

Horizonte Minerals plc ('Horizonte' or 'the Company')
Final Results

Horizonte, the AIM quoted exploration and development company focussed in Brazil, announces its results for the year ended 31 December 2010.

Overview

- Focussed nickel and gold exploration and development company in Brazil with the support of two mining majors Teck Resources and AngloGold
- Transformational deal completed in August 2010 to acquire 100 per cent of the advanced Araguaia nickel project in the Carajas mineral district of northern Brazil
- Consolidated land position in the emerging Carajás nickel district - created the potential for a 100Mt resource with grades comparable to other leading nickel assets in Brazil
- Continuing to fast-track the resource drilling with the aim of increasing the maiden resource and initiating a preliminary economic assessment in Q4 2011
- £5.3 million strategic alliance with AngloGold to explore for new gold targets in Brazil continuing to gain traction
- Signed a further \$4.5 million three year agreement with AngloGold in August 2010 to develop Falcão gold project in Brazil

Post-Period end

- Executed a formal Option Royalty Agreement with Anglo Pacific regarding future nickel production at Araguaia - US\$500,000 paid for the option to acquire a 1.5% NSR for US\$12.5 million which is exercisable on the delivery of a positive pre-feasibility study
- Defined a maiden 43-101 inferred resource of 76.6Mt at 1.35% nickel and 0.06% cobalt in March 2011
- Strong cash position - £8.25 million fundraising completed in January 2011 for the development of Araguaia
- Intention to dual list on the Toronto Stock Exchange H1 2011 to attract a wider institutional and retail following in Canada

Chairman's Statement

This has been a year of substantial growth for Horizonte which has seen us emerge as a leading exploration and development company in the world-class Carajás mining province in northern Brazil, with a solid portfolio of nickel and gold assets, and supportive major mining partners which include Teck Resources ('Teck') and AngloGold Ashanti ('AngloGold').

In the 2009 annual report, I stated that we were actively seeking opportunities to consolidate our position within the emerging Carajás nickel belt in northern Brazil that hosted our existing Lontra nickel project. We were delighted to announce in July 2010 that we had completed a transformational deal with Teck, whereby we acquired the advanced Araguaia nickel asset adjacent to our Lontra project (together 'Araguaia') which has created the potential for a 100 million tonne ('Mt') resource with grades comparable to other leading nickel plays. In completing this transaction, the value of your Company increased significantly both on an asset and corporate level.

When we acquired Araguaia, Teck had completed a significant amount of drilling with over 489 drill holes totalling 11,400 metres of diamond drilling completed since its discovery in 2005. In September 2010 we commenced a rapid development schedule including compiling and analysing Teck's original drilling results from the project and initiating an 8,000 metre drill programme using three drill rigs with the aim of delineating a first stage resource with a target of between 60 - 70 Mt by the end of H1 2011. We were delighted to announce an initial inferred resource estimate of 76.6 Mt at 1.35% nickel and 0.06% cobalt with a cut off grade of 1% nickel in March 2011 that exceeded this target. We believe that the size and grade of the maiden resource clearly demonstrates that Araguaia has the potential to be developed into a major nickel deposit.

Earlier in the 2011, we also further consolidated our position in this potentially world class nickel district by signing an option to acquire the adjacent Vila Oito and Floresta nickel laterite projects from Lara Exploration Ltd. The Vila Oito project has a non compliant resource of 10.4 Mt grading 1.36% Ni.

As we move forward it is our intention to add additional drill rigs to fast-track the resource delineation at Araguaia. The combination of our maiden resource together with additional untested targets within the greater Araguaia project area should see us moving towards a resource target in excess of 100Mt. With this in hand we are seeking a listing on the Toronto Stock Exchange with the aim of attracting a wider market.

Also at the beginning of 2011, we undertook a fundraising, raising £8.25 million before expenses in order to further fast-track the development of Araguaia. The placing, which was oversubscribed, received strong institutional demand from both new and existing shareholders in the UK. After completion of the current 8,000m drilling programme, the funds will be used for a second phase expanded exploration programme to further test exploration targets within the project area and convert the high grade zones to the indicated resource category. In addition to the resource drilling, metallurgical test work will be completed with the aim of initiating a preliminary economic assessment in Q4 2011.

Furthermore, Horizonte executed a formal Option Royalty Agreement with Anglo Pacific Group Plc ('Anglo Pacific') regarding any future nickel production on Araguaia. Under the terms of the agreement, Anglo Pacific has paid US\$500,000 for an option to acquire a 1.5% NSR over Araguaia for US\$12.5 million which is exercisable on the delivery of a positive pre-feasibility study. We believe the level of payment demonstrates Anglo Pacific's recognition of the quality of the project and the potential value that it may achieve as we fast-track its development.

The nickel market has stabilised and the current price of over US\$20,000 per tonne supports the ongoing nickel market deficit expected throughout 2011. In the longer term Citibank commented in its 'Nickel Update' of 8 December 2010 that the risk to supply disappointment is increasingly significant. Approximately 70% of the world's nickel resources are found in laterites, yet they account for just circa 40% of global nickel production. The increasing application of leaching, usually by acid to laterites, has at times fallen short of expectations in both the duration of ramp-up and ultimate production achieved. These leaching projects account for half of the expected increase in supply by 2015.

Araguaia is well located and supported by established infrastructure both of which are essential as we progress through the development cycle through to potential production.

However it must be noted that your Company is neither a single project company nor a one commodity business.

Our strategic alliance with AngloGold to explore for new gold targets in Brazil has continued to gain traction; the first year of the US\$5.3 million joint venture has been recently completed during which AngloGold funded US\$900,000 of project expenditure. This expansive relationship is rapidly creating a large number of new gold anomalies and we expect to advance these new targets towards drilling in the second year of this exciting programme.

In August 2010 we signed a further three year agreement with AngloGold to explore our Falcão gold project also in Brazil. Under the terms of the earn in agreement, AngloGold has the right to earn into a 51% participating interest in the Falcão project by funding the sum of US\$4.5 million on project expenditure over the three year period. The first year expenditure will again be US\$900,000 and, in the second year, a further US\$1.6 million, followed by a final amount in year three of US\$2 million.

We have recently completed the soil sampling programme on Falcão as well as an aerial geophysical survey. The initial results are exciting and have returned a significant gold anomaly, approximately 3 km in length and between 300 and 600 metres in width, with consistent gold values above 50 ppb. There are also a number of samples with over 1 g/t gold. Additionally, in January 2011 an airborne magnetic and radiometric survey was flown over the project area which will assist in determining the main regional

structural controls on the large alteration system and will further assist with defining drill targets. All of the new data is still being compiled with the aim to initiate a 3,000 metre diamond drill programme in Q2 2011 with our partners to test the resource potential of Falcão.

We believe Horizonte's investment case is clearly evident; the newly enlarged Horizonte is now a leading nickel and gold focussed exploration and development company in Brazil, with a world class nickel laterite project and an exciting portfolio of gold exploration assets with significant near term value. This is in tandem with supportive mining majors and a strong treasury, both of which substantially de-risk Horizonte's financial exposure in the future, places us in a fantastic position to generate value for our shareholders during another exciting year for the growth of your Company.

Finally, as Chairman and fellow shareholder of Horizonte I would like to extend my gratitude for the support we have received from our shareholders during the past year, and would also like to thank our excellent management team led by Jeremy Martin for its continued dedication as we progress as a leading exploration company in Brazil.

