

Horizonte Minerals plc
Condensed Consolidated Interim Financial Statements
for the three months ended 31 March 2016

Condensed consolidated statement of comprehensive income

		3 months ended	
		March 31	
		2016	2015
		Unaudited	Unaudited
	Notes	£	£
Continuing operations			
Revenue		-	-
Cost of sales		-	-
Gross profit		-	-
Administrative expenses		(184,090)	(214,437)
Charge for stock options granted		(9,092)	(42,211)
Change in fair value of contingent consideration	5	(99,767)	(245,375)
Gain/(loss) on foreign exchange		44,311	(127,142)
Other losses – impairment of available for sale asset		-	(253,006)
Profit / (Loss) from operations		(248,638)	(882,171)
Finance income		2,056	7,117
Finance costs		(85,518)	(80,981)
Profit / (Loss) before taxation		(332,100)	(956,035)
Taxation		-	-
Profit / (Loss) for the period from continuing operations		(332,100)	(956,035)
Other comprehensive income			
Items that may be reclassified to profit or loss			
Change in value of available for sale financial assets		-	253,006
Exchange differences on translating foreign operations		<u>3,288,712</u>	<u>(2,926,883)</u>

Other comprehensive income for the period, net of tax		3,288,712	(2,673,877)
Total comprehensive income for the period attributable to equity holders of the Company		2,956,612	(3,629,912)
Earnings per share from continuing operations attributable to the equity holders of the Company			
Basic and diluted profit/(loss) pence per share	9	(0.049)	(0.194)

Condensed consolidated statement of financial position

		31 March 2016 Unaudited	31 December 2015 Audited
	Notes	£	£
Assets			
Non-current assets			
Intangible assets	6	23,432,223	19,455,465
Property, plant & equipment		9,429	38,032
Deferred taxation		4,122,149	4,445,157
		27,563,801	23,938,654
Current assets			
Trade and other receivables		29,478	22,385
Other current financial assets		-	-
Cash and cash equivalents		2,173,055	3,527,280
		2,202,533	3,549,665
Total assets		29,766,334	27,488,319
Equity and liabilities			
Equity attributable to owners of the parent			
Issued capital	7	6,712,044	4,924,271
Share premium	7	31,252,708	31,095,370
Other reserves		(4,047,615)	(2,995,478)
Accumulated losses		(11,404,181)	(10,440,693)
Total equity		22,512,956	22,583,470
Liabilities			
Non-current liabilities			
Contingent consideration	5	5,356,914	2,561,867
Deferred taxation		1,791,571	1,931,957
		7,148,485	4,493,824
Current liabilities			

Trade and other payables	104,893	411,025
Total liabilities	7,253,378	4,904,849
Total equity and liabilities	29,766,334	27,488,319

Condensed statement of changes in shareholders' equity

	Attributable to the owners of the parent				Total £
	Share capital £	Share premium £	Accumulated losses £	Other reserves £	
As at 1 January 2015	4,924,271	31,095,370	(9,526,869)	(321,601)	26,171,171
Profit/(Loss) for the period	-	-	(956,035)	-	(956,035)
Other comprehensive income					
Currency translation differences	-	-	-	(2,926,883)	(2,926,883)
Change in value of available for sale assets	-	-	-	253,006	253,006
Total comprehensive income	-	-	(956,035)	(2,673,877)	(3,629,912)
Share based payments	-	-	42,211	-	42,211
Total contributions by and distributions to owners of the Company	-	-	42,211	-	42,211
As at 31 March 2015 (unaudited)	4,924,271	31,095,370	(10,440,693)	(2,995,478)	22,583,470
As at 1 January 2016	6,712,044	31,252,708	(11,081,173)	(7,336,327)	19,547,252
Profit/(Loss) for the period	-	-	(332,100)	-	(332,100)
Other comprehensive income					
Currency translation differences	-	-	-	3,288,712	3,288,712
Change in value of available for sale assets	-	-	-	-	-
Total comprehensive income	-	-	(332,100)	3,288,712	2,956,612
Share based payments	-	-	9,092	-	9,092

