

HORIZONTE

HORIZONTE MINERALS PLC MANAGEMENT'S DISCUSSION AND ANALYSIS THREE MONTHS ENDED 31ST MARCH 2013

BACKGROUND

This Management's Discussion and Analysis of the financial position and results of operations is prepared as at 15th May 2013 and should be read in conjunction with the unaudited Condensed Consolidated Interim Financial Statements of Horizonte Minerals plc as at March 31st 2013 which have been prepared using accounting policies consistent with International Financial Reporting Standards as adopted by the European Union and in accordance with International Accounting Standard 34 *Interim Financial Reporting*.

Horizonte Minerals plc (the "Company") is a publicly listed company on the Alternative Investment Market ("AIM") of the London Stock Exchange and on the Toronto Stock Exchange (the "TSX"), in both instances under the symbol "HZM".

COMPANY OVERVIEW

The Company is actively engaged in the exploration and development of nickel and gold projects in Brazil.

The Company has two committed major mining partners: Teck Resources Limited, a major strategic shareholder in the Company, and AngloGold Ashanti Limited ("AngloGold"), a JV partner on the Falcao Project.

The principal project of the Company is the wholly-owned Araguaia Nickel Project ("Araguaia Project" or "Araguaia"), located in Pará State in Brazil.

In January 2012 the Company announced a resource update at Araguaia comprising an Indicated Mineral Resource of 39.3 million tonnes grading 1.39% nickel together with an Inferred Mineral Resource of 60.9 million tonnes grading 1.22% nickel, both at a 0.95% nickel cut-off. The mineral resources have been estimated and classified according to the CIM definitions as referred to by Canadian National Instrument 43-101 ("NI 43-101").

In August 2012 the Company released a NI 43-101 Technical Report – "Preliminary Economic Assessment of the Araguaia Nickel Project, Brazil". Financial Results included a post tax Net Present Value ('NPV') of US\$693M at an 8% discount rate and Internal Rate of Return ('IRR') of 15.4% based on an ore throughput of 1.75 million tonnes per annum of mineralised material treated through a 90 MW Rotary Kiln Electric Furnace ("RKEF") process plant using US\$8.60/lb long term nickel price.

The Company also has a joint venture with AngloGold, signed in August 2010 whereby AngloGold can earn into 51% of the Falcao gold project ("Falcao Project" or "Falcao") owned by the Company

by expending US\$4.5 million over three years with the right to earn a further 19% by taking the project to Pre-feasibility Study. A 3,663 metre drilling programme was completed in 2011 to test a 4km long by 0.5 km wide gold in soil anomaly. Follow up work in 2012 included an Induced Polarisation (IP) geophysical survey and expansion of the soil geochemical grid to the east of the principle anomaly. An additional 900 metre drilling campaign was completed in November of 2012.

The Company's near term focus is to:

- Advance the Environmental Impact Assessment at Araguaia, to be completed in 2013.
- Complete the third phase, circa 10,000 m drilling campaign at Araguaia which commenced in September 2012 as part of the Pre-Feasibility Study work programme.
- Advance with various on-going metallurgical studies aimed at further optimising both the rotary kiln electric furnace ("RKEF") and atmospheric tank leach ("ATL") processing options at Araguaia

Following the results of the on-going drilling and metallurgical studies at Araguaia, the Company's longer term focus remains to complete a Prefeasibility Study on Araguaia later in 2013 or early 2014.

HIGHLIGHTS FOR THE FIRST QUARTER OF 2013

As previously disclosed in the Management Discussion and Analysis dated 21st February 2013:

- On January 8th 2013 the Company announced results from its on-going infill drill programme and metallurgical tests at Araguaia.
- On January 16th 2013 the Company announced that following a due diligence review, it had elected to terminate its share purchase agreement with Guyana Frontier Mining Corp.