David J. Hall
Chairman
3 March 2011

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Financial Results

Consolidated Statement of Comprehensive Income for the year ended 31 December 2010

Year ended 31 December 2010	Year ended 31 December 2009
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	Notes	£	£
Continuing operations			
Revenue		–	–
Cost of sales		–	–
Gross profit			
Administrative expenses		(1,257,954)	(893,805)
Acquisition costs expensed	5	(490,403)	–
Project impairment	11	(59,945)	–
(Loss)/gain on foreign exchange		(2,244)	3,269
Other operating income	7	694,540	–
Loss from operations			
Gain on purchase of subsidiary undertaking	5	1,798,251	–
Finance income	9	16,228	4,179
Finance costs	9	(68,035)	–
Profit/(loss) before taxation			
Taxation	10	–	–
Profit/(loss) for the year from continuing operations		630,438	(886,357)
Other comprehensive income			
Exchange differences on translating foreign operations		1,092,632	–
Total comprehensive income/(loss) for the year attributable to equity holders of the Company		1,723,070	(886,357)
Earnings per share from continuing operations attributable to the equity holders of the Company			
Basic (pence per share)	21	0.489	(1.94)
Diluted (pence per share)	21	0.487	(1.94)

Consolidated Statement of Financial Position

	Notes	31 December 2010 £	31 December 2009 £
Assets			
Non-current assets			
Intangible assets	11	16,918,202	2,498,411
Property, plant & equipment	12	168,223	919
Deferred taxation	10	8,079,087	–
		25,165,512	2,499,330
Current assets			
Trade and other receivables	13	72,314	44,609
Cash and cash equivalents	14	3,847,031	1,281,410
		3,919,345	1,326,019
Total assets		29,084,857	3,825,349
Equity and liabilities			
Equity attributable to owners of the parent			
Issued capital	15	2,465,605	590,191
Share premium	16	11,283,355	6,811,399
Other reserves	18	10,933,292	(1,048,100)
Accumulated losses		(2,184,252)	(2,867,224)
Total equity		22,498,000	3,486,266
Liabilities			
Non-current liabilities			
Contingent consideration	19	2,676,502	–
Deferred taxation	10	3,511,338	–

		6,187,840	–
Current liabilities			
Trade and other payables	19	399,017	339,083
		399,017	339,083
Total liabilities		6,586,857	339,083
Total equity and liabilities		29,084,857	3,825,349

Company Statement of Financial Position

	Notes	31 December 2010 £	31 December 2009 £
Assets			
Non-current assets			
Property, plant & equipment	12	2,810	899
Investment in subsidiaries	27	22,111,812	5,653,324
		22,114,622	5,654,223
Current assets			
Trade and other receivables	13	42,958	17,908
Cash and cash equivalents	14	3,638,534	1,100,002
		3,681,492	1,117,910
Total assets		25,796,114	6,772,133
Equity and liabilities			
Equity attributable to owners of the parent			
Issued capital	15	2,465,605	590,191
Share premium	16	11,283,355	6,811,399
Merger reserve	18	10,888,760	–
Accumulated losses		(2,104,258)	(1,089,133)
Total equity		22,533,462	6,312,457
Liabilities			
Non-current liabilities			
Contingent consideration	19	2,676,502	–
Current liabilities			
Trade and other payables	19	586,150	459,676
Total liabilities		3,262,652	459,676
Total equity and liabilities		25,796,114	6,772,133

Statements of Changes in Equity

	Share capital £	Share premium £	Accumulated losses £	Other reserves £	Total £
Consolidated					
As at 1 January 2009	404,477	5,771,728	(1,995,264)	(1,048,100)	3,132,841
Issue of ordinary shares	185,714	1,114,286	–	–	1,300,000
Issue costs	–	(74,615)	–	–	(74,615)
Share based payments	–	–	14,397	–	14,397
Total comprehensive income for the year	–	–	(886,357)	–	(886,357)
As at 31 December 2009	590,191	6,811,399	(2,867,224)	(1,048,100)	3,486,266
Issue of ordinary shares	1,875,414	4,883,503	–	10,995,621	17,754,538
Issue costs	–	(411,547)	–	(106,861)	(518,408)
Share based payments	–	–	52,534	–	52,534
Total comprehensive income for the year	–	–	630,438	1,092,632	1,723,070
As at 31 December 2010	2,465,605	11,283,355	(2,184,252)	10,933,292	22,498,000
Company					
As at 1 January 2009	404,477	5,771,728	(669,420)	–	5,506,785

Issue of ordinary shares	185,714	1,114,286	–	–	1,300,000
Issue costs	–	(74,615)	–	–	(74,615)
Share based payments	–	–	14,397	–	14,397
Total comprehensive income for the year	–	–	(434,110)	–	(434,110)
As at 31 December 2009	590,191	6,811,399	(1,089,133)	–	6,312,457
Issue of ordinary shares	1,875,414	4,883,503	–	10,995,621	17,754,538
Issue costs	–	(411,547)	–	(106,861)	(518,408)
Share based payments	–	–	52,534	–	52,534
Total comprehensive income for the year	–	–	(1,067,659)	–	(1,067,659)
As at 31 December 2010	2,465,605	11,283,355	(2,104,258)	10,888,760	22,533,462

Consolidated Statement of Cash Flows

For the year ended 31 December 2010

	Notes	31 December 2010 £	31 December 2009 £
Cash flows from operating activities			
Profit/(loss) before taxation		630,438	(886,357)
Interest income		(16,228)	(4,179)
Finance costs		68,035	–
Employee share options charge		52,534	14,397
Gain on bargain purchase of subsidiary undertaking		(1,798,251)	–
Project impairment		59,945	–
Transaction fees settled by share issue		150,000	–
Gain on investment		(440,079)	–
Depreciation		31,161	719
Operating loss before changes in working capital		(1,262,445)	(875,420)
Increase in trade and other receivables		(27,705)	(43,296)
Increase in trade and other payables		56,975	41,656
Net cash outflow from operating activities		(1,233,175)	(877,060)
Cashflows from investing activities			
Net purchase of intangible assets		(777,690)	(117,883)
Purchase of property, plant and equipment		(198,465)	–
Cash in acquired subsidiary	5	957	–
Interest received		16,228	7,466
Net cash used in investing activities		(958,970)	(110,417)
Cash flows from financing activities			
Net proceeds from issue of ordinary shares		4,757,707	1,225,385
Net cash inflow from financing activities		4,757,707	1,225,385
Net increase in cash and cash equivalents		2,565,562	237,908
Cash and cash equivalents at beginning of year		1,281,410	1,043,502
Exchange gains on cash and cash equivalents		59	–
Cash and cash equivalents at end of the year	14	3,847,031	1,281,410

Major non-cash transactions

On 17 August 2010, the Company issued 123,280,240 ordinary shares in consideration for the purchase of the entire share capital of Teck Cominco Brasil S.A. and 10,000,000 ordinary shares in consideration for the purchase of the entire share capital of Lontra Empreendimentos e Participações Ltda (Note 5). On the same date the Company issued a further 3,000,000 ordinary shares to certain professional advisors in settlement of services in relation to the acquisitions and placement of shares.

During the year intangible exploration and evaluation costs of £484,921 were disposed of in exchange for shares in a joint venture company.

Company Statement of Cash flows

For year ended 31 December 2010

	Notes	31 December 2010 £	31 December 2009 £
Cash flows from operating activities			
Loss before taxation		(1,067,659)	(434,110)
Interest income		(16,142)	(4,176)
Transaction fees settled by share issue		150,000	–
Employee share options charge		52,534	14,397
Depreciation		994	461
Operating loss before changes in working capital		(880,273)	(423,428)
Increase in trade and other receivables		(25,050)	(16,596)
Increase in trade and other payables		126,476	18,136
Net cash outflow from operating activities		(778,847)	(421,888)
Cashflows from investing activities			
Loans to subsidiary undertakings		(1,453,565)	(585,669)
Purchase of property, plant and equipment		(2,905)	–
Interest received		16,142	7,463
Net cash used in investing activities		(1,440,328)	(578,206)
Cash flows from financing activities			
Net proceeds from issue of ordinary shares		4,757,707	1,225,385
Net cash inflow from financing activities		4,757,707	1,225,385
Net increase in cash and cash equivalents		2,538,532	225,291
Cash and cash equivalents at beginning of year		1,100,002	874,711
Cash and cash equivalents at end of the year	14	3,638,534	1,100,002

Major non-cash transactions

On 17 August 2010, the Company issued 123,280,240 ordinary shares in consideration for the purchase of the entire share capital of Teck Cominco Brasil S.A and 10,000,000 ordinary in consideration for the purchase of the entire share capital of Lontra Empreendimentos e Participações Ltda (Note 5). On the same date the Company issued a further 3,000,000 ordinary shares to certain professional advisors in settlement of services in relation to the acquisitions and placement of shares.

Notes to the Financial Statements

1 General information

The principal activity of Horizonte Minerals Plc ('the Company') and its subsidiaries (together 'the Group') is the exploration and development of precious and base metals. The Company's shares are listed on the Alternative Investment Market of the London Stock Exchange. The Company is incorporated and domiciled in the UK.

The address of its registered office is 26 Dover Street London W1S 4LY.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these Financial Statements are set out below. These policies have been consistently applied to all the years presented.

2.1 Basis of preparation

These Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU), IFRIC interpretations and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The Financial Statements have been prepared under the historical cost convention as modified by the revaluation of certain of the subsidiaries' assets and liabilities to fair value for consolidation purposes. A summary of the more important accounting policies is set out below.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's Accounting Policies. The areas involving a higher degree of judgement or complexity, or

areas where assumptions and estimates are significant to the Financial Statements, are disclosed in Note 4.

