EL ORO AND EXPLORATION COMPANY p.l.c.

Company No: 80408

Founded 1 November 1886

Directors' Report and Accounts

for the period ended 30 June 2006

CONTENTS

DIRECTORS, AUDITORS AND ADVISERS

DIRECTORS:
C. R. W. Parish, M. A. (Oxon)
(Chairman and Managing Director)
The Hon. Mrs. E. C. Parish
E. W. Houston
D. R. L. Hunting
R. E. Wade
J. A. Wild

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CHAIRMAN'S STATEMENT

for the period ended 30 June 2006

The Group profit before tax for the eighteen month period ended 30 June 2006 was £12,018,986 (twelve months to 31 December 2004: £3,005,700 - restated). Group net assets at 30 June 2006 under IFRS, taking all assets at fair value were £72,214,062 (equal to 666p per stock unit) as compared with £67,905,581 under UK GAAP at 31 December 2004 (equal to 573p per stock unit).

The principal difference between the IFRS and UK GAAP measurement of the fair value of net assets is that under UK GAAP at 31 December 2004 the figure took no account of the £11,294,608 potential corporation tax due on the excess of market values of net investments over net book cost at that date, which is recognised in the IFRS figures at 30 June 2006.

We have declared a first and final dividend of 12p per stock unit for the eighteen month period ended 30 June 2006. The dividend was paid on 26 October 2006 to members registered on the books of the Company at the close of business on 22 September 2006.

"Praise the Lord and pass the ammunition", Hallelujah and Deo Gracias for this munificent and unlikely to be repeated outcome of the past eighteen months.

Foremost amongst the contributors to the increase in profit and assets has been the stellar performance of the Brewery sector, led by the takeover, completed in September, of Hardys and Hansons by Greene King. We cannot conceal a heavy tinge of regret, both for the passing of a long established and hugely successful regional brewer, combined with the closure of its Nottingham brewery; and not being offered Greene King shares to carry forward our involvement. The other leaders in the brewery sector such as Fullers and Wolverhampton & Dudley have also demonstrated their prowess in providing services approved by their customers and bolstered by their property portfolios and have been similarly rewarded in the appreciation of their share prices.

An even sadder departure has been that of John Young, doyen of the Brewing industry, passionate advocate of draught beer and guardian of his wonderful inheritance, whose passing gift to his shareholders was to announce the sale of the Ram Brewery; thus enhancing the asset value of Young's and enabling it to face the future with renewed vigour. John Young lived for his Brewery and the brewing industry. We join in the tributes to a great personality and best of people and wish his successors and the team he leaves in place good fortune in the future.

The stellar performance of the property sector, has seen Daejan, McKays and Mountview thrive amongst our holdings, and has been complemented by the spectacular results of James Halstead; these businesses, along with the utilities where AWG now follow Bristol Water and East Surrey into private equity, have underpinned the strength of your portfolio. We remain exposed to the water sector via Dee Valley and see no reason we should not continue to reap rewards in this area.

The mining sector which has enjoyed such heady rises boiled over in June: renewed doubts over the durability of the Chinese economic miracle led to significant downgrading in the leaders of the sector, such as BHP, Xstrata and especially Rio Tinto. Some of our investments in the small-cap sector such as Consolidated Minerals and Monterrico, have suffered large falls, as the economics, or politics of their projects have been tested, and found wanting; more recently Avocet sank , warning of increased costs and lower output. Happily, at the time of writing, many of these miners have clawed their way upwards, heartened by the ever-growing slew of takeovers, such as that by Xstrata of Falconbridge, and hints of approaches throughout the sector. Amongst the casualties, Croesus, the new guise of Central Norseman, managed to over-turn 90 years of successful gold mining by an ill-judged foray into the hedging market. Whilst these losses are painful, we do not believe the storm will be prolonged. Our Australian portfolio has several projects that will soon be in production such as Archipelago in Gold and Universal Resources in Copper; mines such as these are sound at metal prices substantially below those prevailing today.

CHAIRMAN'S STATEMENT
for the period ended 30 June 2006

As for Gold, the dollar's demise never quite occurs, and the glimmer of an escalating price is stifled yet again – we retain our optimism; and our gold interests continue to flourish, with Troy Resources recently surpassing the production of 10 tonnes of gold from the Sandstone deposit. The more recently-visited Kazakhs have proven that old mines never die, and that there is still space for Yurts and Velvet cloaks, and their inimitable brand of hospitality, amongst the infinite horizon of that bountiful land.

We remain confident that the ultimate highs for Gold and Gold shares remain ahead, though how far we do not attempt to predict. Constant vigilance is required in the search for secure deposits of the precious metals, with avaricious governments and needy electorates ever on the look out for easy targets.

The economic outlook at present appears benign, whilst the world floats on a seemingly inexhaustible tide of liquidity, sending even the Dow Jones to an all time high, and the venerable Berkshire Hathaway past the $100,000 mark; the Sage himself holding significant stakes in the only 2 stocks in the Dow Jones Index to have actually exceeded their old highs. The Earth may appear to belong to Google, with their bid 'to control the supply of knowledge to the World' or momentarily to the Oligarchs, with their bidding hands held high, or busy destroying the classical harmony and beauty of St. Petersburg's Palaces: for lesser mortals, the travails of the US Housing industry, indebtedness of the US citizen and increase in Individual Voluntary Arrangements within the United Kingdom allied to rising interest rates, are disturbing portents. The escalating intrusion of the State into the lives of its citizens, backed by an ever more onerous tax regime, threatens stability far more than its alternative. Furthermore, the take-off in cheap air travel is now seen as the prime polluter and source of all the ills of the world; needless to say, another tax is seen as the solution, especially by the Conservatives, who consign to a distant filing-cabinet the eminently sensible report on taxation produced by Lord Forsyth. The carbon output from the Engines of Asia: India and China, remains sacrosanct and beyond amendment despite making the pollution from our own service-based economy pale into insignificance. Peter, Paul and Mary will not be leaving on their Jet Plane without a heavy gulp of guilt, and concomitant tax levy.

I would like to express some personal views:

Some may query the sanity of those fund equity managers who eschew the assets of 'this sceptred isle, this precious stone set in a silver sea', taking in exchange British or other bonds, issued by countries hopelessly indebted and with chronic budget deficits whilst P & O, AB Ports and others disappear into the maw of Private Equity or overseas traders. The Pension Funds reduce their exposure to UK equities – despite that being the only area that can sustain their clients over the longer term; a process accelerated by the present Chancellor and his predecessor's reduction followed by removal of the Tax Credit; destroying possibly £150 billion from the Pensions of all but parliamentarians and Civil servants, whilst simultaneously proclaiming success at bringing 'stability' to the British economy. That stability is mainly apparent in the client list of West End Restaurants. Those citizens foolish or patriotic enough to believe their government's promises, have been impoverished and the exposure of the British fund industry to its own economy has been diminished.

The 45,000 'Ghost' workers in the Cameroons, costing that country £5 million per month, are sadly replicated many times over in Britain. The soft-sell Conservatives dare not whisper the Spending-cut word, even when the evidence of appalling profligacy and woeful underachievement is everywhere to be seen. Defra has become a byword for incompetence and overstaffing; the National Health, whilst admirable in its operatives, is sliding ever deeper into catastrophic insolvency, dragged down by a Computer system of unbelievable ineptitude and budget overrun; the public education system has proven itself incapable of providing literate and numerate graduates to stand on a par with overseas students. The Armed Forces, one of the few organisations retaining a smidgeon of efficiency and authority, is starved of resources and is now so small within the State sector as to be almost invisible; its Barracks and Hospitals, amongst the finest and historic Georgian buildings in the Land, like the similarly dispersed asylums, have been sold off for a pittance to form bijou apartments for the upwardly mobile and enrich a new generation of developers; the injured must take their chance in the lottery of the NHS.

CHAIRMAN'S STATEMENT
for the period ended 30 June 2006

For the tax-payers of our country to be told they must continue coughing up to bolster this profligate government is truly grotesque. Meanwhile, the ordinary Englishman, paying nearly 50% of his income in tax, is excluded from the London housing market, by the impossibility of competing with non-Domiciled purchasers paying an average of 5%. The citizens of the North-East may well be content with this state of affairs: it is unlikely that those of the South East will tolerate it indefinitely, especially when a Bank of the stature of HSBC admits to be reviewing the domicile of its Headquarters.

It is enough to drive one to drink, but not to cigarettes: that avenue now to be excluded from pubs and Restaurants: an aim but not an achievement of Adolf Hitler in the 1930's, unlike General Pershing who regarded tobacco 'as important as bullets.' The effect on our pub investments is yet to be discovered, but unlikely to be good, as is the removal of soft drinks from schools, whilst simultaneously selling off their playing fields. The urge to intrude and restrain freedom is almost irresistible and infinite to any politician, where even Anthony Gormley's Merseyside sculptures at Crosby are not deemed safe on the seashore; shame on you, pseudo-Conservatives.

We all now know that Regulations will not be reduced by any of the present or potential incumbents, that tax will get worse and the public finances more dissolute. We have no idea when the nettle-grasping will occur, as happen it must; in the meantime, our assets, spread through this proud land and amongst the more fecund and energetic areas of the world, will provide the wherewithal for the wait.

My thanks, as always, to my patient and wise fellow directors, our excellent and shrewd advisers and our observant and discerning auditors; and especially to Douglas Eaton for so many years of selfless service and worldwide telephone conversations delving into the deeper recesses of the markets.

The humorous team at Cheval Place, reinforced by the return of Rosanna with the assistance of Jackie and Steve, bolstered by Abbie's endless energy, prepare for the farewell to Chris Burman and a new era, with the Accounts and Company in good heart.

C. Robin Woodbine Parish
1 November 2006

SECTION 1

CONSOLIDATED FINANCIAL STATEMENTS

Group Accounts prepared under IFRS

Report and Financial Statments for the eighteen month period to 30 June 2006 with comparatives for the year ended 31 December 2004.

REPORT OF THE DIRECTORS

Financial Statements
The Directors submit their report and financial statements for El Oro and Exploration Company p.l.c. (the "Company") and its subsidiaries (the "Group") for the eighteen month period ended 30 June 2006.

Introduction
El Oro and Exploration Company p.l.c. became a UK listed company on the Alternative Investment Market (AIM) on 27 July 2006 and is incorporated in England and Wales.

The company changed its accounting reference date from 31 December to 30 June on 26 April 2006.

Statement of Directors' Responsibilities
Company law requires the Directors to prepare financial statements for each financial period that 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 those financial statements the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State that the financial statements comply with International Financial Reporting Standards (IFRS); and
- Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the group will continue in business.

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

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. 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.

Principal activities
The principal activity of the Group is dealing in investments. The main aim of the Group since 1938 has been to increase the asset value of the stockholders' units whilst continually increasing their dividends and at the same time not asking them to put up any new money. The progress of this endeavour is clearly shown in the table on page 14.

There were no significant changes in the Group's activities during the period, apart from the change in the Group's accounting reference date.

It is the Directors' intention to continue to manage the Group's affairs in accordance with its stated business objectives.

Details of Listed and Unlisted Investments with fair values in excess of £500,000 held at 30 June 2006, are given on page 51.

The Group is domiciled in the United Kingdom and is registered and incorporated in England and Wales.

Adoption of International Financial Reporting Standards
The Directors have elected to prepare the consolidated financial statements for the eighteen month period to 30 June 2006 under International Financial Reporting Standards ('IFRS') as adopted by the European Union ('EU'). The Group's date of transition to IFRS is 1 January 2004. IFRS relating to the financial instruments have been applied only with effect from 1 January 2005. The results for the eighteen month period to 30 June 2006 are therefore not entirely comparable to those for the year to 31 December 2004 in affected areas. For a full analysis of the transition to IFRS and the impact on the financial statements please refer to note 2 of the consolidated financial statements.

Parent Company and Subsidiary 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 apply UK GAAP for the Company's individual accounts. Hence, all UK subsidiaries within the Group will continue to apply UK GAAP in their individual accounts up to 30 June 2006 in accordance with Section 227(c) of the Companies Act 1985.

Attached as Section 2 to this Report, the Parent Company Financial Statements are provided on a standalone basis, prepared in accordance with UK GAAP, and will form the basis of any future distribution.

REPORT OF THE DIRECTORS *continued*

The results and other financial figures for the current period throughout Section 1 of these financial statements are for the eighteen months ended 30 June 2006, while comparatives are for the twelve months ended 31 December 2004.