Furthermore:

- On 22 February 2013 the Company announced its financial results for the year ended 31st December 2012
- On 14 March 2013 the Company announced results from its on-going infill drill programme at Araguaia
- On 26 March 2013 the Company announced that it had held its Annual General Meeting of Shareholders on March 25th and that all resolutions had been duly passed.

ARAGUAIA PROJECT

Project Background

The Company owns 100 per cent of the Araguaia Project located in southern Pará State to the south of the Carajas mineral district of northern Brazil; the Company believes the project has the potential to deliver a resource with size and grades comparable to other nickel laterite projects and mining operations in northern Brazil. Several significant nickel laterite deposits occur within this region of Brazil, including Xstrata's Serra do Tapa/Vale dos Sonhos deposits that are also located within the Araguaia Fold Belt 80km to the north of the project area.

The Company has a team on site and is currently carrying out a third phase in-fill resource drilling campaign of approximately 10,000 metres on the Araguaia Project.

In March 2011 the Company announced a NI 43-101 compliant maiden inferred resource of 76.6Mt with a grading of 1.35% nickel and 0.06% cobalt at Araguaia. In September 2011 the Company completed a 13,200 metre drilling programme.

In January 2012 the Company announced a resource update at Araguaia, comprising an Indicated Mineral Resource of 39.3 million tonnes grading 1.39% nickel together with an Inferred Mineral Resource of 60.9 million tonnes grading 1.22% nickel, both at a 0.95% nickel cut-off. The mineral resources have been estimated and classified according to the CIM definitions as referred to by NI 43-101.

The Araguaia Project area comprises 14 Exploration Licences totalling 118,922 ha.

The landholdings which comprise the Araguaia Project do not form part of any native or environmental reserves.

Recent and Current Activity

Recent exploration at the site, conducted since 2006 by both the Company and prior owners, has included a total to date of 25,773 metres of diamond drilling up to end-2011, together with the ongoing circa 10,000 metre diamond drill programme. These were preceded by stream sediment sampling, airborne geophysical surveys, soil sampling, ground magnetometry, auger drilling and RC drilling. The principal targets were drilled on 200m x 200m grids, enabling the completion of the NI 43-101 compliant resource estimations. Infill drilling on 100m x 100m grids has been completed on the Pequizeiro and Baião targets.

Some of the targets remain open, and some extensions and subsidiary targets at Araguaia are as yet untested.

Direct costs of the Araguaia Project since August 2010 have amounted to approximately £ 9.0 M up to end-March 2013.

In addition Company has initiated the following at Araguaia, which are currently in progress:

- A third phase diamond in-fill drilling campaign of circa 10,000 metres, due for completion in Q2 2013
- Environmental Baseline Study commenced in October 2011
- Additional ATL testing programme by SGS in Canada with the objective of determining the optimal conditions for ATL. The work includes comminution (crushing and milling) tests, additional batch leaching and continuous tank leaching tests under prescribed conditions.
- Drying / calcining / pre-reduction analysis for the RKEF process by FLSmidth in the United States. The objective of this testwork is to determine the optimal conditions in the rotary kiln for the calcination and pre-reduction of the laterite feed prior to smelting in the electric furnace and incorporates studies on particle size distribution, drying rate, attrition potential, sintering temperatures, Fe/Ni reduction levels, agglomeration behaviour and briquetting tests.
- Additional agglomeration behaviour testwork at Feeco, Wisconsin, USA
- Social Environmental Impact Assessment ('SEIA') carried out by Walm Engenharia e Tecnologia Ambiental and Integratio Mediação Social e Sustentabilidade

The combined cost for these is expected to be circa £ 2.70 million, with completion expected in H1 2013 and H2 2013 in the case of the SEIA.

