EL ORO LTD

Interim Report

for the six months ended 31 December 2016

Group founded 1 November 1886

CHAIRMAN'S STATEMENT
Interim Report as at 31 December 2016

The El Oro Group's profit before taxation for the six month period ended 31 December 2016 was £5,132,080 (loss before taxation for the six months ended 31 December 2015: £3,875,771). The Group's net assets at 31 December 2016 were £53,708,984 or 84.6p per share (net assets at 31 December 2015: £46,971,653 or 73.3p per share).

El Oro Limited's share price as at 31 December 2016 was 65p (share price at 31 December 2015: 50p); a 30% increase. This compares to a 12% increase in the FTSE All Share index and an 11% increase in the FTSE Small Cap index over the same period.

The welcome relief evinced by these figures is akin to that experienced by a swimmer emerging from a dive into very cold water; albeit in our case the immersion has continued for 4 frigid years. We cannot help but be heartened by the emergence of abundant clumps of aconites and snowdrops, indicating the demise of Winter and proximity of Spring whilst the S & P, Dow and FTSE indexes gain previously unattained altitude.

The recovery that began primarily in Commodities' markets in February last year, found new fervour in Sterling terms after Brexit; the triumph of Donald Trump and the realisation that China was not on the point of imminent collapse placed a new plateau beneath copper, coal and iron ore; more recently the scatter-gun technique of the new US President insulting all and sundry, and the quirkiness of the Korean President have re-ignited demand for Gold, aided by the outlook for inflation. In respect of his apparent antagonism to the mores of today, we very much hope he implements Lee Kuan Yew's principle: 'I try to be correct, not politically correct'.

Coal, long the pariah of the energy world has been re-included in the confines of acceptable conversation, as President Trump changes course from worshipping at the altar of the Climate Change consensus to what may be established as a healthy scepticism. The saga of falsified figures on global warming begins to unfold publicly, and the disadvantages of burning wood become more obvious, just as Drax completes its conversion from coal to imported Wood chip. The woes of Toshiba, brought to its knees by Nuclear Power plant cost-overruns in the United States, highlight the dangers of private sector involvement in that intensely regulated industry; the warning lights are flashing for Hinkley Point.

It appears ever more perverse that in the light of the relentlessly-burgeoning deficit, the 2 great White elephants of our age, HS2 and Hinkley Point, should seem to be sailing serenely forward; the lesson of the egregious subsidies provided in Northern Ireland, and consequent fall of its Government have obviously escaped attention in the corridors of power; at the same time, the expected revenue from Stamp Duty has fallen sharply, as a result of the punitive increases imposed by the previous Chancellor: enormous harm has been done to the whole assembly of Estate Agents, property owners, developers and the entire Property sector. It has also exacerbated the hollowing-out of Central London, into an enclave of non-Doms, and Middle-Eastern hubbly-bubbly smokers, with even the Knightsbridge Barracks in all its modernist monstrosity, apparently destined for a similar fate. The sacrifice of Sefton and his Guardsmen will soon be extinguished by the swish of the Maybach limos, their passengers cowering behind their darkened windows.

It is quite possible that the long period of deflation endured by Commodity producers, whilst enjoyed by consumers, is drawing to a close. Certainly, indications within the UK are for higher levels of Inflation, as a result of the fall in Sterling, and interest rates in the US would also appear to be on a higher trajectory.

CHAIRMAN'S STATEMENT

In respect of our own portfolio, despite its fairly swift failure to achieve sufficient acceptances, the KLK offer for our holding in M.P. Evans has raised that company to a new price level, which has been maintained and enhanced by the recent purchases undertaken by KLK in the market.

Whilst still well short of the estimate of value provided by M.P. Evans during the attempted takeover, we are pleased to see that it underpins their valuation, whilst reinforcing the tenacious stewardship of the company that the management has displayed over many years. This can but reflect positively on our other holdings in the sector, underpinned by a firmer Palm Oil price, amidst burgeoning demand in Asia. We do believe that it underscores the durability and inherent value of many of the larger positions in the portfolio.

We were also the beneficiaries in the Autumn of a bid, firstly from Ancala and subsequently from Severn Trent for our holdings in Dee Valley Water Company, again held for a considerable length of time. Due to a nuance of the articles, whereby a majority of shareholdings had to vote in favour, this had to be resolved by a hearing in Court, and has only in the past few weeks been sanctioned to go ahead. Whilst we will regret the loss of our steady and unimpeachable dividend paid consistently by a fine company, we will use the proceeds to reduce the outstanding debt.