Group Results

	18 months to 30 June 2006 £	12 months to 31 Dec 2004 restated £
Group profit before taxation	**12,018,986**	3,005,700
Deduct: Taxation	**3,753,302**	1,080,051
Profit for the period	**8,265,684**	£1,925,649
Parent company	**8,321,422**	1,966,605
Subsidiary companies	**(55,738)**	(40,956)
	8,265,684	£1,925,649

Dividend
A first and final dividend for the period ended 30 June 2006 of 12.0p (2004: 11.5p) per stock unit was paid on 26 October 2006 to members registered in the books of the Company at the close of business on 22 September 2006.

Review of the Business
A review of the Group's activities is given in the Chairman's Statement on pages 3 to 5.

Charitable Donation
The Company made a donation of £1,000 (2004: £nil) to the Zimbabwe Benefit Foundation.

Cancellation of 5p stock units in the Company

	2006 Number	**2006 Nominal value £**	**2006 Amount paid £**	**2006 % of issue**	2004 Number	2004 Nominal value £	2004 Amount paid £	2004 % of issue
Purchase and cancellation for trading reasons:								
29 June 2004	–	–	–	–	9,679	484	40,405	0.08%
22 October 2004	–	–	–	–	92,350	4,617	358,441	0.77%
10 September 2005	**10,000**	**500**	**49,600**	**0.09%**	–	–	–	–
22 October 2005	**3,000**	**150**	**15,279**	**0.03%**	–	–	–	–
	13,000	**650**	**64,879**	**0.12%**	102,029	5,101	398,846	0.85%
Cancellation resulting from disposal of Danby Registrars Limited:								
14 January 2005	**992,197**	**49,610**	**–**	**8.38%**	–	–	–	–
	1,005,197	**£50,260**	**£64,879**	**8.50%**	102,029	£5,101	£398,846	0.85%

Danby Registrars Limited
On 14 January 2005, Danby Registrars Limited, a fully owned subsidiary of the Company and the owner of Walcot 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 C.R.W. Parish, the Chairman of the Company. The disposal was implemented via a scheme of arrangement under Section 425 of the Companies Act 1985 (as amended) whereby 837,662 stock units held by C.R.W. Parish in the Company were redesignated and cancelled by way of a reduction of capital in the Company in consideration for Danby Registrars Limited being transferred to Perceval Limited. The designated unit value of the stock units cancelled was 385p, being the market price of the stock units on 15 October 2004.

This transaction was a related party transaction due to the fact that C.R.W. Parish is a substantial shareholder and Director of the Company and is the owner of Perceval Limited. It is also a related party transaction in respect of The Hon. Mrs. E. C. Parish, a likely protected tenant of Walcot (Danby Registrars Limited's principal asset) and a Director of the Company.

The disposal of this company has resulted in the elimination of these losses for the Group going forward.

Further details of this transaction are given in note 24 to the financial statements.

REPORT OF THE DIRECTORS *continued*

Directorate
A list of the current members of the Board of Directors is shown on page 2 and constitutes part of this Directors' Report. C.R.W. Parish and The Hon. Mrs. E.C. Parish retire by rotation and, being eligible, offer themselves for re-election.

The interests of the Directors who held office during the year in the Company's stock units are shown on page 10.

An indemnity insurance policy is in place for Directors and officers of the Group. The details of other risks are outlined in note 26.

Directors' Remuneration
Directors' remuneration comprise:

	Fees £	**Salary and other remuneration £**	**Performance bonus £**	**Benefit in kind £**	**Pension contribution £**	**Period to 30 June 2006 £**	Year to 31 Dec 2004 £
Executive Directors							
C. R. W. Parish (Chairman)	2,625	267,375	410,000	1,502	29,733	711,235	283,620
The Hon. Mrs. E. C. Parish	2,025	–	–	–	–	2,025	1,350
Non-executive Directors							
E. W. Houston	15,000	–	–	–	–	15,000	10,000
D. R. L. Hunting	28,250	–	–	–	–	28,250	18,000
R. E. Wade	28,250	–	–	–	–	28,250	18,000
J. A. Wild	38,750	–	–	–	–	38,750	25,000
Total period to 30 June 2006	**£114,900**	**£267,375**	**£410,000**	**£1,502**	**£29,733**	**£823,510**	
Total year to 31 Dec 2004	£74,100	£168,550	£85,000	£–	£28,320		£355,970

The Chairman's emoluments for the period ended 30 June 2006 are detailed in the above table. The benefit in kind relates to payments made by the Group for medical insurance.

The performance bonus is conditional on a dividend of at least 1p per stock unit being paid to stockholders and is then payable at a maximum rate of 5% of the remaining profit after taxation. The Directors have determined that a performance bonus of £410,000 (2004: £85,000) is payable for the period ended 30 June 2006.

No Director waived emoluments in respect of the period ended 30 June 2006 (2004: £nil).

REPORT OF THE DIRECTORS *continued*

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

	30 June 2006 Beneficial	**30 June 2006 Non-beneficial**	31 Dec 2004 Beneficial	31 Dec 2004 Non-beneficial
C. R. W. Parish	**866,679**	**1,542,948**	1,682,481	1,529,128
The Hon. Mrs. E. C. Parish	**365,171**	–	362,851	–
E. W. Houston	**1,112,237**	**519,853**	1,110,383	519,033
D. R. L. Hunting	**1,248**	–	248	–
R. E. Wade	**58,712**	–	55,712	–
J. A. Wild	**22,500**	–	20,000	–

As a result of C. R. W. Parish being both a beneficiary and a trustee of several family trusts, his interests in the non-beneficial stock units of the Company contain a degree of duplication with the substantial stockholders interests detailed in the Directors' Report.

No other changes to the interests of Directors have been made to the date of this report.

During the period, none of the Directors had any beneficial interest in any contract to which the Company or the subsidiary companies were a party.

Directors' pension entitlement
The Group contributes to a Self Investing Personal Pension Plan for C. R. W. Parish with contributions payable up to normal retirement age of 65 years on 5 January 2015 or earlier retirement. The premium paid and payable in the period ended 30 June 2006 amounted to £44,733 (2004: £28,320). There are no contributions outstanding or prepaid at 30 June 2006 (2004: £nil).

Non-Executive Directors
All the non-executive directors, with the exception of E. W. 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 26 to the financial statements.

Approval of the Financial Statements
The financial statements on pages 15 to 37 were approved by the Board of Directors on 14 November 2006, and were signed on its behalf by C. R. W. Parish and J. A. Wild.

REPORT OF THE DIRECTORS *continued*

Substantial Interests

So far as your Directors are aware, at no time during the year, or up to the date of issue of this Report, has any other company or person, 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 the stockholders disclosed below:

Stockholders	%	Total Stock Units	Beneficial	Non-beneficial
Mr. S. B. & Mrs. S. W. Kumaramangalam	14.81	1,605,109	1,063,562	541,547
Mr. W. B. & 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. C.W. Zegos	10.99	1,190,770	709,223	481,547

As a result of Mr. & Mrs. Kumaramangalam, Mr. & Mrs. Fraser, JM Finn Nominees Limited and Mr. & Mrs. Zegos being trustees of several family trusts, their non-beneficial interests in the Stock units of El Oro and Exploration Company p.l.c. contain a degree of duplication.

The interests of the Directors of the Company, which include substantial interests other than shown above, are shown on page 10.

Supplier Payment Policy

The Group complies with the settlement conditions of the stock exchanges on which it trades, from whom copies of policies can be obtained on their respective websites. It is Group's policy in respect of its other suppliers to agree the terms of payment at the start of business with that supplier, to ensure that suppliers are aware of the terms of payment and to pay in accordance with contractual and other legal commitments. The payment policy applies to all payments to creditors for revenue and capital supplies of goods and services without exception. The ratio expressed in days between the amounts outstanding to suppliers at 30 June 2006 and amounts invoiced to the Group by its suppliers in the the period ended 30 June 2006 was 7 days (2004: 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)

Your Board complies, where practical, with the provisions of the Combined Code. All matters requiring a Board decision are dealt with quickly and effectively following consultations among the Directors and, when further guidance is required, the Company's professional advisers.

The Board normally meets every eight weeks and encourages the development of the non-executive Directors' understanding of the business and the views of its major stockholders.

Your Board takes the view that, due to the nature of the Group's business and its size, this flexible and direct approach is more effective than the more formal procedures that may suit larger trading and financial organisations. It believes that this policy has made a positive contribution to your Group's success. It is for these reasons that your Board does not comply with certain parts of the provisions of the Combined Code. The areas of non-compliance are listed below.

Schedule of matters specifically reserved to the Board

Your Board does not consider it is necessary to prepare a formal schedule of matters reserved as your Board takes decisions on all material matters.

Directors taking independent professional advice

There is no agreed formal procedure for Directors in the furtherance of their duties to take independent professional advice, if necessary, at the Group's expense. It has, however, been your Board's practice to take independent advice, where necessary, from the Group's professional advisers on legal and financial matters and the Board intends to continue with this policy.

REPORT OF THE DIRECTORS *continued*

Division of responsibilities at the head of the Company
The Chairman of your Group is also the Managing Director and is responsible for running both your Board and the Group's business. Having regard to the size of the Group, your Board sees no advantage in splitting these two roles.
Directors express their views at regular meetings and make a valuable contribution to the running of the Group.
From December 2001 there have been four non-executive Directors, three of whom are independent Directors.

Transparent procedure for the appointment of new Directors to the Board
There is no formal and transparent procedure for the appointment of new Directors to your Board and the Group does not have a nomination committee. Having regard to the size of your Board, any appointments of new Directors would be considered at regular Board meetings.

Statement about applying the Principles of Good Governance
Your Board is committed to the principles of openness and accountability in dealing with the Group's affairs. It believes it has always acted in the best interests of the Group and its stockholders and that this is reflected in the past success of the Group.

The senior independent non-executive Director, J.A. Wild, is the primary point of contact for all staff of the Group to raise in confidence concerns they may have over possible improprieties, financial or otherwise. All employees have been notified of this arrangement.

The Group has applied the Principles of the Combined Code by complying with The Code of Best Practice as reported above. Given the detailed explanations above for the areas of non-compliance, your Board feels there is no fundamental reason for changing its policies in relation to the Combined Code and firmly believes its stockholders will support this view.

Audit Committee
The Audit Committee comprises three independent directors; D. R. L. Hunting, R. E. Wade and J. A. Wild (Chairman).

The external auditors report to the Directors and the Audit Committee on the actions they take to comply with the professional and regulatory requirements and best practice designed to ensure their independence from the Group.

The terms of reference for the Audit Committee is available to stockholders on written request to the Company Secretary.

Internal Control and Risk Management
Your Board has ultimate responsibility for the Group's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate those risks associated with the achievement of business objectives and can only provide reasonable and not absolute assurance against material misstatement 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 Group last reviewed the effectiveness of the Group's system of internal controls in June 2006.

In accordance with the Turnbull Guidance, your Board has established a defined process for identifying, evaluating and managing the significant risks faced by the Group. This has been in place since October 2000 and up to the date of approval of the Annual Report and Accounts. It consists of:

- the preparation of a formal risk and control matrix for each activity of the Group which identifies 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;
- the establishment of a procedure under which management are required to report to the Board on maintenance of these controls and provide feedback on the status of the controls on a regular basis; and
- the establishment of a regular bi-annual process of reporting any exceptions.

REPORT OF THE DIRECTORS *continued*

This risk and control matrix is prepared and the bi-annual review undertaken by an independent consultant experienced in investment and accounting matters but due to the size of the Group, the Directors have determined that there is no requirement for an internal audit function.

Given the size of the Group, the Directors recognise that we are dependent upon key members of management.

Where required, during the forthcoming year, steps will be taken to deal with the minor areas of improvement brought to the notice of the Board.

Attendees at meetings
Board and Committee meetings held in the period ended 30 June 2006 were:

	Board	**Audit**	**Remuneration**
Number of meetings in period	10	1	2
Executive Directors			
C. R. W. Parish	10	1	–
The Hon. Mrs. E. C. Parish	1	–	–
Non executive Directors			
E. W. Houston	10	1	–
D. R. L. Hunting	10	1	2
R. E. Wade	10	1	2
J. A. Wild	10	1	2

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 a weekly treasury report position. It also receives a share register analysis on a regular basis. Board papers are generally distributed not less than five days in advance to allow the Directors to prepare fully for meetings and minutes of the Audit and Remuneration Committee meetings are circulated to all Directors. In the very few instances when a Director has not been able to attend Board or other meetings, his/her comments on the papers to be considered at that meeting have been relayed in advance to the relevant Chairman.

Going Concern
Your Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the financial statements as the assets of the Group consist mainly of listed investments which are readily realisable and whose fair values far exceed current or foreseeable liabilities.