Preliminary Economic Assessment

In August 2012 the Company announced the results of its NI 43-101-compliant Preliminary Economic Assessment of the Araguaia Project. These included a post tax NPV of US\$693M at an 8% discount rate and IRR of 15.4% based on an ore throughput of 1.75 million tonnes per annum of mineralised

material treated through a 90 MW RKEF process plant using US\$8.60/lb long term nickel price. Assessment of the Atmospheric Tank Leach (“ATL”) processing option gave a post tax NPV of US\$554M at an 8% discount rate and an IRR of 18.1%. Capital payback is estimated as being 7 years for RKEF and 6 years for ATL.

RKEF is the preferred processing route favoured due to availability of hydro electrical energy in the Araguaia region combined with the presence of three operating RKEF pyrometallurgical operations in Brazil.

Planned Activity

Moving forwards, the results from the recently completed and on-going metallurgical studies, together with the ongoing third phase in-fill drilling campaign would be fed into a Pre-Feasibility Study. This study would be based on the following:

- A project scope incorporating a RKEF flowsheet defined by the completed process testwork.
- A mine plan developed from Mineral Reserves established from the updated Mineral Resource estimates.
- Engineering studies to support the capital estimate (CAPEX) and operating costs (OPEX) with accuracy appropriate to the study (+/- 25%)
- Infrastructure planning
- Construction planning and scheduling
- Market studies
- On-going environmental baseline impact as well as socio-economic studies.

FALCAO PROJECT

The Falcao Project is a joint venture between the Company and AngloGold which was signed in August 2010. It gives AngloGold the right to earn into 51% of the project by investing US\$4.5 million over three years. AngloGold has the option of obtaining a further 19%, taking it to 70%, by funding a Prefeasibility Study within three years of the vesting date. Under the terms of the agreement, AngloGold was required to invest a minimum of US\$900,000 within the first year, a milestone that was achieved in the second quarter of 2011.

Falcao is located in southern Pará State, north central Brazil, which hosts the Carajás Mineral District and lies approximately 110 km to the north of the Company’s Araguaia Project.

The project was a BHP grassroots discovery that was identified by regional stream sediment sampling which defined several sample locations running anomalous gold, copper and silver values, covering a 50 sq km land area. The stream sediment programme was followed-up by a regional soil grid and wide spaced, shallow auger drill programme which defined the main area of interest as an open 6 km long anomalous gold trend and adjacent zinc/silver/gold zone.

BHP undertook a limited wide spaced reverse circulation (‘RC’) drilling campaign in September 1998. The final RC drill holes were located on a wide (2,400m by 400m) spacing along the 6 km anomalous trend. Despite the wide drill hole spacing a number of highly anomalous intersections were drilled.

Since initiating field work in the third quarter of 2010, the Company carried out the following evaluation at Falcao:

Soil Sampling Survey

The survey was carried out during October and November 2010 over a 3,000m by 1,500m zone on 100m line spacing. The grid covers the central part of the main target zone. Samples were collected every 25m along lines and every second sample analysed by Acme Laboratories.

The results confirmed a 300 to 600m wide zone at greater than 50ppb, with the trend open to both the east and west and the resulting data, compiled with the regional soil geochemistry database and interpreted together with the newly acquired geophysical database is being used to define the drill targets and additional zones for follow-up.

Geological Mapping

Geological mapping was carried out over an area of approximately 20 sq km and has been used for the combined interpretation of the geochemical and geophysical data. Given the poor exposure in the target zone, this combined interpretation has played a critical role in enhancing the understanding of the geologic setting and the definition of drill targets.

Aeromagnetic Survey

A 3,200 line km aeromagnetic and radiometric survey was flown over the Falcao Project in November 2010. The survey was carried out on 100m line spacing over the central part of the area and lines at 200m spacing extending to the east and west to aid in the structural interpretation of the data.

All quality control data was monitored and approved by AngloGold's geophysical specialist group in Bogotá.

Drilling

Following evaluation of the above, in July 2011 the Company commenced a 2,587m diamond drilling programme at Falcao, with a view to testing the gold soil anomaly which is currently 4km long and is open to the east and which varies from 200m to 800m in width. 10 diamond drillholes were spaced out over a 4,700 m strike and went to a depth of between 200 and 300 metres.

