

	2007 Number	2007 Nominal value £	2007 Amount paid £	2007 % of issue	2006 Number	2006 Nominal value £	2006 Amount paid £	2006 % of issue
Purchase and cancellation for trading reasons:								
7 September 2006	51,500	2,575	271,780	0.48	–	–	–	–
31 May 2007	7,700	385	51,747	0.07	–	–	–	–
10 September 2005	–	–	–	–	10,000	500	49,600	0.09
22 October 2005	–	–	–	–	3,000	150	15,279	0.03
Cancellation resulting from disposal of Danby Registrars Limited								
14 January 2005	–	–	–	–	992,197	49,610	–	8.38
Total	59,200	2,960	323,527	0.55	1,005,197	50,260	64,879	8.50

Danby Registrars Limited

During the comparative period, Danby Registrars Limited a fully owned subsidiary of the Company and the owner of Walcot Hall Estate was disposed of on a debt free, cash free basis at a true and fair value to Perceval Limited, a company wholly owned by CRW Parish, the Chairman of the Company.

Directorate

A current list of Directors is shown on page 45 and forms part of this Directors' report. Messrs. DRL Hunting and JA Wild 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 2007 beneficial	30 June 2007 non-beneficial	30 June 2006 beneficial	30 June 2006 non-beneficial
CRW Parish	909,440	1,583,953	866,679	1,542,948
The Hon. Mrs. EC Parish	331,463	–	365,171	–
EW Houston	1,102,237	553,089	1,112,237	519,853
DRL Hunting	1,248	–	1,248	–
RE Wade	64,712	–	58,712	–
JA Wild	25,000	–	22,500	–

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 5,795,647 or 52.9% 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.

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DIRECTORS' REPORT

Directors' remuneration

	Fees £	Salary and other £	Performance Bonus £	Benefits in kind £	Pension contribution £	Year to 30 June 2007 £	Period to 30 June 2006 £
Executive							
CRW Parish (Chairman)	–	211,140	132,753	896	30,000	374,789	711,235
Non-executive							
The Hon. Mrs. EC Parish	1,350	–	–	–	–	1,350	2,025
EW Houston	10,000	–	–	–	–	10,000	15,000
DRL. Hunting	23,000	–	–	–	–	23,000	28,250
RE Wade	23,000	–	–	–	–	23,000	28,250
JA Wild	30,000	–	–	–	–	30,000	38,750
Total year to 30 June 2007	87,350	211,140	132,753	896	30,000	462,139	
Total period to 30 June 2006	114,900	267,375	410,000	1,502	29,733		823,510

The Chairman's emoluments for the year ended 30 June 2007 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 £132,753 (2006: £410,000) is payable for the year ended 30 June 2007.

No Director waived emoluments in respect of either the year ended 30 June 2007 or the period ended 30 June 2006.

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 2007 amounted to £31,784 (2006: £44,733). A contribution of £30,000 was due and payable at 30 June 2007 (2006: nil).

Non-executive Directors

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

Financial instruments

The use of financial instruments, including financial risk management objectives and policies, exposure to price risk, credit risk, liquidity risk and cash flow risk are disclosed in note 23 to the consolidated financial statements.

Approval of the financial statements

The Group financial statements on pages 14 to 31 were approved by the Board of Directors on 19 November 2007, and were signed on its behalf by Messrs. CRW Parish and JA Wild.

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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	%	Total Stock Units	Beneficial	Non-beneficial
Mr SB & Mrs SW Kumaramangalam	14.98	1,614,329	1,065,562	548,767
Mr WB & Mrs P Fraser	17.68	1,915,634	7,515	1,908,119
JM Finn Nominees Limited	17.37	1,882,610	–	1,882,610
Mr G & Mrs CW Zegos	11.08	1,190,770	710,032	482,097

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 2007 and amounts invoiced to the Group by its suppliers in the year ended 30 June 2007 was 7 days (2006: 7 days), as calculated in accordance with the requirements of the Companies Act.

Statement of compliance with the Combined Code of Corporate Governance 2003 ("Combined Code")

Whenever practical, the Directors endeavour to comply with the provisions of the Combined Code with any matters that require a decision by the Board are dealt with quickly and effectively following discussions between the Directors and, where further guidance is required, the Company's professional advisers. The Directors meet regularly to enhance the development of the non-executive Directors' understanding of the business and the views of its major Stockholders.

The Directors hold the view that given the nature of the Group's business and its size, this flexible and direct approach to corporate governance is more effectively suitable than some of the more formal procedures which are no doubt more suited to larger trading and financial organisations. While the Directors believe that this practice makes a positive contribution to the Group's success the reasons for non-compliance with some areas of the Combined Code are as follows:

Schedule of matters specifically reserved for the Board

The Directors do not consider it necessary to prepare a formal schedule of matters specifically reserved for the Board, as the Board decide all material matters.

Directors taking independent professional advice

The Board has no agreed formal procedure to authorise Directors to take independent professional advice at the Group's expense. However, for all intents and purposes, whenever necessary, the Board seeks advice from the Group's professional advisers for legal and financial matters as required. The Board intends to maintain this policy.

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DIRECTORS' REPORT

Division of responsibilities at the head of the Company

The Chairman of the Group who is also the Managing Director is responsible for running both the Board and the Group's business. Having regard to the size of the Group, the Board sees no advantage from splitting these roles. Directors express their views formally at regular meetings and informally when liaising between meetings, with each Director making valuable contributions to the running of the Group. From December 2001, there have been four non-executive Directors, three of whom are independent.

Director's appointments

There is no formal or transparent procedure to appoint a Director and the Group does not have a nomination committee. Having regard to the size of the Board, each Director being appointed would be considered during a normal Board meeting by all of the Directors.

Applying the principles of good governance

The Directors are committed to the principles of openness and accountability in dealing with the Group's affairs and believe that they have always acted in the best interests of the Group and its Stockholders, with this reflected in the on-going success of the Group.

Mr. JA Wild has been appointed as the senior independent non-executive Director and is the primary contact for any staff member to raise any concern in confidence that they may have in relation to possible improprieties, financial or otherwise. All employees have been notified of this arrangement.

The Directors have applied the Principles of the Combined Code and complied with the Code of Best Practice as reviewed above. Given the comprehensive explanations on the areas of non-compliance, the Directors do not see any fundamental reasons that would necessitate changing its policies to follow the complete Combined Code and firmly believe that the Stockholders would support this view.

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.

