EL ORO LTD

Interim Report

for the six months ended 31 December 2015

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 2015 was £3,875,771 (total loss before tax for six months to December 2014: £12,278,279). Group net assets at 31 December 2015 under IFRS, taking all assets at fair value were £46,971,653 (equal to 73.3 pence per share) as compared with £51,340,839 at 31 December 2014 (equal to 79.7 pence per share).

The assault mounted in the market against Resource stocks continued unabated through the last few months of the year, with oil's fall accelerating and predictions of prices as low as $25 or even $10. Very few stocks were able to repel the effects, and yields on stocks such as Royal Dutch Shell rose inexorably, hitting the 8% market, despite never cutting a dividend since 1945. A glut of almonds saw once stellar Select Harvests succumb, although some reduction in the size of our holding was accomplished earlier in the year. The early part of 2016 saw a tsunami of selling, driving down even the great performers of last year, such as Halstead and Young, whilst anything with a hint of base metal or China in its product, such as Goodwin, were sold remorselessly.

With interest rate rises in the UK now no longer expected for possibly several years, and the Federal Reserve even suspected of contemplating a reduction rather than a series of rises, Gold saw its chance, and rose over $100 in the space of a few days, just as one of the most ebullient Mining conferences in the Western Cape of South Africa called it a day two weeks before commencement. That may subsequently be seen as the capitulation required by the market, as many Gold mining stocks have risen by 50 or 60% during the past few weeks. No doubt there will be setbacks to come, with the great ghoul Goldman predicting a further fall towards $1100, but it is to be hoped that the worst has passed for the Gold miners, even if the travails of Anglo-American and the major base-metal miners continue.

Troy has in recent days produced an encouraging update as production at its Karouni mine accelerates, even as we mourn the passing of Mr. David Dix, architect of its acquisition and Chairman for the past 5 years. We will take shelter in the bigger producers such as Newmont during the early stages of this rally, and have reduced more of our smaller holdings, albeit many before the year-end and the subsequent rally.

We have endeavoured to implement the intent outlined at the AGM in November, in reducing both the number of stocks and the outstanding debt: both objectives remain on target, and we would expect a significant further reduction in debt to be achieved by June, if not earlier. We have also instituted cost cuts within the office structure of Cheval Place, and are grateful for the agreements thus far achieved, which should bring a further reduction, but remain mindful not to damage the efficacy of the company, accomplished by diligent employees over the last few years.

CHAIRMAN'S STATEMENT

Whilst there remains a long way to go in a world unfriendly to small companies with exposure to resources, and at a time of dividend cuts across many sectors, we believe the tide may very slowly be turning in our favour, unless the recent recovery in precious metals turns out to be flash in the pan.

There can be very few investors, other than those in cash or Government bonds, who have remained unaffected by the recent turmoil, to the point where the Chancellor has been forced to withdraw his proposed sale of Lloyds Bank shares to the public, and it would appear that both the Chinese and French are having second thoughts on participating in the building of the already delayed Hinkley Point Nuclear power station. RWE in Germany has likewise been forced into a Dividend cut, as a result of its government's abandonment of Nuclear power following the Fukushima tsunami. The power of governments to upset the best laid plans of mice and men is ever-present, and visible in the share price of Drax, after all the British Government's chopping and changing.

The tragedy is that Britain's plentiful supply of Coal and solid fuel power stations have been condemned to death by the present and previous energy Secretaries, whose damage to British industry and the sustainability of its energy supplies will endure long after they have become a blot on the memory of Ministerial ignorance and faulty decisions. The disaster in store is likely to be comparable to that achieved by successive governments on Education, in eliminating Grammar schools from the Bed-rock of the School programme.