Potential quality and grade is conceptual in nature. There has been insufficient exploration to define a mineral resource on the Falcao Project to date, and it is uncertain if further exploration will result in any targets being delineated as a mineral resource.

Of the first 10 holes, 6 intersected zones of gold mineralisation and as a result, a further 5 holes totalling 1,076 m were drilled in late 2011, taking the total number of metres drilled up to end-2011 to 3,663.

Principal Gold Intersections from Falcao 2011 Drilling:

Drill Hole No.	Depth From (m)	Depth To (m)	Intersected Width (m)	Gold Value (grams/tonne)
FAL-DDH-001	19.00	19.26	0.26	10.65
	59.09	88.44	29.35	0.68
<i>Including:</i>	59.09	70.19	11.10	1.21
FAL-DDH-002	172.00	220.90	48.90	0.93
<i>Including:</i>	205.14	220.90	15.76	1.65
<i>with:</i>	172.00	174.00	2.00	3.03
	189.00	190.00	1.00	2.36
	205.14	208.00	2.86	3.50

	216.00	217.00	1.00	12.1
<i>also:</i>	13.00	13.88	0.88	1.25
	50.00	55.00	5.00	0.80
	68.00	70.00	2.00	1.10
	83.00	85.00	2.00	0.91
	287.00	288.22	1.22	2.30
	332.00	333.00	1.00	0.93
FAL-DDH-003	28.00	29.00	1.00	8.14
	170.75	172.42	1.67	27.70
	179.25	180.80	1.55	0.72
FAL-DDH-004	25.00	28.00	3.00	0.84
	84.00	85.00	1.00	4.16
	91.00	92.00	1.00	0.74
	142.00	143.00	1.00	1.24
FAL-DDH-005	37.00	38.00	1.00	2.64
	182.30	183.30	1.00	2.09
	253.00	254.00	1.00	20.26
FAL-DDH-006	163.00	164.00	1.00	0.79
FAL-DDH-007	2.00	3.30	1.33	1.11
	85.00	92.64	7.64	0.90
	86.25	94.00	2.93	1.94
	158.00	159.00	1.00	4.63
FAL-DDH-012	86.00	112.20	26.20	0.35
<i>Including:</i>	93.90	108.00	14.10	0.55
<i>and:</i>	93.90	101.00	7.10	0.81
FAL-DDH-013	147.00	148.00	1.00	5.62
FAL-DDH-014	73.00	138.00	65.00	0.82
<i>Including:</i>	86.99	103.00	16.01	2.63
<i>and:</i>	112.00	138.00	26.00	1.14

No significant gold values were obtained in holes FAL-008, -009, -010, -011, and -015. True widths of the mineralized intervals have not yet been determined.

Cost Of Work To Date

To end-March 2013, a total of USD 4.3 M has been spent on the Falcao project under the joint venture with AngloGold.

2012 Activities And Expenditures

Total expenditure for 2012 as agreed with AngloGold totalled US\$1.67 million. Activities focussed initially on an induced polarisation geophysical survey over the principal mineralised zone, combined with an expansion of the soil geochemical sampling with the aim to expand the target zone to the east. A follow up drill programme of circa 900 metres was completed in December 2012 - no significant gold mineralisation values were returned outside of the main anomaly defined in 2011. All work to date is now being evaluated to determine the overall geological potential of the project area and if additional exploration work is justified.

Expenditure at Falcao is funded by AngloGold, the joint venture partner, and therefore future expenditure under the joint venture agreement will depend on decisions taken by AngloGold.