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 Combined Code includes a requirement that the Directors review, at least annually, the effectiveness of the Group's system of internal controls, including financial, operational and compliance controls and risk management. The most recent review on the effectiveness of the Group's system of internal controls was conducted in December 2006.

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The Company applies the revised guidance published in October 2005 by The Institute of Chartered Accountants in England and Wales in respect of The Combined Code's sections on Internal Control (commonly known as the Turnbull Guidance on Internal Control). In accordance with the Turnbull Guidance, the Directors have established a defined process for identifying, evaluating and managing the significant risks faced by the Group. This was in operation during the year and continues in place up to the date of this report. It consists of the preparation of a formal risk and control matrix for each activity of the Group to identify the key risks, together with the controls in place to minimise these risks and the management responsible for operating the controls and for reviewing the proper operation of the controls. This process principally comprises the Audit Committee monitoring the procedure that requires management to report to them on the maintenance and status of these controls. The procedure provides the Audit Committee with a regular annual report, enabling any exceptions to be raised with the Board. The Group's risk and control matrix was prepared and reviewed by an independent consultant with suitable experience in investment and accounting matters. Owing to the size of the Group, the Directors have determined that there is no requirement for an internal audit function and have not identified any significant issues with respect to the Group's system of internal control. Management addresses requests from the Directors on minor areas of improvement as they arise during the year.

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 2007:

	Board	Audit	Remuneration
Meetings	9	2	2
Executive			
CRW Parish	9	2*	–
Non executive			
The Hon. Mrs. EC Parish	3	–	–
EW Houston	7	2*	–
DRL Hunting	9	2	2
RE Wade	7	2	2
JA Wild	9	2	2

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

The Board receives a steady flow of information to enable it to discharge its duties, including a monthly report detailing current and forecast trading results and regular treasury position reports. The Board also receive a regular analysis of the stockholders register. 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.

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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
19 November 2007

EL ORO AND EXPLORATION COMPANY plc

Historical financial data

THE EXPLORATION COMPANY plc					EL ORO MINING AND EXPLORATION COMPANY plc				
Period*	Dividends declared %	Profit/(loss) before tax £	Issued capital £	Net assets at fair value £	Dividends declared %	Profit/(loss) before tax £	Issued capital £	Net assets at fair value £	
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)

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

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.

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	27,268,883
Taxation	24,768,325
	52,037,208

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 2007 was 690.0 pence (which with 1 for 2 bonus in 1961 equals 491.9 pence) compared with a middle market price of 2 pence per stock unit at 31 December 1950.

EL ORO AND EXPLORATION COMPANY plc

CONSOLIDATED INCOME STATEMENT

	Notes	12 months to 30 June 2007 £	18 months to 30 June 2006 £
Revenue	3 a.	2,448,192	3,251,972
Net gains on investments	3 b.	8,987,984	15,544,692
Impairment loss on available for sale investments		(2,466,602)	(2,893,963)
Expenses	4	(2,017,602)	(2,582,000)
Profit before finance costs and taxation		<u>6,951,972</u>	<u>13,320,701</u>
Finance costs			
Banks		1,524,740	1,295,415
Other		–	6,300
		<u>1,524,740</u>	<u>1,301,715</u>
Profit before taxation		<u>5,427,232</u>	<u>12,018,986</u>
Taxation	6	1,681,632	3,753,302
Profit after taxation		<u>3,745,600</u>	<u>8,265,684</u>
Earnings per stock unit (basic and diluted)	7	<u>34.70p</u>	<u>76.06p</u>

CONSOLIDATED STATEMENT OF CHANGES IN INCOME AND EXPENSE

for the year ended 30 June 2007

	Notes	12 months to 30 June 2007 £	18 months to 30 June 2006 £
Profit for the period		3,745,600	8,265,684
Recognition of financial instruments at 1 January 2005:			
- Other reserve - available for sale		–	25,640,476
- Derivative financial instruments		–	(232,664)
Revaluation of available for sale investments during the period		<u>16,291,894</u>	<u>27,676,702</u>
Deferred tax on revaluation of available for sale investments during the period		<u>(3,619,943)</u>	<u>(8,303,011)</u>
Total recognised income and expense for the period	20	<u>16,417,551</u>	<u>53,047,187</u>

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

EL ORO AND EXPLORATION COMPANY plc

CONSOLIDATED BALANCE SHEET

as at 30 June

	Notes	30 June 2007 £	30 June 2006 £
Assets			
Non-current assets			
Property, plant and equipment	8	726,955	747,417
Investment properties	9	495,091	406,014
		<u>1,222,046</u>	<u>1,153,431</u>
Current assets			
Trade and other receivables	11	232,311	236,940
Financial assets			
Available for sale investments	12	134,809,425	107,253,063
Financial assets at fair value through the income statement			
Commodities		1,609,430	1,619,941
Cash and cash equivalents	17	1,881,480	256,656
		<u>138,532,646</u>	<u>109,366,600</u>
Liabilities			
Current liabilities			
Financial liabilities			
Borrowings	13	33,082,955	21,174,845
Trade and other payables	14	1,074,356	613,624
Current tax liabilities	15	947,934	542,507
		<u>35,105,245</u>	<u>22,330,976</u>
Net current assets		<u>103,427,401</u>	<u>87,035,624</u>
Non-current liabilities			
Deferred tax liabilities	16	19,137,463	16,218,592
Net assets		<u>85,511,984</u>	<u>71,970,463</u>
Stockholders' equity			
Capital			
Stock units	19	538,825	541,785
Reserves			
Share premium	21	6,017	6,017
Capital redemption reserve	21	347,402	344,442
Merger reserve	21	3,564	3,564
Other reserve – available for sale	21	49,482,060	38,069,136
Retained earnings	21	35,134,116	33,005,519
Total equity	20	<u>85,511,984</u>	<u>71,970,463</u>

The Board of Directors approved and authorised the consolidated financial statements for issue on 19 November 2007.