The great experiment in Japan at devaluing the currency and boosting the Stock market has had precisely the opposite effect, with the Yen soaring, and anyone convinced of the efficacy of Government regulation and the viability of Quantitative Easing should go to watch the Big Short to see the effects of egregious behaviour by big institutions, primarily banks, whose disastrous consequences still resonate today. Two of the few countries to emerge with any honour or success, not necessarily both, are Iceland and Ireland. QE's effect has been to boost asset prices and sales of luxury yachts and condominiums, but it would appear that even that bubble is beginning to burst, as Mr. Moulton's Better Capital has discovered.

The honeymoon of the emergent Conservative government has been brief in the extreme, as its doyen the Chancellor now concocts a cunning ploy to finish what Mr. Brown started, the destruction of the British pension industry: not content with reducing to laughable levels the upper limits, there are suggestions he will remove the tax-exemption altogether, thus yet again removing any incentive to save and make provision for the future.

CHAIRMAN'S STATEMENT

This is aligned with his assault on middle-England's favourite past-time and source of wealth-creation, Buy–to-Let, by introducing a discriminatory rate of stamp-duty, and removing tax-relief on the cost of the mortgage. He may well accomplish a repeat of what his exorbitant stamp-duty increases have done to the higher-level housing market, where its revenue has been considerably reduced, and the market itself ground to a halt. The imposition of the Living wage, raising wages across the country to £9 by 2020 is another example of management by diktat, taking no account of regional differences in cost levels, nor more especially of the vast subterranean labour market that exists in South-East England, recruiting some of the migrants who now form 70% of London's population, and many of whom are outside the scope of any legislative controls.

The man he hopes to succeed as Prime Minister meanwhile returns from Brussels, having sold the birthright of our Sovereignty for a mess of pottage, with nothing of substance garnered from the renegotiations, least of all in controlling the vast influx of migrants, both legal and illegal, that he once promised to reduce. On the adage that 'Ye shall know them by the company that they keep', the recruitment of those paragons of successful economics, Messrs. Brown, Blair and Obama, along with Corbyn and Clegg to the Remain campaign should be sufficient to give many pause for thought.

It might also be pertinent to observe that it is predicted by some Muslims that within 5 years Belgium may become a predominantly Muslim state: the ideals of which would be in total conflict with those of Democracy, and its presumed proponent the European Union. The heart of the EU could therefore be contained within a Caliphate: an actuality that is being studiously ignored at the present time, much as is the proposed addition of Turkey, a predominantly Muslim country of around 80 million people with an enormous dichotomy in the distribution of wealth.

Gaitskell's prescient warning to carefully consider the prospect of the loss of 1000 Years' of Sovereignty is more relevant today as we face a further and supposedly final referendum on our future within the European Union. The winds of change are again blowing through Europe and there is hope that the United Kingdom will unfurl its ancient British fettle, by hoisting the mainsail and setting course for international waters, regaining its role once again as an independent trading Nation.

It is to be hoped that even if he succeeds in gagging his Cabinet colleagues, or dragooning them into line, the public will see through this sorry charade: disillusion with the machinations of established politicians and their ploys is now prevalent across Western democracies, and to be seen in the upsurge in support for maverick politicians in the United States, and for Mr. Malema's outfit in South Africa.

CHAIRMAN'S STATEMENT

Whether this will be recognized in the eventual ballots will be one of the fascinations in store during 2016.

At the current time, we are concerned to surmount the challenges of slowing markets, amidst tremors within the Banking sector, where low or negative interest rates combined with incessant Regulatory fines threaten to damage the structure of the entire system. Whilst recent rises in oil and gold shares are encouraging, there remains a long way to go to recover a semblance of stability. We are not unhopeful, and remain vigilant for reinforcing the pace of recovery.

We are grateful as always to the staff at Cheval Place for their fortitude in facing these challenges, and for the support and advice accorded by our Board.

'It is better to hear the rebuke of the wise than for a man to hear the song of fools.' Ecclesiastes 7:5.

