EL ORO LTD

Interim Report

for the six months ended 31 December 2014

Group founded 1 November 1886

CHAIRMAN'S STATEMENT
Interim Report as at 31 December 2015

The Group total loss before tax for the six month period ended 31 December 2014 was £12,278,279 (total profit before tax for six months to December 2013: £5,375,169). Group net assets at 31 December 2014 under IFRS, taking all assets at fair value were £51,340,839 (equal to 79.7 pence per share) as compared with £61,256,865 at 31 December 2013 (equal to 95.0 pence per share).

The Tsunami of selling that assailed the Oil Sector, once crude began its downward spiral in September has piled Ossa upon Pelion, after the woeful performance of our gold shares in previous months, and the decline of gold to below $1200.

We were privileged and disturbed to hear a forecast from Paul Hodges in September that oil could fall below $50 as a result of the increase in the supply in the United States, due to fracking, combined with the reduction in demand due to the Chinese slowdown, and greater fuel efficiencies in aeroplanes and automobiles: sadly we certainly did not react with sufficient alacrity to the threat presented by our exposure to the energy sector.

Stocks chosen to benefit from rising production, and demand in energy–hungry areas of the world, have all been sold indiscriminately, and metal miners, especially copper-producers have been hit by a cascade of falling prices. Sanctions on Russia, imposed by a United States oblivious to the effects on the already fragile economy of Europe, have compounded this effect, with leading British engineers such as Rolls-Royce and Oxford Instruments, declaring large write-downs as a result of cancelled orders. The British dairy industry is also affected by the ban on import of various items of cheese and food into Russia, compounding that sector's already woeful predicament. We suspect the pain will continue and increase, unless voices of reason, now including those of the new government in Greece, are heeded. Goodwin has also suffered from the slowdown in China, and a reduced forward order book. Several other businesses such as Northbridge Industrial Services, have lowered their forecasts as a result of the European business climate.

Amongst a plethora of opinions and explanations being bandied about, it seems clear that the influence of China, Russia, and the economic woes of Europe are foremost amongst the factors threatening the economy, and placing pressure on prices. The forthcoming election in Britain undoubtedly adds to the uncertainty; whilst in recent weeks, the decision of the Swiss to abandon their ill-conceived link to the Euro has added to the turmoil, and led to the collapse of several currency-trading operations.

The Australian dollar has fallen to a new low after the Reserve Bank's decision to cut rates by 0.25%, and a rapid reversal of political fortunes would look to be on the cards, with the possible departure of Mr Abbott after only one term, as that once lucky country is forced to

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face the reality of collapsing coal and commodity prices: the same sector, it has to be said, that his predecessor thought could be taxed to oblivion to subsidise various social schemes.

Brazil is suffering from the aftermath of political interference and fraud at Petrobras, and a similar malaise as Australia, as iron ore prices plumb new depths, so soon after the construction of new mega carriers, too large to dock at many ports. Venezuela's militant Marxism has as always, succeeded in eliminating many essential items for the consumer from the shops, and may well conclude in default in the not-too-distant future.

Currency wars have recommenced in earnest: the Brazilian Real, the Canadian Loonie, the Australian dollar are all under pressure, where a genuinely free market prevails, and are likely to go lower as their commodity-driven currencies succumb to the slump in that sector. Surfing on the Sunshine Coast will soon be cheaper, as will skiing at Whistler. The Australian index has already risen to reflect cheaper rates in that land, bringing some succour to miners.

Prior to the end of 2014, we resumed our process of reduction of the number of holdings, including many marginal and misbegotten mining companies, and this process of consolidation has continued into the New Year. At least for the time being, and bolstered by stellar results, our Brewers have remained within striking distance of their old highs, although palm oil has continued to suffer under the Commodity price cloud, not helped by the collapse in the price of bio-ethanol. Associated British Foods has today announced a write-down in its joint venture with BP and Du Pont in producing bio-ethanol from wheat, writing off £98m. This will surely become the norm in the coming weeks, and it is hard to see how Wind-turbines, and Photo-voltaic installations, with their huge subsidies will remain immune.

