EL ORO LTD

Interim Report

for the six months ended 31 December 2017

Group founded 1 November 1886

CHAIRMAN'S STATEMENT
Interim Report as at 31 December 2017

The El Oro Group's profit before taxation for the six month period ended 31 December 2017 was £1,723,982 (profit before taxation for the six month period ended 31 December 2016: £5,132,080). The Group's net assets at 31 December 2017 were £55,917,415 or 88.5p per share (net assets at 31 December 2016: £53,708,984 or 84.6p per share).

In recent weeks, the Seine has surged 13 feet above its usual level, whilst the plugs have been removed from the Mount Nelson Hotel baths, as Cape Town endures a 100 year record drought, and faces the prospect of standpipes in the streets by the end of April. The beggar clad only in black bin liners at its entrance is a sorry spectacle, whilst downtown salerooms offer McLarens, Aston Martins and Rolls-Royces. South Africa has seen the defenestration of President Zuma, whilst the Guptas, having emerged from the poverty of Uttar Pradesh in the early 90s, count their spoils in the safety of their Dubai bank accounts, perhaps adjacent to those of ex-President Mugabe and his graceless wife. Whilst newly-elected President Ramaphosa may have less time to perfect his fly-fishing, the soaring Rand reveals the level of hope resting on his shoulders. We wish him well in restoring South Africa's reputation, solvency and economic well-being.

The soaring level of the Dow, happening on his watch as proclaimed by President Trump in his State of the Union address, was followed swiftly by a 10% fall, and rising interest rates as bonds fell on the whiff of inflation and further Fed rate increases. The clever-clogs VOL index, trading the previously benign volatility index, lost its investors $1.7bn before being closed.

Whilst many of these events have occurred after the end of the half-year, the modest progress made by the portfolio over the past 6 months, including the payment of a 2.4p dividend, should be reassuring to all but those wanting the fizz of more frenzied trading.

Our old stalwarts, Young and Co., M.P. Evans, Halstead and Goodwin amongst others have shown little price improvement, whilst maintaining or increasing their dividends. The more esoteric stocks like Shopify and Mercadolibre have soared along with their technology compatriots in China and the USA. Bacanora with its lithium plant in Mexico under construction has reached new highs. Critical Elements has slipped back after terminating its previous partnership. It is to be hoped that an equally or more propitious agreement can be achieved, as many car and battery companies compete for sources of relatively near-term supply. In a similar vein, we are encouraged by the performance of Australian Mines, whose Cobalt project in Queensland promises supplies of that essential ingredient of battery-technology.

Atalaya, developing the old Rio Tinto mine near Seville shows encouraging progress. Central Asian Metals continues its generous dividend policy, encouraged by the strength of the copper price, and will in due course, benefit from the strength of zinc, with its new purchase of Lynx Resources. Dominic Scriven's Vietnam Enterprise Investment Fund has reached new heights, reflecting astute investment decisions and the youthful profile of the Vietnamese demographics. REA Holdings remains a work-in-progress, but we continue to believe that its strategic partner and increased planting levels will eventually produce positive returns. Regrettably, the EU is considering a ban on the use of Palm Oil, even though neither M.P.Evans nor REA Holdings have plantations in proximity to the jungle habitat of the Orang-Utan.

CHAIRMAN'S STATEMENT

Phoenix Group continues to pay a welcome dividend, and has in recent days risen sharply following its agreement to buy insurance assets from Aberdeen Standard.

Amongst the smaller holdings, Burford Capital remains underpinned by the promise of its litigation successes; Fulcrum Utility wins more contracts, and Transurban has shown strong profit growth from its Australian Toll Roads, and a steady dividend flow.

North Atlantic Smaller Companies Trust continues its ascent, whilst maintaining a wary eye on valuations in the United States. Herald Investment Trust remains our ideal exposure to the Technology sector, under the ever-watchful eye of Katie Potts, whilst the effervescent Dan Betts should receive plaudits for bringing his Hummingbird mine in Mali into production. There are also signs of life stirring amongst our unlisted holdings, and every possibility that Coal in South Africa, in the form of Minergy, and steel in Serbia, under Steelmin, might in due course reward the patient.