Signed on behalf of the Board by:

CRW Parish

Chairman

JA Wild

Director

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

EL ORO AND EXPLORATION COMPANY plc

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 30 June 2007

	Notes	12 months to 30 June 2007 £	18 months to 30 June 2006 £
Operating activities			
Profit before taxation		5,427,232	12,018,986
Adjustments for			
Depreciation		25,042	43,168
Foreign exchange (gains) / losses		396,704	222,889
Movement in fair value of investment properties		(17,898)	19,896
Movement in impairment on available for sale investments		2,466,602	(919,830)
Movement in fair value of investments through the income statement		140,150	(156,728)
Finance costs		1,524,740	1,301,715
Cash flow from operating profit before changes in working capital		9,962,572	12,530,096
Increase in available for sale investments		(16,295,694)	(12,508,090)
Decrease / (increase) in fair value of investments through the income statement		1,636,198	(1,254,151)
Increase in forward gold contracts		(1,749,580)	(456,274)
(Increase) / decrease in trade and other receivables		(235)	91,685
Decrease / (increase) in trade and other payables		434,742	(141,139)
Cash generated from operations		(6,011,997)	(1,737,873)
Income taxes paid		(1,437,695)	(4,155,338)
Cash flow from operating activities		(7,449,692)	(5,893,211)
Investing activities			
Net cash disposed of on sale of subsidiary		–	(5,000)
Cost of stock units repurchased and cancelled		(323,527)	(14,619)
Purchase of property, plant and equipment		(4,580)	(37,807)
Purchase of investment properties		–	(235,213)
Cash flow from investing activities		(328,107)	(292,639)
Financing activities			
Interest paid		(1,517,511)	(1,303,055)
Dividends paid to stockholders		(1,275,341)	(1,222,298)
Forfeited dividends		627	–
Increase to mortgages		–	194,402
Repayment of mortgages		(5,018)	(88,355)
Cash flow from financing activities		(2,797,243)	(2,419,306)
Net decrease in cash and cash equivalents		(10,575,042)	(8,605,156)
Opening cash and cash equivalents		(20,648,219)	(12,079,276)
Effect of foreign exchange rate changes		331,454	31,213
Cash disposed of with subsidiary		–	5,000
Closing cash and cash equivalents	17	(30,891,807)	(20,648,219)

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.

The Group changed its accounting reference date from 31 December to 30 June during the period to 30 June 2006. Therefore, the comparative results relate to a period of eighteen months and are not specifically comparable with the results for the year ended 30 June 2007.

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 second 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 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 effective in 2007 but not relevant

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

- IFRS 1 (Amendment), First-time Adoption of International Financial Reporting Standards and IFRS 6 (Amendment), Exploration for and evaluation of mineral resources;
- IFRS 6, Exploration for and evaluation of mineral resources;
- IAS 19 (Amendment), Employee benefits;
- IAS 21 (Amendment), Net investment in a foreign operation;
- IAS 39 (Amendment), Cash flow hedge accounting of forecast intra-group transactions;
- IAS 39 (Amendment), The fair value option;
- IAS 39 and IFRS 4 (Amendment), Financial guarantee contracts;
- IFRIC 4, Determining whether an arrangement contains a lease;
- IFRIC 5, Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds; and
- IFRIC 6, Liabilities arising from participating in a specific market – Waste electrical and electronic equipment.

Interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 May 2006 or later periods but which the Group has not early adopted:

- IFRIC 10, Interim Financial Reporting and Impairment (effective for annual periods beginning on or after 1 November 2006). IFRIC 10 prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. The Group will apply IFRIC 10 from 1 January 2007. This interpretation is not expected to have any significant impact on the Group's accounts.
- IFRS 7, 'Financial instruments: Disclosures', and the complementary amendment to IAS 1, 'Presentation of financial statements – Capital disclosures' (effective for annual periods beginning on or after 1 January 2007). IFRS 7 introduces new disclosures relating to financial instruments. This standard does not have any impact on the classification and valuation of the Group's financial instruments. However, further disclosure will be required in the 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 May 2006 or later periods but are not relevant for the Group's operations:

- IFRIC 7, Applying the restatement approach under IAS 29, Financial reporting in hyperinflationary economies (effective from 1 March 2006). IFRIC 7 provides guidance on how to apply the requirements of IAS 29 in a reporting period in which an entity identifies the existence of hyperinflation in the economy of its functional currency, when the economy was not hyperinflationary in the prior period. As none of the Group entities has the currency of a hyperinflationary economy as its functional currency, IFRIC 7 is not relevant to the Group's operations.
- IFRIC 8, Scope of IFRS 2 (effective for annual periods beginning on or after 1 May 2006). IFRIC 8 requires consideration of transactions involving the issuance of equity instruments – where the identifiable consideration received is less than the fair value of the equity instruments issued – to establish whether or not they fall within the scope of IFRS 2. The Group will apply IFRIC 8 from 1 January 2007 but it is not expected to have any impact on the Group's accounts, as the Group does not intend to issue equity instruments.

EL ORO AND EXPLORATION COMPANY plc

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- IFRIC 9, Reassessment of embedded derivatives (effective for annual periods beginning on or after 1 June 2006). IFRIC 9 requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. IFRIC 9 is not relevant to the Group's operations because none of the terms of the Group's contracts have been changed.
- IFRIC 11, IAS 2 – Group and treasury share transactions (effective for annual periods beginning on or after 1 March 2007). IFRIC 11 requires consideration of transactions involving the issuance of equity instruments where an entity receives goods or services as consideration for its own equity instruments and where a subsidiary has an obligation to provide its employees with parent equity instruments for the services it receives from employees. As none of the Group entities issue equity instruments to suppliers of goods or services, IFRIC 11 is not relevant to 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. IFRIC 12 is not relevant to the Group's 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 2007 with comparatives for the eighteen months ended 30 June 2006. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

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 revaluing 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.

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.

EL ORO AND EXPLORATION COMPANY plc

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

	12 months to 30 June 2007	18 months to 30 June 2006
	£	£
a. Revenue analysis		
Dividends from listed available for sale investments	2,098,290	2,577,178
Dividends from unlisted available for sale investments	291,666	632,020
Other income	58,236	42,774
	2,448,192	3,251,972
b. Net gains on investments		
Movement in fair value of investments through the income statement	(140,150)	156,728
Movement in fair value of investment properties	17,898	(19,896)
Net (losses) / gains on fair value of investments through the income statement	(933,683)	50,805
Net profit on available for sale investments realised	10,440,623	15,579,944
Net foreign exchange losses	(396,704)	(222,889)
	8,987,984	15,544,692

EL ORO AND EXPLORATION COMPANY plc

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. EXPENSES

	12 months to 30 June 2007 £	18 months to 30 June 2006 £
Operating	1,058,806	1,274,705
Costs relating to the disposal of a subsidiary	–	23,782
Direct operating expenses arising from investment properties	33,259	12,413
Transaction costs for fair value through the income statement investments	349,926	176,277
Depreciation of property, plant and equipment	25,042	43,168
Directors' emoluments	463,385	823,510
Auditors' remuneration		
- fee payable to the Company's Auditors for the audit of the Parent Company and Consolidated accounts	80,487	156,470
- fee payable to the Company's Auditors and its associates for other services	6,697	5,875
- other services pursuant to legislation	–	7,050
- all other services	–	58,750
	2,017,602	2,582,000
	12 months to 30 June 2007 £	18 months to 30 June 2006 £
Average staff (including executive Directors)		
Investing	1	1
Administration	4	4
	5	5
	12 months to 30 June 2007 £	18 months to 30 June 2006 £
Employment		
Employment costs	569,562	1,021,822
Employer's national insurance contributions and similar taxes	51,761	113,346
Stock units purchased for employees	–	5,031
Pension costs	131,855	55,253
	753,178	1,195,452
Benefits in kind included within employees costs	896	9,523

The Company did not purchase any stock units for employees during the year to 30 June 2007. The Company purchased 1,040 stock units during the period to 30 June 2006 from the market, and granted the stock units to the employees on the same day as a bonus to the employees. This grant was in lieu of a cash bonus.

