HORIZONTE MINERALS

INTERIM FINANCIAL STATEMENTS

Six months ended 30 June 2023

Unaudited Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2023

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		6 months ended 30 June	
		2023	2022
		Unaudited	Unaudited
			Amended (Note 2)
	Notes	US$'000	US$'000
Administrative expenses		(10,453)	(7,326)
Share based payments	11	(1,196)	—
Gain/(loss) on foreign exchange		10,987	9,383
(Loss)/profit before interest and taxation		**(662)**	**2,057**
Net finance costs	5	(2,144)	(2,984)
Loss before taxation		**(2,807)**	**(927)**
Taxation		—	—
Loss for the period		**(2,807)**	**(927)**
Other comprehensive income items that may be reclassified subsequently to profit or loss			
Cash flow hedges – foreign forward contracts	9	9,291	(4,638)
Currency translation differences on translating foreign operations		28,019	(9,789)
Other comprehensive income / (loss), net of taxation		**37,310**	**(14,427)**
Total comprehensive income /loss) for the period attributable to equity holders of the Group		**34,503**	**(15,354)**
Earnings per share attributable to the equity holders of the Group			
Basic & Diluted earnings per share (pence per share)	20	**(1.045)**	**(0.487)**

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2023	31 December 2022
		Unaudited	Audited
	Notes	US$'000	US$'000
Assets			
Non-current assets			
Intangible assets	6	19,714	13,209
Property, plant & equipment	7	449,880	277,902
Right of use assets		1,033	958
Trade and other receivables		21,015	9,966
Derivative financial assets	9	—	62
		491,642	302,097
Current assets			
Trade and other receivables		36,253	48,774
Derivative financial asset	9, 13b	25,220	15,342
Cash and cash equivalents	8	138,682	154,028
		200,155	218,144
Total assets		**691,797**	**520,241**
Equity and liabilities			
Equity attributable to owners of the parent			
Issued capital	10	70,423	70,333
Share premium	10	306,946	306,720
Other reserves		(1,919)	(29,938)
Cash flow hedge reserve		10,379	1,088
Share options reserve	11	2,612	1,416
Accumulated losses		(52,994)	(50,188)
Total equity		**335,446**	**299,430**
Liabilities			
Non-current liabilities			
Contingent consideration	12	7,131	6,896
Royalty Finance	13a	96,661	89,745
Deferred consideration	12	3,815	4,808
Convertible loan notes liability	14	64,123	59,448
Cost overrun facility	15	23,872	23,810
Senior debt facility	16	128,317	4,328
Environmental rehabilitation provision		1,158	635
Lease liabilities		669	715
Trade and other payables		363	723
		326,109	191,109
Current liabilities			
Trade and other payables		28,760	28,481
Deferred consideration	12	1,061	950
Lease liabilities		421	272
		30,242	29,703
Total liabilities		**356,351**	**220,811**
Total equity and liabilities		**691,797**	**520,241**

CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Attributable to the owners of the parent						
	Share capital US$'000	Share premium US$'000	Accumulated losses US$'000	Other reserves US$'000	Cash flow hedge reserve US$'000	Share options reserve US$'000	Total US$'000
As at 1 January 2022	**52,215**	**245,388**	**(45,078)**	**(23,273)**	**—**	**—**	**229,253**
Comprehensive income							
Loss for the period	—	—	(927)	—	—	—	(927)
Other comprehensive income							
Cash flow hedges – foreign forward contracts	—	—	—	—	(4,638)	—	(4,638)
Currency translation differences	—	—	—	(9,789)	—	—	(9,789)
Total comprehensive loss	**—**	**—**	**(927)**	**(9,789)**	**(4,638)**	**—**	**(15,354)**
Transactions with owners							
Issue of ordinary shares	78	261	198	—	—	—	537
Total transactions with owners	**78**	**261**	**198**	**—**	**—**	**—**	**537**
As at 30 June 2022 (amended note 2 and unaudited)	**52,293**	**245,649**	**(45,807)**	**(33,062)**	**(4,638)**	**—**	**214,436**

	Attributable to the owners of the parent						
	Share capital US$'000	Share premium US$'000	Accumulated losses US$'000	Other reserves US$'000	Cash flow hedge reserve US$'000	Share options reserve US$'000	Total US$'000
As at 1 January 2023	**70,333**	**306,720**	**(50,188)**	**(29,938)**	**1,088**	**1,416**	**299,430**
Comprehensive income							
Loss for the period	—	—	(2,807)	—	—	—	(2,807)
Other comprehensive income							
Cash flow hedges – foreign forward contracts	—	—	—	—	9,291	—	9,291
Currency translation differences	—	—	—	28,019	—	—	28,019
Total comprehensive income/(loss)	**—**	**—**	**(2,807)**	**28,019**	**9,291**	**—**	**34,503**
Transactions with owners							
Issue of ordinary shares	90	226	—	—	—	—	316
Share options granted	—	—	—	—	—	1,196	1,196
Total transactions with owners	**90**	**226**	**—**	**—**	**—**	**1,196**	**1,512**
As at 30 June 2023 (unaudited)	**70,423**	**306,946**	**(52,995)**	**(1,919)**	**10,379**	**2,612**	**335,446**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

		6 months ended 30 June	
		2023	**2022**
			Amended (Note 2)
		Unaudited	**Unaudited**
		US$'000	**US$'000**
Cash flows from operating activities			
Loss before taxation		(2,807)	(927)
Net finance costs	5	2,144	2,984
Share based payment	11	1,196	—
Exchange differences		(10,987)	(9,383)
Operating loss before changes in working capital		**(10,453)**	**(7,326)**
Decrease/(increase) in trade and other receivables		(16,799)	(3,057)
(Decrease)/increase in trade and other payables		(80)	(11,841)
Net cash outflow from operating activities		**(27,332)**	**(22,224)**
Cash flows from investing activities			
Purchase of intangible assets	6	(5,396)	(639)
Purchase of property, plant and equipment	7	(140,178)	(67,047)
Interest received	5	4,368	2,394
Net cash outflow from investing activities		**(141,205)**	**(65,292)**
Cash flows from financing activities			
Net proceeds from issue of ordinary shares	10	317	537
Proceeds from issue of convertible loan notes	14	—	61,263
Issue costs	14	—	(950)
Proceeds from royalty finance arrangement	13a	—	25,000
Issue costs	13a	—	(848)
Proceeds from senior debt facility	16	135,000	—
Lease liability payments		(222)	—
Commitment fees payments		(2,024)	—
Loan facilities interest payments	15,16	(4,219)	—
Net cash inflow from financing activities		**128,852**	**85,001**
Net decrease in cash and cash equivalents		**(39,685)**	**(2,515)**
Cash and cash equivalents at beginning of period		154,028	210,492
Exchange gain/(loss) on cash and cash equivalents		24,340	(9,021)
Cash and cash equivalents at end of the period		**138,682**	**198,956**

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 base metals. There is no seasonality or cyclicality of 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 Rex House, 4-12 Regent Street, London SW1Y 4RG.

***2.* Basis of preparation**

The financial statements for the year ended 31 December 2022 were prepared in accordance with UK adopted international accounting standards. The financial statements were prepared under the historical cost convention except for the following items (refer to individual accounting policies for details):

- Contingent consideration
- Financial instruments – fair value through profit and loss
- Cash settled share-based payment liabilities
- Cash flow hedges at fair value through other comprehensive income (OCI)

The condensed consolidated interim financial statements for the six-month reporting period ended 30 June 2023 have been prepared in accordance the UK-adopted International Accounting Standard 34, 'Interim Financial Reporting'.

