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EL ORO LTD

Interim Report

for the six months ended 31 December 2011

Group founded 1 November 1886

CHAIRMAN'S STATEMENT
Interim Report as at 31 December 2011

The half-year figures highlight material unrealised gains and subsequent unrealised losses: they follow on from the record levels achieved at the end of June, and reflect the retreat from those exalted heights, especially as Gold drew back from its peak of August, and the semblance of a settlement of the European crisis seemed supposedly attainable.

The Group total loss before tax for the six month period ended 31 December 2011 was £13,940,144 (total profit before tax for six months to December 2010: £41,868,366) Group net assets at 31 December 2011 under IFRS, taking all assets at fair value were £83,928,185 (equal to 129.80 pence per share) as compared with £108,786,226 at 31 December 2010 (equal to 168.25 pence per share).

Uncertainties over the strength of the Chinese economy and the US recovery helped drive down share prices, and painted a picture which happily is somewhat brighter at the present time. Since the end of the half-year, and the temporary ascent of Gold shares which traditionally accompanies the Mining conference season, our largest holding, Troy Resources, has in the last few days earned inclusion in the ASX 200 index. This is a tribute to its tenacious management team, and the growing levels of production now being achieved from its Casposo Mine in Argentina and Andorinhas in Brazil.

Belligerent noises are being heard from the Argentine government, towards Britain over the Falklands, and now also towards Spain over the seizure of Repsol's Argentine assets. An era of friendship with Britain was heralded in 1839 by the award to this writer's ancestor, Sir Woodbine Parish, first British Consul to the Argentine Republic, 'of the permission to wear the Armorial bearings of the Argentine Republic and to his sons and descendants as a record of the Independence of the Republic, in the establishment of which he bore so distinguished a part'. It is very much to be hoped that the renewal of these beneficial ties and friendship will obviate the obnoxious obloquy being banded about at a time of economic angst within Argentina coinciding with the 30th anniversary of the Falklands conflict.

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Political turmoil has also recently resulted in the overthrow of the government of Mali, with substantial falls in the share price, amongst others, of Randgold, one of the world's most successful and profitable mining companies. This may well prove to be an admirable entry point for further investment, but it has also thrown into a flutter the share price of Papillon, which had soared from the chrysalis into the stratosphere.

Cluff and other West African miners have likewise been affected; an example, perhaps of unintended consequences whereby Tuareg mercenaries returning, replete with their weapons, from supporting Colonel Gaddafi, have taken control of Timbuktu and the Northern section of Mali. The disruption caused within that region by the questionable European assault on Libya, along with the 'Arab Spring', will reverberate for years to come, and continue to undermine the status quo. Our holding in Centamin is a case in point, where production has been affected, but the share price far more so, by the political turmoil following on from President Mubarak's overthrow.

The introduction of indigenisation policies in Zimbabwe, with similarities to those of its Southern neighbours, may be peripheral in economic terms, and a sign of the increasing enrichment of a tiny elite before the departure of Uncle Bob; however, similar policies, if pursued along lines currently proposed, may put a question mark over investment in Indonesia, one of the fastest growing of the Asian economies. Churchill Mining is appealing against the Court's decision to strip them of their mining rights. We will not hold our breath for a satisfactory outcome, in a land of opaque legal processes.

On a technical front, Ampella has blown a fuse with the disclosure that due to refractory ore, its recovery rate from its extensive discoveries will be much lower than anticipated: the share price has declined almost as precipitously as it once rose, and the company has in effect put itself up for sale. This underlines the volatile nature of mining, and the need for transparent and clear disclosure: something that Shanta has also found wanting, and in consequence suffered

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from market disillusion, as the bonus of further discoveries was outweighed by unanticipated delays to production.

On the more positive front, Hurricane Exploration has raised further funds, to develop its drilling programme in the North Sea, although the amount secured fell short of that sought. It has every chance of further success, and we congratulate the team on that achieved to date: the revised tax regime for decommissioning oil rigs will go some way towards rectifying the ridiculous and destructive changes imposed in last year's budget, which almost overnight halved the number of drill rigs operating in our waters.

James Halstead continues to amaze with its consistency and prowess in producing profits and a rising share price: those both in the ascendant, whilst its product remains firmly glued to the floor. Palm Oil prices remain firm, and MP Evans, Kuala Lumpur Kepong, REA and others continue to benefit from that strength.

An imminent visit to West Africa might reveal more opportunities in that region, although the percentage of bio-diesel within the profit mix must be remembered, if and when the shale oil and gas revolution reaches these shores.

Whilst we have seen the culmination of our investment in Extract Resources, and Kalahari Minerals, following on from the renewal of the Chinese bid, Britain in contrast has seen the withdrawal of RWE and E.On from their tenders for the construction of new Nuclear Power stations, and the EU imposing closure on the Kingsnorth Coal–powered station amongst others, for failing to meet its rigorous and absurd Carbon emissions limits.