2.2 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2010.

IFRS 3 (revised), 'Business Combinations', and consequential amendments to IAS 27, 'Consolidated and separate financial statements', IAS 28 'Investments in associates', and IAS 31 'Interests in joint ventures', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared to IFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the statement of comprehensive income. All acquisition costs are expensed.

The revised standard has been applied to the acquisitions of the 100% controlling interests in Lontra Empreendimentos e Participações Ltda and Teck Cominco Brasil S.A on 17 August 2010. The acquisition of Lontra Empreendimentos e Participações Ltda occurred in stages. The revised standard requires goodwill to be determined only at the acquisition date rather than at the previous stages.

The determination of goodwill includes the previously held equity interest adjusted to fair value, with the gain on re-measuring the previously held non-controlling interest included in the consolidated statement of comprehensive income. Contingent consideration on the purchase of Teck Cominco Brasil S.A has been recognised at fair value on 17 August 2010. Acquisition-related costs of £490,403 have been recognised in the consolidated statement of comprehensive income, which previously would have been included in the consideration for the business combination.

(b) New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 January 2010 but not currently relevant to the Group.

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2010 or later periods, but not currently relevant to the Group.

Amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards" and IAS 27 "Consolidated and Separate Financial Statements" addressed concerns that retrospectively determining the cost of an investment in separate financial statements and applying the cost method in accordance with IAS 27 on first-time adoption of IFRSs cannot, in some circumstances, be achieved without undue cost or effort. These amendments were effective for periods beginning on or after 1 July 2009.

Further amendments to IFRS 1 addressed the retrospective application of IFRSs to particular situations (oil and gas assets and leasing contracts), and are aimed at ensuring that entities applying IFRSs will not face undue cost or effort in the transition process. These amendments were effective for periods beginning on or after 1 January 2010.

Amendments to IFRS 2 "Share-based Payment" clarified the accounting for group cash-settled share-based payment transactions. These amendments were effective for periods beginning on or after 1 January 2010.

Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" provided additional guidance on what can be designated as a hedged item. These amendments were effective for periods beginning on or after 1 July 2009.

IFRIC 17 "Distributions of Non-cash Assets to Owners" standardised practice in the measurement of distributions of non cash assets to owners. This interpretation was effective for periods beginning on or after 1 July 2009.

IFRIC 18 "Transfers of Assets from Customers" clarified the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). This interpretation was effective for periods beginning on or after 1 July 2009.

(c) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2010 and not early adopted
The Group and Parent Company's assessment of the impact of these new standards and interpretations is set out below.

IFRS 9 "Financial Instruments" specifies how an entity should classify and measure financial instruments, including some hybrid contracts, with the aim of improving and simplifying the approach to classification and measurement compared with IAS 39. This standard is effective for periods beginning on or after 1 January 2013, subject to EU endorsement. The Directors are assessing the possible impact of this standard on the Group's Financial Statements.

A revised version of IAS 24 "Related Party Disclosures" simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party. This revision is effective for periods beginning on or after 1 January 2011 and is not expected to have an impact on the Group's or Parent Company's Financial Statements.

An amendment to IFRS 1 "First-time Adoption of International Financial Reporting Standards" relieves first-time adopters of IFRSs from providing the additional disclosures introduced in March 2009 by "Improving Disclosures about Financial Instruments" (Amendments to IFRS 7). This amendment is effective for periods beginning on or after 1 July 2010 and is not expected to have an impact on the Group's or Parent Company's Financial Statements.

Further Amendments to IFRS 1 replace references to a fixed date of 1 January 2004 with "the date of transition to IFRSs", thus eliminating the need for companies adopting IFRSs for the first time to restate derecognition transactions that occurred before the date of transition to IFRSs, and provide guidance on how an entity should resume presenting financial statements in accordance with IFRSs after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation. This amendment is effective for periods beginning on or after 1 July 2011, subject to EU endorsement, and is not expected to have an impact on the Group's or Parent Company's Financial Statements.

Amendments to IFRS 7 "Financial Instruments: Disclosures" are designed to help users of financial statements evaluate the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position. These amendments are effective for periods beginning on or after 1 January 2011, subject to EU endorsement. The Directors are assessing the possible impact of these amendments on the Group's or Parent Company's Financial Statements.

Amendments to IAS 12 "Income Taxes" introduce a presumption that recovery of the carrying amount of an asset measured using the fair value model in IAS 40 "Investment Property" will normally be through sale. These amendments are effective for periods beginning on or after 1 January 2012, subject to EU endorsement, and are not expected to have an impact on the Group's or Parent Company's Financial Statements.

Amendments to IAS 32 "Financial Instruments: Presentation" address the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. These amendments are effective for periods beginning on or after 1 February 2010, and are not expected to have an impact on the Group's or Parent Company's Financial Statements.

"Improvements to IFRSs" are collections of amendments to IFRSs resulting from the annual improvements project, a method of making necessary, but non-urgent, amendments to IFRSs that will not be included as part of another major project. These improvements have various implementation dates; for May 2010 improvements, the earliest is effective for periods beginning on or after 1 July 2010 subject to EU endorsement. The Directors are assessing the possible impact of these improvements on the Group's or Parent Company's Financial Statements.

IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments" clarifies the treatment required when an entity renegotiates the terms of a financial liability with its creditor, and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. This interpretation is effective for periods beginning on or after 1 July 2010. The Directors are assessing the possible impact of this interpretation on the Group's or Parent Company's Financial Statements.

An amendment to IFRIC 14 "IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction", on prepayments of a minimum funding requirement, applies in the limited circumstances when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover those requirements. The amendment permits such an entity to treat the

benefit of such an early payment as an asset. This amendment is effective for periods beginning on or after 1 January 2011, and is not expected to have an impact on the Group's or Parent Company's Financial Statements.

2.3 Basis of consolidation

Horizonte Minerals Plc was incorporated on 16 January 2006. On 23 March 2006 Horizonte Minerals Plc acquired the entire issued share capital of Horizonte Exploration Ltd (HEL) by way of a share for share exchange. The transaction was treated as a group reconstruction and was accounted for using the merger accounting method as the entities were under common control before and after the acquisition.

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Other than for the acquisition of HEL as noted above, the Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred unless they result from the issuance of shares, in which case they are offset against the premium on those shares within equity. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are initially measured at their fair values at the acquisition date.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments.

The excess of the consideration transferred and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with policies adopted by the Group.

References to various joint venture arrangements in the Chairman's Statement and the Operations Review do not meet the definition of joint ventures under IAS 31 "Interests in Joint Ventures" and therefore these Financial Statements do not reflect the accounting treatments required under IAS 31.

The following 100% owned subsidiaries have been included within the consolidated Financial Statements:

Subsidiary undertaking	Parent company	Country of incorporation	Nature of business
Horizonte Exploration Ltd	Horizonte Minerals Plc	England	Mineral Exploration
Horizonte Minerals (IOM) Ltd	Horizonte Exploration Ltd	Isle of Man	Holding company
HM Brazil (IOM) Ltd	Horizonte Minerals (IOM) Ltd	Isle of Man	Holding company
HM Peru (IOM) Ltd	Horizonte Minerals (IOM) Ltd	Isle of Man	Holding company
Horizonte Nickel (IOM) Ltd	Horizonte Minerals (IOM) Ltd	Isle of Man	Holding company
HM do Brasil Ltda	HM Brazil (IOM) Ltd	Brazil	Mineral Exploration
Araguaia Niquel Mineração Ltda	Horizonte Nickel (IOM) Ltd	Brazil	Mineral Exploration
Lontra Empreendimentos e Participações Ltda	HM do Brasil Ltda/HM (IOM) Ltd	Brazil	Mineral Exploration
Mineira El Aguila SAC	HM Peru (IOM) Ltd	Peru	Mineral Exploration
Mineira Cotahusi SAC	Mineira El Aguila SAC	Peru	Mineral Exploration
South America Resources Ltd	Horizonte Minerals Plc	Isle of Man	Holding company
Brazil Mineral Holdings Ltd	South America Resources	Isle of Man	Holding company

2.4 Going concern

The Group's business activities together with the factors likely to affect its future development, performance and position are set out in the Chairman's Report on pages 2 to 4; in addition note 3 to the Financial Statements include the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and its exposure to credit and liquidity risk.