Total contributions by and distributions to owners of the Company	-	-	9,092	-	9,092
As at 31 March 2016 (unaudited)	6,712,044	31,252,708	(11,404,181)	(4,047,615)	22,512,956

Condensed Consolidated Statement of Cash Flows

	3 months ended	
	31 March	
	2016	2015
	Unaudited	Unaudited
	£	£
Cash flows from operating activities		
Profit / (Loss) before taxation	(332,100)	(956,035)
Interest income	(2,056)	(7,117)
Finance costs	85,518	80,981
Loss on disposal of subsidiary	-	3,848
Realisation of Peruvian Reserves	-	13,353
Impairment of Available For Sale Assets	-	253,005
Exchange differences	(44,311)	127,142
Employee share options charge	9,092	42,211
Change in fair value of contingent consideration	99,767	245,375
Depreciation	285	412
Operating loss before changes in working capital	(183,805)	(196,825)
Decrease / (Increase) in trade and other receivables	12,933	(279)
(Decrease) / Increase in trade and other payables	(46,869)	(78,596)
Net cash outflow from operating activities	(217,741)	(275,700)
Cash flows from investing activities		
Net purchase of intangible assets	(392,976)	(1,108,565)
Purchase of property, plant and equipment	-	-
Interest received	2,056	7,117
Net cash used in investing activities	(390,920)	(1,101,448)
Cash flows from financing activities		
Proceeds from issue of ordinary shares (net of issue costs)	-	-
Net cash inflow from financing activities	-	-
Net (decrease)/increase in cash and cash equivalents	(608,661)	(1,377,148)
Cash and cash equivalents at beginning of period	2,738,905	5,030,968
Exchange on cash and cash equivalents	42,811	(126,540)
Cash and cash equivalents at end of the period	2,173,055	3,527,280

Major non-cash transactions

There were no major non-cash transactions during the three months ended 31 March 2016.

Notes to the Financial Statements

1. General information

The principal activity of the Company and its subsidiaries (together ‘the Group’) is the exploration and development of precious and base metals. There is no seasonality or cyclicity to the Group’s operations.

The Company’s shares are listed on the Alternative Investment Market of the London Stock Exchange (AIM) and on the Toronto Stock Exchange (TSX). The Company is incorporated and domiciled in the United Kingdom. The address of its registered office is 26 Dover Street London W1S 4LY.

2. Basis of preparation

The condensed consolidated interim financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards and in accordance with International Accounting Standard 34 *Interim Financial Reporting*. The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2015, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The condensed interim financial statements set out above do not constitute statutory accounts within the meaning of the Companies Act 2006. They have been prepared on a going concern basis in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRS) as adopted by the European Union. Statutory financial statements for the year ended 31 December 2015 were approved by the Board of Directors on 15 March 2016 and delivered to the Registrar of Companies. The report of the auditors on those financial statements was unqualified.

The condensed interim financial statements of the Company have not been audited or reviewed by the Company’s auditor, PKF Littlejohn LLP.

Going concern

The Directors, having made appropriate enquiries, consider that adequate resources exist for the Group to continue in operational existence for the foreseeable future and that, therefore, it is

appropriate to adopt the going concern basis in preparing the condensed interim financial statements for the period ended 31 March 2016.

Risks and uncertainties

The Board continuously assesses and monitors the key risks of the business. The key risks that could affect the Group's medium term performance and the factors that mitigate those risks have not substantially changed from those set out in the Group's 2015 Annual Report and Financial Statements, a copy of which is available on the Group's website: www.horizonteminerals.com and on Sedar: www.sedar.com The key financial risks are liquidity risk, foreign exchange risk, credit risk, price risk and interest rate risk.

Critical accounting estimates

The preparation of condensed consolidated interim financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the end of the reporting period. Significant items subject to such estimates are set out in note 4 of the Group's 2015 Annual Report and Financial Statements. The nature and amounts of such estimates have not changed significantly during the interim period.

3. Significant accounting policies

The condensed interim financial statements have been prepared under the historical cost convention as modified by the revaluation of certain of the subsidiaries' assets and liabilities to fair value for consolidation purposes.