TECHNICAL DISCLOSURE

All scientific and technical information contained in this Management's Discussion and Analysis has been prepared by or under the supervision of David Hall, Chairman of the Company, a "qualified person" within the meaning of NI 43-101. For further details on the Araguaia Project, please refer to "Geology and Mineral Resources of the Araguaia Nickel Project, Brazil NI 43-101 Technical Report", dated February 23rd 2012 and "NI 43-101 Technical Report - Preliminary Economic Assessment of the Araguaia Nickel Project, Brazil" dated August 22nd 2012, both available on SEDAR at www.sedar.com.

SUMMARY OF CASHFLOWS

3 months ended	31 st March 2013 £	31 st March 2012 £
Net Cashflows from operating activities	(404,071)	(369,437)
Net cash used in investing activities	(1,241,486)	(558,376)
Net cashflow from financing activities	-	-
Net increase / (decrease) in cash and cash equivalents	(1,645,557)	(927,813)

The net cashflows used in operating activities for the 3 months ended 31st March 2013 are driven by activities in the management of Araguaia and Falcao. These management activities were at a similar level in the first 3 months of 2013 as compared to the first three months of 2012 and the increase of £ (34,634) from £ (369,437) to £ (404,071) is principally driven by inflation and a stronger Brazilian Real.

Cash used in investing activities has risen to £ (1,241,486) in the 3 months ended 31st March 2013 when compared to £ (558,376) in the 3 months ended March 31st 2012. The higher spend in the first quarter of 2013 as compared to the same period in 2012 is driven by the in-fill drilling programme at Araguaia underway in the first quarter of 2013.

QUARTERLY FINANCIAL INFORMATION

	2013	2012	2012	2012	2012	2011	2011	2011
Quarter Ended	31 March £	31 December £	30 September £	30 June £	31 March £	31 December £	30 September £	30 June £
Revenue	-	-	-	-	-	-	-	-
Other Operating Income	-	32,827	18,467	44,987	28,948	31,101	47,607	32,652
Profit/(loss) from continuing operations	(383,968)	(616,724)	(615,237)	(567,291)	(690,229)	(577,731)	(549,689)	(486,275)
Total comprehensive income attributable to equity holders of the Company	1,493,090	(980,209)	(1,361,623)	(2,393,579)	(848,455)	(891,788)	(3,293,201)	455,757
Basic earnings/(loss) pence per share	(0.107)	(0.171)	(0.171)	(0.188)	(0.243)	(0.210)	(0.197)	(0.174)

Other Operating Income included £ 12,994 in option fees in the second quarter of 2012, following the signing of a Heads of Terms with Magellan Minerals Ltd. on May 23rd 2012 and which would provide Magellan Minerals Ltd. with an option to earn up to 70% in the Company's Agua Azul do Norte gold property. The Heads of Terms remain subject to definitive, binding documentation. The remainder of Other Operating Income across the 8 quarters principally comprised project management fees earned in connection with Falcao. In agreement with AngloGold, there are no project management fees charged in 2013.

Profit / (loss) from continuing operations in each of the periods disclosed is driven by administrative expenses, including exploration costs expensed, together with stock option charges, (loss) / gain on foreign exchange and finance income and costs.

The loss from continuing operations of £ (690,229) for the first quarter of 2012 includes a non-cash share option charge of £ (116,378) and a negative exchange movement of £ (76,853) due to a weakening of the US Dollar against Sterling in the quarter. The loss was otherwise principally driven by expensing of exploration costs of £ (176,678) and compensation excluding share option charges of £ (118,019).

The loss from continuing operations of £ (383,968) in the first quarter of 2013 and is lower than previous quarters principally as the company benefited from a gain on foreign exchange of £ 72,067 due to a weakening of Sterling, while the charge for stock options granted amounted to £ (57,016), lower than in previous quarters as the options granted in November 2010 had been fully charged by end-2012.

Total comprehensive income attributable to equity holders of the company in the third quarter of 2011 of £ (3,293,201) was after exchange differences arising on translating foreign operations of £ (2,743,512), as the Brazilian Real had weakened against Sterling as at September 30th 2011 when compared to June 30th 2011. The assets and liabilities of the Araguaia Project are accounted for in Brazilian Reais, their functional currency.