The Financial Statements have been prepared on a going concern basis. Although the Group's assets are not generating revenues and an operating loss has been reported, the Directors believe that the Group has sufficient funds to undertake its operating activities for a period of at least the next 12 months including any additional payments required in relation to its current exploration projects. The Group has considerable financial resources, which, together with additional funding available from various joint venture partners, will be sufficient to fund the Group's committed expenditure both operationally and on various exploration projects for the foreseeable future. However, as additional projects are identified and existing projects move into production, additional funding may be required. The amount of funding is estimated without any certainty at the point of approval of these Financial Statements and the Group may be required to raise additional funds either via an issue of equity or through the issuance of debt. The Directors are confident that funds will be forthcoming if and when they are required.

The Directors' have a reasonable expectation that the Group and Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing these Financial Statements.

2.5 Intangible Assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill arising on the acquisition of subsidiaries is included in 'intangible assets'. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segment.

(b) Exploration and evaluation assets

The Group recognises expenditure as exploration and evaluation assets when it determines that those assets will be successful in finding specific mineral resources. Expenditure included in the initial measurement of exploration and evaluation assets and which are classified as intangible assets relate to the acquisition of rights to explore, topographical, geological, geochemical and geophysical studies, exploratory drilling, trenching, sampling and activities to evaluate the technical feasibility and commercial viability of extracting a mineral resource. Capitalisation of pre-production expenditure ceases when the mining property is capable of commercial production.

Exploration and evaluation assets arising on business combinations are included at their acquisition-date fair value in accordance with IFRS 3 (revised) 'Business combinations'. Other exploration and evaluation assets and all subsequent expenditure on assets acquired as part of a business combination are recorded and held at cost.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount. The assessment is carried out by allocating exploration and evaluation assets to cash generating units, which are based on specific projects or geographical areas.

Whenever the exploration for and evaluation of mineral resources in cash generating units does not lead to the discovery of commercially viable quantities of mineral resources and the Company has decided to discontinue such activities of that unit, the associated expenditures are written off to profit or loss.

2.6 Property, plant and equipment

All property, plant and equipment is stated at historic cost less accumulated depreciation. Historic cost includes expenditure that is directly attributable to the acquisition of the items.

All repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred.

Depreciation is charged so as to write off the cost of assets, over their estimated useful lives, using the straight-line method, on the following bases:

Office equipment	25%
Vehicles and exploration equipment	25% - 33%

An asset's carrying amount is written down immediately to its recoverable amount if the assets carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognised within 'Other (losses)/gains' in the statement of comprehensive income.

2.7 Impairment

Assets that have an indefinite useful life; for example, goodwill or intangible assets not ready to use, are not subject to amortisation and are tested annually for impairment. Intangible assets that are subject to amortisation and tangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash

flows (cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 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 sterling and the functional currency of the Brazilian and Peruvian entities is Brazilian Real and Peruvian Nuevo Sol respectively. The Financial Statements are presented in Pounds Sterling, rounded to the nearest pound, which is the Company's functional and Group's presentation currency.

(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 the statement of comprehensive income, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

(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 the statement of comprehensive income 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 translated at the closing rate.

2.9 Financial assets

The Group has only one class of financial asset, loans and receivables, which are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the statement of financial position.

Financial assets are initially recognised in the statement of financial position at fair value and subsequently carried at amortised cost using the effective interest method. Provision is made for diminution in value where there is objective evidence of impairment.

2.10 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and demand deposits with banks and other financial institutions, that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

2.11 Taxation

The tax credit or expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The charge for current tax is calculated on the basis of the tax laws enacted or substantively enacted by the end of the reporting period in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is accounted for using the liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax assets are recognised on tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

Deferred tax assets and liabilities are not discounted.

2.12 Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax. Incremental costs directly attributable to the issue of equity instruments as consideration for the acquisition of a business are included in the cost of acquisition.

2.13 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

2.14 Operating leases

Leases of assets under which a significant amount of the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Operating lease payments are charged to profit or loss on a straight-line basis over the period of the respective leases.

2.15 Share based payments and incentives

The Group operates equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of employee services received in exchange for the grant of share options are recognised as an expense. The total expense to be apportioned over the vesting period is determined by reference to the fair value of the options granted:

- Including any market performance conditions;
- Excluding the impact of any service and non-market performance vesting conditions; and
- Including the impact of any non-vesting conditions.

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period the Group revises its estimate of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

When options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

The fair value of goods or services received in exchange for shares is recognised as an expense.

2.16 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Executive Officer, the Company's chief operating decision-maker.

2.17 Finance income

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

3 Financial risk management

The main financial risks that the Group's activity exposes it to are liquidity and fluctuations on foreign currency.

(a) Liquidity

In keeping with similar sized mineral exploration groups, the Group's continued future operations depend on the ability to raise sufficient working capital through the issue of equity share capital. The Group monitors its cash and future funding requirements through the use of cash flow forecasts.

All cash, with the exception of that required for immediate working capital requirements, is held on short-term deposit.

(b) Foreign currency risks

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Brazilian Real, Peruvian Nuevo Sol, US Dollar and the UK

pound. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The Group holds a proportion of its cash in US Dollars to hedge its exposure to foreign currency fluctuations and recognises the profits and losses resulting from currency fluctuations as and when they arise.

(c) Interest rate risk

As the Group has no borrowings, it is not exposed to interest rate risk on financial liabilities.

The Group's interest rate risk arises from its cash held on short-term deposit.

(d) Price risk

The Group is exposed to commodity price risk as a result of its operations. However, given the size and stage of the Group's operations, the costs of managing exposure to commodity price risk exceed any potential benefits. The Directors will revisit the appropriateness of this policy should the Group's operations change in size or nature. The Group has no exposure to equity securities price risk as it has no listed or other equity investments.

(e) Credit risk

Credit risk arises from cash and cash equivalents as well as exposure to joint venture partners including outstanding receivables. Management does not expect any losses from non-performance by these partners.

No debt finance has been utilised and if required this is subject to pre-approval by the Board of Directors. The amount of exposure to any individual counter party is subject to a limit, which is assessed by the Board.

(f) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, in order to provide returns for shareholders and to enable the Group to continue its exploration and evaluation activities. The Group has no debt at the 31 December 2010 and defines capital based on the total equity of the Company. The Group monitors its level of cash resources available against future planned exploration and evaluation activities and may issue new shares in order to raise further funds from time to time.

The Group holds cash reserves on deposit at several banks and in different currencies until they are required and in order to match where possible with the corresponding liabilities in that currency.

4 Critical accounting estimates and judgements

The preparation of the Financial Statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the end of the reporting period. Actual results may vary from the estimates used to produce these Financial Statements.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant items subject to such estimates and assumptions include, but are not limited to:

Impairment of exploration and evaluation costs

Exploration and evaluation costs have a carrying value at 31 December 2010 of £16,482,451 (2009: £2,498,411). Management tests annually whether exploration projects have future economic value in accordance with the accounting policy stated in note 2.5. Each exploration project is subject to an annual review by either a consultant or senior company geologist to determine if the exploration results returned to date warrant further exploration expenditure and have the potential to result in an economic discovery. This review takes into consideration long term metal prices, anticipated resource volumes and grades, permitting and infrastructure. In the event that a project does not represent an economic exploration target and results indicate there is no additional upside, a decision will be made to discontinue exploration. The Directors have reviewed the estimated value of each project prepared by management and have made an impairment charge where appropriate.

Estimated impairment of goodwill

Goodwill has a carrying value at 31 December 2010 of £435,751 (2009: £Nil). The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2.5.

Management have concluded that there is no impairment charge necessary to the carrying value of goodwill.

Fair value of exploration assets acquired in business combinations

During the year ended 31 December 2010 the Group acquired exploration and evaluation assets with an estimated acquisition date fair value of £12,950,000 through business combinations. Management has made various estimations regarding the fair value of exploration assets acquired in business combinations given the absence of any verifiable and accurate data or JORC compliant resource at that time. The fair value of exploration assets acquired has been estimated based on a number of valuation techniques.

Where acquisitions represent transactions between knowledgeable and willing parties on an arms length basis the exploration assets 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 arms 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.

Further information is included in note 5. Actual values could be different from management estimations.

Contingent consideration

Contingent consideration has a carrying value of £2,676,502 at 31 December 2010 (2009: £Nil). The contingent consideration arrangement requires the Group 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 Group 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 JORC 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.

The carrying value of contingent consideration would be an estimated £184,246 lower or £65,316 higher if the taxable profits used in the discounted cash flows were to vary by 50% from management's estimates. Should no acquired tax losses be utilised within 10 years of the date of acquisition, no contingent consideration would be payable.

Current and deferred taxation

The Group is subject to income taxes in numerous jurisdictions. Judgment is required in determining the worldwide provision for such taxes. The Group 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 assets 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 Group may need to revise the carrying value of this asset.