Unfortunately the raft of new regulations that are strangling the City are more pernicious and damaging than anything that has occurred before: MIFID II described by one Investment Manager as "the worst piece of legislation that I have seen in my career". PRIIPS, KIDS, and still to arrive; GDPR, all have inflated Management costs, entrenched the position of the big players, and reduced the information flow to the small investor; typical examples of European bureaucratic meddling, coming from Statist societies that eschewed the 80's mantra of "Tell Sid". That private share ownership has declined to new lows is a shameful indictment of our approach to and belief in Capitalism, whilst big institutions coagulate their investors into collective funds and add a raft of fees that often exceed the dividend return.

Much of the new legislation pits Fund Managers against Clients, implying that the former are ogres intent on defrauding their clients, instead of trusted advisers, often maintaining relationships of many years' standing.

"It is not hard to feel tormented by regulation…I am sure I am not alone in appealing for some reprieve from the regulatory leapfrog while we deal with so many sizeable global issues" spoke the Chairman of Hiscox. Lurking in the wings is an attempt by Green lobbies to prevent insurance of coal projects, although in Britain's current big freeze, many consumers will be happy that a few Coal -powered stations still survive.

Dismantling the proven Energy Infrastructure of the country, leaving it unable to deal with the nuances of Nature, in a vain attempt in to appease the great green Goddess of Climate Change, will in due course bring even severer shortages and suffering than experienced in recent days.

The law, as re-written echoes that of Jesus referring to the Sadducees in Luke 11.v 42 "You pay tithe of mint and anise and cumin, and have omitted the weightier matters of the law: Judgment, mercy and faith-these you ought to have done, without leaving the other undone".

To add to this, the great corporate beasts of Central Europe prowl around seeking whom they may devour, with George Soros adding his largesse to the shrill Soubry and absurd Clegg and Corbyn in attempting to derail the vote of the British people. The malevolent Sir John Major has added his widow's mite to the Remain argument, oblivious to the almost terminal damage he accomplished

CHAIRMAN'S STATEMENT

with his adherence to the Exchange Rate Mechanism 26 years ago, and subsequent signing of the Maastricht Treaty.

Mr.Barnier's malicious manoeuvring is barely resisted by Theresa May's fumbling attempts at compromise, and the Emergency Exit begins to look increasingly inviting.

The collapse of Carillion, and woes of other infrastructure firms prove the prescience of Henry Marsh's (Do No Harm) adage that PFI in the NHS will prove to have done more damage than CDO's did in the Financial Crisis. These monolithic near-monopolistic enterprises are the antithesis of true Capitalism, and the smaller firms now suffering through lack of payment are the ones that should have been conducting the commissions in the first place.

The steel gantries being erected alongside the Great Western Railway route to Newport in preparation for the electrification of the line baffle many observers on a line operating since 1825 initially on steam and more recently on diesel. We understand that the cost has already tripled. TFL has announced a deficit approaching a billion pounds with falling tube and bus passenger numbers; even with the implications of changing patterns of work and travel, the absurdity of HS2 continues seemingly un-deflated despite the demise of its main contractors. Meanwhile the 3rd runway at Heathrow remains unbuilt with no date on the horizon for commencement. The urge for grandiose gestures by central government meeting the needs of a previous age is apparently undaunted by economic vision in both the political and civil service strata. The new format of offices with all-inclusive facilities has already seen IWG (formerly Regus) wither as the fast moving technology of today disrupt and disturb the models with which we have become familiar and it would seem, complacent.

It is to be hoped that the Marines, Royal Navy and other areas of our Defence Forces will be reinforced and re-equipped, rather than dismembered, as would currently appear to be the intention. Far better in these uncertain times, with recurring natural catastrophes not to mention terrorist attacks, to be fully-prepared and trained for any eventuality, than be facing oblivion such as confronted Churchill and Britain at Dunkirk.