Auditors and disclosure of information to auditors
So far as the Directors are aware, there is no relevant audit information (that is, information needed by the Company's auditors in connection with preparing their report) of which the Company's auditors are unaware. The Directors have taken all steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the Group of companies will be proposed at the annual general meeting. The auditors have indicated their willingness to continue in office.

Registered Office
41 Cheval Place,
London, SW7 1EW
14 November 2006

By Order of the Board
C. E. J. Burman, FCA
Secretary

THE FOLLOWING TABLE SHOWS THE PROGRESS OF EL ORO AND EXPLORATION COMPANY p.l.c.

	THE EXPLORATION COMPANY p.l.c.				EL ORO MINING AND EXPLORATION COMPANY p.l.c.			
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 *	1,261,848	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 +	3,875,955	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 p.l.c. (formerly The Exploration Company p.l.c.)

2002	210.00	2,321,415	597,146	52,724,264*
2003	220.00	3,938,278	597,146	64,963,076*
2004	230.00	3,005,700**	592,045	67,905,581
2006	240.00	12,018,986	541,785	72,214,062

The above table for The Exploration Company p.l.c. and El Oro Mining and Exploration Company p.l.c. 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 p.l.c. indicates the progress for the last four and a half years of the Group applying the currently adopted accounting principles as outlined in the notes to the accounts, note 1.

The dividend declared (net) figure is expressed as a percentage of the amount paid/payable per stock unit against the 5p issue value of each stock unit.

The only new money raised during all of the above periods was in aggregate £358,180.

Since 1958 the amount paid or to be paid:	
In dividends was	25,974,779
In taxation was	23,086,693
	£49,061,472

* Bonus issue of one unit for every two units held.
** 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.
\+ 52,925 stock units issued to members exercising their options to take additional stock units in lieu of cash dividend.
++ To 2004 the period end of the Group was a twelve month period 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 2006 was 597.5p (which with 1 for 2 bonus in 1961 equals 426p) compared with a middle market price of 2p per stock unit at 31 December 1950.

CONSOLIDATED INCOME STATEMENT
for the 18 month period ended 30 June 2006

	Notes	**18 months to 30 June 2006 £**	12 months to 31 Dec 2004 restated* £
Revenue	**4**	**18,659,832**	5,184,007
Movement in fair value through the income statement investments		**156,728**	–
Movement in fair value of investment properties		**(19,896)**	(4,621)
Impairment (loss)/reversal of impairment on available for sale investments		**(2,893,963)**	798,513
Expenses	**5**	**(2,582,000)**	(2,236,176)
Profit before finance costs and taxation		**13,320,701**	3,741,723
Finance costs:			
Banks		**1,295,415**	716,455
Other		**6,300**	19,568
		1,301,715	736,023
Profit before taxation		**12,018,986**	3,005,700
Taxation	**7**	**3,753,302**	1,080,051
Profit for the period		**£8,265,684**	£1,925,649
Earnings per stock unit (basic and diluted)	**8**	**76.06p**	16.15p

CONSOLIDATED STATEMENT OF CHANGES IN INCOME AND EXPENSE
for the 18 month period ended 30 June 2006

	18 months to 30 June 2006 £	12 months to 31 Dec 2004 restated* £
Profit for the period	**8,265,684**	1,925,649
Recognition of financial instruments at 1 January 2005:		
Available for sale reserve	**25,640,476**	–
Derivative financial instruments	**(232,664)**	–
Revaluation of available for sale investments during the period	**27,676,702**	–
Deferred tax on revaluation of available for sale investments during the period	**(8,303,011)**	–
Total recognised income and expense for the period	**£53,047,187**	£1,925,649

The accompanying notes are an integral part of this consolidated profit and loss account.

* Restated for the effect of the adoption of IFRS (see note 2).

CONSOLIDATED BALANCE SHEET

at 30 June 2006

	Notes	30 June 2006 £	31 Dec 2004 restated* £
Assets			
Non-current assets			
Property, plant and equipment	9	**747,417**	1,343,175
Investment properties	10	**406,014**	611,475
		1,153,431	1,954,650
Current assets			
Trade and other receivables	12	**236,940**	380,635
Financial assets:			
Available for sale investments	13	**107,253,063**	39,693,884
Financial assets - fair valued through the income statement:			
Derivative financial instruments	15	**–**	39,325
Commodities		**1,619,941**	–
Cash and cash equivalents	19	**256,656**	173,608
		109,366,600	40,287,452
Liabilities			
Current liabilities			
Financial liabilities:			
Borrowings	14	**21,174,845**	12,400,813
Financial liabilities - fair valued through the income statement:			
Derivative financial instruments	15	**–**	128,481
Trade and other payables	16	**613,624**	735,117
Current tax liabilities	17	**542,507**	846,027
		22,330,976	14,110,438
Net current assets		**87,035,624**	26,177,014
Non-current liabilities			
Deferred tax liabilities	18	**16,218,592**	1,764
Net assets		**£71,970,463**	£28,129,900
Stockholders' equity			
Ordinary stock units	21	**541,785**	592,045
Share premium	23	**6,017**	6,017
Capital redemption reserve	23	**344,442**	294,182
Merger reserve	23	**3,564**	(149,798)
Other reserve	23	**38,069,136**	–
Retained earnings	23	**33,005,519**	27,387,454
Total equity	22	**£71,970,463**	£28,129,900

The accounts on pages 15 to 37 were approved by the Board of Directors and authorised for issuance on 14 November 2006 and were signed on its behalf by:

C. R. W. Parish
} *Directors.*
J. A. Wild

The accompanying notes are an integral part of this consolidated balance sheet.

* Restated for the effect of the adoption of IFRS (see note 2).

CONSOLIDATED CASH FLOW STATEMENT

for the 18 month period ended 30 June 2006

	Notes	**18 months to 30 June 2006 £**	12 months to 31 Dec 2004 restated* £
Operating activities			
Net profit		**8,265,684**	1,925,649
Adjustments for:			
Depreciation		**43,168**	58,933
Reversal of impairment on available for sale investments		**(919,830)**	(798,513)
Foreign exchange losses/(profits)		**222,889**	(109,017)
Movement in fair value of investment properties		**19,896**	4,621
Movement in fair value through the income statement investments		**(156,728)**	–
Finance costs		**1,301,715**	736,023
Income tax expense		**3,753,302**	1,080,051
Cash flow from operating profit before changes in working capital		**12,530,096**	2,897,747
Increase in available for sale investments		**(12,508,090)**	(2,756,496)
(Increase)/decrease in fair value through the income statement investments		**(1,254,151)**	1,289,813
Decrease in trade and other receivables		**91,685**	651,417
(Decrease)/increase in trade and other payables		**(141,139)**	215,302
Cash generated from operations		**(1,281,599)**	2,297,783
Income taxes paid		**(4,155,338)**	(1,191,264)
Cash flow from operating activities		**(5,436,937)**	1,106,519
Investing activities			
Net cash disposed of with Danby Registrars Limited		**(5,000)**	–
Cost of stock units repurchased and cancelled		**(14,619)**	(398,846)
Purchase of property, plant and equipment		**(37,807)**	(120,525)
Purchase of investment properties		**(235,213)**	(138,787)
Cash flow from investing activities		**(292,639)**	(658,158)
Financing activities			
Interest paid		**(1,303,055)**	(702,758)
Dividends paid to equity stockholders		**(1,222,298)**	(1,311,727)
New mortgages		**194,402**	97,950
Repayment of mortgages		**(88,355)**	(2,229)
Cash flow from financing activities		**(2,419,306)**	(1,918,764)
Net decrease in cash and cash equivalents		**(8,148,882)**	(1,470,403)
Cash and cash equivalents at start of year		**(12,079,276)**	(10,608,873)
Effect of foreign exchange rate changes		**31,213**	–
Recognition of forward gold contracts at 1 January 2005 in accordance with IAS 39		**(456,274)**	–
Cash disposed of with subsidiary		**5,000**	–
Cash and cash equivalents at end of period	19	**(20,648,219)**	£(12,079,276)

* Restated for the effect of the adoption of IFRS (see note 2).

NOTES TO THE CONSOLIDATED ACCOUNTS

1. ACCOUNTING POLICIES

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

Basis of preparation

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the periods presented, unless otherwise stated. All results are from continuing operations, unless otherwise explained. The Group changed its accounting reference date from 31 December to 30 June. Therefore the results for the period to 30 June 2006 are for an 18 month period and are not comparable with the 12 month results to 31 December 2004.

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 applicable to companies preparing their accounts under IFRS. This is the first time the Group has prepared its consolidated financial statements in accordance with IFRS, having previously prepared its consolidated financial statements in accordance with UK accounting standards (UK GAAP). The date of transition to IFRS was 1 January 2004. The most recent financial statements issued under UK GAAP were for the year ended 31 December 2004. Details of how the transition from UK accounting standards to IFRS has affected the Group's reported financial position, financial performance and cash flows are given in note 2.

The financial statements are presented in sterling. They 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 management to 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 from these estimates. Although these estimates are based on management's best knowledge of the amount, event or actions, where such judgements are made they are indicated within the accounting policies below.

The preparation of the Consolidated financial statements resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under previous GAAP. Comparatives have been prepared under IFRS, with the exception of items accounted for under IAS 32 and IAS 39 where the exemption for restatement of comparatives has been taken. The impact on the transition from previous GAAP to IFRS is explained in note 2.

CHANGES IN ACCOUNTING POLICIES

First-time adoption of IFRS

In preparing these financial statements, the Group has elected to apply the following transitional arrangements permitted by IFRS 1 'First-time Adoption of International Financial Reporting Standards':

- Business combinations effected before 1 January 2004, including those that were accounted for using the merger method of accounting under UK accounting standards have not been restated; and
- Designation of financial investments as held for trading and available for sale was made on 1 January 2005; and
- The freehold property at 41 Cheval Place, the Group's head office, has been measured at fair value on 1 January 2004, and the Group has taken this as its deemed cost; and
- Make presentational changes to the cash flow statements.

Except as noted above, the following principal accounting policies have been applied consistently in the preparation of these financial statements:

Significant accounting policies

El Oro and Exploration Company p.l.c. is a company domiciled in the United Kingdom. The consolidated financial statements of the Group are for the eighteen month period ended 30 June 2006 with comparatives for the twelve months ended 31 December 2004. The figures comprise the Company and its subsidiaries (together referred as the "Group"), details of which are set out in note 11.

The consolidated financial statements were authorised by the Directors for issuance on 14 November 2006.

NOTES TO THE CONSOLIDATED ACCOUNTS *continued*

a. Basis of consolidation

i. Subsidiary Companies

The consolidated financial statements include financial information in respect of the Company and its subsidiary companies. Subsidiary companies are entities that are controlled by the Company. Control exists when the Company has the power, directly or indirectly, 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 in 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

Intra-group balances and income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

b. Foreign currency

The functional currency of the Group is Great British Pounds (GBP).

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to sterling at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

The effect of the foreign exchange are shown separately within the cash flow 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%

Previous to the date of disposal of Danby Registrars Limited on 14 January 2005, fixtures and fittings were depreciated at 10% or 20% on reducing net book value.

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to estimated recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

d. Investments

Investments are recognised and de-recognised on the trade date where a purchase or sale is made under a contract whose terms require delivery within the timeframe established by the market concerned, and are initially measured at fair value.

i. Investments in 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:
This category comprises only derivatives and commodities. They are carried in the balance sheet at fair value with changes in fair value recognised in the income statement. Fair value is either the bid price or the last traded price, depending on the convention of the exchange on which the investment is listed. On disposal, realised gains and losses are also recognised in the income statement. Transaction costs are charged to expenses in the income statement. The Group does not have any other assets held for trading nor does it voluntarily classify any other financial assets as being at fair value through the income statement.

All other investments in debt and equity securities and other financial assets, including available for sale investments:
Non-derivative financial instruments and commodities not included in the above categories are classified as available for sale and comprise the Group's strategic investments in entities not qualifying as subsidiaries. They are carried at fair value with changes in fair value recognised directly in equity. Fair value is either the bid price or the last traded price, depending on the convention of the exchange on which the investment is listed. On disposal, realised gains and losses are recognised in the income statement. Transaction costs are included within the cost of the investments. Where a decline in the fair value of an available for sale investment constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognised in the income statement.

The event that determines when an available for sale investment becomes impaired is when there is an event that 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 remained below cost over a six month period.