Share based payment transactions

The Group has made awards of options and warrants over its unissued share capital to certain Directors and employees as part of their remuneration package.

The valuation of these options and warrants involves making a number of critical estimates relating to price volatility, future dividend yields, expected life of the options and forfeiture rates. These assumptions have been described in more detail in note 17.

Other areas

Other estimates include but are not limited to the allowance for doubtful accounts; employee benefit liabilities; future cash flows associated with assets; useful lives for depreciation, depletion and amortisation; workers' compensation claims; income taxes; and fair value of financial instruments.

5 Business Combinations

5.1 Acquisition of Teck Cominco Brasil S.A

On 17 August 2010 the Group acquired 100% of the share capital of Teck Cominco Brasil S.A., a wholly owned subsidiary of Teck Resources Limited. Teck Cominco Brasil S.A. is a Brazilian company owning the exploration rights to the Araguaia Nickel Project in Para State in northern Brazil. The Araguaia project borders the Group's Lontra assets and, as a result of the acquisition, the Group will be able to combine the Lontra and Araguaia assets with a view to conducting further exploration and eventually developing the project.

The transaction resulted in a gain on bargain purchase of £1,798,251. This has been recognised in the statement of comprehensive income.

The following table summarises the consideration paid for Teck Cominco Brasil S.A and the amount of the assets acquired and liabilities assumed recognised at the acquisition date.

Consideration at 17 August 2010

	£
Equity instruments (123,280,240 ordinary shares at 9.25 pence per share)	11,403,422
Contingent consideration	2,608,467
Total consideration	14,011,889

Acquisition related costs

	£
Included in the statement of comprehensive income for the year ended 31 December 2010	490,403
Offset against other reserves – costs related to the issue of equity	106,861
	<u>597,264</u>

Recognised amounts of identifiable assets acquired and liabilities assumed

	£
Cash and cash equivalents	957
Araguaia exploration assets (included within intangible assets)	11,100,000
Deferred tax assets	7,608,358
Trade and other payables	(2,788)
Deferred tax liabilities	(2,896,387)
Total identifiable net assets	15,810,140
Gain on bargain purchase	(1,798,251)
Total consideration	14,011,889

The fair value of the 123,280,240 ordinary shares issued as part of the consideration paid for Teck Cominco Brasil S.A. (£11,403,422) was based on the published share price on 17 August 2010.

The contingent consideration arrangement requires the Group to pay the former owners of Teck Cominco Brasil S.A 50% of the tax saving 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 potential undiscounted amount of all future payments that the Group could be required to make under this arrangement is between £Nil and £3,807,511.

The fair value of the potential contingent consideration arrangement at the acquisition date of £2,608,467 was estimated according to when future taxable profits against which the tax losses may be utilised are anticipated to arise. The fair value estimates are based on the current rates of tax on profits in Brazil of 34%. A discount factor of 7.0% was applied to the future dates at which the tax losses will be utilised and consideration paid.

As at 31 December 2010, there was a finance expense of £68,035 recognised in finance costs within the statement of comprehensive income in respect of the contingent consideration arrangement, as the discount applied to the contingent consideration at the date of acquisition was unwound.

The purchase agreement was structured such that the former owners of Teck Cominco Brasil SA would receive 50% of the post admission share capital of Horizonte Minerals plc in exchange for the sale of their 100% interest in Teck Cominco Brasil S.A. The number of shares issued to effect the acquisition was, therefore, partially unrelated to the value of the assets acquired by the Group and was subject to other factors such as the number of shares raised through a placing that occurred as part of the re-admission. In the Directors' opinion, given that the value of the shares issued depended in part on the number of shares raised through a placing, the consideration paid should not be used solely as a basis of fair valuing the identifiable assets acquired.

Based upon the potential resource inventory estimates for Araguaia contained within the Competent Persons Report prepared at the time of the acquisition and re-admission, which set out internal non-JORC compliant mineral inventories, gradings and cut-offs, the fair value applied to the identifiable intangible exploration and evaluation assets in Teck Cominco Brasil S.A is consistent with the consideration paid per estimated lb of nickel for the adjacent Lontra acquisition set out in note 5.2, taking into account differences in size of mineralised zone, nickel grades, mineralogy, upside potential and local infrastructure.

A deferred tax liability of £2,896,387 has been recognised on acquisition on the estimated tax effect of the temporary difference between the fair value of the Araguaia exploration asset and its tax base. The deferred tax liability has been estimated at a rate of 34% of the temporary difference, representing the tax rates that are expected to apply in the period when the temporary differences reverse.

A deferred tax asset of £7,608,358 has been recognised for the utilisation of available tax losses acquired. Tax losses are available to offset against future trading profits up to a maximum of 30% of the taxable profit each year. Management estimate that sufficient taxable profits will be generated in the future to allow all of the tax losses acquired to be utilised. In accordance with IAS 12 deferred tax assets and liabilities have not been discounted.

On 25 August 2010, in accordance with the share purchase agreement, Teck Cominco Brasil S.A changed its name to Araguaia Niquel Mineração S.A. On 16 November 2010 the legal status of the Company was changed and the company is now Araguaia Niquel Mineração Ltda.

5.2 Acquisition of Lontra Empreendimentos e Participações Ltda

On 6 July 2010 the Group acquired 50% of the share capital of Lontra Empreendimentos e Participações Ltda ("Lontra") through the transfer of exploration licences. On 17 August 2010 the Group acquired the remaining 50% of the share capital and obtained control of Lontra, an exploration company operating in Brazil. As a result of the acquisition, the Group owns and controls 100% of the Lontra project, alongside its adjacent, wholly owned, Araguaia project.

The goodwill of £410,362 arising from the acquisition is attributable to the economies of scale expected from combining the Araguaia and Lontra projects, together with a greater degree of certainty over the expected volume of estimated resources at that site.

None of the goodwill recognised is expected to be deductible for tax purposes. The following table summarises the consideration paid for Lontra and the amounts of the assets acquired and liabilities assumed as recognised at the acquisition date.

Consideration at 17 August 2010

	£
Equity instruments (10,000,000 ordinary shares at 9.25 pence per share)	925,000
Total consideration transferred	925,000

Fair value of 50% equity interest in Lontra held before the business combination	925,000
Total consideration	1,850,000

Recognised amounts of identifiable assets acquired and liabilities assumed

	£
Lontra exploration assets (included within intangible assets)	1,850,000
Deferred tax liabilities	(410,362)
Total identifiable net assets	1,439,638
Goodwill	410,362
Total consideration	1,850,000

The fair value of the 10,000,000 ordinary shares issued as part of the consideration paid for Lontra (£925,000) was based on the published share price on 17 August 2010.

The fair value of exploration assets of £1,850,000 was estimated by applying a number of valuation metrics which include; geological upside potential, nickel grades, mineralogy, market benchmarks and application of local market factors. In the Directors' opinion, the value of the shares issued to effect the acquisition related primarily to the value of the exploration licence and internal inferred resource and upside potential representing a price agreed between willing and knowledgeable parties on an arms length basis. The fair value of the shares issued as consideration has, therefore, been used as a basis for valuing the exploration asset acquired.

A deferred tax liability of £410,362 has been recognised on acquisition on the estimated tax effect of the temporary difference between the fair value of the Lontra exploration asset and its tax base.

The deferred tax liability has been estimated at a rate of 34% of the temporary difference, representing the tax rates that are expected to apply to the period when the temporary differences reverse. In accordance with IAS 12, the deferred tax liability recognised has not been discounted.

The Group recognised a gain of £440,079 as a result of measuring at fair value its 50% equity interest in Lontra held before the business combination. The gain is included in other operating income in profit or loss for the year ended 31 December 2010.

The acquisition was effected at the same time as the acquisition of Teck Cominco Brasil S.A referred to in note 5.1. Management believes it is not possible to allocate acquisition costs between the two transactions and as such the acquisition costs of £597,264 referred to in note 5.1 relate to both transactions.

Subsequent to the date of acquisition of Teck Cominco Brasil S.A. and Lontra, the shares held in the two companies by Horizonte Minerals plc were transferred to other companies within the Group (refer note 27).

No income or profit since 17 August 2010 included in the consolidated statement of comprehensive income was contributed by Teck Cominco Brasil S.A or Lontra.

Had Teck Cominco Brasil S.A. and Lontra been consolidated from 1 January 2010, the consolidated statement of comprehensive income would show revenue of £Nil and profit of £554,727.