Total comprehensive income attributable to equity holders of the company in the first quarter of 2012 of £ (848,455) was after exchange differences arising on translating foreign operations of £ (158,226), as the Brazilian Real had weakened against Sterling as at March 31st 2012 when compared to December 31st 2011.

Total comprehensive income attributable to equity holders of the company in the first quarter of 2013 of £ 1,493,090 was after exchange differences arising on translating foreign operations of £ 1,943,298, as the Brazilian Real had strengthened against Sterling as at March 31st 2013 when compared to December 31st 2012.

RESULTS FROM OPERATIONS

	3 m/e 31 March 2013 £	3 m/e 31 March 2012 £
General and Administration Costs		
Compensation	(77,339)	(118,019)
Travel / Expenses	(18,654)	(24,821)
Exploration Costs Expensed	(171,698)	(176,678)
Professional Fees	(47,160)	(58,916)
Investor Relations – UK	(35,801)	(37,598)
Investor Relations - Canada	0	(40,536)
Overheads / Other	(10,085)	(18,671)
Total General and Administration Costs	(360,737)	(475,239)
Charge for stock options granted	(57,016)	(116,378)
Toronto Stock Exchange listing fees and associated costs	(4,765)	(37,050)
Gain / (loss) on Foreign Exchange	72,067	(76,853)
Other Operating Income	0	28,948
Loss from Operations	(350,451)	(676,572)

Within General and Administration costs:

- Compensation has fallen from £ 118,019 in the 3 months to end-March 2012 to £ 77,339 in the 3 months to end-March 2013 after capitalisation of a portion of management salaries to the Araguaia project of £ 46,649. Compensation levels in the first quarter of 2013 were otherwise in line with the same period in 2012.
- There were no costs in association with investor relations in Canada in the 3 months to end-2013 as the Company terminated its investor relations activities in Canada in the first half of 2012 as a cost saving measure.
- Exploration costs Expensed in the 3 months to end-March 2013 of £ 171,698 included salaries and compensation of £ 85,513 (3 months to end-March 2012: £ 75,264) and professional fees of £ 54,399 (3 months to end-March 2012: £ 21,551).
- The charge for stock options granted has fallen from £ 116,378 in the 3 months to end-March 2012 to £ 57,016 in the 3 months to end-March 2013 as the 9,000,000 remaining options granted in November 2010 had been fully charged by end-2012.
- The fall in Toronto Stock Exchange listing fees and associated costs from £ 37,050 for the 3 months to end-March 2012 to £ 4,765 for the 3 months to end-March 2013 is driven by lower legal fees incurred.

The Gain / (loss) on foreign exchange is predominantly associated with movements arising on cash deposits held by the company in other currencies, namely the US Dollar and the Brazilian Real.

LIQUIDITY, CAPITAL RESERVES AND FINANCING ACTIVITIES

The Company is not in commercial production on any of its properties and accordingly it does not generate cash from operations and finances its activities by raising capital through equity issues.

As at 31th March 2013 the Company had £ 4,313,684 in cash at bank and on deposit. As at 31st December 2012 cash at bank and on deposit amounted to £ 5,887,174.

All of the Company's cash and cash equivalents as at March 31st 2013 are held in interest bearing accounts. The Company has not invested in any short-term commercial paper, asset backed securities or other financial instruments.

In management's view the Company has sufficient financial resources to fund currently planned exploration programmes and ongoing operating expenditures over the next 12 months. The Company will continue to be dependent on raising equity capital as required until and unless it reaches the production stage and generates cash flow from operations.