The same accounting policies, presentation and methods of computation have been followed in these condensed interim financial statements as were applied in the preparation of the Group's Financial Statements for the year ended 31 December 2015, except for the impact of the adoption of the Standards and interpretations described below.

The preparation of condensed interim 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 condensed interim financial statements, are disclosed in Note 4 of the Group's 2015 Annual Report and Financial Statements.

4. Segmental reporting

The Group operates principally in the UK and Brazil, with operations managed on a project by project basis within each geographical area. Activities in the UK are mainly administrative in

nature whilst the activities in Brazil relate to exploration and evaluation work. The reports used by the chief operating decision maker are based on these geographical segments.

2015	UK	Brazil	Other	Total
	3 months	3 months	3 months	3 months
	ended	ended	ended	ended
	31 March	31 March	31 March	31 March
	2015	2015	2015	2015
	£	£	£	£
Revenue	-	-	-	-
Administrative expenses	(163,148)	(37,936)	(13,353)	(214,437)
Project and fixed asset impairment	-	-	-	-
Profit / (loss) on foreign exchange	(45,241)	(81,901)	-	(127,142)
Other operating Income	-	-	-	-
Loss from operations per reportable segment	(208,389)	(119,837)	(13,353)	(341,579)
Inter segment revenues	-	205,578	-	205,578
Depreciation charges	(259)	(153)	-	(412)
Additions to non-current assets	-	1,281,646	-	1,281,646
Reportable segment assets	3,365,734	24,122,585	-	27,488,319
Reportable segment liabilities	2,613,105	2,291,744	-	4,904,849
2016	UK	Brazil	Other	Total
	3 months	3 months	3 months	3 months
	ended	ended	ended	ended
	31 March	31 March	31 March	31 March
	2016	2016	2016	2016
	£	£	£	£
Revenue	-	-	-	-
Administrative expenses	(142,290)	(41,800)	-	(184,090)
Project and fixed asset impairment	-	-	-	-
Profit / (loss) on foreign exchange	37,512	6,799	-	44,311
Other operating Income	-	-	-	-
Loss from operations per reportable segment	(104,778)	(35,001)	-	(139,779)
Inter segment revenues	-	240,488	-	-
Depreciation charges	(259)	(26)	-	(285)

Additions to non-current assets	-	3,357,699	-	3,357,699
Reportable segment assets	2,154,863	27,611,470	-	29,766,333
Reportable segment liabilities	5,410,816	1,842,562	-	7,253,378

A reconciliation of adjusted loss from operations per reportable segment to profit/(loss) before tax is provided as follows:

	3 months ended 31 March 2016 £	3 months ended 31 March 2015 £
Loss from operations per reportable segment	(139,779)	(341,579)
Change in fair value of contingent consideration	(99,767)	(245,375)
Charge for stock options	(9,092)	(42,211)
Impairment of available for sale asset	-	(253,006)
Finance income	2,056	7,117
Finance costs	(85,518)	(80,981)
Profit/(Loss) for the period from continuing operations	(332,100)	(956,035)

5. Change in fair value of contingent consideration

Contingent Consideration payable to the former owners of Teck Cominco Brasil S.A. Contingent consideration payable to the former owners of Teck Cominco Brasil S.A. has a carrying value of £2,439,008 at 31 March 2016 (31 March 2015: £ 2,561,867). The fair value of the contingent consideration arrangement with the former owners of Teck Cominco Brasil S.A. was estimated at the acquisition date according to when future taxable profits against which the tax losses may be utilised were anticipated to arise. The fair value estimates were based on the current rates of tax on profits in Brazil of 34%. A discount factor of 7.0% was applied to the future dates at which the tax losses will be utilised and consideration paid.

As at 31 March 2016, there was a finance expense of £41,500 (31 March 2015: £80,981) recognised in finance costs within the Condensed Statement of Comprehensive Income in respect of this contingent consideration arrangement, as the discount applied to the contingent consideration at the date of acquisition was unwound.