Robin Woodbine Parish
11 March 2016

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

	Note	31 December 2015 £	31 December 2014 £
Revenue			
Net losses on investments	1	**(2,494,418)**	(10,888,127)
Expenses		**(760,069)**	(749,406)
Loss before finance costs and taxation		**(3,254,487)**	(11,637,533)
Finance costs:			
Interest		**(621,284)**	(640,746)
		(621,284)	(640,746)
Loss before taxation		**(3,875,771)**	(12,278,279)
Tax refund		**540,635**	1,003,193
Loss for the period		**(3,335,136)**	(11,275,086)
Loss per share (basic and diluted)		**(5.2)p**	(17.51)p

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

	31 December 2015 £	31 December 2014 £
Loss for the period	**(3,335,136)**	(11,275,086)
Decrease in equity	**(2,960)**	(41,141)
Dividends paid (net)	**(1,517,813)**	(2,360,751)
	(4,885,909)	(13,676,978)
Opening capital and reserves attributable to equity holders	**51,827,562**	65,017,817
Closing capital and reserves attributable to equity holders	**46,971,653**	51,340,839

CONSOLIDATED BALANCE SHEET (Unaudited)

As at 31 December

	Note	31 December 2015 £	31 December 2014 £
Assets			
Non-current assets			
Property, plant and equipment		**1,094,063**	1,128,641
		1,094,063	1,128,641
Current assets			
Trade and other receivables		**462,703**	355,321
Financial assets fair valued through the income statement:	5		
– Securities		**64,421,349**	74,977,493
Cash and cash equivalents	2	**3,087,037**	3,712,205
		67,971,089	79,045,019
Liabilities			
Current liabilities			
Financial liabilities:			
Borrowings	2	–	483,951
Trade and other payables		**513,205**	546,401
Current tax liabilities		**257,177**	458,457
Financial liabilities fair valued through the income statement:			
– Derivatives		**3,549,666**	4,117,056
		4,320,048	5,605,865
Net current assets		**63,651,041**	73,439,154
Non-current liabilities			
Borrowings		**15,000,000**	20,000,000
Deferred taxation		**2,773,451**	3,226,956
		17,773,451	23,226,956
Net assets		**46,971,653**	51,340,839
Stockholders' equity			
Ordinary shares	3	**444,185**	447,145
Share premium reserve		**6,017**	6,017
Capital redemption reserve		**347,402**	347,402
Merger reserve		**3,564**	3,564
Retained earnings reserve	4	**46,170,485**	50,536,711
Total equity		**46,971,653**	51,340,839
Net asset value per share		**73.3p**	79.7p

CONSOLIDATED CASH FLOW STATEMENT (Unaudited)

for the six months ended 31 December

	Note	31 December 2015 £	31 December 2014 £
Net cash outflow from operating activities		**4,314,029**	7,454,726
Income tax (paid) / received		**(39,586)**	(564,226)
		4,274,443	6,890,500
Cash flow from investing activities		**–**	(9,085)
Cash flow from financing activities		**(7,211,563)**	(3,005,514)
Net decrease in cash and cash equivalents		**(2,937,120)**	3,875,901
Cash and cash equivalents at 30 June		**6,243,048**	(1,205,408)
Effect of foreign exchange rate changes		**(218,891)**	557,761
Cash and cash equivalents at 31 December	2	**3,087,037**	3,228,254

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

The Unaudited Consolidated Interim Financial Statements ("Financial Statements") for the six months ended 31 December 2015 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 2015.

A final dividend of 2.405 pence was paid in relation to the year ended 30 June 2015 on 27 November 2015.

The Financial Information was approved by the Board of Directors on 11 March 2016.