Many of our long-term holdings have also advanced to new or near previous highs, including James Halstead, Young & Co, Renishaw, Fulcrum Utility, Royal Dutch Shell, British American Tobacco and Porvair, to mention a few. Herald Investment Trust with its loyal commitments to Apple amongst other technology triumphs, continues to enhance the reputation of its manager, Katie Potts.

Hurricane Energy, enhanced by stellar drill results and greater optimism in the oil sector has made further advances since the full-year, and may have more to come. Some more recent holdings, such as Burford Capital and Bowleven have also made further progress.

Less encouraging has been the debacle over Troy, which fell hard after an injudicious share sale during its close period following a rights' issue and the subsequently announced pit-wall collapse. The reliance on a single mine in an Equatorial area subject to consistently heavy rain stands as a severe rebuke to our failure to take more profits when they were available. It will be a long haul back to credibility, but the Reserves of 300,000 ounces, still remaining despite 9 months' mining, gives us a shred of comfort.

Elsewhere in the Mining sector, Endeavour Mining , B2 Gold, and Nevsun, the latter enhanced by its takeover of Reservoir Minerals' huge copper deposit in Serbia, amongst others, continue to show promise: it is possible that the sunshine in South Africa excessively enthuses one's judgment at the recent Mining conferences in and around Cape Town, but a more charitable view is that the worst has passed in the Mining Sector, and a more favourable era has resumed for carefully selected stocks. The same might also be true for the Lithium sector, where various car companies, not least Volkswagen, now seeking to make amends for its 'Defeat Devices' on its diesel cars, are making public their commitment to Electric cars.

On the home front, the Battle over Brexit has now moved into the parliamentary arena, whilst the nay-sayers and gloom merchants continue their sniping from the side lines. Europe itself faces its days of destiny, with elections on the horizon in France and the Netherlands, as well as Italy, each with its

CHAIRMAN'S STATEMENT

own brand of maverick politicians, any one of whom could upset the cosy Socialist consensus that has embroiled its constituent parts for 50 years or more.

Greece's ejection or departure from the Euro looms ever closer, perhaps to be followed by Italy. Either event, however unlikely, must now be considered feasible, in the light of events on both sides of the Atlantic. Undoubtedly such uncertainty seems to bode well for holders of precious metals, whilst Britain's new trajectory towards more vibrant and populous economies of Asia, Australasia and the Americas will in due course bring it far greater prosperity than sticking with the failed system of dogmatic and authoritarian socialism that the E.U represents.

It is to be hoped that President Trump's more pragmatic and sanguine approach towards relations with Russia will not be thwarted by the nostalgic yearning for the old certainties of the Cold War: the malevolence of the East Coast Press (even when exacerbated by the new President's outbursts) and the interests of the Military-Industrial complex, combined with a long history of antagonism to the old USSR, will be formidable opponents to the recognition of Russia, whatever its internal failings, as our foremost ally in defeating the rise of Militant Islam.

In Britain, huge challenges face the new Conservative administration, where the NHS remains embedded in excess expenditure and severe management challenges; Defence has been impaired and emasculated, resulting in loss of morale and lack of reliable equipment, and Education stutters forward, hampered by modern thinking on providing 'safe spaces' where students can retreat from being challenged on ideas alien to their customary thinking; and the suspicion is entrenched that able students are being passed over for admission to University in favour of those with 'potential' from more deprived backgrounds.

More pertinent to the Fund Management sector, endless new regulations are imposed, tying able fund managers in ever more complex knots from which even Houdini would find it difficult to escape. The same applies to the Banking sector, and it will be instructive to see how much of the recent regulatory regime in the States survives President Trump's intended reforms.

The Housing sector in the UK, often accused of 'hoarding' land to enhance prices, has recently rebuffed such charges, pointing out the time taken to secure full planning permission on even the simplest building plots. President Reagan's maxim that the Government Is the Problem, rings ever truer.

The current imbroglio over the Rating Reviews, which threatens especially our beloved Pub sector with an enormous rise in costs, highlights a taxation structure ill-suited to today's internet era: it would be perverse if those Clubs, Charities, and old-era businesses were to be driven out of existence because of their location in South–East England, whilst the On-line Giants continue their charmed existence safe in the ether of their tax-free zones. The increasing burden of the Living wage likewise threatens real businesses employing actual people, foremost amongst which is the hospitality sector. In addition, direct taxation remains excessive, still bordering on 50%, as well as complex, and remains overdue for simplification and reduction.

