

## CHAIRMAN'S STATEMENT

results for the period ended 31 December 2007

The Group profit before tax for the six months to 31 December 2007 was £4,810,071 (six months to 31 December 2006: £3,049,025). Group net assets at 31 December 2007 under IFRS, taking all assets at fair value were £81,588,816 equal to 757p per stock unit, (31 December 2006: £77,167,354 equal to 712p per stock unit).

'When them as wallers in sin thinks they's getting by with it, she said, that's when He strikes em in His holy wrath. He jest bides His time'. "Cormac McCarthy - The Orchard Keeper".

The results for the half-year have since been overshadowed, by continuing turmoil in the financial markets; the collapse of funds such as Peloton, Focus and Carlyle Capital amongst others, and more significantly the rescue of Bear Stearns, underline the gravity of storms swirling through Western economies. An analysis of the indebtedness of some Baltic and East European nations, along with Iceland and Turkey, can only exacerbate this sense of foreboding.

Sadly, by no means is this the story of events unfortold: the consistent condemnation of derivatives from the hallowed halls of Omaha and Pasadena, warnings from the Governor of the Bank of England and the unremitting Cassandra-like criticism of the US credit boom by the late Dr. Richebacher amongst others, were all happily ignored in the Gadarene rush to amass ever more Gargantuan empires based, as it now appears, on foundations of sand.

The monstrous maelstrom mowing down the mighty and the minnows has made the proud and powerful into mendicant monks seeking salvage from the Federal Reserve or the Bank of England; meanwhile their erstwhile leaders set off into the sun clutching their Brobdingnagian booty, regardless of seeming success or apparent failure.

We have not been immune to declines in the price of property assets as the market anticipates a falling residential and commercial property market. With a wearily familiar sense of inevitability, where market conditions of themselves are challenging, Government action has or will exacerbate the situation: in the case of property by imposing rates on vacant property, along with the ridiculous HIPS on residential property; in the case of our Brewery Estate investments, by the malicious assault on smoking within the confines of the pubs, followed hard on its heels by the determination to banish the sale of cigarette vending machines; the decline in profits is beginning to become apparent, albeit in the dim light of dawn. This attack on the pub sector has been compounded by raising the tax on alcohol over and above inflation. Historically, well managed and monitored pubs have presented a secure and agreeable venue for moderate drinking and convivial encounter; wholly at variance with the effects of the Government's 24-hour drinking and changes to the licensing laws; to which a Parliamentary committee has attributed the spread of lager louts in city centres, and other unattractive phenomena.

## CHAIRMAN'S STATEMENT

As if this madness was not enough, the eponymous Harman now proposes to ban repartee and terms of endearment from bars and stores, to give those litigious members of society another chance to sue for supposed or imagined slights. What a desperate state of affairs, to see our vocabulary monitored by the legal profession, under the guise of preventing 'sex discrimination' and our hostelrys emasculated and age-old beverages consigned to history by ministers and civil-servants in their plush glass palaces drinking Lattes and Frappes, whilst imposing ever-more onerous taxes and restrictions on the traditional tipples and tittle-tattle of the British people.

This urge to interfere and 'act', rather than 'sitting pretty, doing nothing' is only too apparent, now that the Government has seen the light and embraced the birth of a new Nuclear Age: sadly, it sold Westinghouse, the leader in that field, to Toshiba, in the same futile fashion it flicked away Qinetiq to Carlyle, and our historic Gold reserves: all first-class National assets.

The British Government has paid obscene obeisance to the European Union, ignoring every promise and poll to align us with that unholy herd, and now assaults the Old Commonwealth and its rights of entry, despite the longevous and formidable ties of blood, trade, tradition and civilisation shared over so many years, with its huge contribution to trade and economy for all parties. Such a perverse policy reaches its nadir in the refusal of residence rights to the Gurkha soldiers who have fought so valiantly to defend us; whilst Post Offices and Village Schools fall to the same Statist or Stalinist philosophy; hill farms and the landscape are discarded, and non-doms are sacrificed for a mess of pottage; playing-fields, including those of Jersey, are pillaged, and even mince-meat, a staple of the beef industry, is confronted with a mad new EU directive; it is remarkable indeed, given the vast reduction in public swimming pools, despite an obligation for their provision, and almost complete destruction of diving-boards, that England can suddenly discover a European Diving Champion.

The attack on 'Risk' is now a central plank of national 'elf and safety policy, producing generations less and less able to cope with the every day and more substantial crises of life. It also engenders a vast infrastructure which, as the FSA has proved, is horrendously expensive and ultimately incapable of dealing with situations once resolved discreetly, or managed with a raised eyebrow in the confines of the old establishment, but mostly driven by common sense and discernment.