The cash flow model used to estimate the contingent consideration was adjusted, to take into account changed assumptions in the timing of cash flows as derived from the Pre-Feasibility Study as published by the Group in March 2014. The key assumptions

underlying the cash flow model derived from the Pre-Feasibility Study as published by the Group in March 2014 are unchanged as at 31 March 2016, other than that in 2015 the assumed date for commencement of commercial production was revised from 2017 to 2019. The change in the fair value of contingent consideration payable to the former owners of Teck Cominco Brasil S.A. generated a charge to profit or loss of £32,756 for the three months ended 31 March 2016 (31 March 2015: £245,375 charge) due to changes in the functional currency in which the liability is payable.

Contingent Consideration payable to Xstrata Brasil Mineração Ltda
The contingent consideration payable to Xstrata Brasil Mineração Ltda has a carrying value of £2,917,906 at 31 March 2016 (31 March 2015: £ nil). It comprises two elements: US\$1,000,000 due after the date of issuance of a joint feasibility study for the combined Enlarged Project areas and to be satisfied by shares or cash, together with US\$5,000,000 consideration in cash as at the date of first commercial production from any of the resource areas within the Enlarged Project area. The key assumptions underlying the treatment of the contingent consideration the US\$5,000,000 are as per those applied to the contingent consideration payable to the former owners of Teck Cominco Brasil S.A.

As at 31 March 2016, there was a finance expense of £44,018 (2014: £nil) recognised in finance costs within the Statement of Comprehensive Income in respect of this contingent consideration arrangement, as the discount applied to the contingent consideration at the date of acquisition was unwound.

The change in the fair value of contingent consideration payable to Xstrata Brasil Mineração Ltda generated a charge to profit or loss of £67,011 for the three months ended 31 March 2016 (31 March 2015: £nil) due to changes in the functional currency in which the liability is payable.

6. Intangible assets

Intangible assets comprise exploration and evaluation costs and goodwill. Exploration and evaluation costs comprise internally generated and acquired assets. Exploration licences comprise the Vale dos Sonhos exploration licence acquired from a subsidiary of Glencore in November 2015.

Group	Goodwill	Exploration licences	Exploration and evaluation costs	Total
	£	£	£	£
Cost				
At 1 January 2016	192,028	3,174,275	16,679,799	20,046,102
Additions	-	-	399,468	399,468
Exchange rate movements	28,422	472,267	2,485,964	2,986,653
Net book amount at 31 March 2016	220,450	3,646,542	19,565,231	23,432,223

7. Share Capital

Issued and fully paid	Number of shares	Ordinary shares £	Share premium £	Total £
At 1 January 2016	671,204,378	6,712,044	31,252,708	37,964,752
Issue of ordinary shares	-	-	-	-
Issue costs	-	-	-	-
At 31 March 2016	671,204,378	6,712,044	31,252,708	37,964,752

8. Dividends

No dividend has been declared or paid by the Company during the three months ended 31 March 2016 (2015: nil).

9. Profit / (loss) per share

The calculation of the basic and diluted loss per share of (0.049) pence for the 3 months ended 31 March 2016 (31 March 2015 loss per share: (0.194) pence) is based on the loss from continuing operations attributable to the equity holders of the Company of £ (332,100) for the three month period ended 31 March 2016 (31 March 2015: profit £956,035) divided by the weighted average number of shares in issue during the period of 671,204,378 (weighted average number of shares for the 3 months ended 31 March 2015: 492,427,105).

Details of share options that could potentially dilute earnings per share in future periods are disclosed in the notes to the Group's Annual Report and Financial Statements for the year ended 31 December 2015.

10. Ultimate controlling party

The Directors believe there to be no ultimate controlling party.

11. Related party transactions

The nature of related party transactions of the Group has not changed from those described in the Group's Annual Report and Financial Statements for the year ended 31 December 2015.

12. Commitments

The Group had capital expenditure contracted for at the end of the reporting period but not yet incurred of £87,447 relating to intangible exploration assets. All other commitments remain as stated in the Group's Annual Financial Statements for the year ended 31 December 2015.

13. Events after the reporting period

There are no events which have occurred after the reporting period which would be material to the financial statements.

14. Approval of interim financial statements

The Condensed interim financial statements were approved by the Board of Directors on 11 May 2016.

****ENDS****