The interim report does not include all of the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2022, and any public announcements made by the Group during the interim reporting period.

The financial information for the year ended 31 December 2022 contained in these interim financial statements does not constitute the company's statutory accounts for that period. Statutory accounts for the year ended 31 December 2022 have been delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006. The auditor's report drew attention to a material uncertainty related to the Group's ability to continue as a going concern (refer to the going concern note below), however the auditor's opinion was not modified in respect of this matter.

The level of rounding was changed to only reflect the nearest thousand for the financial period ended 30 June 2023. Immaterial rounding adjustments were made to the comparative information as a result of this change.

Amendment to prior period figures
These financial statements have been restated to include certain amendments to the figures for the 6 months to 30 June 2022. The amendments are driven by the revised embedded derivative valuations included in the convertible loan notes and Vermelho royalty financing arrangement at initial recognition. None of these adjustments have a cash impact on the balance sheet.

The effect of these amendments on the statement of financial position and statement of comprehensive are set out in the table below:

	Property, plant and equipment	Derivative financial asset	Royalties	Convertible loan notes	Accumulated losses
	US$'000	US$'000	US$'000	US$'000	US$'000
30 June 2022 - as previously stated	**155,467**	**9,540**	**(82,838)**	**(57,142)**	**41,032**
Convertible loan note – revised embedded derivative valuation	3	—	—	(5,026)	5,023
Vermelho royalty – revised buy-back option derivative valuation	—	5,258	(5,010)	—	(248)
30 June 2022 - Amended	**155,470**	**14,798**	**(87,848)**	**(62,168)**	**45,807**

	As previously stated as at 30 June 2022	Revised convertible loan note embedded derivative valuation	Revised allocation of convertible loan notes transaction costs	Revised unwinding of discount on Vermelho royalty	Amended as at 30 June 2022
	US'000	US'000	US'000	US'000	US'000
Statement of comprehensive income					
Administrative expenses	(6,664)	—	(663)	—	(7,326)
Change in fair value of derivatives	4,361	(4,361)	—	—	—
Gain/(Loss) on foreign exchange	9,383	—	—	—	9,383
Profit/(Loss) before interest and taxation	**7,080**	**(4,361)**	**(663)**	**—**	**2,057**
Net finance costs	(3,232)	—	—	248	(2,984)
Profit/(Loss) before taxation	**3,848**	**(4,361)**	**(663)**	**248**	**(927)**
Taxation	—	—	—	—	—
Profit/(Loss) for the year from continuing operations	**3,848**	**(4,361)**	**(663)**	**248**	**(927)**

2.1 Going concern

The condensed consolidated interim financial statements have been prepared on a going concern basis. Although the Group's assets are not generating revenues, the Directors have a reasonable expectation that the Group has sufficient funds to undertake its operating activities for the foreseeable future. The Group has cash reserves and access to liquidity which are considered sufficient by the Directors to fund the Group's committed expenditure both operationally and on its exploration project for the foreseeable future.

The Group continued to make good progress on the construction of its Araguaia Project during the six-month period ended 30 June 2023. The first drawdown under the senior debt facility was completed in December 2022 following the satisfaction of certain conditions precedent customary to a financing of this nature. Subsequent drawdowns under the senior debt facility followed during the six month period and further drawdowns are expected during the remainder of the construction period, again following the satisfaction of certain conditions precedent customary to a financing of this nature including but not limited to satisfaction of a cost to complete exercise prior to each draw down on the facility, satisfaction of minimum order values from certain suppliers, maintaining the good standing of operational licences and permitting, and financial models detailing the Group's budget forecasting compliance with covenants and ratios. There is no guarantee that these conditions will be met.

The funds held at the end of the six-month period and the satisfaction of any condition's precedent for further drawdowns of the senior debt facility (including access to any of the funds secured as part of the cost overrun facility), are considered sufficient by the Directors to fund its general working capital requirements for the foreseeable future. However, there exists a risk that the senior debt facility is not able to be drawn due to unforeseen circumstances or noncompliance with any conditions precedent which may or may not be within the control of the Group.

As at 30 June 2023 approximately 65% of the Araguaia Project construction has been completed, a total of US$329million has been spent out of the budgeted capital requirement of US$537million. As at the half year end, the Group had total liquidity and funding sources of US$344million.

Additionally, despite being approximately 65% complete a number of risks still exist around escalation costs linked to several of the major construction packages (these include labour, materials and productivity). This could result in future drawdowns on the senior debt facility not being permitted and require the Group to pursue alternative sources of funding to meet its commitments.

As the project moves into operational ramp-up phase there are a number of risk areas around commissioning the rotary kiln electric furnace (RKEF) process plant. If any of these ramp-up risks exceed the pre-production funding allocated to the unit areas there will be a requirement for additional funding.

As some of these events are outside of the Group's control, a material uncertainty exists which may cast significant doubt about the Group's continued ability to operate as a going concern and its ability to realise its assets and discharge its liabilities in the normal course of business.

The financial statements do not include any adjustments that would result if the Group were unable to continue as a going concern.

2.2 Changes in accounting policy and disclosures

The Group has adopted the following standards and amendments for the first time for the half-yearly reporting period commencing 1 January 2023:

Standard	Detail
IAS 8	Amendment – definition of accounting estimates
IAS 1 and IFRS Practice Statement 2	Amendment – disclosure of accounting policies
IAS 12	Amendment - Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The adoption of the amended standards is mandatorily effective for periods beginning 1 January 2023 however there is no impact on the current reporting period.

2.3 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 2022 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 . In addition to the key risks, the key financial risks are liquidity risk, foreign exchange risk, credit risk, price risk and interest rate risk.

2.4 Use of estimates and judgements

The preparation of condensed consolidated interim financial statements requires management to make estimates and judgements 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 2022 Annual Report and Financial Statements. The nature and amounts of such estimates and judgements have not changed significantly during the interim period.

3. Significant accounting policies

The same accounting policies, presentation and methods of computation have been followed in these condensed consolidated interim financial statements as were applied in the preparation of the Group's audited Financial Statements for the year ended 31 December 2022.

3.1 Foreign currency translation

(a) Functional and presentation currency

Items included in the Financial Statements of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The functional currency of the UK and Isle of Man entities is Pounds Sterling and the functional currency of the Brazilian entities is Brazilian Real. The functional currency of the project financing subsidiary incorporated in the Netherlands is US Dollars. The interim condensed consolidated financial statements as at 30 June 2023 were presented in US Dollars, rounded to the nearest thousand.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where such items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

(c) Group companies

The results and financial position of all the Group's entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

1. assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
2. each component of profit or loss is translated at average exchange rates during the accounting period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
3. all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of monetary items receivable from foreign subsidiaries for which settlement is neither planned nor likely to occur in the foreseeable future are taken to other comprehensive income. When a foreign operation is sold, such exchange differences are recognised in profit or loss as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and retranslated at the end of each reporting period.

The major exchange rates used for the revaluation of the statement of financial position at 30 June 2023 were £1:US$1.2714 (31 December 2022: £1:US$1.2039), Brazilian Real (R$):US$0.208 (31 December 2022: R$:US$0.192).