Our starry-eyed Government, even without the former Energy Secretary, has offered yet another prize for providing a scheme for carbon capture, probably in the Yeti or Loch Ness category of unsighted and unobtainable secrets. It would surely be far better to get to grips in Britain with the enormous potential presently becoming apparent in the United States, where cheap oil and gas promises to

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transform the US Energy supply, and revitalize its industry, already recovering in comparison with China and countries to which production was once outsourced.

Britain's huge reserves of coal are instead being left to lie unexploited, whilst the Climate change Levy is imposed on every energy user in the land, along with absurd schemes for wind-mills blighting Bronte-land and other sublime sites of our ancient heritage, subsuming and traducing our lyrical landscape with uneconomic eye-sores.

The provision of cheap, secure and readily available power should be one of the chief concerns of our Government, along with the defence of its trade and territories, and protection of a beautiful and abundant Britain.

Sadly, this simple objective has become embroiled in liberating Libya, assailing Syria, securing the return of up to 44 buried Spitfires from Burma, whilst adulating the admirable Aung San Suu Kyi; and legalising Gay Marriage, even though one of its supposed beneficiaries sees no need for any further change: all this in the context of a contentious attack on Charitable Giving, and the tax relief which only a brief time before was a corner-stone of Government policy. We somehow cannot see the Spitfires being ready to replace the planes cancelled that were due to fly from Britain's long-delayed Carriers, ordered at the insistence of Gordon Brown to protect Labour's vote in the Clyde-side constituencies.

The celebration of an order for aircraft engines from Garuda, signed by the Prime Minister last week, leaves unanswered the question why at home, the Cumbrian police should be driving BMWs, as do those in London, and the London Olympics should have ordered Audis to drive around competitors. There is a serious disconnect between the glamorous one-off orders glorified at overseas signing ceremonies and the day to day dependence on foreign products that are perfectly well produced in our own factories.

It would seem that the philosophical divide between those who believe in state provision and those who believe in the prowess of the individual and their wealth-creating energy has been for the moment suborned by the Statist supporters.

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As the Secretary for Coal in India, in supporting a change in Taxation policy announced in the Budget imposing Retrospective taxation going back to 1963, said ' our government is committed to follow a Socialist path': thereby perhaps denying India the chance to move forward in a way similar to their ostensibly Communist neighbours to the North.

The destruction and embezzlement suffered by Malawi, and squandering of £300 million of aid, by its late President, an economist trained in Los Angeles, stands in stark contrast to our Chancellor's latest outburst and attack on charitable giving within the United Kingdom, and his suggestion that a country that stands near the top of the league for Philanthropy is in fact doing something questionable or immoral.

Our real gripe is that the establishment of the top level of tax at the new rate of 45% is now seen as a floor, rather than a ceiling, whilst expenditure has become entrenched at a level that would have been considered insane before Gordon Brown unleashed the spending spigot.

The Coalition's failure to cut spending in a meaningful manner, and instead concentrate on imposing additional stamp-duty on home-buyers, VAT on Churches and owners of listed-buildings, as well as on purchasers of warm pasties, will be seen to be undermining Britain's resurgence, which needs cheap fuel, low taxes and a slashing of spending way beyond what has been announced.

The dagger is being driven deeper into the entrails of the Conservative leader's erstwhile and traditional electorate, extracting tax-relief on pensions, child benefit, winter-fuel allowance amongst others, along with the traditional and productive career or short service in the military; into the gaping wound are inserted higher-level tax rates, carbon taxes, higher fuel taxes, more planning regulations and charges for installing improvements within the home: all so that the tsunami of foreign aid can be maintained and increased, and absurd vanity projects such as HSR2 can blight the British countryside, and benefit big businesses, along with their disastrous Wind Turbines.

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Whilst foxes forage in Knightsbridge, oblivious to rebuke, the State swallows our savings and resources: Proverbs XIII 22: 'A good man leaves an inheritance to his Children's Children'; Proverbs XIX 14: 'House and Wealth are inherited from fathers', sadly no longer in Osborne's Brave New World.

Looking ahead, the pain resumes in Spain, as the entrenched imbalances of the Euro become more intransigent and insoluble: Gold's rise will we believe resume, along with that of Manchester United and the British Rowing Crews.

An Australian larrikin, assisted by the Health and Safety syndrome which has suborned the British body politic and is ineradicably embedded in modern officialdom, destroyed Oxford's impending Victory from its wonderfully valiant and impressive Boat Race crew: we hope for better things in the Olympics, and that London Pride will flow along with Young's Best Bitter to lubricate the celebrations, along with that of Her Majesty's Diamond Jubilee.