Our foreign policy continues to insist on sanctions against Russia, and sending troops to the Baltic States, whilst Premier Xi installs himself as President for life, and China's authoritarian State asserts itself over all opposition both within and beyond its borders. Unlike Russia, it is neither Christian nor impoverished by virtue of its population and economic prowess.

Shareholders will be relieved to hear that a further tranche of debt was paid off in recent weeks, with profits taken in a number of positions prior to Wall Street's stumble. There are signs of life in the Gold market, despite the best attempts of governments from DRC to Tanzania to throw obstructions in the path of excellent companies such as Randgold.

The prospect of the dollar weakening, if any smidgeon of President Trump's Make America Great infrastructure programme were to be enacted, gives a semblance of hope for those still deluded enough to retain a belief in the insurance value of Gold. Even the ghastly swaps have begun to ameliorate somewhat, as rates edge higher.

CHAIRMAN'S STATEMENT

The Board continue their process of evaluating several proposals for the future of your company, and would hope to put their suggestions to shareholders shortly.

In the meantime, sound stocks, reducing debt and a determination to avoid previous follies should stand us all in good stead.

Ecclesiastes 9.v11: I returned and saw under the Sun, that the race is not to the swift, neither yet bread to the wise, nor the battle to the strong, nor yet riches to men of understanding, nor yet favour to men of skill: but Time and chance happeneth to them all.

With thanks to all the team at Cheval Place, where humour, competence and loyalty abound, the Board and all our advisers through thick and thin.

Robin Woodbine Parish
15th March 2018

EL ORO LTD

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Unaudited)

for the six months ended 31 December

	Notes	2017 £	2016 £
Revenue	**4a**	**684,430**	656,151
Net gains on investments	**4b**	**1,931,695**	5,483,782
		2,616,125	
Total investment income			6,139,933
Expenses		**(637,639)**	(617,495)
Profit before finance costs and taxation		**1,978,486**	5,522,438
Finance costs		**(254,504)**	(390,358)
Profit before taxation		**1,723,982**	5,132,080
Taxation credit / (charge)		**32,979**	(504,521)
Profit for the period		**1,756,961**	4,627,559
Profit per share (basic and diluted)		**2.8p**	7.3p

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Unaudited)

for the six months ended 31 December

	2017 £	2016 £
Opening capital and reserves attributable to equity holders as at 30 June 2017	**55,680,730**	50,598,883
Total comprehensive income and profit for the period	**1,756,961**	4,627,559
Dividends paid	**(1,520,276)**	(1,517,458)
Closing capital and reserves attributable to equity holders as at 31 December 2017	**55,917,415**	53,708,984

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Unaudited)

As at 31 December

	Notes	2017 £	2016 £
Non-current assets			
Property, plant and equipment		**606,709**	619,817
Investment in artwork		**500,000**	500,000
Intangible asset		**6,200**	66,000
		1,112,909	1,185,817
Current assets			
Trade and other receivables		**158,944**	156,691
Investments held at fair value through the profit or loss	**8**	**62,675,174**	70,582,683
Cash and cash equivalents	**5**	**289,554**	719,412
		63,123,672	71,458,786
Current liabilities			
Trade and other payables		**329,907**	303,608
Current tax liabilities		**326,398**	813,888
Financial liabilities at fair value through the profit or loss		**3,079,664**	4,683,313
Borrowings		**3,100,000**	–
		6,835,969	5,800,809
Net current assets		**56,287,703**	65,657,977
Non-current liabilities			
Borrowings		**–**	11,000,000
Deferred tax liabilities		**1,483,197**	2,134,810
		1,483,197	13,134,810
Net assets		**55,917,415**	53,708,984
Stockholders' equity			
Ordinary shares	**6**	**434,906**	437,732
Share premium reserve		**6,017**	6,017
Capital redemption reserve		**359,641**	356,815
Merger reserve		**3,564**	3,564
Retained earnings reserve	**7**	**55,113,287**	52,904,856
Total equity		**55,917,415**	53,708,984
Net asset value per share		**88.5p**	84.6p