Foreign currency translation reserve includes movements that relate to the retranslation of the subsidiaries whose functional currencies are not US Dollars.

During the six months ended 30 June 2023, the Brazilian Real strengthened by approximately 8% against the US Dollar since 31 December 2022. Currency translation differences for the six-month period of $28 million gain (2022:$9.8 million loss) included in the consolidated statement of comprehensive income arose on the translation of property plant and equipment, intangible assets and cash and cash equivalents denominated in Brazilian Real and Pounds Sterling.

The foreign exchange gain for the six-month period of $11million included in the statement of comprehensive income relates to the translation differences of foreign currency cash and cash equivalents balances, liability financing arrangements and intercompany balances denominated in currencies other than the functional currency of the entity.

3.2 Impact of accounting standards to be applied in future periods

There are a number of standards and interpretations which have been issued by the International Accounting Standards Board that are effective for periods beginning subsequent to 31 December 2022 that the Group has decided not to adopt early. The Group does not believe these standards and interpretations will have a material impact on the financial statements once adopted.

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 separate subsidiaries responsible for the project finance for the Araguaia and Vermelho Projects are domiciled in the Netherlands. The operations of this entity are reported separately and so it is recognised as a new segment. The reports used by the chief operating decision-maker are based on these geographical segments.

2023	**UK**	**Brazil**	**Netherlands**	**Total**
	6 months ended 30 June 2023 US$'000	**6 months ended 30 June 2023 US$'000**	**6 months ended 30 June 2023 US$'000**	**6 months ended 30 June 2023 US$'000**
Administrative expenses	(8,566)	(1,846)	(41)	(10,453)
Charge for share options granted	(1,196)	—	—	(1,196)
Profit/(Loss) on foreign exchange	3,214	5,144	2,629	10,987
Profit/(Loss) before interest and tax per reportable segment	**(6,548)**	**3,299**	**2,587**	**(662)**
Net finance costs	483	218	(2,845)	(2,144)
Profit/(Loss) before taxation	**(6,065)**	**3,517**	**(259)**	**(2,807)**
Depreciation charges	—	63	—	63
Additions to non-current assets	—	148,591	—	148,591
Capitalisation of borrowing costs	—	5,451	—	5,451
Foreign exchange movements to non-current assets	—	24,069	—	24,069
Reportable segment assets	31,195	645,806	14,796	691,797
Reportable segment liabilities	73,215	186,465	96,671	356,351

2022	**UK**	**Brazil**	**Netherlands**	**Total**
	6 months ended 30 June 2022 US$'000	**6 months ended 30 June 2022 US$'000**	**6 months ended 30 June 2022 US$'000**	**6 months ended 30 June 2022 US$'000**
Administrative expenses	(5,943)	(1,289)	(94)	(7,326)
Profit/(Loss) on foreign exchange	8,073	336	974	9,383
Profit/(Loss) before interest and tax per reportable segment	2,130	(953)	880	2,057
Net finance costs	148	(267)	(2,865)	(2,984)
Loss before taxation	**2,278**	**(1,220)**	**(1,985)**	**(927)**
Depreciation charges	—	22	—	22
Additions to non-current assets	—	72,171	—	72,171
Capitalisation of borrowing costs	—	8,423	—	8,423
Foreign exchange movements to non-current assets	—	5,383	—	5,383
Reportable segment assets	156,455	227,083	15,951	399,489
Reportable segment liabilities	75,979	21,219	87,855	185,053

5 Finance income and costs

	6 months ended 30 June 2023 US$'000	**6 months ended 30 June 2022 US$'000**
Finance income		
– Interest income on cash and short-term deposits	4,814	2,394
Finance costs		
– Interest on lease liability	(64)	(25)
– Commitment fees on senior debt	(2,016)	(2,267)
– Other	(39)	(252)
– Gain/(loss) on hedge settlement	12,200	—
– Contingent and deferred consideration: unwinding of discount	(303)	(458)
– Contingent and deferred consideration: Fair value adjustment	—	106
– Contingent and deferred consideration: change in estimate	—	299
– Convertible loan note: unwinding of discount	(4,675)	(1,855)
– Amortisation of Royalty Finance	(6,356)	(3,981)
– Royalty finance carrying value adjustment	(561)	(5,371)
– Senior debt facility: unwinding of discount	(8,858)	—
– Cost overrun facility: unwinding of discount	(1,705)	—
– Environmental rehab provision: unwinding of discount	(32)	—
Total finance costs pre-capitalisation	(7,595)	(11,407)
Finance costs capitalised to the Araguaia mine development project	5,451	8,423
Net finance costs	(2,144)	(2,984)

6 Intangible assets

Intangible assets comprise exploration and evaluation costs and goodwill. Exploration and evaluation costs comprise internally generated and acquired assets.

	Goodwill	Exploration licences	Exploration and evaluation costs	Software	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
Cost					
At 1 January 2022	201	6,455	1,563	90	8,309
Additions	—	—	4,256	94	4,350
Amortisation for the year	—	—	—	(31)	(31)
Exchange rate movements	14	649	(88)	6	581
Net book amount at 31 December 2022	**215**	**7,104**	**5,731**	**159**	**13,209**
Transfers	—	—	(10)	56	46
Additions	—	—	5,380	16	5,396
Amortisation for the year	—	—	—	(25)	(25)
Exchange rate movements	18	587	471	12	1,088
Net book amount at 30 June 2023	**233**	**7,691**	**11,572**	**218**	**19,714**

Exploration and evaluation assets

The exploration licences and exploration and evaluation costs relate to the Vermelho project. No indicators of impairment were identified during the period for the Vermelho project.

Vermelho
In January 2018, the acquisition of the Vermelho project was completed, which resulted in a deferred consideration of $1,850,000 being recognised and accordingly the amount was capitalised to the exploration licences held within intangible assets shown above.

On 17 October 2020 the Group published the results of a Pre-Feasibility Study on the Vermelho Nickel Cobalt Project, which confirms Vermelho as a large, high-grade resource, with a long mine life and low-cost source of nickel cobalt for the battery industry.

The economic and technical results from the study supports further development of the project towards a full Feasibility Study and included the following:

- A 38-year mine life estimated to generate total cash flows after taxation of US$7.3billion;
- An estimated Base Case post-tax Net Present Value1 ('NPV') of US$1.7 billion and Internal Rate of Return ('IRR') of 26%;
- At full production capacity the Project is expected to produce an average of 25,000 tonnes of nickel and 1,250 tonnes of cobalt per annum utilising the High-Pressure Acid Leach process;
- The base case PFS economics assume a flat nickel price of US$16,400 per tonne ('/t') for the 38-year mine life;
- C1 (Brook Hunt) cash cost of US$8,020/t Ni (US$3.64/lb Ni), defines Vermelho as a low-cost producer; and
- Initial Capital Cost estimate is US$652 million (AACE class 4).

Nothing has materially deteriorated with the economics of the PFS between the publication date and the date of this report and the Directors undertook an assessment of impairment through evaluating the results of the PFS along with recent market information relating to capital markets and nickel prices and judged that there are no impairment indicators with regards to the Vermelho Project. Nickel prices remain higher than they were at the time of the publication of the PFS and overall sentiment towards battery metals and supply materials have grown more positive over the period.