6 Segmental reporting

The Company operates in three geographical areas, UK, Brazil, and Peru, 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 and Peru relate to exploration and evaluation work. The reports used by the chief operating decision maker are based on these geographical segments.

2010	UK 2010 £	Brazil 2010 £	Peru 2010 £	Total 2010 £
Administrative expenses	(740,608)	(407,592)	(109,754)	(1,257,954)
(Loss)/profit on foreign exchange	(5,476)	3,232	–	(2,244)
Impairment charges	–	(21,578)	(38,367)	(59,945)
Other operating income	33,730	660,810	–	694,540

Acquisition costs expensed	(490,403)	–	–	(490,403)
(Loss)/profit from operations per reportable segment	(1,202,757)	234,872	(148,121)	(1,116,006)
Inter segment revenues	–	127,895	50,573	–
Depreciation charges	(994)	(30,166)	–	(31,160)
Additions to non-current assets	2,905	973,250	–	976,155
Reportable segment assets	3,827,167	24,485,310	772,380	29,084,857
Reportable segment liabilities	2,953,487	3,633,370	–	6,586,857

2009	UK 2009 £	Brazil 2009 £	Peru 2009 £	Total 2009 £
Administrative expenses	(596,096)	(157,718)	(139,991)	(893,805)
Gain on foreign exchange	3,269	–	–	3,269
Loss from operations per reportable segment	(592,827)	(157,718)	(139,991)	(890,536)
Inter segment revenues	–	108,842	45,116	–
Depreciation charges	(461)	(258)	–	(719)
Additions to non-current assets	1,099	484,377	156,424	641,900
Reportable segment assets	1,176,833	1,838,073	810,443	3,825,349
Reportable segment liabilities	100,436	236,627	2,020	339,083

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

	2010 £	2009 £
Loss from operations per reportable segment	(1,116,006)	(890,536)
– Finance income	16,228	4,179
– Finance costs	(68,035)	–
– Gain on bargain purchase	1,798,251	–
Profit / (loss) for the year from continuing operations	630,438	(886,357)

7 Other operating income

Group	2010 £	2009 £
Project management fees	33,729	–
Gain on re-measuring existing interest in Lontra on acquisition (note 5)	440,079	–
Option fees (Note 19)	220,732	–
	694,540	–

Option fees relate to non-refundable payments made by a joint venture partner for the right to first refusal on the purchase of one of the Group's exploration projects.

8 Loss from operations

Loss from operations is stated after charging the following:

Group	2010 £	2009 £
Depreciation	31,161	719
Project impairment (note 11)	59,945	–
Auditors' remuneration		
– Fees payable for the audit of Parent and consolidated financial statements	20,000	14,000
– Tax and other services	7,100	6,075
Operating lease charges	37,620	–

Auditors' remuneration of £38,433 charged during the year (2009: £Nil) in respect of the corporate finance transaction has been included within issue costs and offset against other reserves.

9 Finance income and costs

Group	2010 £	2009 £
Finance income:		
– Interest income on cash and short-term bank deposits	16,228	4,179
Finance costs:		
– Contingent consideration: unwinding of discount (note 5)	(68,035)	–
Net finance costs	(51,807)	4,179

10 Taxation

Income tax expense

Group	2010 £	2009 £
Analysis of tax charge		
Analysis of tax charge		
UK Corporation tax charge for the year	–	–
Foreign Tax		
– Current tax charge for the year	–	–
– Deferred tax charge for the year	–	–
Tax on profit/(loss) for the year	–	–

Reconciliation of current tax

Group	2010 £	2009 £
Profit/(loss) before income tax	630,438	(886,357)
Current tax at 28%	176,523	(248,180)
Effects of:		
Income not subject to tax, expenses not deductible for tax	(626,732)	–
Expenses not deducted for tax purposes	170,499	5,600
Tax losses carried forward – UK	147,494	111,918
– Brazil and Peru	132,215	130,662
Total tax	–	–

Income not subject to tax comprises the tax effect of the gain on purchase of subsidiary undertaking and the gain on remeasuring an existing interest as part of a stepped acquisition.

Deferred income tax

An analysis of deferred tax assets and liabilities is set out below.

	2010 £	2009 £
Group		
Deferred tax assets		
– Deferred tax asset to be recovered after more than 12 months	8,079,087	–
	8,079,087	–
Deferred tax liabilities		
– Deferred tax liability to be recovered after more than 12 months	(3,511,338)	–
	(3,511,338)	–
Deferred tax asset (net)	4,567,749	–
The gross movement on the deferred income tax account is as follows:		
Group	2010 £	2009 £

At 1 January	–	–
Acquisition of subsidiary undertakings (Note 5)	4,301,609	–
Exchange differences	266,140	–
At 31 December	4,567,749	–

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Group	Deferred tax liabilities Fair value gains £	Deferred tax assets Tax losses £	Total £
At 1 January 2010			
Arising on acquisition of subsidiary undertakings	(3,306,749)	7,608,358	4,301,609
Exchange differences	(204,588)	470,729	266,141
At 31 December 2010	(3,511,337)	8,079,087	4,567,750

Deferred tax assets are recognised on tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable.

The Group has tax losses of approximately £25,440,000 (2009: £1,400,000) available to carry forward against future taxable profits. With the exception of the deferred tax asset arising on acquisition of Teck Cominco Brasil S.A., no deferred tax asset has been recognised in respect of tax losses because of uncertainty over the timing of future taxable profits against which the losses may be offset.

11 Intangible assets

Intangible assets comprise exploration and evaluation costs and goodwill. Exploration and evaluation costs comprise acquired and internally generated assets. Additions are net of funds received from the Group's strategic partners under various joint venture agreements, amounting to £795,475.

Group	Goodwill £	Exploration and evaluation costs £	Total £
Cost			
At 1 January 2009	–	2,380,528	2,380,528
Additions	–	117,883	117,883
Impairments	–	–	–
At 31 December 2009	–	2,498,411	2,498,411
Additions	–	777,690	777,690
Disposals	–	(484,921)	(484,921)
Acquisition of subsidiary undertakings (at fair value)	410,362	12,950,000	13,360,362
Exchange rate movements	25,389	801,216	826,605
Impairments	–	(59,945)	(59,945)
Net book amount at 31 December 2010	435,751	16,482,451	16,918,202

Impairment charges are included in the statement of comprehensive income. Additions to intangible assets are internally generated.

(a) Exploration and evaluation assets

Additions to exploration and evaluation assets are stated net of funds received from the Group's various joint venture partners in accordance with the terms of those agreements.

Impairment reviews for exploration and evaluation assets are carried out either on a project by project basis or by geographical area, which represent potential single cash generating units. The Group's exploration and evaluation projects are at various stages of exploration and development and are therefore subject to a variety of valuation techniques.

An operating segment-level summary of exploration and evaluation assets is presented below.

Group	2010 £	2009 £
Brazil – Araguaia/Lontra	14,384,634	406,971
Brazil – Other	1,331,603	1,286,859
Peru	766,214	804,581
	16,482,451	2,498,411

During the period the Group acquired the adjacent Lontra and Araguaia exploration sites (refer note 5). Management consider that the merger of the Lontra and Araguaia projects will give rise to a potential 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.

Given that the Araguaia/Lontra project is an early to mid-stage exploration project, the Directors are unable as at 31 December 2010 to estimate with any degree of certainty the key assumptions needed in order to perform a value in use calculation. Value in use calculations will be possible in future accounting periods once a JORC compliant resource is established and a clearer position achieved of the revenue and costs expected to arise from exploiting the resource.

Other early stage exploration projects in Brazil and Peru are at an early stage of development and no JORC or non-JORC compliant resource estimates are available to enable value in use calculations to be prepared. The Directors therefore undertook an assessment of the following areas and circumstances which could indicate the existence of impairment:

- The Group's right to explore in an area has expired, or will expire in the near future without renewal.
- No further exploration or evaluation is planned or budgeted for.
- A decision has been taken by the Board to discontinue exploration and evaluation in an area due to the absence of a commercial level of reserves.
- Sufficient data exists to indicate that the book value will not be fully recovered from future development and production.

Following their assessment the Directors concluded that an impairment of exploration and evaluation assets arose of £59,945 as at 31 December 2010.

(b) Goodwill

Goodwill arose on the acquisition of Lontra Empreendimentos e Participações Ltda during the year (refer note 5). The Directors have determined the recoverable amount of goodwill based on the same assumptions used for the assessment of the Lontra exploration project detailed above. As a result of this assessment, the Directors have concluded that no impairment charge is necessary against the carrying value of goodwill.