CONSOLIDATED STATEMENT OF CASH FLOW (Unaudited)

for the six months ended 31 December

	Notes	2017 £	2016* £
Net cash flow from operating activities		**3,327,473**	2,013,308
Income tax paid		**(674,903)**	(89,376)
		2,652,570	1,923,932
Cash flow from investing activities		**(3,105)**	(16,746)
Cash flow from financing activities		**(3,273,171)**	(1,881,717)
Net movement in cash and cash equivalents		**(623,706)**	(25,469)
Cash and cash equivalents at 30 June		**913,260**	693,943
Cash and cash equivalents at 31 December	5	**289,554**	719,412

* Certain items have been reclassified to provide more clarity.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

El Oro Limited (the Company) and its subsidiaries (together 'the Group') trade in investments world-wide, with investments in UK companies forming the larger portion of the portfolio. Operationally the management of the consolidated portfolio is co-ordinated as two separate portfolios: the Growth and Income portfolio managed in the UK (trading company) and the Growth portfolio managed in Guernsey (holding company).

The Company is a registered closed-ended investment scheme registered pursuant to The Protection of Investors (Bailiwick of Guernsey) Law, 1987 as amended and The Registered Collective Investment Scheme Rules, 2015 issued by the Guernsey Financial Services Commission (the "Commission"). The Unaudited Consolidated Interim Financial Statements ("Financial Statements") for the six months ended 31 December 2017 do not constitute statutory accounts within the meaning of section 238 of the Guernsey Company Law (2008).

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

The Financial Statements were approved by the Board of Directors on 28 February 2018.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(continued)

El Oro Ltd is listed on The International Stock Exchange (TISE) – 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').

2. 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 2017.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS), which comprise standards and interpretations approved by the IASB and International Accounting Standards and Standing Interpretations Committee interpretations approved by the IASC that remain in effect at the date of this document. The financial statements have been prepared on a going concern basis and on the historical cost basis, except for the revaluation of financial instruments.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in the audited financial statements of El Oro Limited for the year ended 30 June 2017.

2.2 Basis of consolidation

The Company qualifies as an Investment Entity in accordance with IFRS 10 and therefore carries its investments at fair value through the profit and loss, with the exception of the Company's wholly owned UK subsidiary investment companies (which provide investment related services to the Company) which the Company consolidates on the basis of control.

All subsidiaries were wholly owned throughout the financial year. Inter-company balances, income and expenses arising from inter-company transactions, are eliminated in the preparation of the consolidated financial statements.

2.3 Going concern

The Group meets its day-to-day working capital requirements through the trading of its securities.

At the November 2016 AGM the shareholders passed a special resolution altering the Company's articles so that within six months of the 2018 AGM the Company will be put into liquidation. The directors are satisfied that as at 31 December 2017, given the

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(continued)

net assets of the Company and the Group and taking into account reasonable possible changes in performance and expenses and the continuing review of alternative options to liquidation, it is appropriate to adopt the going concern basis of accounting in preparing these unaudited consolidated financial statements.

The Group currently has an outstanding bank loan of £3.1 million (30 June 2017: £4.6 million; 31 December 2016: £11 million) which is due to be repaid by end of July 2018. It is currently anticipated that this repayment will be financed by the sale of securities.

The Group also has an outstanding interest rate swap liability of £3.1 million (30 June 2017: £3.1 million; 31 December 2016: £4.7 million). This liability will become repayable in December 2018, unless the Company's shareholders pass a special resolution to alter the Company's articles such that liquidation would not take place within 6 months of the November 2018 AGM. It is currently anticipated that this repayment, if required, will be financed by the sale of securities.