We are confident that our larger investments in the hospitality sector will continue to thrive, but many on the margin will be seriously threatened and it is to be hoped that the current Chancellor will be

CHAIRMAN'S STATEMENT

more sensitive to the potential damage than his predecessor proved to be and prompter in ameliorating the threats.

Looking to the Future, Shareholders will be aware that a Special Resolution was passed at the 2016 AGM, to put your company into liquidation after the 2018 AGM, UNLESS a vote to continue is passed prior to that date.

Whilst there may well be many who would welcome the bird in the hand, it was also apparent at that AGM that a sizeable number do not regard that route as liable to bring best value to shareholders, not least due to the comparatively illiquid nature of many of your Company's larger holdings.

Your Board is in the meantime, looking at whatever other options are available to it, and remains cognisant of the discount prevailing over the current share price. This has in the past proved attractive for new arrivals, and undoubtedly continues to be so, even if of remorse to long-term holders.

It is my personal belief that a continuation would prove to more advantageous in the longer-term, as we move closer to our no-debt position and with fewer but larger holdings, many established in promising and consistently successful areas.

I am sure the Directors will mull over these matters with their usual panache, and choose a path that will bring benefit to us all.

In recent weeks, we mourn the passing of Sarah Nops, a loyal shareholder and doyenne of the Cooking world, whose delicious and sustaining food has graced many Annual Meetings. We treasure her memory and the example she set of honest endeavour, tremendous but unsung talent and stoical disregard of her own suffering.

We also mourn the recent death of Mr.Gwyther, Cobbler, hotelier, farmer and businessman extraordinaire of Bishop's Castle, who epitomised so many of the virtues of hard work and mastery of his own craft: having helped revitalise and re-develop Bishop's Castle in the 60s,he never forewent his craft of cobbling, repairing shoes for 4 generations of my family. His essential common sense and aptitude have been a guiding-light to us for more than half a century.

Psalm XXIV v 6: For by wise Counsel thou shalt make thy war, and in the multitude of counsellors there is safety.

As we step forward on more solid ground, I would like to express my thanks to the splendid team in Cheval Place, Una, Abbie, Nick and Nancy, as well as Chris Copperwaite and his colleagues in Guernsey for their support and unflagging efforts during some trying times. As the songster Johnny Nash wrote 'I can see clearly now, the rain has gone, I can see all obstacles in my way'.

More obstacles can certainly be expected, but we are now in a far better position from which to deal with them, and have a greater degree of confidence that shareholders will benefit from staying on board for the journey ahead.

Robin Woodbine Parish
28 February 2017

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

	Notes	31 December 2016 £	31 December 2015 £
Revenue	1a	**656,151**	776,117
Net gains / (losses) on investments	1b	**5,483,782**	(3,270,535)
Total investment income / (loss)		**6,139,933**	(2,494,418)
Expenses		**(617,495)**	(760,069)
Profit / (loss) before finance costs and taxation		**5,522,438**	(3,254,487)
Finance costs		**(390,358)**	(621,284)
Profit / (loss) before taxation		**5,132,080**	(3,875,771)
Taxation (charge) / credit		**(504,521)**	540,635
Profit / (loss) for the period		**4,627,559**	(3,335,136)
Profit / (loss) per share (basic and diluted)		**7.3p**	(5.2)p

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

	31 December 2016 £	31 December 2015 £
Opening capital and reserves attributable to equity holders	**50,598,883**	51,827,562
Total comprehensive income and profit / (loss) for the period	**4,627,559**	(3,335,136)
Decrease in equity	–	(2,960)
Dividends paid (net)	**(1,517,458)**	(1,517,813)
Closing capital and reserves attributable to equity holders	**53,708,984**	46,971,653

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Unaudited)

