El Oro Ltd
Preliminary Announcement

Chairman's statement

The El Oro Group's profit before tax for the year-ended 30 June 2010 was £23,397,408 (year-ended 30 June 2009 was a loss of £30,381,174). The Group's net assets at 30 June 2010 were £70,355,851 or 652.9 pence per share (2009: £51,810,400 or 480.8 pence per share).

The Board paid on 31 March 2010 a first interim dividend of 12.0 pence per Share for the full year ended 30 June 2010, a final dividend of 5 pence has been proposed for payment on 10 December 2010 to Members registered on the books of the Company at the close of business on 8 December 2010, representing a full year's YIELD on the mid-price at 30 September 2010 of 4.0%.

The Group's net asset value per Share ("NAV") showed an increase over the year of 35.8% while the FTSE All Share Index was up by 17.1%.

For when they shall say, Peace and Safety, then sudden destruction cometh upon them as travail upon a woman with child and they shall not escape. (1. Thessalonians V.3)

The warmth of summer fades along with memories of dreamy days in June, gloriously hot despite the gloom of long range forecasters; the Autumn tints tickle the trees and whilst we can still bask in the glow of a substantial recovery in our main markets, a more chilling expectation confronts us.

These figures reflect the huge turnaround in our favoured areas of Precious Metals and Resources, along with many areas of British industry. Whilst the Brewers have moved marginally ahead, the mines have stormed forward on their carbon-crusted diet of soaring metal prices. It would be hard to choose between the successes of the portfolio, despite a subsequent pull-back post the year-end which shows some profit taking.

A few of the portfolio securities held for the Growth portfolio (Guernsey) including Troy, Archipelago Resources, Exeter, Shanta, & Medusa, are described below, and have excelled.

Within the UK Growth and Income portfolio, exposure to Maudore Minerals, along with trading in Bullion and Mining Shares via CFDs has brought rewards. Many have loped ahead and in some cases shown a substantial second wind in recent weeks.

Troy's Casposo mine in San Juan Province approaches production driven by the inestimable Ken Nilsson's superb construction achievement following the mill's arrival from South Australia; we are hopeful that new Reserves will in due course be delineated once further drilling takes place; the project has been hugely enhanced by recent rises in the price of both Gold and Silver, and many obstacles surmounted under the capable leadership of its CEO Paul Benson.

Archipelago Resources, now half owned by PT Rajawali, anticipates reaching production early in 2011. One would normally resent a project coming in some 5 years behind schedule, but at a price difference in Gold Bullion of nearly $1000 we will not complain.

Exeter is now split between Extorre with its Argentine project in Santa Cruz, where Goldcorp is purchasing Andean Resources for a mammoth sum, and Exeter in Chile high in the Andes with its huge but low grade Caspiche project, containing both Gold and Copper.

Shanta, whose Tanzanian deposits show every sign of becoming significant gold producers earns the mining veteran Walton Imry a new paean of praise and perhaps the pursuit of more big game; Medusa – whose production in the Philippines has been nothing short of phenomenal and Maudore, in the UK portfolio, appears to be assembling a significant gold resource in Quebec.

Not to be outdone, James Halstead (UK portfolio) continues to provide a solid footing, whilst MP Evans' (Guernsey portfolio) hopes are not to be palmed off. The effervescent Cliff Richards' youthful profile is reflected in the performance of Young's; Fuller, Smith and Turner's exemplary dividend and profits' record gladdens the heart of its shareholders and those full of London Pride, two of the UK portfolio's Stars.

The paste jewels amongst this glittering galaxy have somewhat spoilt the party; in our UK portfolio Infrastrata's delay in finding finance for its Portland Gas storage has resulted in a substantial fall in its price; Amerisur developing oil fields in Columbia, hampered by opaque management, has yet to deliver the results of which it must be deemed worthy, and Sovereign Reversions fell out of its Shelter into the grasp of Grainger (which we hold in our Guernsey portfolio) at a price that perhaps ultimately reflects the catatonic stupor of the housing market.