5. DIVIDENDS

	Paid during	
	12 months to 30 June 2007 £	18 months to 30 June 2006 £
Interim dividend of 12.0 pence (2006: 11.5 pence) per ordinary stock unit proposed and paid during the period relating to the previous period's results	1,294,103	1,247,601

Proposed dividends

The Directors approved a first and only interim dividend of 13.2 pence (interim 2006: 12.0 pence) per stock unit totalling £1,422,102 (2006: £1,294,103). 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 25 October 2007 to stockholders on the register of members on Friday 5 October 2007.

EL ORO AND EXPLORATION COMPANY plc

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. TAXATION

	12 months to 30 June 2007 £	18 months to 30 June 2006 £
Analysis of tax charge		
Current tax:		
UK corporation tax on profits for the period	1,875,669	3,824,219
Adjustment in respect of previous year	(32,547)	27,599
Total current tax	1,843,122	3,851,818
Deferred tax:		
Origination and reversal of timing differences	(161,490)	(98,516)
Total deferred tax	(161,490)	(98,516)
Tax on profit from ordinary activities	1,681,632	3,753,302
Factors affecting tax charge		
The tax assessed is higher (2006: higher) than the standard rate of corporation tax in the UK of 30% (2006: 30%).		
The differences are explained below		
Profit on ordinary activities before tax	5,427,232	12,018,986
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2006: 30%)	1,628,170	3,605,696
Effects of		
Expenses not deductible for tax	87,712	106,932
Effect of fair value adjustments	161,765	96,793
Income not subject to corporation tax	(2,290)	(2,212)
Depreciation in excess of capital allowances	312	1,723
Increase in excess tax losses	–	15,287
Origination and reversal of temporary deferred tax differences	(161,490)	(98,516)
Adjustments to tax charge in respect of prior year	(32,547)	27,599
Total tax charge for the period	1,681,632	3,753,302

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.

EL ORO AND EXPLORATION COMPANY plc

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. EARNINGS PER STOCK UNIT

	12 months to 30 June 2007	18 months to 30 June 2006
	£	£
Profit after tax	3,745,600	8,265,684
Weighted average number of stock units in basic and diluted EPS	10,793,142	10,867,281
Earnings per stock unit (basic and diluted)	34.70p	76.06p

8. PROPERTY, PLANT AND EQUIPMENT

	Freehold property	Fixtures, fittings paintings and computer equipment	Total
	£	£	£
At 30 June 2006			
At cost	744,200	161,809	906,009
Accumulated depreciation	(37,210)	(121,382)	(158,592)
Net book value	706,990	40,427	747,417
Period ended 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

EL ORO AND EXPLORATION COMPANY plc

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. INVESTMENT PROPERTIES

	12 months to 30 June 2007	18 months to 30 June 2006
	£	£
Opening net book value	406,014	611,475
Additions	–	235,213
Exchange difference to opening balance	71,179	(70,778)
Movement in value of investment properties	17,898	(19,896)
Disposal of subsidiary	–	(350,000)
Closing net book value	495,091	406,014

The investment properties were valued on 30 June 2007 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 valuations were completed in accordance with the New Zealand Institute of Valuers and Property Institute of New Zealand Code of Ethics and Valuation Standards. There are no restrictions on the realisability of the investment properties and there is currently no obligation to purchase, construct, or develop the investment properties.

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 2007.

	Number of shares	Nominal value	Nature of business
El Oro Mining and Exploration Company Limited	4,511,135	ordinary shares of £0.10	Active
General Explorations Limited	1,000,000	ordinary shares of £0.05	Active
Group Traders Limited	30,040	ordinary shares of £0.05	Active
Investigations and Management Limited	5,000	ordinary shares of £1.00	Investment Company

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 year.

In the comparative period, Danby Registrars Limited was disposed of on 14 January 2005, on a debt and cash free basis to Perceval Limited, a company wholly owned by CRW Parish.

11. TRADE AND OTHER RECEIVABLES

	30 June 2007	30 June 2006
	£	£
Amounts due from brokers - unsecured and receivable on demand	3,621	73,408
Accrued income	218,134	132,744
Other debtors	10,556	30,788
	232,311	236,940

EL ORO AND EXPLORATION COMPANY plc

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. FINANCIAL ASSETS - AVAILABLE FOR SALE INVESTMENTS

	30 June 2007	30 June 2006
	Fair and book value	Fair and book value
	£	£
Listed - London Stock Exchange	53,930,487	46,968,859
- London AIM	20,779,144	12,165,694
- International	48,256,227	38,001,941
	122,965,858	97,136,494
Unlisted	11,843,567	10,116,569
	134,809,425	107,253,063

Available for sale investments at 30 June 2006 and 30 June 2007 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 a fair value, which could include the last known traded price.

13. FINANCIAL LIABILITIES - BORROWINGS

	30 June 2007	30 June 2006
	£	£
Bank overdrafts	21,226,423	15,913,665
Mortgages	309,668	269,970
Amounts due to brokers	11,546,864	4,991,210
	33,082,955	21,174,845

The Company currently has with Lloyds TSB plc overdraft facilities that are repayable on demand. These comprise a fully drawn loan of £15 million, with a further £5 million for working capital and liquidity management. 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.

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.

Investment properties were purchased with mortgages from ANZ Banking Group (New Zealand) Limited. The terms of the each of the three mortgages is 25 years and the interest rate of each is variable after an agreed rate for an initial fixed period. There is 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.