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 (CISE) – 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 2015 £	31 December 2014 £
Dividends	**764,087**	868,792
Realised gains / (losses)	**476,924**	(3,333,853)
Unrealised losses	**(3,747,459)**	(8,423,581)
Other income	**12,030**	515
	(2,494,418)	(10,888,127)

2. CASH AND CASH EQUIVALENTS

	31 December 2015 £	31 December 2014 £
Cash available on demand	**3,087,037**	3,712,205
Amounts due to brokers	**–**	(483,951)
	3,087,037	3,228,254

3. ORDINARY SHARES IN ISSUE

	Shares 2015 #	Shares 2014 #	**31 December 2015 £**	31 December 2014 £
Issued capital as at 30 June	**64,397,295**	64,457,305	**447,145**	488,286
Treasury - Purchases	**–**	(60,010)	**–**	(41,141)
Treasury - Purchases for cancellation	**(296,050)**	–	**(2,960)**	–
Treasury - Sales	**–**	–	**–**	–
Issued capital as at 31 December	**64,101,245**	64,397,295	**444,185**	447,145
Treasury account as at 31 December	**260,045**	260,045	**199,428**	199,428

4. RESERVES

	31 December 2015 £	31 December 2014 £
Retained earnings as at 30 June	**51,023,434**	64,172,548
Total losses for the period	**(3,335,136)**	(11,275,086)
Dividend paid (net)	**(1,517,813)**	(2,360,751)
Retained earnings as at 31 December	**46,170,485**	50,536,711

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 2015		**31 December 2014**	
Security	**Underlying currency**	**Fair value GBP**	**% of portfolio**	**Fair value GBP**	**% of portfolio**
Young & Co.	GBP	8,156,251	12.7%	9,670,361	12.9%
James Halstead	GBP	3,182,400	4.9%	2,528,913	3.4%
Fuller, Smith & Turner	GBP	2,784,631	4.3%	2,083,872	2.8%
Dee Valley Group	GBP	1,937,418	3.0%	1,622,159	2.2%
Shepherd Neame	GBP	1,787,760	2.8%	1,754,890	2.3%
Pantheon Resources	GBP	1,672,000	2.6%	–	–%
Kuala Lumpur Kepong	MYR	1,567,159	2.4%	1,795,417	2.4%
M P Evans Group	GBP	1,538,719	2.4%	1,935,129	2.6%
Amerisur Resources	GBP	1,115,558	1.7%	3,049,233	4.1%
Archipelago Metals	USD	–	–%	1,304,615	1.7%
Blackrock Funds	GBP	–	–%	1,205,847	1.6%
Goodwin	GBP	–	–%	1,157,850	1.5%
Mountview Estates	GBP	–	–%	1,144,110	1.5%
Troy Resources	AUD	–	–%	1,081,337	1.4%
REA Holdings	GBP	–	–%	1,055,317	1.4%
Ceravision	GBP	–	–%	1,038,859	1.4%
Conygar Investment	GBP	–	–%	1,028,500	1.4%
Vietnam Funds	USD	–	–%	748,966	1.0%
		23,741,896	**36.8%**	**34,205,375**	**45.6%**
	Other holdings	**40,679,452**	**63.2%**	**40,772,118**	**54.4%**
	Portfolio	**64,421,438**	**100.0%**	**74,977,493**	**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
REGISTERED OFFICE 1 Le Truchot Guernsey GY1 1WD	**REGISTERED OFFICE** 41 Cheval Place London SW7 1EW Telephone 020 7581 2782 Facsimile 020 7589 0195
SECRETARY Dexion Capital (Guernsey) Limited Contact: Chris Copperwaite	**SECRETARY** S McKeane

ADVISERS

AUDITOR	REGISTRAR
PricewaterhouseCoopers CI LLP Chartered Accountants and Registered Auditors PO Box 321 Royal Bank Place First Floor 1 Glategny Esplanade Guernsey GY1 4ND Channel Islands	Computershare Investor Services (Guernsey) Limited 3rd Floor, NatWest House Le Truchot St Peter Port Guernsey GY1 1WD
STOCKBROKER JM Finn & Co. 4 Coleman Street London EC2R 5TA	**SHAREHOLDER CORRESPONDENCE** Computershare Investor Services (Guernsey) Limited C/o Queensway House Hilgrove Street St Helier Jersey GY1 1ES Telephone: +44 (0) 870 707 4040 Facsimile: +44 (0) 870 873 5851 www.computershareoffshore.com