In this 200th Anniversary of the victory at Waterloo, we would do well to recall the words of he who was to earn the title 'Iron Duke': "Hard Pounding this, gentlemen; let's see who will pound the longest."

It would seem that the Saudis are determined to drive the frackers from the field, and certainly the drill rig count has been falling precipitously in recent weeks. They may well have the Russians in their sights as well, and even the Iranians. Whatever the motives, the main growth in jobs in the United States over the past 5 years has happened in Texas, and we would be startled to discover that the ultimate damage of a lower oil price does not exceed the trumpeted advantages to the consumer. Once the prices of Houston, Moscow, Aberdeen and London property have plummeted, and the North Sea been laid waste without stringent tax-cuts, the reality of this pounding will begin to become apparent.

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The recent unassisted ascent of El Capitan in Yosemite was seven years in preparation, and 20 days in accomplishment. It would be tragic if the North Sea, 50 years on from its first well and including our holding in Hurricane Energy, were to be winnowed into oblivion at the whim of an unstable and medieval Arabic state re-asserting its own supremacy.

'Dwell on the past, and you will lose an eye, ignore the past and you will lose both of them': as we approach a seminal election in the United Kingdom, the issues currently reside amongst the level of money to be thrown at the NHS, and how abusive any politician can be towards people who actually create and build great businesses; this seems also the level to which politics has sunk in the United States, where not the growth of the economy but the level of taxation becomes the driving force behind policy, something only recently Mr Hollande in Paris has been forced to abandon, or reduce. The eye of envy has become an insidious evil within our societies, promulgated within Britain by the newly adopted approach of offering taxation concessions for investment in various sectors only to challenge them when successfully implemented. Surely the rational approach is to amend rules that are deemed to have been abused for the future, rather than penalising those who have followed an inducement prepared and presented by the Government?

The series of disappointing shortcomings revealed by various government departments, not least HMRC, are not providing the basis for a healthy cooperation between those building businesses and the taxation sector.

It is especially disturbing to see the neglect of our Armed forces, and the pitiful amount of money allocated to that essential element of our security. How grotesque to see the level of indifference in which politicians now hold our Services, which were once the envy of the World, a national asset that could have brought enormous benefit to Britain if properly promoted.

As we emerge into 2015, bowed but not beaten, we are somewhat encouraged to see the recovery in many gold mining shares since the start of the year, sometimes of the order of 50 or 60%. One swallow may well not make a summer and the industrial metals remain battered and bruised. Gold itself, however seems to have a steadier feel, and gaining adherents from beyond the mining world, especially in the context of Greek conundrums, Boko Haram, Libya's implosion, Swiss foibles, and the miasma of the Middle East.

We have continued to reduce our debt, whilst trying to hold onto stocks which retain long-term potential. Whilst the recovery will be long and hard, into an especially forbidding landscape, where there are predictions of a recession to be remembered for 100 years, we are hopeful that our spread of assets will in due course and once again work for us, rather than so harshly against us as has been the case over the past 6 months, and indeed 3 years.

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The strategy going forward will be to continue the reduction in the number of holdings. Also to increase our exposure to those, predominantly mid-size capitalisation stocks with a proven track record, or under-valued market price, where capital appreciation or increasing dividend flow is likely to accrue.

By reducing our investments in seed-capital and cash hungry investments and increasing our exposure to dividend streams, it should be possible to achieve a gradual improvement in the portfolio whilst the oil and commodity sector regains its composure.

Whilst the depressed level of many components of that area are to be regretted, shareholders should also recall some substantial successes over recent years, such as Archipelago, New Britain Palm Oil, Papillon and Exeter amongst others, that have grown from low-priced minnows to substantial winners, funding generous dividends en route.

Psalm 74, verse 9: "We see not our signs; there is no more any prophet: neither is there any that knoweth how long."

As Apple approaches the mythical level of an American trillion dollar valuation, now double that of its rival Microsoft which once took 20% merely to keep it alive, we see Technology, including driverless cars, and an infinite supply of 'smartphones' with seemingly infinite functions, once again beckoning us into a world of untold expectations and opportunity. The inconvenient truths of economic crisis in Europe, especially Greece, competitive devaluations, wars in the Middle East and Ukraine; and a seemingly endless need for quantitative easing, paint a different picture. Negotiating these uncharted waters, devoid of signs or inspirational leadership, will pose significant challenges in the years ahead.