14. FINANCIAL LIABILITIES – TRADE AND OTHER PAYABLES

	30 June 2007	30 June 2006
	£	£
Amounts due to brokers - unsecured and payable on demand	545,196	188,933
Other tax and social security taxes	15,065	6,400
Other payables	507	3,566
Accruals	389,106	309,004
Unclaimed dividends	124,482	105,721
	1,074,356	613,624

EL ORO AND EXPLORATION COMPANY plc

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. FINANCIAL LIABILITIES – CURRENT TAX LIABILITIES

	30 June 2007	30 June 2006
	£	£
Corporation tax due at 30% (2006: 30%)	947,934	542,507

16. DEFERRED TAX LIABILITIES

	30 June 2007	30 June 2006
	£	£
Opening balances – UK GAAP	–	1,764
Recognition of available for sale securities under IFRS at 1 January 2005	–	10,988,775
Opening balances – IFRS	16,218,592	10,990,539
Movement in available for sale investments	3,080,360	5,326,569
Increase in provision for impaired available for sale investments	(161,593)	(96,793)
Depreciation in excess of capital allowances	104	(1,723)
Closing balances at 30 June	19,137,463	16,218,592

Deferred tax is calculated in full on temporary differences under the liability method using an average tax rate (2006: 30%). The UK tax rate will reduce from 30% to 28% with effect from 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 2007	30 June 2006
	£	
Cash available on demand	1,881,480	256,656
Bank overdrafts	(21,226,423)	(15,913,665)
Amounts due to brokers	(11,546,864)	(4,991,210)
	(30,891,807)	(20,648,219)

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 2007 this commitment totalled £140,871 (2006: £621,844).

In the normal course of business, the Group had pledged security investments as collateral at 30 June 2007 with a value of £3,396,047 (2006: £1,018,906).

EL ORO AND EXPLORATION COMPANY plc

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. STOCKHOLDERS' EQUITY – STOCK UNITS

	30 June 2007 No.	30 June 2007 £	30 June 2006 No.	30 June 2006 £
Authorised				
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
		<u>994,500</u>		<u>994,500</u>
Issued and fully paid				
Shares of 5 pence	–	–	–	–
Stock units of 5 pence				
Opening balances	10,835,701	541,785	11,840,898	592,045
Purchase of stock units for cancellation ⁽ⁱ⁾	(59,200)	(2,960)	(13,000)	(650)
Stock units cancelled on disposal of subsidiary	–	–	(92,197)	(49,610)
Closing balance	<u>10,776,501</u>	<u>538,825</u>	<u>10,835,701</u>	<u>541,785</u>

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 2007 No.	30 June 2006 No.
Investigations and Management Limited	60,000	60,000
	<u>60,000</u>	<u>60,000</u>

20. CHANGES IN STOCKHOLDERS' EQUITY

	30 June 2007 £	30 June 2006 £
Movement during the year		
Income and expense movements	16,417,551	53,047,187
Purchase and cancellation of stock units	(2,960)	(14,619)
Reduction in equity on cancellation of stock units	(320,567)	(50,260)
Dividend paid	(1,294,103)	(1,247,601)
Forfeited dividends	627	1,531
Fair value of available for sale investments transferred to the income statement	(1,798,610)	(9,921,474)
Available for sale reserve released on investments that have increased in value	539,583	2,976,443
Elimination of subsidiary's reserves on disposal	–	(1,104,006)
Merger reserve movements on disposal of subsidiary	–	153,362
	<u>13,541,521</u>	<u>43,840,563</u>
Opening balances	<u>71,970,463</u>	<u>28,129,900</u>
Closing balances	<u>85,511,984</u>	<u>71,970,463</u>

EL ORO AND EXPLORATION COMPANY plc

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. RESERVES

	Share premium £	Capital redemption £	Merger £	Other - AFS £	Retained earnings £
As at 30 June 2006 - [IFRS]	6,017	344,442	3,564	38,069,136	33,005,519
Purchase and cancellation of own shares		2,960			(323,527)
Movement in values of available for sale assets				16,291,894	
Tax provided on above at 28%				(3,619,943)	
Fair value of available for sale investments recycled to income statement				(1,798,610)	
Available for sale reserve released on investments that have increased in value before impairment				539,583	
Forfeited dividends					627
Profit for the year					3,745,600
Dividends paid					(1,294,103)
At 30 June 2007	6,017	347,402	3,564	49,482,060	35,134,116

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.

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 no longer provides services to Danby Registrars Limited, a company owned by CRW Parish, an executive Director of the Company. However, during the comparative period services were provided as follows; the period 1 January 2005 to 14 January 2005 the service charge was £95,918 and for the period 15 January 2005 to 30 June 2006 was £nil; and
- The Company purchased goods amounting to £570 (2006: £970) 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 2007 this amounted to £1,528 (2006: £3,386). No amounts remain outstanding at the year ended 30 June 2007 (2006: £nil). Accommodation has not been provided to staff since 31 March 2007.

During the comparative period Danby Registrars Limited was disposed on a debt and cash free basis to a company wholly owned by CRW Parish, an executive Director of the Company. The Board has disclosed the remuneration and benefits of CRW Parish, an executive Director, in the Directors' report.

EL ORO AND EXPLORATION COMPANY plc

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 has been to steadily increase asset value and dividends, with no additional capital investment. The Group deals in listed and unlisted investments or other financial instruments, including derivatives and commodities.

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

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

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

- market price risk (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.

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.

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 2007	30 June 2006
	Fair and	Fair and
	book value	book value
	£	£
Financial assets		
Cash and bank balances	1,881,480	256,656
Listed available for sale investments	122,965,858	97,136,494
Unlisted available for sale investments	11,843,567	10,116,569
Commodities	1,609,430	1,619,941
	138,300,335	109,129,660
Financial liabilities		
Bank overdrafts		
	21,226,423	15,913,665
Mortgages	309,668	269,970
Amounts due to broker	11,546,864	4,991,210
	33,082,955	21,174,845

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

Market price risk

The Group exposure to market price risk is mainly contained in potential movements in the fair value of its investments. The principal investment exposures greater than £500,000 as at 30 June 2007 are included on page 44.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. FINANCIAL INSTRUMENTS AND RISK PROFILE *continued*

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 2007	30 June 2006
	£	£
Australian dollar	16,248,615	9,616,379
Canadian dollar	13,882,073	10,815,006
Danish kroner	120,122	–
Euro	2,687,575	1,189,295
Hong Kong dollar	406,216	297,165
Japanese yen	547,555	49,070
Malaysian ringitt	1,326,164	697,906
New Zealand dollar	–	127,544
Norwegian krone	21,476	–
South African rand	7,284,757	7,026,689
Swedish krona	218,698	200,660
Swiss franc	204,197	111,079
Thai bhat	118,234	101,177
US dollar	10,467,211	7,142,264
	53,532,893	37,374,234

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 the various currency base rates or at rates negotiated with other financial institutions.