7 Property, plant and equipment

	Mine Development Property US$'000	Vehicles and other field equipment US$'000	Office equipment US$'000	Land acquisition US$'000	Buildings improvement US$'000	Total US$'000
Cost						
At 1 January 2022	59,418	858	141	10,310	—	70,727
Additions	184,319	—	167	2,607	38	187,131
Environmental rehabilitation additions	635	—	—	—	—	635
Transfers	781	(813)	32	—	—	—
Capitalised interest	13,176	—	—	—	—	13,176
Disposals	—	—	(3)	—	—	(3)
Exchange rate movements	5,637	60	9	722	—	6,428
At 31 December 2022	**263,966**	**104**	**348**	**13,639**	**38**	**278,094**
Additions	143,093	—	78	24	—	143,195
Environmental rehabilitation additions	436	—	—	—	—	436
Transfers	(178)	24	105	—	6	(43)
Capitalised interest	5,451	—	—	—	—	5,451
Disposals	—	—	(4)	—	—	(4)
Exchange rate movements	21,827	9	29	1,128	3	22,996
At 30 June 2023	**434,595**	**137**	**555**	**14,791**	**47**	**450,125**
Accumulated depreciation						
At 1 January 2022	—	81	52	—	—	133
Charge for the year	—	7	42	—	1	50
Transfer	—	(1)	1	—	—	—
Disposals	—	—	—	—	—	—
Exchange rate movements	—	5	4	—	—	9
At 31 December 2022	—	**92**	**99**	—	**1**	**192**
Charge for the period	—	2	35	—	1	38
Transfers	—	—	—	—	—	—
Disposals	—	—	—	—	—	—
Exchange rate movements	—	8	7	—	—	15
At 30 June 2023	—	**102**	**141**	—	**2**	**245**
				—		
Net book amount as at 30 June 2023	**434,595**	**35**	**415**	**14,791**	**44**	**449,880**
Net book amount as at 31 December 2022	**263,965**	**12**	**249**	**13,639**	**37**	**277,902**

In December 2018, a Canadian NI 43-101 compliant Feasibility Study (FS) was published by the Company regarding the enlarged Araguaia Project which included the Vale dos Sonhos deposit acquired from Glencore. The financial results and conclusions of the FS clearly indicate the economic viability of the Araguaia Project with an NPV of $401M using a nickel price of $14,000/t Ni. Nothing material has changed with the economics of the FS between the publication date and the date of this report and the Directors undertook an assessment of impairment through evaluating the results of the FS along with recent market information relating to capital markets and nickel prices and judged that there are no impairment indicators with regards to the Araguaia Project.

Impairment assessments for exploration and evaluation assets are carried out either on a project-by-project basis or by geographical area.

The adjacent Araguaia/Lontra/Vila Oito and Floresta exploration sites (the Araguaia Project), together with the Vale dos Sonhos deposit acquired from Xstrata Brasil Mineração Ltda comprise a resource of a sufficient size and scale to allow the Company to create a significant single nickel project. For this reason, at the current stage of development, these two projects are viewed and assessed for impairment by management as a single cash generating unit.

The mineral concession for the Vale dos Sonhos deposit was acquired from Xstrata Brasil Mineração Ltda, a subsidiary of Glencore Canada Corporation, in November 2015.

The NPV has been determined by reference to the FS undertaken on the Araguaia Project. The key inputs and assumptions in deriving the value in use were, the discount rate of 8%, which is based upon an estimate of the risk adjusted cost of capital for the jurisdiction, capital costs of $443 million, operating costs of $8,194/t Nickel, a Nickel price of US$14,000/t and a life of mine of 28 years.

8 Cash and cash equivalents

	30 June 2023 US$'000	31 December 2022 US$'000
Cash at bank and on hand	**112,670**	122,376
Short-term deposits	**26,012**	31,652
	138,682	154,028

Access is restricted to cash and cash equivalents of US$29.8 million. These funds have been secured in the case of a cost overrun against the construction schedule and budget of the Araguaia Project. Refer to note 15 for more details.

9 Derivative financial assets

Cash flow forward foreign exchange contracts

	30 June 2023 US$'000	31 December 2022 US$'000
Derivatives designated as hedging instruments		
Non-deliverable forward contracts	10,731	915
Value as at 30 June 2023	10,731	915

Current and non-current

	30 June 2023 US$'000	31 December 2022 US$'000
Current	10,731	853
Non-current	—	62
	10,731	915

In January 2022 the Group's Board approved the budget for the development of the Araguaia Ferronickel Project (Project). With the funding base being primarily US Dollars, the Project budget includes a significant portion of spend in local currency, the Brazilian Real (BRL). The Group and its senior lenders agreed to implement a foreign exchange hedging strategy that ensures that at least 70% of its BRL denominated capital expenditure to be incurred between 14 May 2022 and 31 March 2025 is hedged to reduce the exposure of future BRL foreign exchange risk.

The Group has therefore entered into a series of monthly non-deliverable forward transactions ("NDFs") which will lock in a series

of future USD:BRL rates based on the Group's projected spend profile at the time of entering into those transactions. NDFs by definition are non-deliverable and so the Group would either pay or receive an amount of BRL to ensure that it ultimately achieves the hedged rate.

The effects of the cash flow non-deliverable forward contract hedging relationship are as follows:

	US$'000
Carrying amount of the derivatives	10,731
Change in fair value of designated hedging instruments	(10,731)
Change in fair value of designated hedged item	10,731
Notional amount	97,939
Maturity date	31/07/2023 – 28/03/2024
Hedge ratio	1:1

10 Share Capital and Share Premium

On 31 March 2023 the Group issued 365,000 new ordinary shares at a price of 70.14 pence following the exercise of options by option holders.

Issued and fully paid	Number of shares	Ordinary shares US$'000	Share premium US$'000	Total US$'000
At 1 January 2023	268,413,907	70,333	306,720	377,053
Issue of equity	365,000	90	226	316
At 30 June 2023	**268,778,906**	**70,423**	**306,946**	**377,369**

11. Share-based payments

The Directors have discretion to grant options to the Group employees to subscribe for Ordinary shares up to a maximum of 10% of the Company's issued share capital. One third of options are exercisable at each six months anniversary from the date of grant, such that all options are exercisable 18 months after the date of grant, other than options awarded on 12 July 2022. Options issued on 12 July 2022 will vest in three tranches on the 12-month, 18-month and 28-month anniversaries after the date of grant. All share options lapse on the tenth anniversary of the date of grant or the holder ceasing to be an employee of the Group. Should holders cease employment then the options remain valid for a period of 3 months after cessation of employment, following which they will lapse. Neither the Company nor the Group has any legal or constructive obligation to settle or repurchase the options in cash.

On 31 March 2023 option holders exercised their share options. There were no other movements for the six months ended 30 June 2023.

	Number of options	**Weighted average exercise price US$**
Outstanding at 1 January 2023	14,716,250	1.70
Exercised	(365,000)	0.867
Forfeited	(1,370,000)	2.07
Outstanding at 30 June 2023	12,981,250	1.78
Exercisable at 30 June 2023	**4,705,000**	**1.07**

The expense recognised for share options granted in July 2022 was US$1,2million. The expense will be recognised over the vesting period until the share options have fully vested.

