EL ORO AND EXPLORATION COMPANY p.l.c.

Company No: 80408

Founded 1 November 1886

Interim Report

for the six months ended 30 June 2004

EL ORO AND EXPLORATION COMPANY p.l.c.

CHAIRMAN'S STATEMENT

results for the half year ended 30 June 2004

The Group profit before tax for the first half of 2004 was £437,357 (2003: £801,684) after £nil (2003: £412,500) merger expenses and interest payable.

Group net assets, taking investments at market value, were £61,544,417 (equal to 516p per stock unit) against £64,963,076 at 31 December 2003 (equal to 544p per stock unit) a decrease of £3,418,659 and a decrease of 5.26% compared with a rise of 0.96% for the FTSE All Share index over the same period.

The euphoria that gripped mining markets over the New Year period, with an escalating gold price and heady rises in the prices of other metals, particularly nickel and copper, subsided during March, dragging down with it the prices of most mining companies, especially newly-quoted ones. We were unable to match the gains on gold achieved in the comparable period last year. Some of our larger holdings suffered from the fickle finger of fortune, in the shape of currency (Anglogold, Harmony, and Impala) or managerial problems (Shell and Gulf International). The silver lining, albeit above ground, has been in the continued appreciation in the property sector. The buyout of Peel Holdings of its minority shareholders ends a long and rewarding association with what was once the Manchester Ship Canal. Whilst one can always quibble over the take-out price, full marks and thanks go to John Whitaker for his tenacious pursuit of his prey and for his vision and persistence in overturning planning objections to make the Trafford Centre the stirring success it is today. Patience with planners has also paid off with Latham(J) and London and Associated, both of whom have seen substantial uplifts in their share prices. Our thanks are due to their management teams.

As we embark on the last quarter of the current year, we hope that we keep our noses in front, just as the British Four did so valiantly and memorably in the Athen's final. We retain some potent positions in our portfolio, and are encouraged to learn that Glenmorangie's success in marketing may now attract the attention of a more powerful parent. We also note the recent strength of Lendu, following the sale of their cotton plantations in Australia. Our old favourite, Troy Resources, has substantially upgraded its reserves, and the share price has begun to respond to the good news. Uruguay Minerals has also regained much of its fortitude from the end of the year, and its discoveries should lead to further strength. We have even received, with not unalloyed pleasure, a cash injection from Hunting, in the form of repayment of their Convertible Stock. We cannot admit to approving this action, done at one pound after an extended period trading well above par, albeit to the benefit of the ordinary shareholders and hope it does not set a portent for other companies, reviewing historically high loan stock levels.

On the broader horizon we note the continued assault on the owners of capital, highlighted in the most recent proposals for an increase in the level of inheritance tax. The Common Agriculture Policy's Single Payment Scheme effectively transfers income from landowner to tenant, leaving the land at the whim and good nature of whoever farmed it 4 years earlier. Likewise the whole production of food, already rocked by rain, is now hemmed in by permits and regulations: little surprise that the Civil Service expanded by 69,000 last year, or not far short of the total size of our armed forces, who face further emasculation whilst being expected to perform an ever expanding array of tasks and in ever more diverse areas. Their contribution to our society, economy and security is now obscured by the need to show a return on assets, not something the Railways find a problem any longer.

The rise in benefit claimants and the compensation culture are two more unholy hags that bode badly for our economy in the months ahead. Their malicious allies are the looming iceberg of the private

CHAIRMAN'S STATEMENT *continued*

sector pension deficit and the rising cost of raw materials, especially oil. We learn that the price of West End property is being inflated by the demand from Hedge Funds and Government Agencies. Whilst it is reasonable for the investors in the former to pay for their proximity to Purdey's and Wilton's, it is baffling to the point of incomprehension why the Curriculum and Qualifications Agency or its ilk needs to occupy a prime position on Piccadilly; particularly if BSkyB can thrive in the obscurity of Isleworth; the gravy train of government contracts ultimately seeps out of the productive pockets of the tax payer.

The tepid improvement in the US economy, its escalating trade and pension deficits, combined with an American election campaign whose main issue would appear to be the geographic location of a boat 30 years ago are additional causes for concern. Russia, 'a riddle wrapped in a mystery inside an enigma' as Churchill so aptly described it, seems determined to punish its oil producers for evading taxation by circumventing the legislation governing the higher price of oil for export. Dual pricing structures inevitably lead to leakage or conflict and anyone, particularly BP, dealing in Russia would do well to look to the laurels of their lawyers. We meanwhile mourn the theft of our Sibir shares, part of whose proceeds are to be seen strutting the stage at Stamford Bridge. The dismissal of the editor of Izvestia indicates the absence of a Free Press and those checks and balances that could restrain the return to totalitarian government and the arbitrary action that entails. More concerning is the increasing dependence of Western economies on the gas and oil supplies of this unpredictable Colossus. The setback to the Indian economy as a result of the unexpected victory of the Congress Party may yet demonstrate that democracy and the rule of law will in the longer term underpin progress and unleash the potential of that other Asian powerhouse.

Summarising our fears, we return to the words of Cicero:
'If some lose their whole fortunes, they will drag many more down with them... believe me that the whole system of credit and finance which is carried on here at Rome in the Forum, is inextricably bound up with the revenue of the Asiatic province. If those provinces are destroyed our whole system of credit will come down with a crash' (66BC). The symbiotic relationship between the United States and the Far East, particularly China, is portrayed in this quotation. Any disruption of this relationship, any unwinding of global consumption due to the rise in the world's main source of energy, carries the risk of major turbulence. Whilst no one will be immune, we remain wary and prepared for harsher climes ahead.