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

	30 June 2007	30 June 2007	30 June 2007	30 June 2006	30 June 2006	30 June 2006
	Floating Rate	Fixed Rate	Total	Floating Rate	Fixed Rate	Total
	at fair value	at fair value	at fair value	at fair value	at fair value	at fair value
	£	£	£	£	£	£
Financial assets						
Australian dollar	–	108,208	108,208	–	90,879	90,879
British Pound	1,602,988	3,161,767	4,764,755	2,502,988	190,025	2,693,013
Canadian dollar	–	70,284	70,284	–	–	–
South African rand	–	364,348	364,348	–	76,760	76,760
US Dollar	–	175,119	175,119	–	29,642	29,642
	1,602,988	3,879,726	5,482,714	2,502,988	387,306	2,890,294
Financial liabilities						
Australian dollar	320,635	–	320,635	–	–	–
British Pound	25,692,154	–	25,692,154	16,233,084	–	16,233,084
Canadian dollar	2,058,738	–	2,058,738	267,348	–	267,348
Danish kroner	122,943	–	122,943	–	–	–
Euro	970,650	–	970,650	1,051	–	1,051
Japanese yen	348,627	–	348,627	–	–	–
New Zealand dollar	–	312,295	312,295	–	269,970	269,970
Norwegian krone	16,746	–	16,746	–	–	–
South African rand	102,891	–	102,891	–	–	–
Swiss franc	42,416	–	42,416	1,778	–	1,778
US dollar	3,117,834	–	3,117,834	4,401,614	–	4,401,614
	32,793,634	312,295	33,105,929	20,904,875	269,970	21,174,845

The Group has, in addition to the financial assets listed above, open forward contracts in commodities, as shown in the balance sheet on page 15. Financial assets comprise non-equity shares and loan stocks. The effective interest rate on these financial assets is 10.7% (2006: 10.1%) and for financial liabilities is 4.42% (2006: 5.33%). With the exception of the mortgages on New Zealand property, which have a final payment date over one year, all financial liabilities are due within one year.

EL ORO AND EXPLORATION COMPANY plc

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 2007 which comprise the consolidated income statement, the consolidated balance sheet, the consolidated cash flow statement, the consolidated statement of recognised income and expense and the related notes. These 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 2007.

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 and Article 4 of the IAS Regulation. We also report to you 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 explanations we require for our audit, or if information specified by law regarding Director's remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

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 2007 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 Article 4 of the IAS Regulation; and
- the information given in the Directors' report is consistent with the group financial statements.

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

LONDON

19 November 2007

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 2007 with comparatives for the eighteen months to 30 June 2006.

EL ORO AND EXPLORATION COMPANY plc

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 2007. The Directors' report relating to the "Financial statements – consolidation" can be found on pages 5 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. Since 1938, the Company's main aim has been to steadily increase asset value and dividends, with no additional capital investment.

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 3 provides a comprehensive review of the Company's activities.

There were no significant changes in the Company's activities during the current year, although the Company changed its accounting reference date from 31 December to 30 June on 26 April 2006 resulting in comparative figures for the eighteen months to 30 June 2006.

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 2007 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 2007 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 £17,568,584 (2006: £8,567,166) – which includes Group dividends received of £13,391,514. For the year ended 30 June 2007, an interim dividend of 13.2 pence (2006: 12.0 pence) per stock unit was paid on 25 October 2007 to stockholders registered in the books of the Company at the close of business on 5 October 2007.

Key performance indicators

The Board believes that a steadily increasing asset value and dividend, with no additional capital investment requests are the most useful performance indicators for the Company that Stockholders can monitor.

Principal risks and uncertainties

The Board believes that their disclosures made in Note 23 of the "Notes to the consolidated financial statements", 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.

Financial risk management

Full details of the Company's risk management policies are disclosed in the corporate governance area of the Directors' report of the "Financial statements – consolidation" 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 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.

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
19 November 2007

By Order of the Board
Steven McKeane
Secretary

EL ORO AND EXPLORATION COMPANY plc

COMPANY BALANCE SHEET

at 30 June 2007

	Notes	30 June 2007 £	30 June 2006 £
Fixed assets			
Tangible assets	4	1,222,046	1,153,430
Investments in subsidiary companies	5	461,938	461,938
		<u>1,683,984</u>	<u>1,615,368</u>
Current assets			
Debtors	6	257,697	243,181
Investments	7	67,259,527	53,558,634
Cash and bank balances		1,865,492	247,276
		<u>69,382,716</u>	<u>54,049,091</u>
Creditors: due within one year	8	<u>34,126,178</u>	<u>34,693,416</u>
Net current assets		<u>35,256,538</u>	<u>19,355,675</u>
Total assets less current liabilities		<u>36,940,522</u>	<u>20,971,043</u>
Net assets		<u>36,940,522</u>	<u>20,971,043</u>
Capital and reserves			
Called up share capital	9	538,825	541,785
Share premium	12	6,017	6,017
Revaluation reserve	12	27,795	9,897
Capital redemption reserve	12	347,402	344,442
Profit and loss account	12	36,020,483	20,068,902
Stockholders' funds (Equity)	10	<u>36,940,522</u>	<u>20,971,043</u>

The Board of Directors approved and authorised the Company's financial statements for issue on 19 November 2007.

Signed on behalf of the Board by:

CRW Parish

Chairman

JA Wild

Director

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

EL ORO AND EXPLORATION COMPANY plc

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 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 properties are 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 properties as at 30 June 2007. Properties are 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 properties that are held as freeholds 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 properties to be included in the financial statements at market value. The effect of depreciation is implicitly reflected in the valuation of investment properties, 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.

EL ORO AND EXPLORATION COMPANY plc

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 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 buys options. To the extent that an additional liability arises from market movements, any shortfall in value is recognised as an increase in provision for diminution in value of this option.

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.