The necessity and obligation facing our economy to cut both taxes and spending significantly has been denied by all parties, particularly the Conservatives in their Cyclops-post-Odysseus blindness driven by the inchoate urging of their spineless strategists. The symbolism of Banana Republic's arrival in Britain is perhaps apposite.

## CHAIRMAN'S STATEMENT

The deflation of domestic residences whose rise had created the credit boom both in Britain and the United States is now making its sombre black marks in the history books: quite possibly further wreckage may yet descend from the ether as the deflated balloon subsides across the Western world and beyond. This has profound and negative consequences for consumer spending which is no longer underpinned by an annual increase in the value of an underlying asset. For the first time since 1945 the share of equity held by the individual in homes in the United States has fallen below 50%.

Proverbs 11 v 13 state; 'Happy is the man that findeth wisdom and the man that getteth understanding. For the merchandise of it is better than the merchandise of silver and the gain thereof than fine gold.'

Wisdom and vision have been sadly lacking amongst our political and business leaders and the day of Reckoning is upon them. Given this absence, our vision is for the continued accumulation of the alternative, both Silver and Gold and the shares thereof. We congratulate Colin Loosemore of Archipelago who has received one of the required permits to develop the exciting mine at Toka Tindung. We have visited other promising projects in Chile and Argentina whilst remaining wary of political interference in various parts of the world. The inability of South Africa to provide adequate power for its burgeoning population and industry has enhanced metal prices for both Gold and Platinum. We are also increasing our exposure to the production of food, fertilizer and agricultural products and are heartened by the continued rise in MP Evans, an outstanding performer in the portfolio.

In conclusion the outlook for retail and housing remains distinctly gloomy, whilst the continuing rise in inter-bank rates bodes ill for the entire financial sector. We would be surprised albeit happy at any pick up in property prices.

We are however well placed in our traditional areas of strength particularly Basic Resources, Energy and Precious Metals. We would expect the latter especially to thrive in the current climate, and will attempt to restrain our excitement.

My thanks are due to my peripatetic Directors, our numerous advisers around the world, and the increasingly formidable team in Cheval Place led by Steve McKeane, Abbie playing in Midfield, and Vicky solid in defence: the Rooney, Ronaldo, Vidic triumvirate. Onwards to Victory.

**Robin Woodbine Parish**

30 March 2008

**CONSOLIDATED INCOME STATEMENT**

(Unaudited)

for the six months ended 31 December

	<b>six months to 31 December 2007</b>	six months to 31 December 2006
	£	£
<b>Revenue</b>	<b>1,326,876</b>	6,978,291
<b>Movement in fair value</b>	<b>8,661,186</b>	(199,439)
<b>Impairment loss on available for sale investments</b>	<b>(3,140,729)</b>	(2,174,506)
<b>Expenses</b>	<b>(922,373)</b>	(909,295)
<b>Profit before finance costs and tax</b>	<b>5,924,960</b>	3,695,051
<b>Finance costs:</b>		
Banks	<b>1,114,889</b>	646,026
	<b>1,114,889</b>	646,026
<b>Profit before tax</b>	<b>4,810,071</b>	3,049,025
<b>Tax</b>	<b>1,511,254</b>	870,816
<b>Profit for the period</b>	<b>3,298,817</b>	2,178,209
<b>Earnings per stock unit</b> (basic and diluted)	<b>30.44p</b>	20.10p

**CONSOLIDATED STATEMENT OF CHANGES IN INCOME AND EXPENSE**

(Unaudited)

for the six months ended 31 December

	<b>six months to 31 December 2007</b>	six months to 31 December 2006
	£	£
Profit for the period	<b>3,298,817</b>	2,178,209
Revaluation of available for sale (“AFS”) investments during the period	<b>(1,182,555)</b>	9,835,193
Deferred tax on revaluation of AFS investments during the period	<b>441,047</b>	(2,950,558)
Total recognised income and expense for the period	<b>2,557,309</b>	9,062,844

**CONSOLIDATED BALANCE SHEET**

(Unaudited)