NOTES TO THE CONSOLIDATED ACCOUNTS *continued*

d. Investments *continued*

In respect of unlisted investments, or where the market for a financial instrument is not active, fair value is established by using valuation techniques, which may include using recent arms length market transactions between knowledgeable, willing parties, if available or reference to the current fair value of another instrument that is substantially the same. Where there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, that technique is utilised. Where no reliable fair value can be estimated for such unlisted investments, they are carried at cost, subject to any provision for impairment.

Foreign exchange gains and losses arising from investments are held at fair value through the income statement are included within the changes in their fair values.

Foreign exchange gains and losses arising on available for sale investments are credited or charged to the income statement.

ii. Investment Income
Income from investments includes all dividends, rents and interest on non-government securities receivable.

Dividend income from investments is recognised when the Group’s right to receive payment has been established and this is normally the ex-dividend date. Provision is made for any dividends not expected to be received.

Where the Group has elected to receive dividends in the form of shares rather than cash, the amount of the cash dividend forgone is recognised as income. The excess, if any, in the value of shares received over the sum of the cash dividend forgone is recognised as a gain in the income statement.

UK dividend income is recorded at the amount receivable without any attributable tax credit. Overseas dividend income is shown gross of withholding tax.

Gains/losses on sale of investments are recognised in the income statement together with their related foreign exchange differences in respect of holdings in foreign investments.

iii. Investment properties
Investment properties are properties owned by the Group which are held to earn rental income and for capital appreciation.
Investment properties are initially recognised at cost and revalued at the balance sheet date to full value as determined by professionally qualified external valuers on the basis of fair value.

Any gain or loss arising from a change in fair value of investment properties is recognised in the income statement. The Group has elected to use the fair value model and depreciation is not provided on investment properties. Rental income from investment property is accounted for when due.

e. Transaction costs
Transaction costs are included in the cost of investments purchased and deducted from the proceeds of investments sold for available for sale investments. These costs are charged to the income statement for investments recognised as fair value through the income statement.

f. Trade and other receivables
Trade and other receivables do not carry any interest and are short term in nature. They are accordingly stated at their nominal values as reduced by appropriate allowances for estimated irrecoverable amounts.

g. Cash and cash equivalents
Cash and cash equivalents comprises cash balances with an original maturity of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group’s cash management are included as a component of cash and cash equivalents for the purpose of the Consolidated cash flow statement.

h. Exceptional items
Exceptional items are major items that are separately disclosed by virtue of their size or incidence to enable a full understanding of the Group’s financial performance. Transactions which may give rise to exceptional items are principally gains or losses on disposal of freehold property.

i. Financial liabilities
The Group classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was incurred. The Group's accounting policy for each category is as follows:

Fair value through the income statement:
This category comprises short derivative financial instruments. They are carried in the balance sheet at fair value with changes in fair value recognised in the income statement.

NOTES TO THE CONSOLIDATED ACCOUNTS *continued*

i. Financial liabilities *continued*

Other financial liabilities:
Other financial liabilities include the following items:

- Trade payables and other short term monetary liabilities, which are short term in nature and are therefore stated at their nominal values; and
- Bank borrowings and mortgages, which are initially recognised at the amount advanced net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the balance sheet. "Interest expense" in this context includes initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

j. Taxation

The charge for current taxation is based on the results for the period as adjusted for items which are non-assessable or disallowed. It 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 the accounts historic cost.

Deferred tax is provided on all temporary differences and will crystallize when the asset for which a differential for tax has been made, has been disposed of.

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. It is recognised in the income statement except when it relates to items credited or charged directly to equity, in which 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.

k. 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 shareholders at the annual general meeting of the Group.

l. Pension costs

The Group contributes to Self Investing Personal Pension plans for C.R.W. Parish and two employees. Contributions are recognised when payable.

NOTES TO THE CONSOLIDATED ACCOUNTS *continued*

2. FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

El Oro and Exploration Company p.l.c. reported under UK GAAP in its previously published financial statements for the year ended 31 December 2004. The analysis following shows a reconciliation of net assets and profits as reported under UK GAAP as at 31 December 2004 to the revised consolidated net assets and profits under IFRS as reported in these financial statements. In addition, there is a reconciliation of consolidated net assets under UK GAAP to IFRS at the transition date for the Group, being 1 January 2004. There is also a reconciliation of consolidated net assets restated under IFRS at 31 December 2004 to the opening balances at 1 January 2005 under IFRS which take into account the adjustments for IAS 32 and IAS 39.

Consolidated income statement reconciliation
for the year ended 31 December 2004

	Notes	UK GAAP restated £	Effect of transition to IFRS £	**IFRS restated £**
Revenue		5,850,165	–	**5,850,165**
Movement in fair value of investment properties	a	–	(4,621)	**(4,621)**
Expenses	b, e	(1,459,975)	(643,846)	**(2,103,821)**
Profit before exceptional costs, finance costs and taxation		4,390,190	(648,467)	**3,741,723**
Exceptional costs	b	628,962	(628,962)	**–**
Profit on ordinary activities before taxation and finance costs		3,761,228	(19,505)	**3,741,723**
Finance costs:				
Banks		716,455	–	**716,455**
Other		19,568	–	**19,568**
		736,023	–	**736,023**
Profit before taxation		3,025,205	(19,505)	**3,005,700**
Taxation	c	1,083,787	(3,736)	**1,080,051**
Profit for the year		£1,941,418	(£15,769)	**£1,925,649**

NOTES TO THE CONSOLIDATED ACCOUNTS *continued*

Consolidated balance sheet reconciliation

	Notes	UK GAAP 1 Jan 2004 £	Effect of transition to IFRS 1 Jan 2004 £	**IFRS 1 Jan 2004 £**	UK GAAP 31 Dec 2004 £	Effect of transition to IFRS 31 Dec 2004 £	**IFRS 31 Dec 2004 £**
Assets							
Non-current assets							
Property, plant and equipment	e	626,846	654,738	**1,281,584**	703,322	639,853	**1,343,175**
Investment properties		477,309	–	**477,309**	611,475	–	**611,475**
Deferred tax asset	c	3,106	(3,106)	**–**	4,518	(4,518)	**–**
		1,107,261	651,632	**1,758,893**	1,319,315	635,335	**1,954,650**
Current assets							
Trade and other receivables		1,032,052	–	**1,032,052**	380,635	–	**380,635**
Financial assets:							
Available for sale investments		37,126,786	–	**37,126,786**	39,693,884	–	**39,693,884**
Financial assets - fair valued through the income statement:							
Derivative financial instruments		541,809	–	**541,809**	39,325	–	**39,325**
Cash and cash equivalents		431,691	–	**431,691**	173,608	–	**173,608**
		39,132,338	–	**39,132,338**	40,287,452	**–**	**40,287,452**
Liabilities							
Current liabilities							
Financial liabilities:							
Borrowings		11,092,715	–	**11,092,715**	12,400,813	–	**12,400,813**
Financial liabilities - fair valued through the income statement:							
Derivative financial instruments		438,080	–	**438,080**	128,481	–	**128,481**
Trade and other payables	d	1,800,330	(1,313,455)	**486,875**	1,982,719	(1,247,602)	**735,117**
Current tax liabilities		952,092	–	**952,092**	846,027	–	**846,027**
		14,283,217	(1,313,455)	**12,969,762**	15,358,040	(1,247,602)	**14,110,438**
Net current assets		24,849,121	1,313,455	**26,162,576**	24,929,412	1,247,602	**26,177,014**
Non current liabilities							
Deferred tax liabilities	c	–	6,912	**6,912**	–	1,764	**1,764**
Net assets		£25,956,382	£1,958,175	**£27,914,557**	£26,248,727	£1,881,173	**£28,129,900**
Stockholders' equity							
Ordinary stock units		597,146	–	**597,146**	592,045	–	**592,045**
Share premium		6,017	–	**6,017**	6,017	–	**6,017**
Capital redemption reserve		289,081	–	**289,081**	294,182	–	**294,182**
Merger reserve		(149,798)	–	**(149,798)**	(149,798)	–	**(149,798)**
Other reserves	a	204,256	(204,256)	**–**	199,635	(199,635)	**–**
Retained earnings	a,c,d & e	25,009,680	2,162,431	**27,172,111**	25,306,646	2,080,808	**27,387,454**
Total equity		£25,956,382	£1,958,175	**£27,914,557**	£26,248,727	£1,881,173	**£28,129,900**

NOTES TO THE CONSOLIDATED ACCOUNTS *continued*

The following adjustments were made to the Consolidated balance sheet on 1 January 2005 to recognise the effects of the transition to IFRS in accordance with IAS 32 and 39.

	Notes	IFRS 31 Dec 2004 restated £	Effect of transition to IFRS 1 Jan 2005 £	**IFRS 1 Jan 2005 £**
Assets				
Non-current assets				
Property, plant and equipment		1,343,175	–	**1,343,175**
Investment properties		611,475	–	**611,475**
		1,954,650	–	**1,954,650**
Current assets				
Trade and other receivables		380,635	–	**380,635**
Financial assets:				
Available for sale investments	f	39,693,884	36,379,830	**76,073,714**
Financial assets - fair valued through the income statement:				
Derivative financial instruments	g	39,325	(2,018)	**37,307**
Commodities	f	–	456,274	**456,274**
Cash and cash equivilents		173,608	–	**173,608**
		40,287,452	36,834,086	**77,121,538**
Liabilities				
Current liabilities				
Financial liabilities:				
Borrowings	f	12,400,813	456,274	**12,857,087**
Financial liabilities - fair valued through the income statement:				
Derivative financial instruments	g	128,481	(18,776)	**199,705**
Trade and other payables		735,117	–	**735,117**
Current tax liabilities		846,027	–	**846,027**
		14,110,438	437,498	**14,547,936**
Net current assets		26,177,014	36,396,588	**62,573,602**
Non current liabilities				
Deferred tax liabilities	f	1,764	10,988,776	**10,990,540**
Net assets		£28,129,900	£25,407,812	**£53,537,712**
Stockholders' equity				
Ordinary stock units		592,045	–	**592,045**
Share premium		6,017	–	**6,017**
Capital redemption reserve		294,182	–	**294,182**
Merger reserve		(149,798)	–	**(149,798)**
Other reserves	f	–	25,640,476	**25,640,476**
Retained earnings	f	27,387,454	(232,664)	**27,154,790**
Total equity		£28,129,900	£25,407,812	**£53,537,712**

NOTES TO THE CONSOLIDATED ACCOUNTS *continued*

Notes:

a. IAS 40 "Investment Property"
IAS 40 requires that the surplus or deficit on the revaluation of investment properties is recorded as operating income in the income statement.

Under UK GAAP, revaluation surpluses or deficits, to the extent that any deficit was not permanent, were reported as a movement in the revaluation reserve.

Recognition of the surplus on the Group's investment properties through the income statement has resulted in a transfer of £204,256 from "Other reserve" to "Retained earnings" at 1 January 2004.

b. IAS 1 "Presentation of Financial Statements"
Under UK GAAP, certain exceptional items were permitted to be shown beneath operating profit. In the year ended 31 December 2004, exceptional costs relating to the sale of Danby Registrars Limited from the Group were recognised below operating profit and disclosed as "Exceptional costs".

Under IFRS, such presentation is not permitted. As a result, the £628,962 disclosed as exceptional costs in the financial statements for the year ended 31 December 2004, have been disclosed within "Expenses" for the purposes of IFRS disclosure.

c. IAS 12 "Income Taxes"
IAS 12 requires that a provision for deferred tax is made on the uplift in value of investment properties.

Under UK GAAP, a deferred tax provision was only required to be recognised on the uplift in value of investment properties if there was a binding agreement for their disposal out of the Group.

The recognition of a deferred tax provision on the uplift in fair value of investment properties has resulted in a decrease in reserves of £10,018 at 1 January 2004 and a release in this provision for deferred tax of £2,754 during the year ended 31 December 2004 for the Group.

d. IAS 10: "Events after the Balance Sheet Date"
Under IAS 10, the declaration of a dividend after the reporting date is no longer an adjusting post balance sheet event as it was under UK GAAP. Accordingly, the final dividends for the years ended 31 December 2003 and 31 December 2004 do not constitute a liability at the respective balance sheet dates under IAS 10.

The impact of this has been to increase net assets by £1,313,455 at 1 January 2004 and to increase the dividend charged for the year ended 31 December 2004 by £65,853.