12 Property, plant and equipment

Group	Vehicles and other field equipment £	Office Equipment £	Total £
Cost			
At 1 January 2009 and 31 December 2009	–	2,878	2,878
Additions	195,560	2,905	198,465
At 31 December 2010	195,560	5,783	201,343
Accumulated depreciation			
At 1 January 2009	–	1,240	1,240
Charge for the year	–	719	719
At 31 December 2009	–	1,959	1,959
Charge for the year	30,147	1,014	31,161
At 31 December 2010	30,147	2,973	33,120
Net book amount as at 31 December 2010	165,413	2,810	168,223
Net book amount as at 31 December 2009	–	919	919
Company			
		Office Equipment £	Total £
Cost			
At 1 January 2009 and 31 December 2009		1,846	1,846

Additions		2,905	2,905
At 31 December 2010		4,751	4,751
Accumulated depreciation			
At 1 January 2009		486	486
Charge for the year		461	461
As at 31 December 2009		947	947
Charge for the year		994	994
At 31 December 2010		1,941	1,941
Net book amount as at 31 December 2010		2,810	2,810
At 31 December 2009		899	899

13 Trade and other receivables

	Group 2010 £	Group 2009 £	Company 2010 £	Company 2009 £
Trade receivables	60,290	40,885	30,934	14,184
Other receivables	12,024	3,724	12,024	3,724
Current portion	72,314	44,609	42,958	17,908

Trade and other receivables are all due within one year. The fair value of all receivables is the same as their carrying values stated above.

The carrying amounts of the Group and Company's trade and other receivables are denominated in the following currencies:

	Group 2010 £	Group 2009 £	Company 2010 £	Company 2009 £
UK Pound	18,895	17,908	18,895	17,908
US Dollar	53,419	26,701	24,063	–
	72,314	44,609	42,958	17,908

As of 31 December 2010 the Group's and Company's trade receivables of £60,290 (2009: £40,885) were fully performing. Other receivables do not contain any impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group and Company do not hold any collateral as security.

14 Cash and cash equivalents

	Group 2010 £	Group 2009 £	Company 2010 £	Company 2009 £
Cash at bank and on hand	1,086,959	202,159	878,462	82,331
Short term deposits	2,760,072	1,079,251	2,760,072	1,017,671
	3,847,031	1,281,410	3,638,534	1,100,002

15 Share

Group and Company	2010 number	2010 £	2009 number	2009 £
Authorised				
Ordinary shares of 1p each	287,541,384	2,875,414	100,000,000	1,000,000
Issued and fully paid				
Ordinary shares of 1p each				
At 1 January	59,019,096	590,191	40,447,666	404,477
Issue of ordinary shares	187,541,384	1,875,414	18,571,430	185,714
At 31 December	246,560,480	2,465,605	59,019,096	590,191

On 17 August 2010, 51,261,144 ordinary shares of 1p each were issued fully paid for cash consideration at 10 pence per share and 133,280,240 ordinary shares of 1p each were issued fully paid at 9.25 pence per share as consideration for the business acquisitions in the year (note 5). On the same date the Company issued 3,000,000 ordinary shares of 1p each fully paid at 10 pence per share in settlement of certain professional fees.

The share based payment charge of £300,000 has been charged as follows: £150,000 to issue costs offset against share premium and £150,000 to profit or loss.

16 Share Premium

Group and Company	2010 £	2009 £
At 1 January	6,811,399	5,771,728
Premium arising on issue of ordinary shares	4,883,503	1,114,286
Issue costs	(411,547)	(74,615)
At 31 December	11,283,355	6,811,399

17 Share options

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. The options are exercisable two years from the date of grant and lapse on the tenth anniversary of the date of grant or the holder ceasing to be an employee of the Group. Neither the Company nor the Group has any legal or constructive obligation to settle or repurchase the options in cash.

Movements on number of share options and their related exercise price are as follows:

	Number of options 2010	Weighted average exercise price 2010 £	Number of options 2009	Weighted average exercise price 2009 £
Outstanding at 1 January	4,050,000	0.095	3,060,000	0.168
Cancelled	—	—	(3,060,000)	0.168
Granted	10,100,000	0.152	4,050,000	0.095
Outstanding at 31 December	14,150,000	0.136	4,050,000	0.095
Exercisable at 31 December	—	—	—	—

The options outstanding at 31 December 2010 had a weighted average remaining contractual life of 9.55 years.

In November 2010 10,100,000 options were issued, including 9,600,000 options at an exercise price of 15.5 pence, representing a 10% premium to the share price on the day that the options were issued. A further 500,000 options were issued at an exercise price of 9.5 pence.

The fair value of the share options was determined using the Black Scholes valuation model. The parameters used are detailed below.

Group and Company	2010 options	2009 options
Date of grant or reissue	17/11/2010	25/09/2009
Weighted average fair value per option	3.1 pence	4.0 pence
Weighted average share price	14.0 pence	8.0 pence
Weighted average exercise price	15.2 pence	9.5 pence
Expiry date	17/11/2020	25/09/2019
Options granted	10,100,000	4,050,000
Volatility	17%	50%
Dividend yield	Nil	Nil
Expected option life	8 years	8 years
Annual risk free interest rate	2.50%	3.30%
Forfeiture discount	—	15%
Marketability discount	5%	—
Total fair value of options granted	£343,271	£132,379

17 Share options continued

The expected volatility is based on historical volatility for the 6 months prior to the date of grant. The risk free rate return is based on zero yield government bonds for a term consistent with the option life.

The range of option exercise prices is as follows:

Range of exercise prices (£)	2010		2010		2009		2009	
	Weighted average exercise price (£)	Number of shares	Weighted average remaining life expected (years)	Weighted average remaining life contracted (years)	Weighted average exercise price (£)	Number of shares	Weighted average remaining life expected (years)	Weighted average remaining life contracted (years)
0 – 0.1	0.095	4,550,000	6.9	8.9	0.095	4,050,000	7.7	9.7
0.1 – 0.2	0.155	9,600,000	7.9	9.9	–	–	–	–

The total number of options in issue during the year has given rise to a charge to the statement of comprehensive income of £52,534 (2009: £14,397) based on the fair values at the time the options were granted.

18 Other reserves

Group	Merger reserve £	Translation reserve £	Other reserve £	Total £
At 1 January 2009 and 31 December 2009	–	–	(1,048,100)	(1,048,100)
Shares issued to acquire subsidiaries	10,995,621	–	–	10,995,621
Issue costs	(106,861)	–	–	(106,861)
Currency translation differences	–	1,092,632	–	1,092,632
At 31 December 2010	10,888,760	1,092,632	(1,048,100)	10,933,292

Company	Merger reserve £	Total £
At 1 January 2009 and 31 December 2009	–	–
Shares issued to acquire subsidiaries	10,995,621	10,995,621
Issue costs	(106,861)	(106,861)
At 31 December 2010	10,888,760	10,888,760

The other reserve as at 31 December 2010 arose on consolidation as a result of merger accounting for the acquisition of the entire issued share capital of Horizonte Exploration Limited during 2006 and represents the difference between the value of the share capital and premium issued for the acquisition and that of the acquired share capital and premium of Horizonte Exploration Limited.

During the year ended 31 December 2010 the Company acquired 100% of the share capital of Teck Cominco Brasil S.A and Lontra Empreendimentos e Participações Ltda (refer note 5). These acquisitions were effected by the issue of shares in Horizonte Minerals plc. These shares qualified for merger relief under section 612 of the Companies Act 2006. In accordance with section 612 of the Companies Act 2006 the premium on the shares issued was recognised in a separate reserve within equity called Merger reserve.

19 Trade and other payables

	2010 £	Group 2009 £	Company 2010 £	2009 £
Non-current				
Contingent consideration (Note 5)	2,676,502	–	2,676,502	–
	2,676,502	–	2,676,502	–
Current				
Trade and other payables	317,371	97,517	90,682	25,019
Deferred income	–	220,732	–	–
Amounts due to related parties (Note 22)	–	–	413,823	413,823

Social security and other taxes	19,755	6,834	19,755	6,834
Accrued expenses	61,891	14,000	61,890	14,000
	399,017	339,083	586,150	459,676
Total trade and other payables	3,075,519	339,083	3,262,652	459,676

Deferred income relates to option payments received on the Tangara Project in accordance with the terms of the underlying earn-in agreement. Since the option to take over the licence was not exercised in December 2010, and the amounts received to that date are non-refundable, the deferred income of £220,732 was recognised in the statement of comprehensive income for 2010 (refer note 7).