Unfortunately our dividend from BP was sacrificed on the altar of political opportunism and $20 billion of shareholders' money set aside to assuage the appetite of American lawyers, although the damage to the environment would appear to be far less than predicted by the 'experts'. Sadly neither BP's reputation nor that of its leadership will be so swiftly re-established.

The malevolent mutterings of Mr Malema about mine nationalisation are a continuing cause of concern in South Africa, as are the actions of the government of the Democratic Republic of the Congo, in seizing and selling the assets of First Quantum at Kolwezi and Frontier, abetted by ENRC in allegedly buying stolen goods.

In happier climes, the Guernsey portfolio has also benefited from its holdings in Kalahari which has marked time on its price progress as development of its Namibian Uranium resource run by Extract Resources (also in the Guernsey portfolio), hones its financial structure; we remain hopeful of further progress and a recovery in the price of Uranium as a new generation of power stations come into production.

We have rewarded shareholders with a second dividend paid in March and now propose a dividend of 5 pence bringing the total for the last year to 17 pence.

"I place economy among the first and most important virtues and Public Debt as the great danger to be feared. To preserve our independence, we must not let our leaders load us with perpetual debt. We must make our choice between Economy and Liberty, or profusion and servitude." Thomas Jefferson.

Charlie Munger: 'Basically, it's over' 21 February 2010.

Shareholders of long or even recent standing will not be surprised to sense a certain excitement in scanning the daily prices to see the ascendant price of gold, followed, or in some cases fed by the prices of other Precious Metals such as Silver, Platinum, Palladium, Copper and even the humble Cotton thread attaching our buttons to our shirt. Whilst your portfolio has been constructed to benefit from the ownership and production of such assets, we find it hard to exult in the asinine idiocy that lead to this exuberance.

Delightful as it is to have shaken off, albeit incompletely the incompetent, wanton, greedy, blind and obtuse acolytes of the previous administration, along with their insouciant savants who have wreaked such deep and disastrous damage on Britain and its prospects for years to come; and refreshing as it is to hear the confident and clear voice of our new Prime Minister, we cannot help feel that their sortie, however necessary the cuts with which they intend to scythe down the State sector, will stumble if they heed the siren call of Quantitative Easing; or even the wild comments of the Bank of England's Deputy Governor Bean, calling for more Spending from the Consumer, an elementary and inherent part of the present problem. Perhaps he should have paused for longer in BP's Wild Bean cafes before stating his preference for such a policy. The pressures from their coalition allies and mumblings of discontent emerging from within the nation are likely to rise to a crescendo of disgust as the long overdue adjustment in the structure of our economy takes place.

We are disappointed that an area of Excellence, namely our Armed Forces, and the superb training they receive and impart into civilian life after serving their country, is to be cut further. We feel an essential and productive part of the Nation's fabric is being diminished, whilst the Foreign Aid Budget remains sacrosanct, sloshing resources into areas where little evidence exists of its productivity or longevity, when undertaken by Government.

The same has to be said many times over about the 'ring-fenced' NHS, whose Gargantuan appetite could surely be tempered by the application of a tourniquet or gastric band. The advantages of an education in discipline and practical training would seem to us to outweigh those of employing huge numbers of mainly overseas people in short term activities within the Health Service. We now contemplate a Navy consisting of Bath-Tub Battleships, and the loss of the Dartmouth Naval Academy, joining the ranks of famous British buildings consigned to the 'Luxury Apartment' Sector. Where Nelson once walked, Interior Designers will now ply their craft. We cannot pretend to be reassured by this sea-change.