Another impact of IFRS with regards to dividends is that they are no longer shown on the face of the profit and loss account, but instead as a movement on reserves for the relevant year.

e. IFRS 1 "First-time Adoption of International Financial Reporting Standards" and IAS 16 "Property, Plant and Equipment"
IFRS 1 allows a first-time adopter of IFRS to use a previous GAAP revaluation of an item of property, plant and equipment at the date of transition to IFRSs as deemed cost at the date of the revaluation, if the revaluation was broadly comparable to fair value. The Group has elected to use this option under IFRS 1 with regard to the freehold property at 41 Cheval Place. This has resulted in an uplift on cost of £654,738, which has increased net assets at 1 January 2004 for the Group by that same amount. Depreciation has been charged at £14,884 for the year ended 31 December 2004.

f. IAS 39 "Financial Instruments: Measurement"
The Group have adopted IAS 39 with effect from 1 January 2005. The full accounting policies for both financial assets and financial liabilities is given in note 1 to these financial statements. As a result of adoption of IAS 39, the value of available for sale investments was increased by £36,379,830, of which £36,629,251 was taken to the available for sale reserve, with £232,664 being debited being to retained earnings as an additional impairment charge. The £232,644 additional impairments charge includes £16,757 release of impairment of derivative financial instruments. Commodities were taken onto the balance sheet with no impact on net assets.
A deferred tax liability of £10,988,775 was provided on the uplift of available for sale investments at 1 January 2005. The net impact on reserves due to the adoption of IAS 39 is an increase of £25,407,812.

g. Financial instruments (comparative information)
The Group has taken advantage of the transitional provisions in IFRS 1 not to present comparative information in accordance with IAS 32 "Financial Instruments: Presentation and Disclosure" and IAS 39 "Financial Instruments: Recognition and Measurement", but to retain the accounting applied in the 2004 financial statements when the Group applied UK GAAP. The nature of the main adjustments to the balance sheet that would make the information at 1 January 2004 and 31 December 2004 comply with IAS 32 and IAS 39 are as follows:

- Available for sale assets and all derivatives would have to be adjusted to fair value. They are currently shown at the lower of cost and market valuation.

- Forward contracts to purchase commodities would have to be held on the balance sheet at fair value. They are currently not held on the balance sheet.

The nature of the main adjustments to the income statement and statement of recognised income and expense that would make the information for the year to 31 December 2004 comply with IAS 32 and IAS 39 are as follows:

- Market gains and losses arising on available for sale assets would be taken to equity. Currency gains and losses arising on available for sale assets would be taken to the income statement. As all financial instruments are shown at the lower of cost and market value, no movements in fair value have been accounted for during the year to 31 December 2004; and

- Gains and losses on derivatives (including forward contracts to purchase commodities) would be taken to the income statement.

NOTES TO THE CONSOLIDATED ACCOUNTS *continued*

h. Cash flow statement for the year ended 31 December 2004

Under IFRS, the consolidated cash flow statement reconciles the movement in cash and cash equivalents, whereas in the last audited UK GAAP financial statements it reconciled the movements in cash only. Other than this, the only material differences relate to the reclassification of certain balances including:

- Classifying tax cash flows as relating to operating activities; and
- Classifying equity dividends as relating to financing activities.

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

4. REVENUE

	18 months to 30 June 2006 £	12 months to 31 Dec 2004 restated £
Dividends from listed available for sale investments	**2,577,178**	1,870,855
Dividends from unlisted available for sale investments	**632,020**	102,625
Net profit/(loss) on fair value through the income statement investments	**50,805**	(1,157,458)
Net profit on available for sale investments realised	**15,579,944**	3,987,384
Foreign exchange (losses)/profits	**(222,889)**	109,017
Other income	**42,774**	271,584
	£18,659,832	£5,184,007

5. EXPENSES

	18 months to 30 June 2006 £	12 months to 31 Dec 2004 restated £
General	**1,274,705**	976,485
Costs relating to disposal of Danby Registrars Limited	**23,782**	628,962
Direct operating expenses arising from investment properties	**12,413**	4,737
Transaction costs for fair value through income statement investments	**176,277**	132,355
Depreciation of property, plant and equipment	**43,168**	58,933
Directors' emoluments	**823,510**	355,970
Auditors' remuneration- audit services	**68,000**	77,484
- non-audit services	**160,145**	1,250
	£2,582,000	£2,236,176

	18 months to 30 June 2006 Number	12 months to 31 Dec 2004 Number
The average weekly number of persons (including Executive Directors) employed during the period was:		
Investing	**1**	1
Administration	**4**	13
	5	14

NOTES TO THE CONSOLIDATED ACCOUNTS *continued*

5. EXPENSES *continued*

Staff costs for the Group during the period

	18 months to 30 June 2006 £	12 months to 31 Dec 2004 £
Employee benefit expense		
Employment costs	**1,021,822**	599,568
Employer's national insurance contributions and similar taxes	**113,346**	53,259
Stock units purchased and granted to employees on the same day as a bonus	**5,031**	–
Pension costs	**55,253**	50,505
	£1,195,452	£703,332

Benefits in kind included within employees costs were	**£9,523**	£–

The Company purchased 1,040 stock units 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.

6. DIVIDENDS

	18 months to 30 June 2006 £	12 months to 31 Dec 2004 restated £
Final dividend of 11.5 pence (2004: 11.0 pence) per ordinary stock unit proposed and paid during the period relating to the previous year's results	**1,247,601**	1,313,455
	£1,247,601	£1,313,455

The Directors approved an interim dividend of 12.0 pence (2004: 11.5 pence) per stock unit totalling £1,380,284 (2004: £1,247,601). This dividend has not been accrued at the balance sheet date as it is not accounted for until it has been approved at the annual general meeting in respect of the period ended 30 June 2006. The dividend was paid on 26 October 2006 to stockholders on the register of members on 22 September 2006.

NOTES TO THE CONSOLIDATED ACCOUNTS *continued*

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	18 months to 30 June 2006 £	12 months to 31 Dec 2004 restated £
Analysis of tax charge in period		
Current tax:		
UK Corporation tax on profits for the period	**3,824,219**	1,109,298
Adjustment in respect of previous year	**27,599**	(24,099)
Total current tax	**£3,851,818**	£1,085,199
Deferred tax:		
Origination and reversal of timing differences	**(98,516)**	(5,148)
Total deferred tax	**£(98,516)**	£(5,148)
Tax on profit on ordinary activities	**£3,753,302**	**£**1,080,051

Factors affecting tax charge for the period

The tax assessed is higher (2004: higher) than the standard rate of Corporation tax in the UK of 30% (2004: 30%). The differences are explained below:

Profit on ordinary activities before tax	**12,018,986**	3,005,700
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2004: 30%)	**3,605,696**	901,710
Effects of:		
Expenses not deductible for tax purposes	**106,932**	413,071
Effect of fair value adjustments	**96,793**	(5,733)
Income not subject to corporation tax	**(2,212)**	(207,109)
Depreciation in excess of capital allowances	**1,723**	–
Increase in excess tax losses	**15,287**	7,359
Origination and reversal of temporary deferred tax differences	**(98,516)**	(5,148)
Adjustments to tax charge in respect of prior year	**27,599**	(24,099)
Total tax charge for the period	**£3,753,302**	£1,080,051

The Group expects to be able to claim capital allowances in excess of depreciation in future periods reversing the position previously where depreciation has been higher than capital allowances.

8. EARNINGS PER STOCK UNIT

	18 months to 30 June 2006 £	12 months to 31 Dec 2004 restated £
Numerator		
Profit for the period	**£8,265,684**	£1,925,649
Denominator		
Weighted average number of stock units in basic and diluted EPS	**10,867,281**	11,920,093
Earnings per stock unit (basic and diluted)	**76.06p**	16.15p

NOTES TO THE CONSOLIDATED ACCOUNTS *continued*

9. PROPERTY, PLANT AND EQUIPMENT

	Freehold property £	Fixtures, fittings paintings and computer equipment £	Total £
At 31 December 2004 - restated			
At cost	1,094,353	563,451	1,657,804
Accumulated depreciation	(14,884)	(299,744)	(314,628)
Net book value	**£1,079,469**	**£263,707**	**£1,343,176**
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**
Year ended 31 December 2004 - restated			
Opening net book value	376,138	250,708	626,846
Restatement of 41 Cheval Place to deemed cost	654,738	–	654,738
Additions	63,477	57,048	120,525
Depreciation for period	(14,884)	(44,049)	(58,933)
Closing net book value	**£1,079,469**	**£263,707**	**£1,343,176**
Period ended 30 June 2006			
Opening net book value	1,079,469	263,707	1,343,176
Additions	–	37,807	37,807
Disposal of Danby Registrars Limited	(350,153)	(439,449)	(789,602)
Depreciation for period	(22,326)	(20,842)	(43,168)
Depreciation written back on disposal	–	199,204	199,204
Closing net book value	**£706,990**	**£40,427**	**£747,417**

The freehold property, 41 Cheval Place has been included within the opening IFRS balance sheet at fair value as deemed cost. The property was last valued in January 2004 on an open market value basis by qualified valuers from Allsop & Co, an independent firm of chartered surveyors. The valuations were carried out in accordance with guidance issued by the Royal Institute of Chartered Surveyors. The Directors are of the opinion that its fair value has not changed significantly over the period to 30 June 2006.

NOTES TO THE CONSOLIDATED ACCOUNTS *continued*

10. INVESTMENT PROPERTIES

	£
At 31 December 2004	
At value	611,475
Net book value	**£611,475**
At 30 June 2006	
At value	406,014
Net book value	**£406,014**
Year ended 31 December 2004	
Opening net book value	477,309
Movement in value of investment property	(4,621)
Additions	138,787
Closing net book value	**£611,475**
Period ended 30 June 2006	
Opening net book value	611,475
Additions	235,213
Exchange difference to opening balance	(70,778)
Movement in value of investment properties	(19,896)
Disposal of Danby Registrars Limited	(350,000)
Closing net book value	**£406,014**

The investment properties were valued on 30 June 2006 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 investment properties. There are currently no obligations to purchase, construct, or develop the investment properties.

11. SUBSIDIARY COMPANIES

At 30 June 2006, 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.

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

Brickleaf Limited was incorporated on 28 September 2004, was put into liquidation on 29 November 2004 and was dissolved on 28 July 2005.

On 14 January 2005, Danby Registrars Limited was disposed of on a debt free, cash free basis to Perceval Limited, a company wholly owned by C.R.W. Parish, the Chairman of the Company.

12. TRADE AND OTHER RECEIVABLES

	30 June 2006 **£**	31 Dec 2004 restated £
Amounts due from brokers - unsecured and receivable on demand	**73,408**	55,084
Accrued income	**132,744**	239,729
Spital Square Limited (interest rate 12.93%)	–	24,999
Other debtors	**30,788**	60,823
	£236,940	£380,635

NOTES TO THE CONSOLIDATED ACCOUNTS *continued*

13. FINANCIAL ASSETS - AVAILABLE FOR SALE INVESTMENTS

	30 June 2006 Fair and book value £	31 Dec 2004 Market value £	31 Dec 2004 Book value £
Listed - London Stock Exchange	**46,968,859**	34,033,052	16,898,435
- London AIM	**12,165,694**	6,578,187	3,711,531
- International	**38,001,941**	29,828,969	15,304,758
	97,136,494	70,440,208	35,914,724
Unlisted	**10,116,569**	6,941,693	3,818,485
	£107,253,063	£77,381,901	£39,733,209

Available for sale investments at 31 December 2004 are recorded at book value, while the available for sale investments at 30 June 2006 are recorded at fair value.

Market value is determined by the mid price between the bid and offer price of an investment while the fair value is determined by the bid price for the initiating purchase of an investment or the offer price for the initiating sale of an investment.

14. FINANCIAL LIABILITIES - BORROWINGS

	30 June 2006 £	31 Dec 2004 £
Bank overdrafts	**15,913,665**	11,857,949
Mortgages	**269,970**	147,929
Amounts due to brokers	**4,991,210**	394,935
	£21,174,845	£12,400,813

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

The investment properties were purchased with mortgages from ANZ Banking Group (New Zealand) Limited. The terms of each of the three mortgages is 25 years and the interest rate of each is variable after an agreed rate for the first year of each mortgage. There is a lien in favour of ANZ Banking Group (New Zealand) Limited as security for each of these mortgages.

There is a lien on all assets 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.

15. FINANCIAL ASSETS AND LIABILITIES - DERIVATIVES

	30 June 2006 Fair value £	31 Dec 2004 Book cost restated £
Financial assets - derivatives		
Options held	**£–**	£39,325
Financial liabilities - derivatives		
Short positions held	**£–**	£128,481

The market value of the short positions held at 30 June 2006 was £nil (2004: £108,131).

