



## MINING RESEARCH

### Horizonte Minerals

7.75p

#### Company update

3 November 2009

In September, Horizonte (AIM: HZM) completed a placing to raise £1.3 million. The funds were raised to accelerate the development of its portfolio of projects and to facilitate the evaluation of new projects.

The fundraising followed the completion of an agreement with the major gold producer, AngloGold Ashanti, for a US\$5.3 million exploration alliance. The alliance will focus on the greenfields discovery and development of gold mineralisation in Brazil. This is a significant achievement for Horizonte as it provides endorsement from one of the world's major gold producers that Horizonte has the expertise and experience to make new mineral discoveries. We maintain our **BUY** recommendation and target price of 14p per share.

On 15 September, Horizonte announced that it had raised £1.3 million through the placing of 18.5 million new shares at 7p per share. This ensures that the company's exploration programme is now well funded. Horizonte reported that the funds would be used to aggressively develop resources on its core assets including the Lontra nickel discovery in Brazil and the Pararapa gold project in Peru. Horizonte's aim is to develop its projects, in tandem with major mining companies, to provide mid-term cash flow.

#### AngloGold Ashanti exploration alliance

On 4 September, Horizonte announced an agreement with mining giant, AngloGold Ashanti, to form an exploration alliance. The US\$5.3 million alliance is initially for a three year period and will focus on the discovery of gold mineralisation in Brazil.

The terms of the exploration alliance are as follows:

- AngloGold to fund the initial US\$900,000 twelve month exploration programme
- On completion of the initial twelve month programme, AngloGold Ashanti may elect to continue with the exploration alliance by funding a further US\$1.4 million in exploration expenditure over the second year, followed by an additional US\$3 million over the third year
- Horizonte to provide technical and operational management
- New discoveries will be 49% owned by Horizonte and 51% owned by AngloGold
- Upon earning 51%, AngloGold may elect to earn a further 19% by the funding a given target to pre-feasibility study within three years

The initial twelve month exploration programme will encompass regional prospecting, the identification of regional targets and where necessary, tenement applications.

#### HW comment

This is excellent news for the company as it represents AngloGold Ashanti's ringing endorsement of Horizonte's expertise in making early stage mineral discoveries in Brazil. AngloGold Ashanti is one the world's major gold producers and more importantly, provides a vehicle for Horizonte to discover and develop new gold projects.

### BUY

#### ANALYST

Kate Ward

+ 44 (0)20 7601 6140

[kate.ward@hansonwesthouse.com](mailto:kate.ward@hansonwesthouse.com)

#### SALES & TRADING CONTACTS

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#### COMPANY DESCRIPTION

Gold, silver and base metal exploration and development company focused on Brazil and Peru

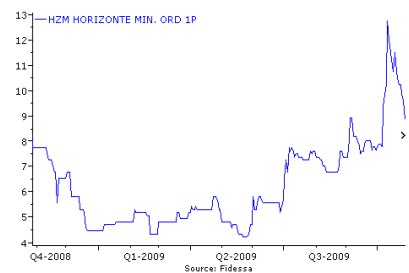
#### INVESTMENT DATA

Ticker	HZM
Listing	AIM
No. of shares	59.01m
Market cap.	£4.57m

#### SHAREHOLDERS Holding (%)

Anglo Pacific Group	15.5
MVR	8.5
Gartmore Investments	6.0
Barclays Stockbrokers	5.1

#### 12M SHARE PRICE PERFORMANCE



HansonWesthouse acts as nominated adviser and broker to Horizonte Minerals PLC and is paid fees for these services.

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This exploration alliance is the fourth exploration agreement which Horizonte has in place. The other agreements include the Tangará gold project joint venture with Troy Resources NL, the Pararapa gold project farm-in joint venture with Barrick Gold, the world's largest gold producer, and the project development joint venture with private Brazilian trading company, LGA Mineração e Siderurgia Ltda. We believe that these agreements are a good testament to Horizonte's strong ability to make new mineral discoveries, providing real value to shareholders.

### **Target price 14p per share**

We maintain our **BUY** recommendation for Horizonte with a target price of 14p per share. This is a substantial premium to the current share price and it is significant to note that despite increasing its issued share capital base following the raising in September, our valuation of the company remains at 14p per share.

This is due in part to the AngloGold exploration alliance, from which we have added the value of Horizonte's 49% share of the first twelve month's exploration expenditure. In addition, we have revised our \$:£ exchange rate to the current exchange rate which is US\$1.64: £1.00 and updated our nickel forecast to US\$18,000/tonne which strongly increases the value of the company's Lontra nickel discovery.

(See our research note dated 2 March 2009 initiating coverage on Horizonte for further details of our sum-of-the-parts valuation methodology).

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## CONTACTS

### SALES:

**Sanjiv Pandya**

+44 (0)20 7601 6130

[sanjiv.pandya@hansonwesthouse.com](mailto:sanjiv.pandya@hansonwesthouse.com)

**Simon Hodges**

+44 (0)20 7601 6136

[simon.hodges@hansonwesthouse.com](mailto:simon.hodges@hansonwesthouse.com)

**Malcolm Graham-Wood**

+44 (0)20 7601 6138

[malcolm.graham-wood@hansonwesthouse.com](mailto:malcolm.graham-wood@hansonwesthouse.com)

**Deborah Kimbell**

+44 (0)20 7601 6127

[deborah.kimbell@hansonwesthouse.com](mailto:deborah.kimbell@hansonwesthouse.com)

### SALES TRADING:

**Martin Dobson**

+44 (0)20 7601 6135

[martin.dobson@hansonwesthouse.com](mailto:martin.dobson@hansonwesthouse.com)

**Helen Brown**

+44 (0)20 7601 6126

[helen.brown@hansonwesthouse.com](mailto:helen.brown@hansonwesthouse.com)

**Adrian Beatty**

+44 (0)20 7601 6139

[adrian.beatty@hansonwesthouse.com](mailto:adrian.beatty@hansonwesthouse.com)

**Iлона Саму**

+44 (0)20 7601 6137

[ilona.samu@hansonwesthouse.com](mailto:ilona.samu@hansonwesthouse.com)