My thanks as always for the help and support of the ever resourceful and resilient team at Cheval Place, and the heightened level of service provided by Dexion in Guernsey, as well as our excellent array of directors and advisers.

Shareholders will be pleased to note the regular publication of Net Asset Value on the electronic price feeds such as Bloomberg and also visible on the CISX website. Happily, this shows a reasonable improvement on the December figure, and at the end of March showed a Net Asset Value of 138.0p.

Robin Woodbine Parish
14 April 2012

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CONSOLIDATED INCOME STATEMENT (Unaudited)
for the six months ended 31 December

	Note	**31 December 2011**	31 December 2010
		£	£
Revenue			
Net (losses) / gains on investments	**1**	**(12,005,391)**	43,253,938
Expenses		**(1,215,504)**	(859,251)
(Loss) / profit before finance costs and taxation		**(13,220,895)**	42,394,687
Finance costs:			
Interest		**(719,249)**	(526,321)
		(719,249)	(526,321)
(Loss) / profit before taxation		**(13,940,144)**	41,868,366
Taxation		**1,840,531**	(2,909,634)
(Loss) / profit for the period		**(12,099,613)**	38,958,732
Earnings per share (basic and diluted)		**(18.71 p)**	60.25 p

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Unaudited)
for the six months ended 31 December

	31 December 2011	31 December 2010
	£	£
(Loss) / profit for the period	**(12,099,613)**	38,958,732
Increase in equity	**107,748**	–
Dividends paid (net)	**(2,251,049)**	(538,825)
Unclaimed dividends	–	10,468
	(14,242,914)	38,430,375
Opening capital and reserves attributable to equity holders	**98,171,099**	70,355,851
Closing capital and reserves attributable to equity holders	**83,928,185**	108,786,226

CONSOLIDATED BALANCE SHEET (Unaudited)

As at 31 December

	Note	31 December 2011 £	31 December 2010 £
Assets			
Non-current assets			
Property, plant and equipment		**685,591**	716,130
		685,591	716,130
Current assets			
Trade and other receivables		**533,847**	111,832
Financial assets fair valued through the income statement:	5		
– Securities		**110,974,440**	144,522,110
– Derivatives		**–**	50,334
– Commodities		**3,045,690**	1,801,488
Cash and cash equivalents	2	**2,873,914**	854,755
		117,427,891	147,340,519
Liabilities			
Current liabilities			
Financial liabilities:			
Borrowings	2	**2,637,858**	13,631,984
Trade and other payables		**909,329**	819,338
Current tax liabilities		**463,490**	591,663
Financial liabilities fair valued through the income statement:			
– Derivatives		**6,696,458**	2,476,220
		10,707,135	17,519,205
Net current assets		**106,720,756**	129,821,314
Non-current liabilities			
Borrowings		**20,000,000**	15,000,000
Deferred taxation		**3,478,162**	6,751,218
		23,478,162	21,751,218
Net assets		**83,928,185**	108,786,226
Stockholders' equity			
Ordinary shares	3	**646,573**	538,825
Share premium reserve		**6,017**	6,017
Capital redemption reserve		**347,402**	347,402
Merger reserve		**3,564**	3,564
Retained earnings reserve	4	**82,924,629**	107,890,418
Total equity		**83,928,185**	108,786,226
Net asset value per share (pre-issue)		**–**	1009.48 p
Net asset value per share (post-issue)		**129.80 p**	168.25 p

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CONSOLIDATED CASH FLOW STATEMENT (Unaudited)

for the six months ended 31 December

	Note	31 December 2011 £	31 December 2010 £
Net cash outflow / (inflow) from operating activities		**10,852,408**	(2,795,872)
Income tax paid		**(11,083)**	(788,133)
		10,841,325	(3,584,005)
Cash flow from investing activities		**(11,859)**	(4,069)
Cash flow from financing activities		**(2,972,900)**	(1,060,949)
Net decrease in cash and cash equivalents		**7,856,566**	(4,649,023)
Cash and cash equivalents at 30 June		**(7,725,036)**	(8,147,925)
Effect of foreign exchange rate changes		**104,526**	19,719
Cash and cash equivalents at 31 December	2	**236,056**	(12,777,229)

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

The Unaudited Consolidated Interim Financial Statements ("Financial Statements") for the six months ended 31 December 2011 do not constitute statutory accounts within the meaning of section 238 of the Guernsey Company Law (2008).

The Group's accounting policies have been applied consistently in dealing with items which are considered material in relation to the audited financial statements of El Oro Ltd for the year ended 30 June 2011.

A final dividend of 20.0 pence was paid in relation to the year ended 30 June 2011 on 28 November 2011.

The Financial Information was approved by the Board of Directors on 17 April 2012.

The Financial Information has not been subject to review or audit by the Group's Auditor PricewaterhouseCoopers CI LLP.