Trade and other payables includes £167,049 (2009: £54,582) of cash advanced by AngloGold Ashanti Holdings plc under the Exploration Alliance and the Falcão Joint Venture. This cash had not been spent at year end, but is expected to be expended during 2011 in accordance with the agreed work plan.

Trade and other payables include amounts due of £73,241 (2009: £Nil) in relation to exploration and evaluation activities.

20 Dividends

No dividend has been declared or paid by the Company during the year ended 31 December 2010 (2009: nil).

21 Earnings per share

(a) Basic

The basic earnings per share of 0.489p (2009 loss per share: 1.94p) is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

Group	2010	2009
	£	£
Profit/(loss) attributable to equity holders of the Company	630,438	(886,357)
Weighted average number of ordinary shares in issue	128,897,529	45,790,132

(b) Diluted

The diluted earnings per share of 0.487p is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares, share options. To assess the dilutive potential of the share options, a calculation is undertaken to determine the number of shares that could have been acquired at fair value (determined as the average annual market price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

Group	2010
	£
Earnings	
Profit/(loss) attributable to equity holders of the Company	630,438
Weighted average number of ordinary shares in issue	128,897,529
Adjustments for:	
– Share options	443,832
Weighted average number of ordinary shares for diluted earnings per share	129,341,361

In accordance with IAS 33, no diluted earnings per share is presented for the year ended 31 December 2009 as the effect of the exercise of share options would be to decrease the loss per share.

Details of share options that are currently anti-dilutive but may be dilutive in the future are set out in note 17.

Since the year end the Company has issued ordinary shares. These shares will have a dilutive effect on earnings per share in future periods. Details of the shares issued since the year end are set out in note 29.

22 Related party transactions Company

The following transactions took place with subsidiaries in the year:

A fee totalling £ 117,895 (2009: £108,842) was charged to HM Brazil Ltda, £ 50,573 (2009: £45,116) to Minera El Aguila SAC and £ 10,000 (2009: £nil) to Araguaia Niquel Mineração Ltda by Horizonte Minerals Plc in respect of consultancy services provided and funding costs.

Amounts totalling £1,386,040 (2009: £441,996) were lent to HM Brazil (IOM)Ltd, HM Brazil Ltda, Minera El Aguila SAC and Minera El Cotahuasi SAC to finance exploration work during 2010. Interest is charged at an annual rate of 4% on balances outstanding during the year.

Balances with subsidiaries at the year-end were:

Company	2010	2009	2010	2009
	Assets £	Liabilities £	Assets £	Liabilities £
HM Brazil Ltda	1,256,494	–	896,142	–
Minera El Aguila SAC	1,170,836	–	1,014,968	–
Minera El Cotahuasi SAC	17,793	–	13,031	–
HM Brazil (IOM) Ltd	3,208,159	–	1,381,139	–
Horizonte Nickel (IOM) Ltd	14,100,486	–	–	–
Araguaia Niquel Mineração Ltda	10,000	–	–	–
Horizonte Exploration Ltd	–	413,823	–	413,823
Total	19,763,768	413,823	3,305,280	413,823

23 Ultimate controlling party

The Directors believe there to be no ultimate controlling party.

24 Expenses by nature

Group	2010 £	2009 £
Staff costs	738,836	298,298
Transaction costs (excluding staff costs)	328,353	–
Exploration related costs expensed (excluding staff costs)	300,116	297,709
Depreciation (note 12)	31,160	719
Loss/(gain) on foreign exchange	2,244	(3,269)
Project impairments	59,945	–
Other expenses	349,892	297,079
Total operating expenses	1,810,546	890,536

25 Directors' remuneration

Group 2010	Basic salary and fees £	Other benefits £	Discretionary, performance related bonus £	Total £
	Non executive Directors			
Alexander Christopher	–	–	–	–
David Hall	63,944	–	48,000	111,944
Alan Walker	16,000	–	–	16,000
Executive Directors				
Jeremy Martin	119,664	800	128,475	248,939
Nicholas Winer	78,595	–	55,000	133,595
	278,203	800	231,475	510,478
<hr/>				
Group 2009	Basic salary and fees £	Other benefits £	Discretionary, performance related bonus £	Total £
Non executive Directors				
David Hall	45,000	-	22,000	67,000
Alan Walker	18,500	-	-	18,500
Executive Directors				

Jeremy Martin	81,252	1,181	32,000	114,433
Nicholas Winer	69,230	-	-	69,230
	213,982	1,181	54,000	269,163

The Company does not operate a pension scheme and no contributions were made to pension schemes during the year (2009: nil) on behalf of the Directors.

Included within discretionary performance related bonus payments is £101,407 (2009:£Nil) relating to amounts charged to share premium as a cost of raising finance.

26 Employee benefit expense (including directors)

Group	2010 £	2009 £
Wages and salaries	711,897	261,252
Social security costs	103,491	22,649
Share options granted to Directors and employees (note 17)	52,534	14,397
	867,922	298,298
Wages and salaries charged to Share Premium	101,407	-
Social security costs charged to Share Premium	6,627	-
	975,956	298,298
Average number of employees including Directors	19	11

Employee benefit expenses include £44,155 of costs capitalised and included within intangible non-current assets. £84,931 of employee benefit expenses have been reimbursed by various joint venture partners.

Share options granted include costs of £34,147 (2009: £7,821) relating to Directors.

27 Investments

Company	2010 £	2009 £
Shares in Group undertakings	2,348,044	2,348,044
Loans to Group undertakings	19,763,768	3,305,280
	22,111,812	5,653,324

Investments in Group undertakings are stated at cost.

On 17 August 2010 the Company acquired 100% of the share capital of Teck Cominco Brasil S.A and Lontra Empreendimentos e Participações Ltda. Immediately subsequent to the acquisitions the shares acquired in Lontra were transferred to HM Brazil (IOM) Ltd and the shares acquired in Teck Cominco Brasil S.A were transferred to Horizonte Nickel (IOM) Ltd. The shares were transferred at their fair value via a loan agreement with the relevant group undertaking and amounts due are included within loans to group undertakings.

On 23 March 2006 the Company acquired the entire issued share capital of Horizonte Exploration Limited by means of a share for share exchange; the consideration for the acquisition was 21,841,000 ordinary shares of 1 penny each, issued at a premium of 9 pence per share. The difference between the total consideration and the assets acquired has been credited to other reserves.

28 Commitments

Operating lease commitments

The Group leases office premises under non-cancellable operating lease agreements. The lease terms are between two and five years and are renewable at the end of the lease period at market rate. The lease payments charged to the profit or loss during the year is disclosed in note 8.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

Group	2010 £	2009 £
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Not later than one year	25,188	–
Later than one year and no later than five years	2,356	–
Total	27,544	–

29 Events after the reporting period

(a) Share issue

On 4 February 2011 the Company announced that it had issued 32,999,500 new ordinary shares at an issue price of £0.25 per share raising £8,249,875 before expenses. The new shares issued rank pari passu with the existing issued ordinary shares of the Company and were admitted to trading on 9 February 2011.

(b) Option royalty agreement

On 12 January 2011 the Company signed an option agreement with Anglo Pacific Group plc (“Anglo Pacific”) whereby Anglo Pacific received the option to acquire a Net Smelter Royalty (“NSR”) on future nickel revenues from the Araguaia project in exchange for US\$500,000.

If Anglo Pacific chooses to exercise the option, which is exercisable upon completion of a pre-feasibility study on the site, they will pay Horizonte US\$12.5m and shall receive a NSR. The NSR will be at a rate of 1.5% of nickel revenue produced up to 30,000 tonnes per annum, reduced by 0.02% for every 1,000 tonnes per annum above this rate. The rate will be fixed at a minimum rate of 1.1% for production of 50,000 tonnes per annum and above.

(c) Heads of Terms agreement

On 18 January 2011 the Company signed Heads of Terms with Canadian-Listed Lara Exploration Limited for the purchase of a 100% interest in the Vila Otito and Floresta nickel laterite projects. The consideration for the acquisition will be the issue of 8.5m ordinary shares in the Company and will be subject to various lock-in agreements. The completion of the acquisition is subject to the Company completing due diligence, receiving certain third party approvals and completion of a definitive agreement.

Further details of the proposed acquisition can be found in the Chairman’s Statement on pages 2 to 4 of these Financial Statements.

30 Parent Company Statement of Comprehensive Income

As permitted by section 408 of the Companies Act 2006, the statement of comprehensive income of the parent company is not presented as part of these Financial Statements. The Parent Company’s statement of comprehensive income for the year was a loss of £1,067,659 (2009: loss £434,110).

****ENDS****