16. TRADE AND OTHER PAYABLES

	30 June 2006 £	31 Dec 2004 restated £
Amounts due to brokers - unsecured and payable on demand	**188,933**	–
Other tax and social security taxes	**6,400**	12,710
Other payables	**3,566**	380,215
Accruals	**309,004**	260,243
Unclaimed dividends	**105,721**	81,949
	£613,624	£735,117

NOTES TO THE CONSOLIDATED ACCOUNTS *continued*

17. CURRENT TAX LIABILITIES

	30 June 2006 £	31 Dec 2004 restated £
Corporation tax due at 30% (2004: 30%)	**542,507**	846,027
	£542,507	£846,027

18. DEFERRED TAXATION

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 30% (2004: 30%)
The movement in the deferred tax is as shown below:

	30 June 2006 £	31 Dec 2004 restated £
At start of period	**1,764**	6,912
On fair value adjustments taken to available for sale reserve	**10,988,775**	–
At 1 January 2005 as restated under IFRS	**10,990,539**	6,912
Movement in available for sale investments	**5,326,569**	–
Increase in provision for impaired available for sale investments	**(96,793)**	–
Depreciation in excess of capital allowances	**(1,723)**	–
Revaluation of investment properties	–	(5,148)
At end of period	**£16,218,592**	£1,764

The fair value adjustments relating to the available for sale investments and the movement in 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.

19. CASH AND CASH EQUIVALENTS

	30 June 2006 £	31 Dec 2004 restated £
Cash available on demand	**256,656**	173,608
Bank overdrafts	**(15,913,665)**	(11,857,949)
Amounts due to brokers (net)	**(4,991,210)**	(394,935)
	£(20,648,219)	(£12,079,276)

20. COMMITMENTS AND CONTINGENT LIABILITIES

The Group is commited to subscribe for securities within its normal course of business. At 30 June 2006 the commitment totalled £621,844 (2004: £852,345).

At 30 June 2006 the Group has pledged security investments as collateral with a value of £398,750 (2004: £nil).

NOTES TO THE CONSOLIDATED ACCOUNTS *continued*

21. CALLED UP SHARE CAPITAL

Group **Authorised**	**30 June 2006** **Number**	**30 June 2006** **£**	31 Dec 2004 Number	31 Dec 2004 £
Shares of 5p each	**7,947,075**	**397,354**	7,947,075	397,354
Stock units of 5p each	**11,942,927**	**597,146**	11,942,927	597,146
		£994,500		£994,500

Issued and fully paid	**30 June 2006** **Number**	**30 June 2006** **£**	31 Dec 2004 Number	31 Dec 2004 £
Shares of 5p each	**–**	**£–**	–	£–
Stock units of 5p each				
At start of period	**11,840,898**	**592,045**	11,942,927	597,146
Purchase of own stock units for cancellation (i)	**(13,000)**	**(650)**	(102,029)	(5,101)
Stock units cancelled on disposal of Danby Registrars Limited	**(992,197)**	**(49,610)**	–	–
At end of period	**10,835,701**	**£541,785**	11,840,898	£592,045

All stockholders receive equal voting rights.

(i) The purchases of own stock units for cancellation during the period were made on the following dates:

	Number	**Nominal value** **£**	**Amount paid** **£**
11 September 2005	**10,000**	**500**	**49,600**
23 October 2005	**3,000**	**150**	**15,279**

The following subsidiary companies held investments in the stock units of the parent company El Oro and Exploration Company p.l.c.

	30 June 2006	31 Dec 2004 Number
Danby Registrars Limited	**–**	154,535
Investigations and Management Limited	**60,000**	60,000
	60,000	214,535

22. CHANGES IN STOCKHOLDERS' FUNDS (EQUITY)

	30 June 2006 **£**	31 Dec 2004 restated £
Changes in the period		
Total changes in income and expenses	**53,047,187**	1,925,649
Purchase and cancellation of own shares	**(14,619)**	(393,745)
Reduction in share capital on cancellation of stock units	**(50,260)**	(5,101)
Dividend paid	**(1,247,601)**	(1,313,455)
Forfeited dividends	**1,531**	1,995
Fair value of available for sale investments recycled to income statement	**(9,921,474)**	–
Add tax effect on above	**2,976,443**	–
Elimination of reserves of Danby Registrars Limited	**(1,104,006)**	–
Movement in merger reserve on the disposal of Danby Registrars Limited	**153,362**	–
	43,840,563	215,343
At start of period	**28,129,900**	27,914,557
At end of period	**£71,970,463**	£28,129,900

NOTES TO THE CONSOLIDATED ACCOUNTS *continued*

23. RESERVES

	Share premium £	Capital redemption reserve £	Merger reserve £	Other reserve £	Revaluation reserve £	Retained earnings £
At 1 January 2004 - under UK GAAP	**6,017**	**289,081**	**(149,798)**	**–**	**204,256**	**25,009,680**
IFRS adjustments	–	–	–	–	(204,256)	2,162,431
At 1 January 2004 - under IFRS - restated	**6,017**	**289,081**	**(149,798)**	**–**	**–**	**27,172,111**
Purchase and cancellation of own shares	–	5,101	–	–	–	(398,846)
Forfeited dividends	–	–	–	–	–	1,995
Profit for the year	–	–	–	–	–	1,925,649
Dividends paid	–	–	–	–	–	(1,313,455)
At 31 December 2004	**6,017**	**294,182**	**(149,798)**	**–**	**–**	**27,387,454**
Adjustment at 1 January 2005 in respect of IAS 32 and IAS 39	–	–	–	25,640,476	–	(232,664)
At 1 January 2005 - restated	**6,017**	**294,182**	**(149,798)**	**25,640,476**	**–**	**27,154,790**
Purchase and cancellation of own shares	–	50,260	–	–	–	(64,879)
Elimination on disposal of Danby Registrars Limited	–	–	153,362	–	–	(1,104,006)
Forfeited Dividends	–	–	–	–	–	1,531
Movement in year in values of available for sale assets	–	–	–	27,676,702	–	–
Tax provided on above	–	–	–	(8,303,011)	–	–
Fair value of available for sale investments recycled to income statement	–	–	–	(9,921,474)	–	–
Tax relief on above	–	–	–	2,976,443	–	–
Profit for the period	–	–	–	–	–	8,265,684
Dividends paid	–	–	–	–	–	(1,247,601)
At 30 June 2006	**£6,017**	**£344,442**	**£3,564**	**£38,069,136**	**£–**	**£33,005,519**

The following describes the nature and purpose of each reserve within the Group:

Reserve	**Description and purpose**
Share premium	Amount subscribed for share capital in excess of nominal value.
Capital redemption reserve	Amounts transferred from share capital on redemption of issued shares.
Merger reserve	Resulted from the merger of the Company and El Oro Mining and Exploration Company p.l.c. with subsequent adjustments for the demerger of Danby Registrars Limited.
Other reserve	Unrealised net gains arising on recognising financial assets classified as available for sale at fair value.
Retained earnings	Net gains and losses recognised in the consolidated income statement.

Retained earnings are the sole distributable reserves of the Group.

NOTES TO THE CONSOLIDATED ACCOUNTS *continued*

24. DISPOSAL OF SUBSIDIARY

On 14 January 2005, the Group disposed of Danby Registrars Limited, one of its subsidiary companies, to a company owned by C.R.W. Parish, the Chairman of the Company.

Consideration received:

	£	£
Cancellation of 154,535 stock units held by Danby Registrars Limited and 837,662 stock units held by C.R.W. Parish in the Company.		992,197
Net assets disposed:		
Freehold property	350,153	
Investment properties	350,000	
Plant and equipment	240,246	
Trade and other receivables	21,799	
Other financial assets	24,999	
Balance at bank	5,000	
		992,197
Gain on disposal of Danby Registrars Limited		£–
The net cash outflow comprises:		
Cash disposed of with subsidiary		(£5,000)

The designated unit value of the stock units cancelled was 385p, being the market price of the stock units on 15 October 2004.

Danby Registrars Limited did not contribute any increase or decrease in cash and cash equivalent to the group from 1 January 2005 to the date of disposal. During the year ended 31 December 2004, Danby Registrars Limited contributed £42,910 to the cash flow from operating activities, used £102,548 of cash in investing activities and used £100,462 of cash in financing activities.

25. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiary companies, which are related parties, have been eliminated on consolidation for the Group.

During the period:

- The Company provided services to Danby Registrars Limited, a company that is now owned by C.R.W. Parish, an executive Director of the Company. During 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. During the year ended 31 December 2004, when Danby Registrars Limited was a wholly owned subsidiary of the Company the service charge between the two companies was a charge by Danby Registrars Limited to the Company of £50,000; and

- The Company purchased goods amounting to £970 (2004: £nil) from Danby Registrars Limited, a company wholly owned by C.R.W. Parish, the Chairman of the Company.

The Company owns 41 Cheval Place, the Group's registered office, which it bought from Danby Registrars Limited in November 2004. C. R. W. Parish, The. Hon. Mrs. E. C. Parish and E. W. Houston paid accommodation costs to Danby Registrars Limited and the Company for the use of the property. During the period this amounted to £3,386 (2004: £2,160). No amounts remain outstanding at the period end (2004: £nil).

On 14 January 2005 Danby Registrars Limited was disposed on a debt free cash free basis to a company wholly owned by C. R. W. Parish, the Chairman of the Company. Further details of the disposal is shown in note 24.

The loan to Spital Square Limited, as shown in note 12, was removed from the Group as part of the disposal of Danby Registrars Limited's disposal transaction.

NOTES TO THE CONSOLIDATED ACCOUNTS *continued*

26. FINANCIAL INSTRUMENTS AND RISK PROFILE

The Group's financial instruments comprise 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 partly to finance the Group's operations.

The Group's mission is to invest in securities to increase the asset value of the stockholders' units while attempting to increase their dividends and at the same time not asking them to put up any new money with the Group dealing 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);
- foreign currency risk; and
- interest rate risk.

The Group takes account of these risks when setting investment policy and making investment decisions. The Directors monitor economic and market data in order to minimise the Group's exposure to these risks.

Credit risk is the potential exposure of the Group to loss in the event of non-performance by a counterparty. The credit risk arising from the Group's normal commercial operations is controlled by the accounting staff of the Group within guidelines set by the Board. In addition, as a result of its dealing in investments or other financial instruments, including derivatives and commodities, the Group has credit exposures through its dealings in financial and specialised markets. The Group controls the related credit risk by entering into contracts only with highly credit-rated counterparties.

Fair Values of Financial Assets and Financial Liabilities

The purpose of the following table is to summarise both the book and fair value of financial instruments held by the Group together with current borrowings. There is no difference between the book value and fair value at 30 June 2006.

The numerical disclosure below excludes short-term debtors and creditors. The position at 30 June 2006 is in accordance with the Group's policy for the role of financial instruments and risk and is consistent with the position during the period.

	30 June 2006 Fair and book value £	31 Dec 2004 Market value £	31 Dec 2004 Book value £
Financial assets:			
Cash and bank balances	**256,656**	173,608	173,608
Listed available for sale investments	**97,136,494**	70,440,208	37,251,093
Unlisted available for sale investments	**10,116,569**	6,941,693	2,482,116
Commodities	**1,619,941**	–	–
	£109,129,660	£77,555,509	£39,906,817
Financial liabilities:			
Bank overdrafts	**15,913,665**	11,857,949	11,857,949
Mortgages	**269,970**	147,929	147,929
Amounts due to broker	**4,991,210**	394,935	394,935
Short positions on options	–	108,131	128,481
	£21,174,845	£12,508,944	£12,529,294

Available for sale investments at 31 December 2004 are recorded at book value, while the available for sale investments at 30 June 2006 are recorded at fair value.

Market value is determined by the mid price between the bid and offer price of an investment while the fair value is determined by the bid price for the initiating purchase of an investment or the offer price for the initiating sale of an investment.

Market Price Risk

The Group's exposure to market price risk mainly comprises movements in the value of its investments. A list of the principal listed and unlisted investments valued over £500,000 that are held by the Group at 30 June 2006 is given on page 51.

NOTES TO THE CONSOLIDATED ACCOUNTS *continued*

26. FINANCIAL INSTRUMENTS AND RISK PROFILE *continued*

Foreign Currency Risk

The Group is exposed to foreign currency risk through its investments in listed overseas stock markets and on short-term indebtedness with overseas brokers and its investment in overseas properties. The Group does not hedge against foreign currency movements, but takes account of the relative strengths and weaknesses of currencies in making investment decisions. Receipts in currencies other than Sterling are converted into Sterling to the extent that they are not needed to meet settlement obligations in the relevant currency.