	Share options reserve US$'000
At 1 January 2023	1,416
Charge for share options granted	1,196
At 30 June 2023	**2,612**

12 Contingent and Deferred Consideration

Contingent Consideration payable to Xstrata Brasil Mineração Ltda.

The contingent consideration payable to Xstrata Brasil Mineração Ltda for the acquisition of the Araguaia project has a carrying value of US$2.55 million at 30 June 2023 (31 December 2022: US$2.47 million). It comprises US$5,000,000 consideration in cash as at the date of first commercial production from the 'Vale dos Sonhos' resource areas within the Enlarged Project area. The key assumptions underlying the treatment of the contingent consideration the US$5,000,000 and a discount factor of 7.0% along with the estimated date of first commercial production.

During 2020 the Araguaia project entered the development phase and as a result borrowing costs including unwinding of discount on contingent consideration for qualifying assets have been capitalised to the mine development asset. The borrowing costs capitalised for the six months to 30 June 2023 is US$84,285 (30 June 2022: US$78,771).

Contingent Consideration payable to Vale Metais Basicos S.A.

The contingent consideration payable to *Vale Metais Basicos S.A.* for the acquisition of the Vermelho project has a carrying value of US$4.58 million at 30 June 2023 (31 December 2022: US$4.43 million). It comprises US$6,000,000 consideration in cash as at the date of first commercial production from the Vermelho project and was recognised for the first time in December 2019, following the publication of a PFS on the project. The key assumptions underlying the treatment of the contingent consideration of US$6,000,000 is a discount factor of 7.0% along with the estimated date of first commercial production.

As at 30 June 2023, there was a net finance income of US$151,001 (30 June 2022: US$148,396) 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 net finance income includes a change in estimate due to the change in the estimated date of first commercial production from 30 June 2026 to 30 June 2027. The finance costs in respect of this contingent consideration are expensed as the Vermelho project has not entered the construction phase.

Deferred Consideration payable to Companhia Brasileira de Alumínio

The deferred consideration payable to Companhia Brasileira de Aluminio has a carrying value of US$4.88 million at 30 June 2023 (31 December 2022: US$5.76million). It comprises US$7 million consideration in cash for ferronickel processing equipment which payable on the completion of certain milestones in the Araguaia project and was recognised for the first time in December 2021. The milestones are as follows:

a) US$600,000 payable on execution of the Agreement, this was paid on 9 December 2021;
b) US$950,000 upon the removal of 80% of the Processing Equipment from CBA's Niquelândia operations;
c) US$950,000 upon reaching 50% completion of Araguaia plant construction, this was paid in May 2023
d) US$1,150,000 upon production at Araguaia reaching 90% of nameplate capacity for a period of 60 days, on average, and with up to 50% of such amount payable in Horizonte shares, at Horizonte's election; and
e) US$3,350,000 payable by Horizonte in three equal annual instalments with the first instalment due within 45 days of the first sale of ferronickel to a third party. Horizonte may choose to pay the outstanding balance of this amount at any time of its choosing with up to 50% of the total able to be paid in Horizonte's shares, at Horizonte's election.

The key assumptions underlying the treatment of the deferred consideration is a discount factor of 7.0% and the estimated timing of the milestones as outlined previously.

As at 30 June 2023, there was a finance expense of US$67,650 (30 June 2022: US$121,655) recognised in finance costs within the Statement of Comprehensive Income in respect of this deferred consideration arrangement, as the discount applied to the deferred consideration at the date of acquisition was unwound.

	Companhia Brasileira de Aluminio (in respect of Araguaia project)	Xstrata Brasil Mineração Ltda (in respect of Araguaia project)	Vale Metais Basicos S.A. (in respect of Vermelho project)	Total
	US$'000	US$'000	US$'000	US$'000
At 1 January 2022				
Initial recognition	5,444	2,309	4,426	12,179
Unwinding of discount	314	161	299	774
Change in estimate	—	—	(299)	(299)
Change in carrying value and foreign exchange	—	—	—	—
At 31 December 2022	5,758	2,470	4,426	12,654
Unwinding of discount	161	84	151	396
Settlement	(950)	—	—	(950)
Change in carrying value and foreign exchange	(93)	—	—	(93)
At 30 June 2023	4,876	2,554	4,577	12,007

13 a) Royalty Financing liability

13 a.1) Araguaia royalty financing liability

On 29 August 2019 the Group entered into a royalty funding arrangement with Orion Mine Finance ("OMF") securing a gross upfront payment of $25,000,000 before fees in exchange for a royalty, the rate being in a range from 2.25% to 3.00% and determined by the date of funding and commencement of major construction. The rate has been confirmed to be 2.95%. The royalty is paid over the first 426k tonnes of nickel produced from the Araguaia Ferronickel project. The royalty is linked to production and therefore does not become payable until the project is constructed and commences commercial production; more detail is contained within the audited financial statements for the year ended 31 December 2022. The agreement contains certain embedded derivatives which as per IFRS9 have been separately valued and included in the fair value of the financial instrument in note 13b).

The Royalty liability has initially been recognised using the amortised cost basis with an effective interest rate of 14.5%. When circumstances arise that lead to payments due under the agreement being revised, the group adjusts the carrying amount of the financial liability to reflect the revised estimated cash flows. This is achieved by recalculating the present value of estimated cash flows using the original effective interest rate of 14.5%. Any adjustment to the carrying value is recognised in the income statement.

The carrying value of the royalty reflects assumptions on expected long term nickel price, update headline royalty rate as well as the timing of payments related to expected date of commencement of production and hence payment to be made under the royalty agreement.

The assumption influencing the increase in the carrying value of the royalty since year end is the long-term nickel price which has increased from $18,721 t/Ni to $19,193 t/Ni. The royalty rate is 2.95%.

Management have sensitised the carrying value of the royalty liability for a $1,000/t Ni increase/decrease in future nickel price the carrying value would change by US$2,831,299.

13 a.2) Vermelho royalty financing liability

On 23 November 2021 the Group entered into a royalty funding arrangement with Orion Mine Finance ("OMF") securing a gross upfront payment of $25,000,000 before fees in exchange for a royalty, at a rate of 2.1%. The royalty rate will increase to 2.25% if substantial construction of the Vermelho Project has not commenced within 5 years of the closing date, 30 March 2022. The royalty will be paid over the life of mine of Vermelho. The Royalty agreement has certain provisions to revise the headline royalty rate should there be change in the mine schedule and production profile prior to construction or if the resource covered in the Vermelho Feasibility Study is depleted. The royalty is linked to production and therefore does not become payable until the project is constructed and commences commercial production; more detail is contained within the audited financial statements for the year ended 31 December 2022. The agreement contains certain embedded derivatives which as per IFRS9 have been separately valued and included in the fair value of the financial instrument in note 13b). The royalty funds were received on 30 March 2022.

The Royalty liability has initially been recognised using the amortised cost basis with an effective interest rate of 17.66%. When circumstances arise that lead to payments due under the agreement being revised, the group adjusts the carrying amount of the financial liability to reflect the revised estimated cash flows. This is achieved by recalculating the present value of estimated cash flows using the original effective interest rate of 17.66%. Any adjustment to the carrying value is recognised in the income statement.

The carrying value of the royalty reflects assumptions on expected long term nickel and cobalt prices, headline royalty rate as well as the timing of payments related to expected date of commencement of production and hence payment to be made under the royalty agreement.