On the home front we salute Shrewsbury's refurbishment and reinstatement of the statue of Clive of India, resplendent in reburnished bronze. We celebrate Rosanna's recent marriage and the arrival of our fourth child.

The value of the portfolio has in the past few weeks shown an encouraging resurgence and we remain confident of its strength and breadth to surmount any storms.

C.R. Woodbine Parish
Chairman
14 September 2004

CONSOLIDATED PROFIT AND LOSS ACCOUNT

(Unaudited)
for the half year ended 30 June 2004

	30 June 2004 £	30 June 2003 £
Income from investment trading	**1,635,942**	2,137,361
Management expenses	**852,849**	715,689
Operating profit	**783,093**	1,421,672
Exceptional costs - merger expenses	–	412,500
Profit on ordinary activities before interest payable	**783,093**	1,009,172
Interest payable:		
Banks	**343,269**	204,688
Other	**2,467**	2,800
	345,736	207,488
Profit on ordinary activities before taxation	**437,357**	801,684
Taxation	**174,207**	362,440
Profit on ordinary activities after taxation	**263,150**	439,244
Cost of stock units repurchased and cancelled	**40,405**	–
Retained profit for the period	**222,745**	439,244
Earnings per stock unit (Basic and diluted)		
Before exceptional costs	**2.21p**	7.13p
After exceptional costs	**2.21p**	3.68p

The exceptional costs incurred in the prior period, for which no corporation tax allowance may be claimed, relate to the merger costs incurred in that period.

The financial statements, including comparatives, have been prepared on the same basis used in preparing the statements for the year ended 31 December 2003.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

(Unaudited)
for the half year ended 30 June 2004

	30 June 2004 £	30 June 2003 £
Profit on ordinary activities after taxation	**263,150**	439,244
Increase in value of investment property	–	84,414
Total recognised gains for the period	**263,150**	523,658

EL ORO AND EXPLORATION COMPANY p.l.c.

BALANCE SHEETS
(Unaudited)
at 30 June 2004

	Group 30 June 2004 £	Group 31 Dec 2003 £	**Company 30 June 2004 £**	Company 31 Dec 2003 £
Fixed assets				
Freehold property	**390,446**	376,138	**–**	–
Investment property	**605,326**	477,309	**255,326**	127,309
Fixtures, fittings and office equipment	**274,250**	250,708	**27,508**	16,700
Investments in subsidiary companies	**–**	–	**492,749**	492,749
	1,270,022	1,104,155	**775,583**	636,758
Current assets				
Debtors:				
Due within one year	**900,742**	1,007,053	**1,269,257**	1,162,843
Due over one year	**29,183**	28,105	**4,184**	3,106
Investments	**37,904,378**	37,668,595	**37,856,721**	37,650,257
Cash and bank balances	**121,767**	431,691	**93,426**	383,763
	38,956,070	39,135,444	**39,223,588**	39,199,969
Creditors: due within one year	**14,046,965**	14,283,217	**27,533,451**	27,668,023
Net current assets	**24,909,105**	24,852,227	**11,690,137**	11,531,946
Total assets less current liabilities	**26,179,127**	25,956,382	**12,465,720**	12,168,704
Net assets	**26,179,127**	25,956,382	**12,465,720**	12,168,704
Capital and reserves				
Called up share capital	**596,662**	597,146	**596,662**	597,146
Share premium	**6,017**	6,017	**6,017**	6,017
Revaluation reserve	**204,256**	204,256	**34,414**	34,414
Capital redemption reserve fund	**289,565**	289,081	**289,565**	289,081
Merger reserve	**(149,798)**	(149,798)	**–**	–
Profit and loss account	**25,232,425**	25,009,680	**11,539,062**	11,242,046
Stockholders' funds (Equity)	**26,179,127**	25,956,382	**12,465,720**	12,168,704
Market value of investments				
Listed	**65,804,015**	68,411,481	**65,773,247**	68,378,704
Unlisted	**3,481,695**	4,304,478	**3,479,756**	4,302,539
	69,285,710	72,715,959	**69,253,003**	72,681,243
Options sold short	**(61,434)**	(420,712)	**(61,434)**	(420,712)
	69,224,276	72,295,247	**69,191,569**	72,260,531
Group net assets at market value	**61,544,417**	64,963,076		
Group net assets at market value per stock unit	**516p**	544p		

The potential corporation tax liability if the Group's net assets were realised at their market valuation or at Directors' valuation would be approximately £10,610,000 (2003: £11,702,000) calculated at the rate of 30%.

CONSOLIDATED CASH FLOW STATEMENT

(Unaudited)
for the half year ended 30 June 2004

	30 June 2004 £	30 June 2003 £
Net cash inflow from operating activities	**520,456**	403,591
Returns on investments and servicing of finance	**(336,812)**	(219,488)
Taxation (paid) recovered	**(915,023)**	68,554
Cost of stock units repurchased and cancelled	**(40,405)**	–
Capital expenditure and management of non-liquid resources	**(462,462)**	182,446
Net cash (outflow) inflow before management of liquid resources	**(1,234,246)**	435,103
Management of liquid resources	**454,188**	(2,653,342)
Decrease in cash in the period	**(780,058)**	(2,218,239)

Merger costs in the prior period amounting to £412,500 are included in the Net cash inflow from operating activities in the above statement.