The abuse of the Sub-Prime mortgage sector by the Investment Bank hooligans, so forcefully illustrated in Michael Lewis' book; 'The Big Short', led to the downfall of Lehman's, Bear Sterns, AIG, Citibank, Washington Mutual, Freddie Mac, Fannie Mae, Countrywide, Household, Century Financial and a myriad of others, and yet the response of the Federal Reserve has been to refinance the surviving banks, continue funding the mortgage institutions and offer preferential treatment on repayments and repossessions to the recipients of mortgages who are unable to meet their payments.

The result is that a tide of effluence has been sloshed over the Taxpayer and Saver, while the miscreants both in the US & UK have departed clutching substantial and often obscene pay-offs; asset prices have been boosted, the dollar has weakened and the dollar price of Gold is at a new high. London restaurants are full of the new Rich, many from far-off lands of which few have heard, and a new Babel of languages is heard on the streets of London. The environs of Cheval Place now resemble Arabian Knightsbridge, especially in summer.

Into this toxic mix a new Tsunami of 'Quantitative Easing' is proposed which will achieve the same as the last one: no material change in the basic economy but an exacerbated impoverishment and indebtedness of the tax payer. The policy is quite simply insane: the legacy of a dead economist from a far-away era, dealing in a world where the West was the only economic power of consequence, and who regularly warned against debasement of the Currency.

The policy resembles the instruction issued by the Captain of the Titanic after the first impact with the iceberg occurred 'Full Steam Ahead'. The result as we know, was irrevocable damage and the death of so many from the speedy sinking.

Capitalism relies on allowing weak businesses to fail and overvalued assets to decline to a price at which someone thinks them worth buying. The Dance of Death between the Irish Leprechaun and the Dwarf Nemesis, or Greek Goddess, has now moved to the Ballroom of the Berkeley Hotel, the ownership of which, which along with that of its venerable partners, Claridges and the Connaught is perhaps the most egregious examples of the collapse of a magnificent mirage, pumped to the full by the front runner of the Irish property boom, the Anglo-Irish Bank. All those sipping champagne or chewing cucumber sandwiches in those hallowed halls can muse on the madness of the European monetary system and its progeny the Euro, whose 'one size fits all' interest' rates has brought Ireland to the edge of oblivion and will probably succeed in the same way in destroying one or all of the finances of Spain, Italy, Greece and possibly Portugal.

The culprits should perhaps be forced to stand in the ruins of Battersea Power Station on a wet day in November, or even a wet month in January, to reflect on their folly, or in the forlorn court-yard of another failed property empire, the In and Out Club, where in more prosperous times Lord Palmerston reputedly expired on the Billiard Table.

Somewhere on a plinth the Ozymandian inscription can be carved: Look on my Works, ye Mighty, and despair! Nothing beside remains. Round the decay of that Colossal Wreck, Boundless and bare the lone and level sands stretch far away.

The great and glorious transformation of Britain achieved following Margaret (Lady) Thatcher's accession to power in 1979 provided the renascence of the British economy. A combination of stripping away exchange controls, lowering taxes, liberating the State sector into private hands and selling off council houses gave the average Briton a significant capital investment into which he could commit his energy and capital without it reverting to the State. All these measures were opposed at the time by the cognoscenti and those wonderfully erudite economists who poured scorn on Geoffrey Howe's programme of public expenditure cuts.

We have today reached a critical juncture in the future of Britain where the State is reputedly regarded as an equal partner and even revered with an element of awe. Taxation levels of 50% and even lower are regarded not only as equitable but almost de rigueur. Every conceivable item of evidence indicates that this belief is both false, futile and counterproductive, just as those false prophets of the early 80's were so grievously mistaken. Just as the Chilean National Pension scheme when transferred to and transferrable by the individual, has proved to be a resounding success and amongst the best funded in the World, so Britain's future rests on a return to the incentive of market forces and low taxation and throwing out the failed theories of other worldly-economists and their Fabian ideals of fairness.