The assumptions influencing the increase in the carrying value of the royalty since year end is the movement in the long-term commodity prices - nickel price from US$18,721 t/Ni to US$19,193 t/Ni and the cobalt price from US$56,950 t/Co to US$53,846. The royalty rate has remained at 2.1%.

Management have sensitised the carrying value of the royalty liability by a change in the royalty rate to 2.25% and it would be US$3,129,101 higher and for a $1,000/t Ni increase/decrease in future nickel price and future cobalt price the carrying value would change by US$2,090,138.

	Araguaia Royalty valuation	Vermelho Royalty valuation	Total
	US$'000	US$'000	US$'000
Net book amount at 1 January 2022	44,496	—	44,496
Initial recognition	—	25,000	25,000
Embedded derivative – initial valuation	—	9,848	9,848
Transaction costs	—	(848)	(848)
Unwinding of discount	5,351	4,449	9,800
Change in carrying value	(1,064)	2,513	1,449
Net book amount at 31 December 2022	48,783	40,962	89,745
Unwinding of discount	2,952	3,404	6,356
Change in carrying value	1,119	(559)	560
Net book amount at 30 June 2023	52,854	43,807	96,661

13 b) Derivative financial assets

13 b.1) Araguaia derivative financial assets

The aforementioned Araguaia royalty agreement includes several options embedded within the agreement as follows:

- If there is a change of control of the Group and the start of major construction works (as defined by the expenditure of in excess of $30m above the expenditure envisaged by the royalty funding) is delayed beyond a certain pre agreed timeframe the following options exist:
  - Call Option – which grants Horizonte the option to buy back between 50 – 100% of the royalty at a valuation that meets certain minimum economic returns for OMF;
  - Make Whole Option – which grants Horizonte the option to make payment as if the project had started commercial production and the royalty payment were due; and
  - Put Option – should Horizonte not elect for either of the above options, this put option grants OMF the right to sell between 50 – 100% of the Royalty back to Horizonte at a valuation that meets certain minimum economic returns for OMF.
- Buy Back Option - At any time from the date of commercial production, provided that neither the Call Option, Make Whole Option or the Put Option have been actioned, Horizonte has the right to buy back up to 50% of the Royalty at a valuation that meets certain minimum economic returns for OMF.

The directors have undertaken a review of the fair value of all of the embedded derivatives and are of the opinion that the Call Option, Make Whole Option and Put Option currently have immaterial values as the probability of both a change of control and project delay are currently considered to be remote. There is considered to be a higher probability that the Group could in the future exercise the Buy Back Option and therefore has undertaken a fair value exercise on this option.

The initial recognition of the Buy Back Option has been recognised as an asset on the balance sheet with any changes to the fair value of the derivative recognised in the income statement. It has been fair valued using a Monte Carlo simulation which runs a high number of scenarios in order to derive an estimated valuation. The Monte Carlo simulation was last performed at the 31 December 2022 year end. The Monte Carlo simulation is performed annually at the year-end date. The assumptions driving the buy-back option valuation were assessed as at 30 June 2023 and it was concluded that the change in the valuation would not be material.

The assumptions for the valuation of the Buy Back Option (per the Monte Carlo simulation) are the future nickel price of (US$18,721/t Ni), the start date of commercial production (March 2024), the prevailing royalty rate (2.95%), the inflation rate (2.22%) and volatility of nickel prices (39.7%).

Sensitivity analysis

The valuation of the Buyback option is most sensitive to future nickel price estimates and nickel price volatility.

A 15% adjustment to the estimated future nickel price would result in a variance between US$2.7 million and US$3 million in the valuation.

13 b.2) Vermelho derivative financial assets

Horizonte has the right to buy back 50% of the royalty on the first four anniversaries of closing (or on any direct or indirect change of control in respect of Vermelho up until the fourth anniversary of closing).

After the 4th anniversary, Horizonte has the right to buy back 50% of the royalty on any direct or indirect change of control in respect of Vermelho at a valuation that meets certain minimum economic returns for OMF.

The initial recognition of the Buy Back Option has been recognised as an asset on the balance sheet with any changes to the fair value of the derivative recognised in the income statement. It has been fair valued using a Monte Carlo simulation which runs a high number of scenarios in order to derive an estimated valuation. The Monte Carlo simulation was last performed at the 31 December 2022 year end. The Monte Carlo simulation is performed annually at the year-end date. The assumptions driving the buy-back option valuation were assessed as at 30 June 2023 and it was concluded that the change in the valuation would not be material.

The assumptions for the valuation of the Buy Back Option (per the Monte Carlo simulation) are the future nickel price (US$18,721/t Ni), the future cobalt price (US$56,950/t Co), the production profile from 2027 to 2065, the expected royalty rate (2.1%), the inflation rate (2,22%), volatility of nickel prices (22.1%) and volatility of cobalt prices (28.0%).

Sensitivity analysis

The valuation of the Buyback option is sensitive to estimates for nickel and cobalt prices and their respective volatilities.

A 15% adjustment to the estimated future nickel and cobalt prices would result in a variance of US$3.7 million in the valuation.

Refer to the table below for the summary of the derivative financial asset's valuation:

	Araguaia Royalty	Vermelho Royalty	Total
	US$'000	US$'000	US$'000
Value as at 1 January 2022	4,950	—	4,950
Initial recognition	—	9,848	9,848
Change in fair value	57	(366)	(309)
Value as at 31 December 2022	5,007	9,482	14,489
Value as at 30 June 2023	**5,007**	**9,482**	**14,489**

14. Convertible loan notes

On 29 March 2022 the Company issued convertible loan notes to the value of $65 million at an interest rate of 11.75% with interest accruing quarterly in arrears. The convertible loan notes were issued at a discount of 5.75%. The maturity date of the instruments is 15 October 2032.

The convertible loan notes are unsecured and the noteholders will be repaid as follows:

- Interest shall be capitalised until the Araguaia Project Completion date, estimated to be 31 December 2025 (subject to various technical operating tests being passed)
- After Project Completion Date, interest shall be paid quarterly only if there is available cash (after the company meets its senior debt and other senior obligations)
- After Project Completion Date, principal repayments (including accrued capitalized interest) shall be paid quarterly subject to available cash for distribution. In addition, a cash sweep of 85% of excess cash will apply on each interest payment date
- Any amount outstanding on the CLN on the maturity date 15 October 2032, Horizonte is obliged to settle in full on the maturity date.

At any time until the Maturity Date, the Noteholder may, at its option, convert the notes, partially or wholly, into a number of ordinary shares up to the total amount outstanding under the Convertible Note divided by the Conversion Price. The Conversion Price is 125% of the Subscription Price of 1.40 pence, converted to US$ at a rate of 1.3493. The Conversion Price is therefore US$1.89. The Conversion Price was revised to £1.268/US$1.71 after the completed equity fundraise on 8 November 2022.

The convertible loan is a hybrid financial instrument, whereby a debt host liability component and an embedded derivative liability component was determined at initial recognition. The conversion option did not satisfy the fixed for fixed equity criterion (fixed number of shares and fixed amount of functional currency cash) as the currency of the convertible loan notes is US Dollar and the functional currency of Horizonte Minerals Plc and its share price is GBP.

For convertible notes with embedded derivative liabilities, the fair value of the embedded derivative liability is determined first and the residual amount is assigned to the debt host liability.