El Oro Ltd is listed on the Channel Islands Stock Exchange (CISX) – ticker (ELX).

El Oro Ltd was admitted to trading on the Stock Exchange Electronic Trading System ("SETSqx") of the London Stock Exchange during June 2011 (ticker 'ELX').

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. INCOME ANALYSIS	31 December 2011	31 December 2010
	£	£
Dividends	**1,106,483**	983,218
Realised gains	**4,565,257**	6,226,353
Unrealised (losses) / gains	**(17,678,803)**	36,042,841
Other income	**1,672**	1,526
	(12,005,391)	43,253,938

2. CASH AND CASH EQUIVALENTS	31 December 2011	31 December 2010
	£	£
Cash available on demand	**2,873,914**	854,755
Bank overdrafts	**(2,365,035)**	(3,296,104)
Amounts due to brokers	**(272,823)**	(10,335,880)
	236,056	(12,777,229)

3. ORDINARY SHARES	Shares	31 December 2011	31 December 2010
	#	£	£
Issued capital as at 30 June	**10,776,501**	**538,825**	538,825
Bonus issue 28 November 2011	**2,154,967**	**107,748**	–
Share split 28 November 2011	**51,725,872**	**–**	–
Issued capital as at 31 December	**64,657,340**	**646,573**	538,825

IAS 33 requires that where new shares are issued for a bonus issue and share split for no additional consideration, then the number of ordinary shares outstanding before the event shall be adjusted for the proportionate change in the number of ordinary shares outstanding, as if the event had occurred at the beginning of the earliest period presented.

4. RESERVES	31 December 2011	31 December 2010
	£	£
Retained earnings as at 30 June	**97,275,291**	69,460,043
Total (losses) / gains for the period	**(12,099,613)**	38,958,732
Dividend paid (net)	**(2,251,049)**	(528,357)
Retained earnings as at 31 December	**82,924,629**	107,890,418

The other reserves did not change during the period.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

5. INVESTMENTS VALUED AT OVER GBP 1 MILLION

		31 December 2011		31 December 2010	
Security	**Underlying currency**	**Fair value GBP**	**% of portfolio**	**Fair value GBP**	**% of portfolio**
Troy Resources	AUD	11,768,604	10.32%	12,249,655	8.37%
Young & Co	GBP	8,397,559	7.36%	8,579,901	5.86%
Hurricane Exploration	GBP	4,135,091	3.63%	3,157,291	2.16%
M P Evans Group	GBP	3,953,499	3.47%	4,833,137	3.30%
James Halstead	GBP	3,890,985	3.41%	3,722,775	2.54%
Gold Bullion	USD	3,045,690	2.67%	1,801,488	1.23%
Archipelago Resources	GBP	3,011,847	2.64%	3,382,778	2.31%
Fuller, Smith & Turner	GBP	2,605,769	2.29%	2,462,877	1.68%
Kuala Lumpur Kepong	MYR	1,996,758	1.75%	1,981,231	1.35%
Mountview Estates	GBP	1,654,628	1.45%	1,593,345	1.09%
Ceravision	GBP	1,614,765	1.42%	1,130,336	0.77%
Patagonia Gold	GBP	1,605,797	1.41%	2,450,141	1.67%
Amerisur Resources	GBP	1,539,400	1.35%	1,821,825	1.25%
Shanta Gold	GBP	1,524,125	1.34%	1,469,000	1.00%
Archipelago Metals	GBP	1,220,417	1.07%	–	–
Blackrock Am UK Gold & General	GBP	1,133,608	0.99%	1,390,410	0.95%
Blackrock World Mining	GBP	391,889	0.34%	500,633	0.34%
Gold Fields	ZAR	1,129,875	0.99%	1,339,251	0.92%
Dee Valley Group	GBP	1,020,000	0.90%	1,281,493	0.88%
Kalahari Minerals	GBP	–	–	1,472,321	1.01%
Daejan Holdings	GBP	–	–	1,375,400	0.94%
Shamika Resources	CAD	–	–	1,241,571	0.85%
Vatukoula Gold Mines	GBP	–	–	1,225,460	0.84%
Anglo Platinum	ZAR	–	–	1,184,890	0.81%
Vietnam Funds	USD	–	–	1,183,144	0.81%
Impala Platinum	ZAR	–	–	1,169,187	0.80%
Discovery Metals	AUD	–	–	1,162,630	0.79%
Ampella Mining	AUD	–	–	1,066,382	0.73%
PZ Cussons	GBP	–	–	1,031,803	0.70%
		55,640,306	**48.80%**	67,260,355	45.95%
	Other holdings	58,379,824	51.20%	79,113,577	54.05%
	Portfolio	**114,020,130**	**100.00%**	146,373,932	100.00%

OFFICERS

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