3. A final dividend of 2.42 pence was paid in relation to the year ended 30 June 2017 on 27 November 2017.

4. INVESTMENT INCOME

	31 December 2017 £	31 December 2016 £
a. Revenue		
Dividends from investments	**682,608**	653,936
Other income	**1,822**	2,215
	684,430	656,151

b. Net gains / (losses) from investments	**31 December 2017 £**	31 December 2016 £
Net realised gains on fair value of investments through the profit or loss	**1,099,359**	1,562,462
Net unrealised gains / (loss) on fair value of investments through the profit or loss	**776,604**	3,512,203
Net foreign exchange gains	**55,732**	409,117
	1,931,695	5,483,782

5. CASH AND CASH EQUIVALENTS

	31 December 2017 £	31 December 2016 £
Cash available on demand	**289,554**	719,412

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(continued)

6. ORDINARY SHARES IN ISSUE

	2017	2016	**2017**	2016
	Number of Shares	Number of Shares	**£**	£
Issued capital as at 30 June and 31 December	**63,173,398**	63,455,990	**434,906**	437,732
Treasury account as at 31 December	**260,045**	260,045	**199,428**	199,428

7. RESERVES

	2017	2016
	£	£
Retained earnings as at 30 June	**54,876,602**	49,794,755
Profit / loss after tax for the period	**1,756,961**	4,627,559
Dividend paid (net)	**(1,520,276)**	(1,517,458)
Retained earnings as at 31 December	**55,113,287**	52,904,856

The other reserves did not change during the period.

8. INVESTMENTS VALUED AT OVER GBP 1 MILLION

		31 December 2017	
Security	**Underlying currency**	**Fair value GBP**	**% of portfolio**
Young & Co.	GBP	4,410,270	7.0%
M P Evans Group	GBP	2,602,375	4.2%
Fuller, Smith & Turner	GBP	2,137,556	3.4%
James Halstead	GBP	2,056,463	3.3%
Kuala Lumpur Kepong	MYR	1,969,612	3.1%
Vietnam Funds	GBP	1,404,480	2.2%
Critical Elements	CAD	1,296,854	2.1%
REA Holdings	GBP	1,201,790	1.9%
Phoenix Group	GBP	1,173,000	1.9%
Hampden	GBP	1,050,000	1.7%
Shepherd Neame	GBP	1,045,000	1.7%
Central Asia Metal	GBP	1,021,749	1.6%
		21,369,149	**34.1%**
	Other holdings	**41,306,025**	**65.9%**
	Portfolio	**62,675,174**	**100.0%**

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(continued)

8. INVESTMENTS VALUED AT OVER GBP 1 MILLION (continued)

		31 December 2016	
Security	**Underlying currency**	**Fair value GBP**	**% of portfolio**
Young & Co.	GBP	5,993,974	8.5%
James Halstead	GBP	3,225,292	4.6%
Dee Valley Group	GBP	2,453,334	3.5%
M P Evans Group	GBP	2,359,340	3.3%
Fuller, Smith & Turner	GBP	2,265,566	3.2%
Kuala Lumpur Kepong	MYR	1,863,931	2.6%
Hurricane Energy	GBP	1,579,926	2.2%
Shepherd Neame	GBP	1,554,000	2.2%
REA Holdings	GBP	1,309,580	1.9%
Vietnam Funds	GBP	1,121,950	1.6%
Amerisur Resources	GBP	1,073,250	1.5%
PZ Cussons	GBP	1,069,760	1.5%
Phoenix Group	GBP	1,045,950	1.5%
		26,915,853	**38.1%**
	Other holdings	**43,666,830**	**61.9%**
	Portfolio	**70,582,683**	**100%**

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 East Wing Trafalgar Court Les Banques St Peter Port Guernsey	**REGISTERED OFFICE** 41 Cheval Place London SW7 1EW
SECRETARY Aztec Financial Services (Guernsey) Limited Contact: C Copperwaite	**SECRETARY** U Ni Dhonaill

ADVISERS

AUDITOR	REGISTRAR
PricewaterhouseCoopers CI LLP Chartered Accountants and Registered Auditors PO Box 321 Royal Bank Place First Floor 1 Glategny Esplanade St Peter Port Guernsey GY1 4ND Channel Islands	Computershare Investor Services (Guernsey) Limited 3rd Floor, NatWest House Le Truchot St Peter Port Guernsey GY1 1WD
CUSTODIAN HSBC Bank plc 8 Canada Square London E14 5HQ	**SHAREHOLDER CORRESPONDENCE** Computershare Investor Services (Guernsey) Limited c/o Queensway House Hilgrove Street St Helier Jersey JE1 1ES