Re-establishing a Private Pension scheme with full tax relief from the wreckage left by Mr Brown could well provide the financial incentive needed to inspire a new generation of investors; whose funds can be used to rebuild Britain as well as restoring the vitality and confidence of an earlier capitalist age. Only by ceasing the obscene assault on private wealth and income will the trickle, soon to become a flood, of emigrating individuals and companies be reversed and Britain once again be able to thrive and flourish.

Sadly far too few, if any, of those in authority today recall the full horror of taxation at 103% nor the exhilaration and relief when those barbarous shackles such as investment income surcharge, super tax and exchange controls were hewn away and consigned to the furnace.

The example of progress accomplished without re-imposed Socialist ideals is to be seen today in those parts of the world that we forsook in favour of our allegiance to a sclerotic European union, its ever-expanding raft of rules and regulations and obsession with worker rights, working time directives and other measures inimical to profitable business growth; the latest being Safety controls on Oil exploration in the North Sea, and Mr Barnier's Financial Regulations. These Countries include Australia with its superb resources base, admirably led for so long by Mr Howard: Its citizens now have the pleasure of perusing English Contemporary Art Shows, an example of discretionary spending last provided during the wool boom during the Korean War in 1954; New Zealand which made a bonfire of its own subsidies more than 15 years ago; and a land so bountiful and blessed that the destroyer New Zealand emerged unscathed from the battle of Jutland whilst its captain wore the grass skirt given by the Maoris, having been promised protection as long as he wore it. Malaysia, now home of Dyson production; Singapore with its authoritarian yet safe society and ever expanding financial sector; and now India whose technical skills, educational breadth and burgeoning population will one day propel it to surpass China as the world's greatest economic power as it was in the era of the Mughal 'Akbar the Great' in 1511 join this refulgent retinue.

A classic example for those who doubt the importance of a Capitalist economy allied to sound government has to be the contrast between the drive from Buenos Aires to Aeropuerto Ministro Pistarini, sometimes an hour-long journey, during which it is rare to see a car of less than 20 years old. This in a country, which at the turn of the last century ranked amongst the wealthiest three on the planet. A similar journey from Perth Airport to the City reveals hardly a car of more than 2 years old and a road network in the prime of health: this for two countries blessed with a very similar range of natural resources but the former being cursed by Peron and his successors who have pillaged the possessions of a great swathe of the population in the pursuit, it would appear of a better deal for the 'descamisados'. The reality is that the entire nation has been impoverished, pensions and the national reserves have been seized and its citizens pushed into penury when they should all be rejoicing in the returns on its resources. The ultimate irony is to see the Chinese being invited to rebuild the once wonderful railways wrecked by a previous administration. Only a few still live like Lords on the back of assets beyond the reach of the grasping hand of government.

The moment of truth now approaches for Britain and many parts of the Western World: will the Irish prefer to honour the promises provided by their government, and bail out the Bank bonds of Billionaire Russian football club-owners, or do as the Icelanders and allow all to be swept away, foregoing the folly of a government guaranteeing bonds beyond its ability to pay? Similarly in the United States where the tax payer has taken on the liability for Detroit tenements, Las Vegas condominiums and AIG Bond Holders to the pent-up fury of the Tea Party and a huge swathe of American society.

This huge raft of dead or dying assets should be allowed to float on its funeral pyre far out to sea, whilst the survivors can swim to the shore and Robinson Crusoe-like rebuild their lives. The present and proposed policies will otherwise prolong the pain, impeding and perverting any proper recovery. Private enterprise, with its progenitors retaining the vast proportion of its profits, must be unleashed to rebuild our economies. We stand at this significant and perhaps terminal crossroads, and face stark choices: to go with the subsidies such as for Electric cars, to enhance sales of Teslas, the increased cost of power from the Windmill fantasy, inflicting all power-users; workers' rights and working time directive and all its constraints from the European Union; or the way of the market, with its tremendous improvements in fuel economy in every-day cars achieved by the simple profit motive, and other innovations reflected across a great swathe of our industry. The growth of Apple by a factor of 30 in less than 10 years shows what can be achieved when technological innovation is allied to design brilliance. Happy them to have avoided the curse of Government assistance.