As at 31 December

	Notes	31 December 2016 £	31 December 2015 £
Non-current assets			
Property, plant and equipment		**619,817**	1,094,063
Investment in artwork		**500,000**	–
Intangible asset		**66,000**	–
		1,185,817	1,094,063
Current assets			
Trade and other receivables		**156,691**	462,703
Investments held at fair value through the profit or loss	**5**	**70,582,683**	64,421,349
Cash and cash equivalents	**2**	**719,412**	3,087,037
		71,458,786	67,971,089
Current liabilities			
Trade and other payables		**303,608**	513,205
Current tax liabilities		**813,888**	257,177
Financial liabilities at fair value through the profit or loss		**4,683,313**	3,549,666
		5,800,809	4,320,048
Net current assets		**65,657,977**	63,651,041
Non-current liabilities			
Borrowings		**11,000,000**	15,000,000
Deferred tax liabilities		**2,134,810**	2,773,451
		13,134,810	17,773,451
Net assets		**53,708,984**	46,971,653
Stockholders' equity			
Ordinary shares	**3**	**437,732**	444,185
Share premium reserve		**6,017**	6,017
Capital redemption reserve		**356,815**	347,402
Merger reserve		**3,564**	3,564
Retained earnings reserve	**4**	**52,904,856**	46,170,485
Total equity		**53,708,984**	46,971,653
Net asset value per share		**84.6p**	73.3p

CONSOLIDATED STATEMENT OF CASH FLOW (Unaudited)

for the six months ended 31 December

	Notes	31 December 2016 £	31 December 2015 £
Net cash flow from operating activities		**1,633,066**	4,314,029
Income tax paid		**(82,055)**	(39,586)
		1,551,011	4,274,443
Cash flow from investing activities		**(16,746)**	–
Cash flow from financing activities		**(1,881,733)**	(7,211,563)
Net movement in cash and cash equivalents		**(347,468)**	(2,937,120)
Cash and cash equivalents at 30 June		**693,943**	6,243,048
Effect of foreign exchange rate changes		**372,937**	(218,891)
Cash and cash equivalents at 31 December	**2**	**719,412**	3,087,037

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

The Unaudited Consolidated Interim Financial Statements ("Financial Statements") for the six months ended 31 December 2016 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 2016.

A final dividend of 2.405 pence was paid in relation to the year ended 30 June 2016 on 28 November 2016.

The Financial Information was approved by the Board of Directors on 28 February 2017.

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. INVESTMENT INCOME

	31 December 2016 £	31 December 2015 £
a. Revenue		
Dividends from investments	**653,936**	764,087
Other income	**2,215**	12,030
	656,151	776,117

b. Net gains / (losses) from investments	31 December 2016 £	31 December 2015 £
Net realised gains on fair value of investments through the profit or loss	**1,562,462**	758,404
Net unrealised gains / (loss) on fair value of investments through the profit or loss	**3,512,203**	(3,747,459)
Net foreign exchange gains	**409,117**	(281,480)
	5,483,782	(3,270,535)

2. CASH AND CASH EQUIVALENTS

	31 December 2016 £	31 December 2015 £
Cash available on demand	**719,412**	3,087,037

3. ORDINARY SHARES IN ISSUE

	Shares 2016 #	Shares 2015 #	31 December 2016 £	31 December 2015 £
Issued capital as at 30 June	**63,455,990**	64,397,295	**437,732**	447,145
Treasury - Purchases for cancellation	–	(296,050)	–	(2,960)
Issued capital as at 31 December	**63,455,990**	64,101,245	**437,732**	444,185
Treasury account as at 31 December	**260,045**	260,045	**199,428**	199,428

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

4. RESERVES

	31 December 2016 £	31 December 2015 £
Retained earnings as at 30 June	**49,794,755**	51,023,434
Profit / loss after tax for the period	**4,627,559**	(3,335,136)
Dividend paid (net)	**(1,517,458)**	(1,517,813)
Retained earnings as at 31 December	**52,904,856**	46,170,485

The other reserves did not change during the period.

5. INVESTMENTS VALUED AT OVER GBP 1 MILLION

		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%**

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

Security	Underlying currency	31 December 2015 Fair value GBP	% of portfolio
Young & Co.	GBP	8,156,251	12.7%
James Halstead	GBP	3,182,400	4.9%
Fuller, Smith & Turner	GBP	2,784,631	4.3%
Dee Valley Group	GBP	1,937,418	3.0%
Shepherd Neame	GBP	1,787,760	2.8%
Pantheon Resources	GBP	1,672,000	2.6%
Kuala Lumpur Kepong	MYR	1,567,159	2.4%
M P Evans Group	GBP	1,538,719	2.4%
Amerisur Resources	GBP	1,115,558	1.7%
		23,741,896	**36.8%**
	Other holdings	**40,679,452**	**63.2%**
	Portfolio	**64,421,438**	**100%**

OFFICERS

EL ORO LTD (GUERNSEY)	**EL ORO AND EXPLORATION COMPANY LIMITED (UK)**
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