CONTRACTUAL OBLIGATIONS

£	<i>Payments Due by Period</i>		
	<i>Total</i>	<i>Less than 1 year</i>	<i>1-3 years</i>
Operating leases	25,349	25,349	-
Other contracts	268,178	268,178	-

Operating leases relate to office space. Other contracts relate to on-going consultancy arrangements in connection with metallurgical and other evaluations at Araguaia.

SHAREHOLDERS EQUITY

As at May 15th 2013 there were 360 046 170 ordinary shares issued. (December 31st 2012: 360 046 170 ordinary shares issued).

Total options outstanding as at May 15th 2013 amount to 26,730,000 with exercise prices ranging from 9.5 pence to 15.5 pence, vesting between September 21st 2013 and September 23rd 2014. There is no other share-based compensation paid by the Company.

The Company recognises as an expense the cost of stock based compensation based upon the estimated fair value of new stock options granted. The fair value of each stock option is estimated on the date of grant using the Black-Scholes option pricing model and is expensed over the vesting period.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The financial information disclosed within this document was prepared on a going concern basis using accounting policies consistent with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The preparation of condensed 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 each reporting period.

Significant items subject to such estimates include:

Valuation of Intangible Assets

In accordance with IFRS 6, the Company capitalises as Intangible Assets all exploration and evaluation costs, including acquisition costs, field exploration and analysis costs relating to specific properties until those properties are brought into production, at which time they will be amortised on a unit-of-production basis or until the properties are abandoned, sold or considered to be impaired in value, at which time an appropriate charge is made.

Intangible Assets are reviewed for impairment to determine if a write down of their carrying amount is required. The factors which are considered include past and future, planned exploration work and general market conditions.

Fair value of exploration projects acquired in business combinations

Management has made various estimations regarding the fair value of exploration projects acquired in the absence of NI 43-101 compliant resource data available at acquisition. The fair value of exploration projects acquired has been estimated based on a number of valuation techniques.

Where acquisitions represent transactions between knowledgeable and willing parties on an arm's length basis the exploration projects acquired have been valued on the basis of the consideration transferred. Where acquisitions do not represent arms' length transactions management have compared them to similar transactions that are on an arm's length basis taking into account key factors such as certainty over the level of defined resource, processing technology and location infrastructure.

Management has also undertaken an exercise to compare their estimated fair values based on the level of work completed and geological upside potential with similar exploration companies in the form of a benchmarking exercise.

Contingent consideration

Contingent consideration has a carrying value of £ 2,406,409 as at March 31st 2013 (£2,359,112 at December 31st 2012). The contingent consideration arrangement requires the Company to pay the former owners of Teck Cominco Brasil S.A 50% of the tax effect on utilisation of the tax losses existing in Teck Cominco Brasil S.A at the date of acquisition. Under the terms of the acquisition agreement, tax losses that existed at the date of acquisition and which are subsequently utilised in a period greater than 10 years from that date are not subject to the contingent consideration arrangement.

The fair value of this potential consideration has been determined using a hypothetical discounted cash flow analysis. Management has made assumptions regarding the future operating parameters of the Araguaia Project, combined with local and global operating parameters taken from other comparable nickel projects, in order to calculate the ability to utilise the acquired tax losses, together with the timing of their utilisation. The Company has used discounted cash flow analysis to determine when it is anticipated that the tax losses will be utilised and any potential contingent consideration paid. Cash flow projections exceeding a period of five years have been estimated in order to incorporate the anticipated time period to establishing a NI 43-101 compliant resource, completing a feasibility study and then exploiting the estimated resource. These cash flows could be affected by upward or downward movements in several factors to include commodity prices, operating costs, capital expenditure, production levels, grades, recoveries and interest rates.

Current and deferred taxation

The Company is subject to income taxes in numerous jurisdictions. Judgment is required in determining the worldwide provision for such taxes. The Company recognises liabilities for

anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will affect the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred tax liabilities have been recognised on the fair value gains in exploration projects arising on the acquisitions of Teck Cominco Brasil S.A and Lontra Empreendimentos e Participações Ltda. A deferred tax asset has been recognised on acquisition of Teck Cominco Brasil S.A for the utilisation of the available tax losses acquired. Should the actual final outcome regarding the utilisation of these losses be different from management's estimations, the Company may need to revise the carrying value of this asset.