The Group's exposure to foreign currencies through its investments in overseas investments and investment properties, at fair value converted to Sterling, is shown below:

	30 June 2006	31 Dec 2004
	£	£
Australian dollar	**9,616,379**	8,078,499
Canadian dollar	**10,815,006**	10,032,305
Euro	**1,189,295**	1,356,268
Hong Kong dollar	**297,165**	149,338
Indonesia rupia	**–**	35,146
Japanese yen	**49,070**	–
Malaysian dollar	**697,906**	509,318
New Zealand dollar	**127,544**	325,724
South African rand	**7,026,689**	3,017,730
Swedish krona	**200,660**	430
Swiss franc	**111,079**	69,814
Thai bhat	**101,177**	97,603
US dollar	**7,142,264**	5,839,345
	£37,374,234	£29,511,520

Interest Rate Risk

The Group has both interest bearing assets and interest bearing liabilities.

The Group is exposed indirectly to interest rate risk through the effect of interest rate changes on the valuation of its investment portfolio. The majority of its financial assets are equity shares, which pay dividends, not interest. Interest is charged on bank overdrafts and other bank borrowings above the bank's Sterling and currency base rate and at rates negotiated with other financial institution lenders.

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

	30 June 2006 Floating Rate at fair value	**30 June 2006 Fixed Rate at fair value**	**30 June 2006 Total at fair value**	31 Dec 2004 Floating Rate at book value	31 Dec 2004 Fixed Rate at book value	31 Dec 2004 Total at book value
	£	**£**	**£**	£	£	£
Financial assets:						
Australian dollar	**–**	**90,879**	**90,879**	–	99,205	99,205
Canadian dollar	**–**	**–**	**–**	–	59,673	59,673
South African rand	**–**	**76,760**	**76,760**	–	64,115	64,115
Sterling	**2,502,988**	**190,025**	**2,693,013**	3,668	1,002,603	1,006,271
US Dollar	–	**29,642**	**29,642**	–	124,904	124,904
	£2,502,988	**£387,306**	**£2,890,294**	£3,668	£1,350,500	£1,354,168
Financial liabilities:						
Canadian dollar	**267,348**	**–**	**267,348**	**–**	–	–
Euro	**1,051**	**–**	**1,051**	**–**	–	–
New Zealand dollar	**–**	**269,970**	**269,970**	**–**	147,872	147,872
Sterling	**16,233,084**	**–**	**16,233,084**	11,858,006	–	11,858,006
Swiss franc	**1,778**	**–**	**1,778**	**–**	–	–
US dollar	**4,401,614**	**–**	**4,401,614**	394,935	–	394,935
	£20,904,875	**£269,970**	**£21,174,845**	£12,252,941	£147,872	£12,400,813

In addition to the financial assets listed above, the Group holds forward contracts in commodities which are shown in the balance sheet on page 16.

Financial assets comprise non-equity shares and loan stocks. The effective interest rate on these financial assets is 10.1% (2004: 5.21%) and financial liabilities is 5.33% (2004: 5.77%). Financial liabilities all fall due within one year with the exception of the mortgages with the New Zealand properties which have a final payment date over one year.

INDEPENDENT AUDITORS REPORT

to the members of EL ORO AND EXPLORATION COMPANY p.l.c.

We have audited the group financial statements of El Oro and Exploration Company p.l.c. for the period ended 30 June 2006 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 p.l.c. for the period ended 30 June 2006.

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 (IFRSs) 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 if, in our opinion, the Directors' Report is not consistent with the group financial statements, if 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 IFRSs as adopted by the European Union, of the state of the group's affairs as at 30 June 2006 and of its profit and cash flows for the period then ended; and
- the group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
LONDON
14 November 2006

SECTION 2

COMPANY FINANCIAL STATEMENTS

Parent Company Accounts prepared under UK GAAP.

Report and Financial Statments for the eighteen month period to 30 June 2006 with comparatives for the year ended 31 December 2004.

REPORT OF THE DIRECTORS

Financial Statements
The Directors present their report together with the audited financial statements for the eighteen month period ended 30 June 2006.

The Directors Report for the Consolidated Financial Statements can be found on pages 7 to 13 in section 1 of the Annual Report.

Introduction
El Oro and Exploration Company p.l.c. is a UK listed company on the Alternative Investment Market (AIM) on 27 July 2006 and is incorporated in England and Wales.

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 will continue to apply UK GAAP in their statutory accounts up to and as of 30 June 2006 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 2006 and related notes under UK GAAP. This information does not represent a full set of standalone statutory accounts prepared fully under UK GAAP since the Company has elected to utilise the exemptions provided under Section 230 of the Companies Act 1985. Under this exemption, the Company does not have to produce a Profit and Loss account with its related notes.

The Company's 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 £8,567,166 (2004: £1,967,490). The Directors recommended an interim dividend of 12p (2004: 11.5p) per ordinary 5p stock unit. The dividend was paid on 26 October 2006 to stockholders on the register of members on 22 September 2006.

Corporate Governance
Full corporate governance details are set out on pages 11 to 13 of the Consolidated Financial Statements within Section 1 of the Annual Report.

Directors' Interests
Disclosures outlining Directors' Interests can be found within the Directors' Report on pages 7 to 13 of the Consolidated Financial Statements within Section 1 of the Annual Report.

Directors' Remuneration
Disclosures outlining Directors' Remuneration can be found within the Directors' Report on pages 7 to 13 of the Consolidated Financial Statements within Section 1 of the Annual Report.

REPORT OF THE DIRECTORS *continued*
for the period ended 30 June 2006

Financial Risk Management
Full details of the Company's Risk Management policies are disclosed in the Corporate Governance Section on pages 11 to 13 of the Consolidated Financial Statements within Section 1 of the Annual Report.

Supplier Payment Policy
The Company's Supplier Payment Policy is consistent with that of the Group and can be found on page 11 of the Consolidated Financial Statements within Section 1 of the Annual Report.

Statement of Directors' Responsibilities
Company law requires the Directors to prepare financial statements for each financial period that 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 those financial statements the directors are required to:
- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State that the financial statements comply with UKGAAP; and
- Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the group will continue in business.

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

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. 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.

Registered Auditors
A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the Company will be proposed at the annual general meeting. The auditors have indicated their willingness to continue in office.

Registered Office	By Order of the Board
41 Cheval Place,	**C. E. J. Burman, FCA**
London, SW7 1EW	*Secretary*
14 November 2006	

COMPANY BALANCE SHEET

at 30 June 2006

	Notes	**30 June 2006**	31 Dec 2004 restated*
		£	£
Fixed assets			
Tangible assets	5	**1,153,430**	1,014,252
Investments in subsidiary companies	6	**461,938**	493,249
		1,615,368	1,507,501
Current assets			
Debtors	7	**243,181**	319,765
Investments	8	**53,558,634**	39,726,234
Cash and bank balances		**247,276**	161,412
		54,049,091	40,207,411
Creditors: due within one year	9	**34,693,416**	27,980,190
Net current assets		**19,355,675**	12,227,221
Total assets less current liabilities		**20,971,043**	13,734,722
Net assets		**£20,971,043**	£13,734,722
Capital and reserves			
Called up share capital	10	**541,785**	592,045
Share premium	13	**6,017**	6,017
Revaluation reserve	13	**9,897**	29,793
Capital redemption reserve	13	**344,442**	294,182
Profit and loss account	13	**20,068,902**	12,812,685
Stockholders' funds (Equity)	11	**£20,971,043**	£13,734,722

The accounts on pages 41 to 49 were approved by the Board of Directors and authorised for issuance on 14 November 2006 and were signed on its behalf by:

C. R. W. Parish

J. A. Wild

Directors.

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

NOTES TO THE COMPANY ACCOUNTS

1. ACCOUNTING POLICIES

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

(a) Basis of preparation

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 financial statements are presented in sterling.

The preparation of the financial statements requires management to 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 from these estimates. Although these estimates are based on management's best knowledge of the amount, event or actions, where such judgements are made they are indicated within the accounting policies below.

The Company has adopted FRS 21, 'Events after the balance sheet date' ("FRS 21") in these financial statements. FRS 21 may only be adopted from 1 January 2005 but following adoption, the Company is required to restate any comparatives with respect to the change in accounting policy for dividends. The Company is therefore required to disclose details of any proposed dividends agreed after the balance sheet date but before authorisation of these financial statements. The effects of this adoption are described below in the change in accounting policy note (note 2).

These policies have been consistently applied, unless otherwise stated.

(b) Foreign Currency Translation

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to Sterling at the foreign exchange rate ruling at that date. All differences are taken to 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 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%

Investment properties are included in the Balance Sheet at market value, with the difference between this value and cost being recorded in the Revaluation Reserve. A valuation was carried out by Linda C. N. Holdaway, Registered Valuer, as at 30 June 2006. Properties are treated as aquired 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 which requires all tangible assets to be depreciated. In the opinion of the Directors, this departure is necessary for the financial statements to give a true and fair view and comply with applicable accounting standards which 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.

NOTES TO THE COMPANY ACCOUNTS *continued*

(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. 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 C. R. W. Parish and two employees. Contributions are 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 shareholders at the annual general meeting of the Company.

(i) Cashflow Statement

The Company has taken advantage of the excemption in FRS 1 "Cash Flow Statements" not to produce a cash flow statement as it is included in the consolidated cash flow statement in section 1 of this Annual Report.

NOTES TO THE COMPANY ACCOUNTS *continued*

2. CHANGE IN ACCOUNTING POLICIES

	Notes	Previously reported 31 Dec 2004 £	Prior year adjustments £	Revised 31 Dec 2004 £
Fixed assets				
Freehold property	a	744,200	(14,884)	**729,316**
Investment properties		261,475	–	**261,475**
Fixtures, fittings and office equipment		23,461	–	**23,461**
Investments in subsidiary companies		493,249	–	**493,249**
		1,522,385	(14,884)	**1,507,501**
Current assets				
Debtors		319,765	–	**319,765**
Investments		39,726,234	–	**39,726,234**
Cash and bank balances		161,412	–	**161,412**
		40,207,411	–	**40,207,411**
Creditors	b	29,227,791	(1,247,601)	**27,980,190**
Net current assets		10,979,620	1,247,601	**12,227,221**
Total assets less current liabilities		12,502,005	1,232,717	**13,734,722**
Net assets		£12,502,005	£1,232,717	**£13,734,722**
Capital and reserves				
Called up share capital		592,045	–	**592,045**
Share premium		6,017	–	**6,017**
Revaluation reserve		29,793	–	**29,793**
Capital redemption reserve		294,182	–	**294,182**
Profit and loss account	c	11,579,968	1,232,717	**12,812,685**
Stockholders' funds (Equity)		£12,502,005	£1,232,717	**£13,734,722**

The Directors have made two prior year adjustments to the results of the Company. The effects of these on the balance sheet at 31 December 2004 are shown below.

a. Depreciation at the rate of 2% per annum has been commenced on the freehold property. The Directors decided that a policy of depreciation of the freehold property was in line with FRS 15 and also aligns the accounting policies of the Group and the Company. The impact of this has been to decrease net assets by £14,884 at 31 December 2004. There was no impact on the net assets at 1 January 2004.

b. The declaration of dividends after the reporting date is no longer an adjusting post balance sheet event, following the adoption of FRS 21 "Events after the balance sheet date". Accordingly, the final dividends for the years ended 31 December 2003 and 31 December 2004 do not constitute a liability at the respective balance sheet dates. The impact of this has been to increase net assets by £1,313,455 at 1 January 2004 and to increase the dividend for the year ended 31 December 2004 by £65,853.

c. This is the net credit to the profit and loss account relating to a and b above.
The effect of these prior year adjustments on the results for the 18 month period ended 30 June 2006 has been to decrease profit by £22,326 and decrease net assets by £1,269,927.

NOTES TO THE COMPANY ACCOUNTS *continued*

3. MANAGEMENT EXPENSES

Auditors remuneration		**18 months to 30 June 2006 £**	12 months to 31 Dec 2004 £
Auditors' remuneration	- audit services	**680,000**	77,484
	- non audit services	**160,145**	1,250

The average weekly number of persons (including Executive Directors) employed during the period was:	**18 months to 30 June 2006 Number**	12 months to 31 Dec 2004 Number
Investing	**1**	1
Administration	**4**	4
	5	5

Employee benefit expense	**18 months to 30 June 2006 £**	12 months to 31 Dec 2004 restated £
Employment costs	**1,021,822**	455,939
Employers national insurance contributions and similar taxes	**113,346**	53,082
Stock units purchased and granted to employees on the same day as a bonus	**5,031**	–
Pension costs	**55,253**	50,505
	£1,195,452	£559,526
Benefits in kind included within employees costs were	**£9,523**	£–

The Company purchased 1,040 stock units from the market and granted the stock units to the employees on the same day as the bonus.