It may well take some time for the benefits of our revised approach, amended for an harsher era, to bear fruit.

My thanks as always to our excellent team at Cheval Place, and my ever-watchful and helpful Board colleagues and advisers.

Robin Woodbine Parish
17 February 2015

EL ORO LTD

CONSOLIDATED INCOME STATEMENT (Unaudited)

for the six months ended 31 December

	Note	31 December 2014	31 December 2013
		£	£
Revenue			
Net (losses) / gains on investments	**1**	**(10,888,127)**	6,880,542
Expenses		**(749,406)**	(810,374)
(Loss) / profit before finance costs and taxation		**(11,637,533)**	6,070,168
Finance costs:			
Interest		**(640,746)**	(694,999)
		(640,746)	(694,999)
(Loss) / profit before taxation		**(12,278,279)**	5,375,169
Tax refund / (payable)		**1,003,193**	(1,369,043)
(Loss) / profit for the period		**(11,275,086)**	4,006,126
(Loss) / earnings per share (basic and diluted)		**(17.51)p**	6.22 p

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Unaudited)

for the six months ended 31 December

	31 December 2014	31 December 2013
	£	£
(Loss) / profit for the period	**(11,275,086)**	4,006,126
Decrease in equity	**(41,141)**	(158,287)
Dividends paid (net)	**(2,360,751)**	(2,311,631)
	(13,676,978)	1,536,208
Opening capital and reserves attributable to equity holders	**65,017,817**	59,720,657
Closing capital and reserves attributable to equity holders	**51,340,839**	61,256,865

CONSOLIDATED BALANCE SHEET (Unaudited)
As at 31 December

	Note	31 December 2014 £	31 December 2013 £
Assets			
Non-current assets			
Property, plant and equipment		**1,128,641**	1,154,408
		1,128,641	1,154,408
Current assets			
Trade and other receivables		**355,321**	549,932
Financial assets fair valued through the income statement:	5		
– Securities		**74,977,493**	91,862,340
Cash and cash equivalents	2	**3,712,205**	715,299
		79,045,019	93,127,571
Liabilities			
Current liabilities			
Financial liabilities:			
Borrowings	2	**483,951**	4,079,007
Trade and other payables		**546,401**	955,316
Current tax liabilities		**458,457**	293,910
Financial liabilities fair valued through the income statement:			
– Derivatives		**4,117,056**	2,030,069
		5,605,865	7,358,302
Net current assets		**73,439,154**	85,769,269
Non-current liabilities			
Borrowings		**20,000,000**	20,000,000
Deferred taxation		**3,226,956**	5,666,812
		23,226,956	25,666,812
Net assets		**51,340,839**	61,256,865
Stockholders' equity			
Ordinary shares	3	**447,145**	488,286
Share premium reserve		**6,017**	6,017
Capital redemption reserve		**347,402**	347,402
Merger reserve		**3,564**	3,564
Retained earnings reserve	4	**50,536,711**	60,411,596
Total equity		**51,340,839**	61,256,865
Net asset value per share		**79.7p**	95.0 p

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

	Note	31 December 2014 £	31 December 2013 £
Net cash outflow from operating activities		**7,454,726**	4,089,752
Income tax (paid) / received		**(564,226)**	226,912
		6,890,500	4,316,664
Cash flow from investing activities		**(9,085)**	–
Cash flow from financing activities		**(3,005,514)**	(2,997,064)
Net decrease in cash and cash equivalents		**3,875,901**	1,319,600
Cash and cash equivalents at 30 June		**(1,205,408)**	(3,829,278)
Effect of foreign exchange rate changes		**557,761**	(854,030)
Cash and cash equivalents at 31 December	2	**3,228,254**	(3,363,708)

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

The Unaudited Consolidated Interim Financial Statements ("Financial Statements") for the six months ended 31 December 2014 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 2014.

A final dividend of 3.7 pence was paid in relation to the year ended 30 June 2014 on 24 November 2014.