EL ORO AND EXPLORATION COMPANY plc

NOTES TO THE COMPANY FINANCIAL STATEMENTS

2. MANAGEMENT EXPENSES

	12 months to 30 June 2007	18 months to 30 June 2006
	£	£
Auditors' remuneration		
- fee payable to the Company's Auditors for the audit of the Parent Company and Consolidated accounts	80,487	156,470
- fee payable to the Company's Auditors and its associates for other services	6,697	5,875
- other services pursuant to legislation	–	7,050
- all other services	–	58,750
	87,184	228,145
	12 months to 30 June 2007	18 months to 30 June 2006
	£	£
Average staff (including executive Directors)		
Investing	1	1
Administration	4	4
	5	5
	12 months to 30 June 2007	18 months to 30 June 2006
	£	£
Employment		
Employment costs	569,562	1,021,822
Employer's national insurance contributions and similar taxes	51,761	113,346
Stock units purchased for employees	–	5,031
Pension costs	131,855	55,253
	753,178	1,195,452
Benefits in kind included within employees costs were	896	9,523

The Company purchased no stock units from the market for employees during the year, but in the eighteen months to 30 June 2006 purchased 1,040 and then granted the stock units to the employees on the same day as the bonus.

3. DIVIDENDS

Full details of dividends are disclosed in note 5 in the "Financial statements – consolidation" section of the Annual Report.

	Paid during	
	12 months to 30 June 2007	18 months to 30 June 2006
	£	£
Interim dividend of 12.0 pence (2006: 11.5 pence) per ordinary stock unit proposed and paid during the period relating to the previous year's results	1,294,103	1,247,601

Proposed dividends

The Directors approved a first and only interim dividend of 13.2 pence (interim 2006: 12.0 pence) per stock unit totalling £1,422,102 (2006: £1,294,103). 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 25 October 2007 to stockholders on the register of members on Friday 5 October 2007.

EL ORO AND EXPLORATION COMPANY plc

NOTES TO THE COMPANY FINANCIAL STATEMENTS

4. TANGIBLE ASSETS

	Freehold property (at cost) £	Investment properties (at value) £	Fixtures, fittings, paintings and computer equipment £	Total £
Period ended 30 June 2006				
At cost	729,316	261,475	23,461	1,014,252
Additions	–	164,435	37,807	202,242
Depreciation for period	(22,326)	–	(20,842)	(43,168)
Movement in value of Investment properties	–	(19,896)	–	(19,896)
Net book value	706,990	406,014	40,426	1,153,430
Year-ended 30 June 2007				
Opening net book value	706,990	406,014	40,426	1,153,430
Additions	–	–	4,580	4,580
Disposal of Danby Registrars Limited	–	–	–	–
Depreciation for period	(14,884)	–	(10,157)	(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

£

The investment properties were valued as follows:

At 30 June 2007

Apartments - Auckland, New Zealand	495,091
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At 30 June 2006

Apartments – Auckland, New Zealand	406,014
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The investment properties were valued on 30 June 2007 on the basis of open market value by Linda C.N. Holdaway, Registered Valuer, an independent firm of Registered Valuers in New Zealand. Market value represents the figure that would appear in a hypothetical contract of sale between a willing buyer and a willing seller. The valuations were completed in accordance with the New Zealand Institute of Valuers and Property Institute of New Zealand Code of Ethics and Valuation Standards. There are no restrictions on the realisability of the investment properties and there is currently no obligation to purchase, construct, or develop the investment properties. The increase in value of investment properties 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 2007.

	Number of shares	Nominal value	Nature of business
El Oro Mining and Exploration Company Limited	4,511,135	ordinary shares of £0.10	Active
General Explorations Limited	1,000,000	ordinary shares of £0.05	Active
Group Traders Limited	30,040	ordinary shares of £0.05	Active
Investigations and Management Limited	5,000	ordinary shares of £1.00	Investment Company

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 year.

In the comparative period, Danby Registrars Limited was disposed of on 14 January 2005, on a debt and cash free basis to Perceval Limited, a company wholly owned by CRW Parish.

EL ORO AND EXPLORATION COMPANY plc

NOTES TO THE COMPANY'S FINANCIAL STATEMENTS

6. DEBTORS

	30 June 2007 £	30 June 2006 £
Due within one year:		
Amounts due from brokers	3,621	73,408
Accrued income	218,134	132,744
Other debtors	29,804	30,788
	<u>251,559</u>	<u>236,940</u>
Due after one year:		
Deferred taxation – 2007: 28% (2006: 30%)	6,138	6,241
	<u>257,697</u>	<u>243,181</u>

7. INVESTMENTS

	30 June 2007 £	30 June 2006 £
a. Investments at the lower of cost and fair valuation or Directors' valuation as per balance sheet:		
Listed - London Stock Exchange	23,632,024	19,980,286
- London AIM	9,037,447	6,227,059
- International	27,130,450	20,960,882
	<u>59,799,921</u>	<u>47,168,227</u>
Unlisted	7,459,606	6,390,407
	<u>67,259,527</u>	<u>53,558,634</u>
b. Investments at fair valuation or Directors' valuation		
Listed investments at fair valuation	124,323,620	99,307,755
Unlisted investments at Directors' valuation	11,843,566	10,116,569
	<u>136,167,186</u>	<u>109,424,324</u>

In the event that the current asset investments were realised at the market or Directors' valuation there is a potential corporation tax liability of £19,137,463 (2006: £16,218,592) calculated at the rate of 30% (2006: 30%). The Company has open positions in forward contracts to purchase gold, the agreed price for these contracts is £1,749,580 (2006: £1,490,485) and the market value of the contracts at 30 June 2007 is £1,609,430 (2006: £1,619,941).

8. CREDITORS

	30 June 2007 £	30 June 2006 £
Due within one year		
Bank overdrafts	19,639,655	14,423,180
Mortgages	29,025	24,867
Amounts due to brokers - secured	11,546,864	4,991,210
Amounts due to brokers - unsecured	545,196	188,933
Other tax and social security taxes	15,065	6,400
Other payables	140,660	9,278
Accruals	389,106	315,404
Unclaimed dividends	124,482	105,721
Amounts due to Group undertakings	467,548	13,840,813
Corporation tax	947,934	542,507
	<u>33,845,535</u>	<u>34,448,313</u>
Due over one year		
Mortgages	280,643	245,103
	<u>34,126,178</u>	<u>34,693,416</u>

EL ORO AND EXPLORATION COMPANY plc

NOTES TO THE COMPANY'S FINANCIAL STATEMENTS

In relation to overdraft facilities held with Lloyds Bank plc there is a registered Charge on all of the assets in favour of Lloyds TSB plc, the Company's bankers, as security for all liabilities and obligations owed by the Company to the bank.

There is a general lien on assets in favour of HSBC Bank plc as security for any liabilities and obligations owed by the Company to the bank. Investment properties were purchased with mortgages from ANZ Banking Group (New Zealand) Limited. The terms of the each of the three mortgages is 25 years and the interest rate of each is variable after an agreed rate for an initial fixed period.