4. DIVIDENDS

Full details of dividends are disclosed in note 6 in the Consolidated Financial Statements within Section 1 of the Annual Report.

5. TANGIBLE ASSETS

	Freehold property (at cost) £	**Investment properties (at value) £**	**Fixtures, fittings, paintings and computer equipment (at cost) £**	**Total £**
At 31 December 2004				
At cost or valuation	744,200	261,475	124,001	1,129,676
Accumulated depreciation	(14,884)	–	(100,540)	(115,424)
Net book value - restated	**£729,316**	**£261,475**	**£23,461**	**£1,014,252**
At 30 June 2006				
At cost or valuation	744,200	406,014	161,808	1,312,022
Accumulated depreciation	(37,210)	–	(121,382)	(158,592)
Net book value - restated	**£706,990**	**£406,014**	**£40,426**	**£1,153,430**
Year ended 31 December 2004				
Opening net book value	–	127,309	16,700	144,009
Additions	–	138,787	17,977	156,764
Acquired from subsidiary company	744,200	–	5,800	750,000
Depreciation for the year	(14,884)	–	(17,016)	(31,900)
Movement in value of investment properties	–	(4,621)	–	(4,621)
Closing net book value	**£729,316**	**£261,475**	**£23,461**	**£1,014,252**
Period ended 30 June 2006				
Opening net book value	729,316	261,475	23,461	1,014,252
Additions	–	164,435	37,807	202,242
Depreciation for the period	(22,326)	–	(20,842)	(43,168)
Movement in value of investment properties	–	(19,896)	–	(19,896)
Closing net book value	**£706,990**	**£406,014**	**£40,426**	**£1,153,430**

NOTES TO THE COMPANY ACCOUNTS *continued*

5. TANGIBLE ASSETS *continued*

	Investment properties £
Value of investment properties is as follows:	
At 30 June 2006	
Apartments - Auckland, New Zealand	406,014
	£406,014
At 31 December 2004	
Apartments - Auckland, New Zealand	261,475
	£261,475

The Apartments in Auckland, New Zealand were valued on 30 June 2006 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 investment properties. There are currently no obligations to purchase, construct, or develop the investment properties. The increase in value of investment properties over book cost is credited to the Revaluation reserve.

6. SUBSIDIARY COMPANIES

Full details of Subsidiaries are disclosed in note 11 in the Consolidated Financial Statements within Section 1 of the Annual Report.

7. DEBTORS

	30 June 2006 £	31 Dec 2004 restated £
Due within one year:		
Amounts due from brokers	**73,408**	55,084
Accrued income	**132,744**	239,729
Other debtors	**30,788**	20,434
	236,940	315,247
Due after one year:		
Deferred taxation	**6,241**	4,518
	£243,181	£319,765

NOTES TO THE COMPANY ACCOUNTS *continued*

8. INVESTMENTS

	30 June 2006	31 Dec 2004
	£	£
(a) Investments at the lower of cost and fair valuation or Directors' valuation as per balance sheet:		
Listed - London Stock Exchange	**19,980,286**	17,439,091
- London AIM	**6,227,059**	3,711,531
- International	**20,960,882**	16,093,496
	47,168,227	37,244,118
Unlisted	**6,390,407**	2,482,116
	£53,558,634	£39,726,234

	30 June 2006	31 Dec 2004
	£	£
(b) Investments at fair valuation or Directors' valuation:		
Listed investments at market valuation	**99,307,755**	72,048,318
Unlisted investments at Directors' valuation	**10,116,569**	5,364,493
	£109,424,324	£77,412,811

If the Group's current asset investments were realised at their market valuations or at Directors' valuations there would be a potential corporation tax liability of £16,899,176 (2004: £11,294,608) calculated at the rate of 30% (2004: 30%).

The Company has entered into forward contracts to purchase gold, agreeing to pay the sterling equivalent of £1,490,485 (2004: £483,545). The market value of these contracts at 30 June 2006 is £1,656,394 (2004: £456,274).

9. CREDITORS

	30 June 2006	31 Dec 2004
	£	£
Due within one year:		
Bank overdrafts	**14,423,180**	11,723,347
Mortgages	**24,867**	12,795
Amounts due to brokers - secured	**4,991,210**	394,935
Amounts due to brokers - unsecured	**188,933**	128,481
Other tax and social security taxes	**6,400**	11,929
Other payables	**9,278**	353,252
Accruals	**315,404**	244,050
Unclaimed dividends	**105,721**	81,949
Amounts due to Group undertakings	**13,840,813**	14,048,348
Corporation tax	**542,507**	846,027
	34,448,313	27,845,113
Due over one year:		
Mortgages	**245,103**	135,077
	£34,693,416	£27,980,190

Creditors include short positions on options held, the book value of which is £nil (2004: £128,481) and market value is £nil (2004: £108,131).

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

There is a lien on all assets 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.

Investment properties were purchased with mortgages from ANZ Banking Group (New Zealand) Limited. The terms of 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.

NOTES TO THE COMPANY ACCOUNTS *continued*

10. CALLED UP SHARE CAPITAL

Full details of the Capital Issues and changes in Issued Capital during the period are disclosed in note 21 in the Consolidated Financial Statements within Section 1 of the Annual Report.

11. CHANGES IN STOCKHOLDERS' FUNDS

	30 June 2006	31 Dec 2004 restated
	£	£
Profit for the period	**8,567,166**	1,967,490
Movement in value of investment properties	**(19,896)**	(4,621)
Purchase and cancellation of own shares	**(14,619)**	(393,745)
Reduction in share capital on cancellation of stock units	**(50,260)**	(5,101)
Dividend paid	**(1,247,601)**	(1,313,455)
Forfeited dividends	**1,531**	1,995
	7,236,321	252,563
At start of period - as previously stated	**13,734,722**	12,168,704
Effect of prior year adjustment (Note 2)	**–**	1,313,455
At start of period - restated	**13,734,722**	13,482,159
At end of period	**£20,971,043**	£13,734,722

12. COMMITMENTS AND CONTINGENT LIABILITIES

Full details of Commitments and Contingent Liabilities are disclosed in note 20 in the Consolidated Financial Statements within Section 1 of the Annual Report.

13. RESERVES

	Share premium	Capital redemption reserve	Revaluation reserve	Retained earnings
	£	£	£	£
At 1 January 2004	**6,017**	**289,081**	**34,414**	**12,555,501**
Purchase and cancellation of own shares	–	5,101	–	(398,846)
Movement in value of investment properties	–	–	(4,621)	–
Forfeited dividends	–	–	–	1,995
Profit for the year	–	–	–	1,967,490
Dividends paid	–	–	–	(1,313,455)
At 31 December 2004	**6,017**	**294,182**	**29,793**	**12,812,685**
Movement in value of investment properties	–	–	(19,896)	–
Purchase and cancellation of own shares	–	50,260	–	(64,879)
Forfeited dividends	–	–	–	1,531
Profit for the period	–	–	–	8,567,166
Dividend paid	–	–	–	(1,247,601)
At 30 June 2006	**£6,017**	**£344,442**	**£9,897**	**£20,068,902**

14. RELATED PARTIES TRANSACTIONS

The Company has taken the exemptions in Financial Reporting Standard 8 "Related Parties disclosures" from reporting transactions with fellow Group undertakings as the Company is included in Section 1 of the Consolidated Financial Statements of the Annual Report.

Details of other related party transactions are disclosed in note 25 in the Consolidated Financial Statements within Section 1 of the Annual Report.

15. DISPOSAL OF SUBSIDIARY

Full details of the Disposal of Subsidiary are disclosed in note 24 in the Consolidated Financial Statements within Section 1 of the Annual Report.

16. FINANCIAL INSTRUMENTS AND RISK PROFILE

Full details of the Company's Financial Instruments and Risk Profile are disclosed in note 26 of the Consolidated Financial Statements of the Annual Report. Details for the Company are identical to that of the Group with the excption that one of the subsidiaries holds a listed investment with a book value at 30 June 2006 of £6,820 (2004: £6,975) and a market value at 30 June 2006 of £8,645 (2004: £8,415).

The Company's exposure to market price risk mainly comprises movements in the value of its investments. A list of the Group's principal Listed and Unlisted Investments valued in excess of £500,000 and held at 30 June 2006, is given on page 51.

INDEPENDENT AUDITORS REPORT

to the members of EL ORO AND EXPLORATION COMPANY p.l.c.

We have audited the parent company financial statements of El Oro and Exploration Company p.l.c. for the period ended 30 June 2006 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 p.l.c. for the period ended 30 June 2006.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report, the Directors' Remuneration 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 if, in our opinion, the Directors' Report is not consistent with the parent company financial statements, if 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 and the part of the Directors' Remuneration Report to be audited. 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 2006; and
- the parent company financial statements have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
LONDON
14 November 2006

LISTED AND UNLISTED INVESTMENTS VALUED OVER £500,000 HELD BY THE GROUP

based upon fair values at 30 June 2006

	Total
	£
Alumina	556,154
Anglo Platinum	2,250,104
Anglogold Ashanti	520,375
Archipelago Resources	1,426,000
Avocet Mining	869,200
BP	539,356
Centamin Egypt	941,191
Chesapeake Energy Group	637,875
Daejan Holdings	2,429,250
Davis Service Group	1,110,311
Dee Valley Group	1,034,326
Egdon Resources	1,203,470
Fuller, Smith & Turner - A shares	2,017,058
Gold Fields	1,376,543
Hardys & Hansons - ord	5,165,414
Harmony Gold	562,314
Heavitree Brewery - A ord	905,250
Impala Platinum	500,292
James Halstead	2,099,025
Jubilee Platinum	646,823
Legal & General Group	534,980
M P Evans Group	2,988,576
Mc Mullen - pref	504,000
McKay Securities	974,663
Meridian Gold	1,197,239
Merrill Lynch Gold & General	607,618
Moet Hennessy - unsecured loan	1,688,738
Mountview Estates	1,879,330
Peel Holdings - unsecured loan	593,200
Remgro	1,013,304
Royal Dutch Shell ‘A’	996,650
Royal Dutch Shell ‘B’	773,583
Sovereign Reversion	527,531
Sunshine Gas	512,473
Thwaites (Daniel)	839,202
Troy Resources ‘A’	2,630,079
Troy Resources - part paid	687,295
Uruguay Minerals Exploration	1,832,802
Wadworth & Co ‘A’	1,040,000
Young & Co Brewery ‘A’	5,417,519
Young & Co Brewery - ord 50p-n/vote	2,031,750
	£56,060,863

EL ORO AND EXPLORATION COMPANY p.l.c.

NOTICE OF ANNUAL GENERAL MEETING
(Registered in England no. 80408)

NOTICE IS HEREBY GIVEN that the ONE HUNDRED AND SECOND ANNUAL GENERAL MEETING OF THE COMPANY will be held at 41 Cheval Place, London, SW7 1EW, on 12 December 2006, at 12 noon for the following purposes:

1. To receive the Directors' Report and financial statements for the eighteen month period ended 30 June 2006.

2. To re-elect C. R. W. Parish who retires by rotation as a Director of the Company.

3. To re-elect The Hon. Mrs E. C. Parish who retires by rotation as a Director of the Company.

4. To authorise the Company to make market purchases (within the meaning of Section 163(3) of the Act) of its stock units upon or subject to the following conditions:
   a) the maximum number of stock units which may be purchased is 1,083,570;
   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 5p, being the nominal value of the stock units, in both cases exclusive of expenses; and
   c) the authority to purchase conferred by this Resolution shall expire 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 may be completed or executed wholly or partly after the expiration of this authority.

5. To re-appoint PricewaterhouseCoopers LLP as auditors 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.

The Board recommends stockholders to vote in favour of all the resolutions above.

Registered Office:
41 Cheval Place,
London, SW7 1EW
14 November 2006

By Order of the Board,
C. E. J. Burman, FCA
Secretary.

NOTES:

1. A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, to vote instead of him. A proxy need not be a member of the Company. A form of proxy is enclosed.

2. Completion of a form of proxy does not preclude a member from subsequently attending and voting in person The instrument appointing a proxy should be deposited with the Company's Registrars not less than 48 hours before the start of the meeting.

3. Only those members registered in the register of members of the Company as at 6.00 p.m. on 28 November 2006 will be entitled to attend or vote at the meeting in respect of the number of ordinary stock units of 5 pence registered in their respective names at that time. Changes to entries on the register after 6.00 p.m. on 28 November 2006 will be disregarded in determining the rights of any person to attend or vote at the meeting.

4. There are no service contracts between the Company and any of the executive directors.

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