The initial recognition of the embedded derivative conversion feature has been recognised as a liability on the balance sheet with any changes to the fair value of the derivative recognised in the income statement. It has been fair valued using a Monte Carlo simulation which runs a high number of scenarios in order to derive an estimated valuation. The Monte Carlo simulation was last performed at the 31 December 2022 year end. The Monte Carlo simulation is performed annually at the year-end date. The assumptions driving the buy-back option valuation were assessed as at 30 June 2023 and it was concluded that the change in the valuation would not be material.

The assumptions for the valuation of the conversion feature (per the Monte Carlo simulation), at the year-end date 31 December 2022, are the Horizonte Minerals Plc future share price volatility (42.9%), GBP:USD exchange rate volatility (10%) on the conversion price.

The debt host liability will be accounted for using the amortised cost basis with an effective interest rate of 19%. The effective interest rate is recalculated after adjusting for the transaction costs. The Group will recognise the unwinding of the discount at the effective interest rate, until the maturity date, the carrying amount at the maturity date will equal the cash payment required to be made.

The directly attributable transaction costs were allocated proportionately to the embedded derivative and the convertible loan notes liability. The embedded derivative transaction costs were recognised in profit and loss, whereas the convertible loan liability transaction costs were deducted from the financial liability carrying amount.

After the fifth anniversary of the closing date, Horizonte shall have a one-time right to redeem the Convertible Notes, in whole, at 105% of the par value plus accrued and unpaid interest in cash if:

1. The thirty-business day VWAP of Horizonte shares exceeds 200% of the Conversion Price and the average daily liquidity of the Company's shares (across all relevant exchanges) exceeds US$2.5 million per trading day over the prior 30 trading days; or
2. There is a change of control.

Management have assessed the likelihood of the above events occurring is highly improbable and thus the value of the redemption right is immaterial and was thus not considered in the valuation of the instrument.

Sensitivity analysis – Conversion feature derivative

The valuation of the conversion feature derivative is sensitive to the Company's equity price and share price volatility. A 15% adjustment on the Company's equity price results in a variance of between US$7.6million and US$8.3million in the valuation. A 30% adjustment on the equity volatility results in a variance of US$4.9million.

Refer to the table below for the summary of the convertible loan notes valuation:

	Embedded derivative	Convertible loan notes liability	Total
	US$'000	US$'000	US$'000
Initial recognition (after discount on issue)	36,458	24,804	61,262
Transaction costs	—	(950)	(950)
Unwinding of discount	—	5,957	5,957
Change in fair value	(6,821)	—	(6,821)
Value as at 31 December 2022	29,637	29,811	59,448
Unwinding of discount	—	4,675	4,675
Value as at 30 June 2023	29,637	34,486	64,123

15. Cost overrun facility

On 30 November 2022, the Group satisfied all conditions precedent in relation to the cost overrun facility (COF) and had received all COF funds from Orion. The COF benefits from the same security package as the senior debt facility but will be subordinated to the senior debt facility. Access to the COF funds is restricted and will only be available in the case of a cost overrun against the Araguaia Project construction schedule and budget, subject to certain conditions including:

1. 90% of the funding from the Equity Fundraise and Convertible loan notes have been invested in the construction of the Araguaia Project
2. A gearing ratio of 70:30 being met

The COF is US$25million with an interest rate of 13% and a maturity date of 15 October 2032. Interest will be calculated quarterly and be payable in arrears at the end of each interest period – March 31, June 30, September 30 and December 31. The first interest period was 30 November to 31 December 2022. The initial principal repayment date is 31 March 2025. 3.23% of the outstanding principal amount will be paid at each quarter end date starting from 31 March 2025.

The COF will be accounted for using the amortised cost basis with an effective interest rate of 15%. The effective interest rate is recalculated after adjusting for the transaction costs. The Group will recognise the unwinding of the discount at the effective interest rate, until the maturity date, the carrying amount at the maturity date will equal the cash payment required to be made.

	Total
	US$'000
Initial recognition	25,000
Transaction costs	(1,198)
Unwinding of discount	288
Interest repayments	(280)
Value as at 31 December 2022	23,810
Unwinding of discount	1,705
Interest repayments	(1,643)
Value as at 30 June 2023	23,872

16. Senior debt facility

On 15 March 2022 the Group entered into legally binding documentation including a comprehensive intercreditor agreement and loan agreements with two export credit agencies in relation to its senior secured project finance debt facility of US$346.2 million. The senior debt facility was executed between Araguaia Niquel Metais LTDA, and a syndicate of international financial institutions, being BNP Paribas, BNP Paribas Fortis, ING Capital LLC, ING Bank N.V., Natixis, New York Branch, Société Générale and SEK (Swedish Export Credit Corporation).

The senior debt facility includes the following:

- Commercial senior facility of US$200,000,000 provided by the Senior Lenders;
- ECA facility of US$74,562,000 guaranteed by EKF (Denmark's Export Credit Agency);
- ECA facility of US$71,638,000 guaranteed by Finnvera plc (Finland's Export Credit Agency);

On 7 December 2022, the Group satisfied all conditions precedent for the first utilisation under the senior debt facility of US$346.2 million.

The interest rate on the ECA facility is calculated according to this formula: Margin + Term SOFR (Secured Overnight Financing Rate) + Baseline Credit Adjustment Spread (CAS). The ECA Facility margin is 1.8%. The Term SOFR at 30 June 2023 was 5.24187% and the Baseline CAS 0.261610%. The ECA facility interest rate was therefore 7.30348% at 30 June 2023.

The interest rate on the Commercial facility is calculated according to this formula: Margin + Term SOFR (Secured Overnight Financing Rate) + Baseline Credit Adjustment Spread (CAS). The Commercial Facility margin is 4.75%. The Term SOFR at 30 June 2023 was 5.24187% and the Baseline CAS 0.261610%. The Commercial facility interest rate was therefore 10.25348% at 30 June 2023.

Interest is calculated quarterly and payable in arrears at the end of each interest period – March 31, June 30, September 30 and December 31. The initial principal repayment date is 31 March 2025. The outstanding principal amount will be paid according to the repayment schedule at each quarter end date starting from 31 March 2025.

The final maturity date on the Commercial Facility is 15 July 2030. The final maturity date on the ECA Facility is 15 July 2032.

The ECA and Commercial Facilities will be accounted for using the amortised cost basis with effective interest rates of 12.25% and 11.57% respectively. The effective interest rate is recalculated after adjusting for the transaction costs. The Group will recognise the unwinding of the discount at the effective interest rate, until the maturity date, the carrying amount at the maturity date will equal the cash payment required to be made.

The Senior Debt Facility is secured via a comprehensive security package which includes:

- Pledge of shares in the Araguaia Níquel Metais Ltda. (the "Borrower");
- Pledge of shares of the guarantors (other than Horizonte Minerals plc);
- First ranking security over all of the Araguaia Project's assets (including its mineral rights);
- Assignment of insurance policies;
- Assignment of material project contracts (including rights under hedge agreements);
- Charge over certain bank accounts of the Borrower (including the debt service bank account, the cost overrun account and the insurance proceeds account); and
- Assignment of credit related to intercompany loans (by the Group borrowing entity) and subordination of the debt related to inter-company loans (by the Group lending entity).