There is a lien in favour of ANZ Banking Group (New Zealand) Limited as security for each of these mortgages.

Within the amounts due to brokers (secured), 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 2007	30 June 2006
	£	£
Profit for the period (including inter-company dividends)	17,568,584	8,567,166
Movement in value of investment properties	17,898	(19,896)
Purchase and cancellation of own shares	(2,960)	(14,619)
Reduction in share capital on cancellation of stock units	(320,567)	(50,260)
Dividend paid	(1,294,103)	(1,247,601)
Forfeited dividends	627	1,531
	<u>15,969,479</u>	<u>7,236,321</u>
Opening balances	<u>20,971,043</u>	<u>13,734,722</u>
Closing balances	<u>36,940,522</u>	<u>20,971,043</u>

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 2006	6,017	344,442	9,897	20,068,902
Movement in value of investment properties	–	–	17,898	–
Purchase and cancellation of own shares	–	2,960	–	(323,527)
Forfeited dividends	–	–	–	627
Profit for the period	–	–	–	17,568,584
Dividend paid	–	–	–	(1,294,103)
At 30 June 2007	<u>6,017</u>	<u>347,402</u>	<u>27,795</u>	<u>36,020,483</u>

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 2007 of £6,820 (2006: £6,820) and a market value at 30 June 2007 of £9,800 (2006: £8,645).

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 2007 are included on page 44.

EL ORO AND EXPLORATION COMPANY plc

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 2007 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 2007.

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. 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 2007;
- 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

19 November 2007

EL ORO AND EXPLORATION COMPANY plc

INVESTMENTS WITH AN EXPOSURE GREATER THAN £500,000

based upon fair values at 30 June 2007

	Base currency	£	
Young & Co Brewery	GBP	9,210,015	Travel & Leisure
M P Evans Group	GBP	4,263,666	Food Producers
Troy Resources	AUD	3,624,543	Materials
James Halstead	GBP	3,559,250	Construction & Materials
Fuller, Smith & Turner	GBP	3,282,100	Travel & Leisure
Anglo Platinum	ZAR	3,054,302	Mining
Mountview Estates	GBP	2,880,278	Real Estate
Daejan Holdings	GBP	2,358,743	Real Estate
Centamin Egypt	AUD	1,971,968	Materials
Egdon Resources	GBP	1,959,800	Oil & Gas Producers
Dee Valley Group	GBP	1,544,486	Gas, Water & Multi-utilities
Davis Service Group	GBP	1,468,229	Support Services
First Quantum Minerals	CAD	1,437,895	Materials
Remgro	ZAR	1,348,090	Industrials
Thwaites (Daniel)	GBP	1,279,998	Travel & Leisure
Moet Hennessy - unsecured loan	GBP	1,188,738	Travel & Leisure
Lowland Investment Company	GBP	1,176,781	Equity Investment Instruments
Wadworth & Co	GBP	1,171,243	Travel & Leisure
Anglo American	GBP	1,156,334	Mining
Uruguay Minerals Exploration	CAD	1,129,269	Mining
Albidon	GBP	1,123,200	Mining
Heavitree Brewery	GBP	1,118,250	Travel & Leisure
Sunshine Gas	AUD	1,079,626	Energy
Gold Fields	ZAR	1,050,502	Mining
Nighthawk Energy	GBP	1,033,188	Oil & Gas Producers
Greene King - unsecured loan	GBP	1,022,788	Travel & Leisure
Meridian Gold	CAD	956,096	Materials
McKay Securities	GBP	942,350	Real Estate
Jubilee Platinum	GBP	940,683	Mining
Latham (James)	GBP	909,478	Support Services
Archipelago Resources	GBP	877,450	Mining
Exeter Resources	CAD	877,191	Materials
International Ferro Metals	GBP	859,100	Industrial Metals
Royal Dutch Shell	GBP	854,539	Oil & Gas Producers
Impala Platinum	ZAR	851,277	Mining
Sovereign Reversion	GBP	836,062	Real Estate
Kuala Lumpur Kepong	MYR	800,474	Food, Beverages & Tobacco
Avocet Mining	GBP	799,450	Mining
British Portfolio	GBP	703,523	Equity Investment Instruments
Marshalls Group	GBP	694,500	Construction & Materials
Merrill Lynch Gold & General	GBP	651,444	Unit Trust - UK registered
Legal & General Group	GBP	650,094	Life Insurance
Invensys	GBP	641,340	Electronic & Electrical Equipment
Alumina	AUD	627,252	Materials
CSL	AUD	555,015	Pharmaceuticals, Biotechnology & Life Sciences
Derwent Valley Holdings	GBP	551,139	Real Estate
Highlands & Lowlands	MYR	525,690	Food, Beverages & Tobacco
Sylvania Resources	AUD	524,226	Mining
City of London Investment Trust	GBP	519,796	Equity Investment Instruments
Mc Mullen	GBP	518,000	Travel & Leisure
African Copper	GBP	509,206	Industrial Metals
Dia Bras Exploration	CAD	505,017	Materials
Total		74,173,674	

EL ORO AND EXPLORATION COMPANY plc

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
No. 1 Hay's Lane
London
SE1 2RD

LAWYER

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

NOMINATED AIM ADVISER (NOMAD)

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Grant Thornton House
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London
NW1 2EP

STOCKBROKER

JM Finn & Co.
Salisbury House
London Wall
London
EC2M 5TA

REGISTRAR

Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex
BN15 8AH

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 THIRD ANNUAL GENERAL MEETING OF THE COMPANY will be held at 41 Cheval Place, London, SW7 1EW on 12 December 2007, at 12 noon for the following purposes:

Ordinary resolutions:

1. To receive the Directors' report and financial statements for the year ended 30 June 2007.
2. To re-elect DRL Hunting who retires by rotation as a Director of the Company.
3. To re-elect JA Wild 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 2009 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.
6. To amend the Company's Articles of Association in relation to the total Authorised Stock Units resulting from the merger of El Oro and Exploration Company plc and El Oro Mining and Exploration Company plc during the year-ended 31 December 2003 in order to confirm that the Authorised Share Capital is:
7,947,075 Ordinary 5 pence shares £397,354
11,942,927 Stock Units of 5 pence £597,146

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

Registered Office
41 Cheval Place,
London, SW7 1EW
19 November 2007

By Order of the Board
Steven McKeane
Secretary

EL ORO AND EXPLORATION COMPANY plc

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 7 December 2007; 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 7 December 2007.

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 7 December 2007.

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 BN15 8AH