Ultimately, if Money is allowed to 'Fructify in the pockets of the people' all will be well. If not, we will happily bumble along on Boris' Brilliant Bicycles, their use noticeably absent in the environs of oligarch land in Knightsbridge; wonder at the Wealth of London and its Ancient architectural glories, and try to ensure and enhance our exposure to Gold, Precious Metals and its miners in lands safe from Government assault, along with the Gems of British industry and those of the emerging economies of the World, which will undoubtedly keep on growing whatever setbacks they suffer on the way.

We look for stability at the head of our Investee Companies, and the traumatic changes within HSBC were for a while echoed at Manchester United: now we hope, happily resolved.

Likewise in America, mid-term elections threaten the Obama hegemony, and suggest the ingress of a new slate of legislators, though change on change could perhaps prove beneficial.

The situation is indeed hopeless, but not serious.

Your company is in strong heart, 'in a good place' and remains excellent value amidst so much dross. As the saying goes, "if you like the Service, tell a Friend, if you do not like it, tell us'.

We take comfort and joy at the release of the Chilean Miners, and salute the achievement of their rescuers and Country.

I would also like to thank the many managers and teams amongst our investments, who have assisted in making 2010 such a successful year: a look down the list of our top holdings will indicate whom you should acknowledge. We see no reason why such progress should not continue, in the absence of malign bureaucratic or political intervention (evident sadly in so many countries, not least Australia with its albeit-watered down Resources Tax).

As always, my thanks go especially to our own team at Cheval Place, who have admirably coped with an ever expanding range of investments and the complications of a Guernsey listing. We are making inroads on these challenges: the increasing dividend is amongst the measures the Board hopes will assist in reducing the discount to NAV whilst exploring other alternatives. The more timely release of our NAV has been our goal for some time, whilst liquidity issues on share dealing remain under review. Whether a dual listing would improve the price visibility and ease of trading is difficult to determine, but shareholders should be reassured to learn that your Board is very conscious of the need to significantly reduce the discount. We are also intent on growing the value of your Company's Assets as our prime objective, which if successful should in due course create an irresistible bargain for savvy investors.

Steven, Abbie, Vicky, Nick and Melwin have all done Sterling Silver Service. Jonathan Persent has taken up the reins at Capita, for which we are grateful.

I would also like to thank my Fellow Directors for more travelling and more Wisdom and Caution, as the strategic planning and decision making for the El Oro Group is now conducted in the more placid climes of St Peter Port, with brain cells sharpened by a swim in the bracing waters of Fermain Bay, and hunger pangs assuaged at the Beach Cafe.

None of which would be possible without the support of my long-suffering wife Lucinda, who somehow manages to juggle the care of 4 children, a large home and various Operatic, Parochial and School duties whilst still retaining a smile.

Our various Brokers and advisers around the World have also performed admirably and deserve a large round of applause.

Robin Woodbine Parish
26 October 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the twelve months to 30 June 2010

	30 June 2010	30 June 2009
	£	£
Revenue	**1,939,446**	1,834,605
Net gains / (losses) on investments	**24,564,533**	(28,558,626)
Total income / (loss)	**26,503,979**	(26,724,021)
Expenses	**(2,087,814)**	(2,681,073)
Profit / (loss) before finance costs and taxation	**24,416,165**	(29,405,094)
Finance costs:		
Interest expense	**(1,018,757)**	(976,080)
Profit / (loss) before taxation	**23,397,408**	(30,381,174)
Taxation	**(2,050,067)**	9,061,474
Profit / (loss) for the period and total comprehensive income	**21,347,341**	(21,319,700)
Earnings per stock unit (basic and diluted)	**198.1p**	(197.8p)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2010

	30 June 2010	30 June 2009
	£	£
Opening capital and reserves attributable to equity holders	**51,810,400**	74,638,810
Total comprehensive income: Profit / (loss) for the period	**21,347,341**	(21,319,700)
Dividends paid	**(2,801,890)**	(1,508,710)
Closing capital and reserves attributable to equity holders	**70,355,851**	51,810,400

The Group does not have any “Other Comprehensive income” and hence the “Profit/(loss) for the period” as disclosed above is the same as the Group’s Total Comprehensive Income.