	ECA Facility	Commercial Facility	Total
	US$'000	US$'000	US$'000
Initial recognition	2,111	2,889	5,000
Transaction costs	(446)	(232)	(678)
Unwinding of discount	12	19	31
Interest repayments	(8)	(17)	(25)
Value as at 31 December 2022	1,669	2,659	4,328
Loan drawdowns	57,010	77,990	135,000
Transaction costs	(11,830)	(5,464)	(17,294)
Unwinding of discount	1,155	1,807	2,962
Interest repayments	(872)	(1,703)	(2,575)
Change in carrying value	3,021	2,875	5,896
Value as at 30 June 2023	50,153	78,164	128,317

As at 30 June 2023 the drawn vs undrawn balance on the senior debt facility was as follows:

	Drawn	Undrawn	Total
	US$'000	US$'000	US$'000
Commercial	80,879	119,121	200,000
EKF ECA	30,151	44,409	74,560
Finnvera ECA	28,970	42,670	71,640
	140,000	206,200	346,200

17. Financial instruments

Financial Assets

	Fair Value	Amortised cost	Total	Fair Value	Amortised cost	Total
		30 June 2023			31 December 2022	
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Cash and cash equivalents	—	138,682	138,682	—	154,028	154,028
Derivative financial asset	25,220	—	25,220	15,404	—	15,404
Total	25,220	138,682	163,902	15,404	154,028	169,432

Financial Liabilities

	Fair Value	Amortised cost	Total	Fair Value	Amortised cost	Total
		30 June 2023			31 December 2022	
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Trade and other payables	—	29,123	29,123	—	29,204	29,204
Contingent consideration	—	7,131	7,131	—	6,896	6,896
Deferred consideration	—	4,876	4,876	—	5,758	5,758
Royalty Finance	—	96,662	96,662	—	89,745	89,745
Convertible loan notes	29,637	34,486	64,123	29,637	29,811	59,448
Cost overrun facility	—	23,872	23,872	—	23,810	23,810
Senior debt facility	—	128,317	128,317	—	4,328	4,328
Lease liability	—	1,089	1,089	—	987	987
Total	29,637	325,556	355,193	29,637	190,539	220,176

Fair value estimation

Financial instruments not measured at fair value

Financial instruments not measured at fair value includes cash and cash equivalents, trade and other receivables, trade and other payables, contingent and deferred consideration, royalty financing arrangements, convertible loan notes and loans and borrowings.

Due to their short-term nature, the carrying value of cash and cash equivalents, trade and other receivables, and trade and other payables approximates their fair value.

Financial instruments measured at fair value

The fair value hierarchy of financial instruments measured at fair value is provided below.

	Level 1		Level 2		Level 3	
	30 June 2023	31 December 2022	30 June 2023	31 December 2022	30 June 2023	31 December 2022
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Financial assets and liabilities						
Derivative financial assets (fair value through profit or loss)	—	—	—	—	14,489	14,489
Derivative financial liabilities (fair value through profit or loss)	—	—	—	—	(29,637)	(29,637)
Derivative financial assets (designated hedge instruments)	—	—	10,731	915	—	—
Total	**—**	**—**	**10,731**	**915**	**(15,148)**	**(15,148)**

Fair value measurements recognised in the statement of financial position subsequent to initial fair value recognition can be classified into Levels 1 to 3 based on the degree to which fair value is observable.

Level 1 – Fair value measurements are those derived from quoted prices in active markets for identical assets and liabilities.

Level 2 – Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly, or indirectly.

Level 3 – Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

Information relating to the basis of determination of the level 3 fair value for the buyback options and the convertible loan note embedded derivative and consideration of sensitivity to changes in estimates is disclosed in note 13b) and note 14 respectively. Information relating to the level 2 designated hedge instrument is disclosed in note 9.

There were no transfers between any levels of the fair value hierarchy in the current or prior years.

18. Note to statement of cash flows

Below is a reconciliation of borrowings from financial transactions:

	Senior Debt Facility	Cost Overrun Facility	Convertible Loan Notes Liability	Royalty Financing	Derivative asset	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Total non-current borrowings 31 December 2021	—	—	—	44,496	(4,950)	39,546
Cash flow adjustments:						
Initial recognition	5,000	25,000	61,262	25,000	—	116,262
Transaction costs	(678)	(1,198)	(950)	(848)	—	(3,674)
Interest payments	(25)	(280)	—	—	—	(305)
Non cash flow adjustments:						
Embedded derivative – initial valuation	—	—	—	9,848	(9,848)	—
Unwinding of discount	32	288	5,957	9,799	—	16,076
Change in carrying value /fair value	—	—	(6,821)	1,449	309	(5,063)
Total non-current borrowings 31 December 2022	4,328	23,810	59,448	89,745	(14,489)	162,841
Cash flow adjustments:						
Loan drawdowns	135,000	—	—	—	—	135,000
Transaction costs	(17,294)	—	—	—	—	(17,294)
Interest payments	(2,575)	(1,643)	—	—	—	(4,218)
Non cash flow adjustments:						
Unwinding of discount	2,962	1,705	4,675	6,356	—	15,698
Change in carrying value	5,896	—	—	560	—	6,456
Total non-current borrowings 30 June 2023	128,317	23,872	64,123	96,661	(14,489)	298,484

19. Dividends

No dividend has been declared or paid by the Company during the six months ended 30 June 2023 (2022: nil).

20. Earnings per share

The calculation of the basic loss per share of 1.045 cents for the six months ended 30 June 2023 (30 June 2022 loss per share: 0.487 cents) is based on the loss attributable to the equity holders of the Group of US$2.8 million for the six-month period 30 June 2023 (30 June 2022: US$927k loss) divided by the weighted average number of shares in issue during the period of 268,599,431 (weighted average number of shares for the six months ended 30 June 2022: 190,252,534). The comparative earnings per share (30 June 2022) have been restated to reflect the amendment to the prior period figures (note 2).

The basic and diluted loss per share for the periods ended 30 June 2023 and 30 June 2022 are the same as the results for the years are losses, the options and warrants outstanding would be anti-dilutive. Therefore, the dilutive loss per share is considered as the same as the basic loss per share.

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 2022 and in note 11.

21. Ultimate controlling party

The Directors believe there to be no ultimate controlling party.

22. 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 2022. There were no significant related party transactions during the six-month period ended 30 June 2023.

23. Events after the reporting period

The Company awarded new share options on 13 July 2023 (the "Award Date") over 2,435,035 ordinary shares of £0.20 each in the capital of the Company to executives (PDMRs) and key personnel in the UK and Brazil under the Company's unapproved (or 'non tax-advantaged') 2006 Share Options Scheme (the "Awards"). Each Award is exercisable in return for one ordinary share in the Company and will vest in three tranches on the 6-month, 12-month and 18-month anniversaries of the Award Date (with additional 12 months vesting period for certain employees) at a ratio of 1/3 each tranche, with exercise price of £1.70 per ordinary share. The exercise price of £1.70 represents a premium of 10.4% to the closing price on 12 July 2023 of £1.54.

On 28 July 2023 the Group issued 700,000 ordinary shares at a price of 79.64 pence following the exercise of options by option holders.

24. Approval of interim financial statements

These Condensed Consolidated Interim Financial Statements have been approved for issue by the Board of Directors on 15 August 2023.

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