The Financial Information was approved by the Board of Directors on 17 February 2015.

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 2014 £	31 December 2013 £
Dividends	**868,792**	1,084,037
Realised gains	**(3,333,853)**	2,664,773
Unrealised gains / (losses)	**(8,423,581)**	3,129,362
Other income	**515**	2,370
	(10,888,127)	6,880,542

2. CASH AND CASH EQUIVALENTS

	31 December 2014 £	31 December 2013 £
Cash available on demand	**3,712,205**	715,299
Bank overdrafts	**–**	(4,079,007)
Amounts due to brokers	**(483,951)**	–
	3,228,254	(3,363,708)

3. ORDINARY SHARES IN ISSUE

	Shares 2014 #	Shares 2013 #	**31 December 2014 £**	31 December 2013 £
Issued capital as at 30 June	**64,457,305**	64,657,340	**488,286**	646,573
Treasury - Purchases	**(60,010)**	(200,035)	**(41,141)**	(158,287)
Treasury - Sales	**–**	–	**–**	–
Issued capital as at 31 December	**64,397,295**	64,457,305	**447,145**	488,286
Treasury account as at 31 December	**260,045**	200,035	**199,428**	158,287

4. RESERVES

	31 December 2014 £	31 December 2013 £
Retained earnings as at 30 June	**64,172,548**	58,717,101
Total (losses) / gains for the period	**(11,275,086)**	4,006,126
Dividend paid (net)	**(2,360,751)**	(2,311,631)
Retained earnings as at 31 December	**50,536,711**	60,411,596

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 2014		**31 December 2013**	
Security	**Underlying currency**	**Fair value GBP**	**% of portfolio**	**Fair value GBP**	**% of portfolio**
Young & Co.	GBP	9,670,361	12.9%	11,983,493	13.0%
Amerisur Resources	GBP	3,049,233	4.1%	5,087,399	5.5%
James Halstead	GBP	2,528,913	3.4%	4,359,621	4.7%
Fuller, Smith & Turner	GBP	2,083,872	2.8%	2,342,915	2.6%
M P Evans Group	GBP	1,935,129	2.6%	2,982,161	3.2%
Kuala Lumpur Kepong	MYR	1,795,417	2.4%	1,983,014	2.2%
Shepherd Neame	GBP	1,754,890	2.3%	1,604,670	1.7%
Dee Valley Group	GBP	1,622,159	2.2%	1,988,157	2.2%
Archipelago Metals	USD	1,304,615	1.7%	1,227,021	1.3%
Blackrock Funds	GBP	1,205,847	1.6%	1,285,417	1.4%
Goodwin	GBP	1,157,850	1.5%	1,752,000	1.9%
Mountview Estates	GBP	1,144,110	1.5%	1,844,157	2.0%
Troy Resources	AUD	1,081,337	1.4%	1,814,069	2.0%
REA Holdings	GBP	1,055,317	1.4%	958,060	1.1%
Ceravision	GBP	1,038,859	1.4%	1,038,859	1.1%
Conygar Investment	GBP	1,028,500	1.4%	688,000	0.8%
Vietnam Funds	USD	748,966	1.0%	1,067,337	1.2%
Hurricane Energy	GBP	–	–%	1,885,203	2.1%
		34,205,375	**45.6%**	**45,891,553**	**50.0%**
	Other holdings	**40,772,118**	**54.4%**	**45,970,787**	**50.0%**
	Portfolio	**74,977,493**	**100.0%**	**91,862,340**	**100.0%**

OFFICERS

EL ORO LTD (GUERNSEY)	EL ORO AND EXPLORATION COMPANY LIMITED (UK)
DIRECTORS	**DIRECTORS**
CRW Parish, M. A. (Oxon) (Chairman)	CRW Parish, M. A. (Oxon) (Chairman)
RAR Evans	EW Houston
SB Kumaramangalam	DRL Hunting
RE Wade	RE Wade
JA Wild	JA Wild
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SECRETARY	**SECRETARY**
Dexion Capital (Guernsey) Limited Contact: Chris Copperwaite	S McKeane

ADVISERS

AUDITOR	REGISTRAR
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