FORWARD LOOKING STATEMENTS

Except for statements of historical fact relating to the Company, certain information contained in this management's discussion and analysis constitutes "forward-looking information" under Canadian securities legislation. Forward-looking information includes, but is not limited to, statements with respect to the potential of the Company's properties; the future price of minerals; success of exploration activities; cost and timing of future exploration and development; the estimation of mineral resources; requirements for additional capital and other statements relating to the financial and business prospects of the Company. Generally, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". Forward-looking information is inherently subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information, including but not limited to risks related to:

- the Company's goal of creating shareholder value by concentrating on the acquisition and development of properties that have the potential to contain economic mineral deposits;
- future plans for the Araguaia and Falcao Projects and other property interests held by the Company or which may be acquired on a going forward basis, if at all;
- management's outlook regarding future trends;
- the Company's ability to meet its working capital needs at the current level in the short term; and
- governmental regulation and environmental liability.

Forward-looking information is based on the reasonable assumptions, estimates, analysis and opinions of management made in light of its experience and its perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances at the date that such statements are made, and are inherently subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially

different from those expressed or implied by such forward-looking information, including but not limited to risks related to: unexpected events and delays during permitting; the possibility that future exploration results will not be consistent with the Company's expectations; timing and availability of external financing on acceptable terms and in light of the current decline in global liquidity and credit availability; uncertainty of mineral resources; future prices of minerals; currency exchange rates; government regulation of mining operations; failure of equipment or processes to operate as anticipated; risks inherent in mineral exploration and development including environmental hazards, industrial accidents, unusual or unexpected geological formations; and uncertain political and economic environments. Although management of the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking information. The Company does not undertake to update any forward-looking information, except in accordance with applicable securities laws.

RISKS AND UNCERTAINTIES

An investment in the Company entails certain risk factors, which should be considered carefully, including but not limited to those set out below:

- Risks and uncertainties related to the interpretation of drill results, the geology, grade and continuity of mineral deposits and conclusions of economic evaluations.
- Risks that the results of scoping studies, pre-feasibility and feasibility studies and the possibility that future exploration, development or mining results will not be consistent with the Company's expectations.
- Risks related to possible variations in reserves, grade and changes in project parameters as plans continue to be refined.
- Exploration and future development risks, including risks related to the grant of access rights to the properties, accidents, equipment breakdowns, labour disputes or other unanticipated difficulties with or interruptions in exploration and development.
- Risks related to liquidity, foreign exchange, credit, commodity prices, interest rates and market sentiment.
- Risks related to failure to obtain adequate financing on a timely basis and on acceptable terms or delays in obtaining government approvals or in the completion of development or construction activities.
- Risks related to environmental regulation and liability
- Risks related to community relations

- Risks related to the loss of the services of key executives, including the Directors of the Company and a small number of highly skilled and experienced executives and personnel.
- Political or regulatory risks associated with conducting mineral exploration in Brazil and other countries.

OFF BALANCE SHEET ARRANGEMENTS

The Company has no off balance sheet arrangements.

RELATED PARTY TRANSACTIONS

With the exception of charges levied within the Company in consideration for management services and in accordance with signed agreements, there are no related party transactions.

The charges levied for the first 3 months of 2013 and the comparative period in 2012 are as follows and cancel out upon consolidation:

	Brazil		Peru		Total	
	3 m/e 31 March 2013 £	3 m/e 31 March 2012 £	3 m/e 31 March 2013 £	3 m/e 31 March 2011 £	3 m/e 30 March 2013 £	3 m/e 31 March 2011 £
Intragroup charges	119,019	80,075	16,210	16,184	135,230	96,259