as at 31 December

	<b>31 December 2007</b>	31 December 2006
	£	£
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment	716,127	734,895
Investment properties	504,504	444,933
	<u>1,220,631</u>	<u>1,179,828</u>
<b>Current assets</b>		
Trade and other receivables	128,025	191,408
Financial assets:		
Available for sale investments	126,012,539	116,492,915
Financial assets - fair valued through the income statement:		
Commodities	2,892,093	2,146,315
Cash and cash equivalents	1,505,262	236,565
	<u>130,537,919</u>	<u>119,067,203</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Financial liabilities:		
Borrowings	16,285,214	23,564,269
Trade and other payables	915,462	422,470
Current tax liabilities	1,276,394	1,211,438
	<u>18,477,070</u>	<u>25,198,177</u>
<b>Net current assets</b>	<u>112,060,849</u>	<u>93,869,026</u>
<b>Non-current liabilities</b>		
Borrowings	15,000,000	–
Deferred tax	16,692,664	17,881,500
	<u>31,692,664</u>	<u>17,881,500</u>
<b>Net assets</b>	<u>81,588,816</u>	<u>77,167,354</u>
<b>Stockholders' equity</b>		
Ordinary stock units	538,825	539,210
Share premium	6,017	6,017
Capital redemption reserve	347,402	347,018
Merger reserve	3,564	3,564
Other reserves	43,682,572	42,653,699
Retained earnings reserve	37,010,436	33,617,846
<b>Total stockholders' equity</b>	<u>81,588,816</u>	<u>77,167,354</u>

**CONSOLIDATED CASH FLOW STATEMENT**

(Unaudited)

for the six months ended 31 December

	<b>six months to 31 December 2007 £</b>	six months to 31 December 2006 £
<b>Cash flow from operating activities</b>	<b>4,868,131</b>	569,923
Income tax paid	<b>(1,219,555)</b>	(503,787)
	<b><u>3,648,576</u></b>	<u>66,136</u>
<b>Cash flow from investing activities</b>	–	(271,780)
<b>Cash flow from financing activities</b>	<b>(2,529,519)</b>	(1,922,508)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b><u>1,119,057</u></b>	<u>(2,128,152)</u>
<b>Cash and cash equivalents at 30 June</b>	<b>(30,891,807)</b>	(20,648,219)
Effect of foreign exchange rate changes	<b>301,747</b>	(259,132)
<b>Cash and cash equivalents at 31 December</b>	<b><u>(29,471,003)</u></b>	<u>(23,035,503)</u>

**NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL INFORMATION**

The Unaudited Consolidated Interim Financial Information (“Financial Information”) for the six months ended 31 December 2007 does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985. The Financial Information has been prepared using accounting policies and principles consistent with those applied in the preparation of the audited accounts of El Oro and Exploration Company plc for the year ended 30 June 2007. No changes were made to those policies in the preparation of this Financial Information. The Directors have elected not to adopt IFRS 8 “Operating Segments” early.

There was an interim dividend of 13.2 pence paid on 25 October 2007 in relation to the year ended 30 June 2007.

The Financial Information was approved by a Committee of the Board of Directors on 31 March 2007.

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

**REVENUE**

(Unaudited)

for the six months ended 31 December

	<b>six months to 31 December 2007 £</b>	six months to 31 December 2006 £
Dividends from listed available for sale investments	<b>1,043,902</b>	1,006,036
Dividends from unlisted available for sale investments	<b>244,751</b>	146,775
Net gains/(losses) on fair value through the income statement investments	<b>326,355</b>	(80,828)
Net profit on available for sale investments realised	<b>7,024,971</b>	5,993,499
Currency translation gains/(losses)	<b>1,309,860</b>	(110,619)
Other income	<b>38,223</b>	23,428
	<b><u>9,988,062</u></b>	<u>6,978,291</u>

**NOTES TO THE UNAUDITED CONSOLIDATED INTERIM  
FINANCIAL INFORMATION**
**RESERVES**

	Share premium	Capital redemption	Merger	Other	Retained earnings
<b>At 1 July 2007</b>	<b>6,017</b>	<b>347,402</b>	<b>3,564</b>	<b>49,482,060</b>	<b>35,134,116</b>
Movement in values of AFS assets				(1,182,555)	
Tax provided at 28%				441,047	
Fair value of AFS investments recycled to income statement				(7,024,971)	
Tax relief on AFS investments at 28%				1,966,991	
Profit					3,298,818
Dividends paid					(1,422,498)
<b>At 31 December 2007</b>	<b>6,017</b>	<b>347,402</b>	<b>3,564</b>	<b>43,682,572</b>	<b>37,010,436</b>

**RESERVES**

	Share premium	Capital redemption	Merger	Other	Retained earnings
<b>At 1 July 2006</b>	<b>6,017</b>	<b>344,442</b>	<b>3,564</b>	<b>38,069,136</b>	<b>33,005,519</b>
Purchase and cancellation of own shares		2,576			(271,780)
Movement in values of AFS assets				9,835,193	
Tax provided at 30%				(2,950,558)	
Fair value of AFS investments recycled to income statement				(3,285,817)	
Tax relief on AFS investments at 30%				985,745	
Profit					2,178,209
Dividends paid					(1,294,102)
<b>At 31 December 2006</b>	<b>6,017</b>	<b>347,018</b>	<b>3,564</b>	<b>42,653,699</b>	<b>33,617,846</b>



# EL ORO AND EXPLORATION COMPANY plc

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