CONSOLIDATED BALANCE SHEET

as at 30 June 2010

	30 June 2010	30 June 2009
	£	£
Non-current assets		
Property, plant and equipment	**733,937**	705,872
	733,937	705,872
Current assets		
Trade and other receivables	**618,279**	936,347
Financial assets at fair value through profit or loss:		
Investments held at fair value	**100,855,806**	77,595,228
Cash and bank balances	**1,302,353**	1,494,213
Net current assets	**102,776,438**	80,025,788
Current liabilities		
Borrowings	**9,450,278**	7,849,712
Trade and other payables	**862,839**	1,355,986
Financial liabilities		
Financial liabilities at fair value	**2,634,452**	726,835
Net financial liabilities at fair value	**2,634,452**	726,835
Current tax liabilities	**799,332**	612,581
Net tax liabilities	**799,332**	612,581
Net current liabilities	**13,746,901**	10,545,114
Net current assets	**89,029,537**	69,480,674
Non-current liabilities		
Borrowings	**15,000,000**	15,000,000
Deferred tax liabilities	**4,407,623**	3,376,146
	19,407,623	18,376,146
Net assets	**70,355,851**	51,810,400
Capital and reserves attributable to equity holders		
Share capital	**538,825**	538,825
Reserves		
Share premium	**6,017**	6,017
Capital redemption reserve	**347,402**	347,402
Merger reserve	**3,564**	3,564
Retained earnings	**69,460,043**	50,914,592
Total equity	**70,355,851**	51,810,400
Net asset value per share	**652.9 p**	480.8 p

The Board of Directors approved and authorised the Group’s financial statements for issue on 26 October 2010.

Signed on behalf of the Board by: CRW Parish (Chairman and Managing Director) and JA Wild (Director).

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 June 2010

	30 June 2010	30 June 2009
	£	£
Operating activities		
Net profit/(loss) from operating activities	**23,397,408**	(30,381,174)
Depreciation	**37,443**	22,548
Foreign exchange gains	**(435,723)**	(2,563,853)
Movement in fair value of investment properties	**-**	9,671
Net unrealised (gains) / losses on fair value investments through the profit or loss	**(18,299,456)**	31,679,456
Finance costs	**1,018,757**	976,080
Cash flow from operations before changes in working capital	**5,718,429**	(257,272)
Movement in financial assets at fair value through the profit or loss	**(2,274,239)**	10,321,458
Decrease in trade and other receivables	**326,800**	683,584
(Decrease) / Increase in trade and other payables	**(499,941)**	481,742
Cash flow from operations	**3,271,049**	11,229,512
Income taxes paid	**(843,591)**	(1,487,188)
Cash flow from operating activities	**2,427,458**	9,742,324
Investing Activities		
Purchase of property, plant and equipment	**(65,508)**	(20,347)
Sale of investment properties	**-**	134,619
Cash flow from investing activities	**(65,508)**	114,272
Financing activities		
Interest paid	**(1,011,963)**	(923,679)
Dividends paid to Shareholders	**(2,801,890)**	(1,508,710)
Cash flow from financing activities	**(3,813,853)**	(2,432,389)
Net (increase) / decrease in cash and cash equivalents	**(1,451,903)**	7,424,207
Cash and cash equivalents at 30 June	**(6,355,499)**	(12,371,588)
Effect of foreign exchange rate changes	**(340,523)**	(1,408,118)
Cash and cash equivalents at 30 June	**(8,147,925)**	(6,355,499)

For further information, please contact:

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