

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

Horizonte, the AIM and TSX quoted exploration and development company focussed in Brazil, announces its results for the year ended 31 December 2011.

Overview

- Araguaia nickel project developing into a significant nickel laterite asset in terms of tonnage and grade compared to global peer group
- Consolidated land position around Araguaia via acquisition through all share transactions of the Vila Oito and Floresta projects from TSX listed Lara Exploration Ltd
- Published NI 43-101 maiden Inferred Resource of 76.6Mt at 1.35% nickel in March 2011
- Completed a resource drilling programme of 13,204 metres in 539 holes with 7 drill rigs active on the project
- 2,587 metre scout drill programme completed at the Falcao gold project with positive results - AngloGold has confirmed US\$1.6 million budget for further exploration in 2012
- Successful oversubscribed placing of £8.25 million in February 2011 enabled fast track programme at Araguaia
- Cash position at year end 2011 of £5.9 million - well funded for Araguaia development work in 2012
- Successful secondary listing on Toronto Stock Exchange in June 2011
- Board strengthened by appointment as Non-Executive Directors of William Fisher in June 2011 and Owen Bavinton in January 2012

Post Balance Sheet Events

- In January 2012 published a new NI 43-101 Mineral Resource Estimate comprising; Indicated Resource of 39.3Mt grading 1.39% nickel and an Inferred Resource of 60.9Mt averaging 1.22% nickel at a 0.95% cut-off

Chairman's Statement

This has been a period of exceptional progress for Horizonte. During the past year we have delivered on our key milestones within budget and on schedule, seeing us advance our flagship Araguaia nickel project ('Araguaia') to a stage that places it in the upper quartile of developing global nickel projects in terms of size and grade. We also have an active gold portfolio in northern Brazil which we are successfully developing with our JV partner AngloGold Ashanti Limited, giving us a secondary commodity focus and adding further value to the Company with minimum capital risk

exposure. These developments, coupled with the support from major shareholders, Teck Resources and Anglo Pacific Group, give us the foundations from which to drive the growth of the Company in 2012 as we continue to develop Araguaia through to feasibility stage and generate significant value for shareholders.

In March 2011 we announced a maiden Inferred Resource Estimate at Araguaia of 76.6 million tonnes ('Mt') grading 1.35% nickel ('Ni') and 0.06% Cobalt ('Co'). This initial resource was hugely encouraging and clearly showed the potential for the project to be further explored and developed to become a major nickel asset. Due to a successful placing of £8.25 million in February 2011, which was oversubscribed by new and existing institutional investors, we were able to increase our drilling budget at Araguaia. To this end, we increased our drilling programme from 8,000 metres to 13,204 metres and fast-tracked drilling by utilising seven drill rigs on site.

Over the period we also expanded our land position surrounding Araguaia in the Carajás district to consolidate further zones into the project. The acquisition of the Vila Oito and Floresta projects from Lara Exploration Ltd was completed in July 2011 and the licences transferred in February 2012.

As a result of this expanded drill programme and further land consolidation, in January 2012 we were delighted to announce a new Mineral Resource Estimate at Araguaia which met with management's targets. An Indicated Resource of 39.3 million tonnes grading 1.39% nickel and an Inferred Resource of 60.9 million tonnes averaging 1.22% nickel using 0.95% nickel cut-off was calculated. Notably, we have converted 39% of the resource to the Indicated category and demonstrated the existence of higher grade zones which are vital for early mine life economics, as shown by the current Indicated Resource of 24.2Mt grading 1.6% using a 1.2% cut-off.

This revised resource, I believe, places Araguaia firmly on the map as one of the more significant nickel laterite assets in terms of tonnage and grade in the global marketplace.

In parallel with the expanded drilling and new NI 43-101 Mineral Resource Estimate we are also conducting various metallurgical testing, community development and environmental base line studies which are an integral part of the development process of advancing an asset towards the feasibility stage with a view to production.

The definition of the process route is fundamental to producing the Preliminary Economic Assessment ('PEA') study which is expected to be concluded in Q2 2012.

Araguaia, on a number of levels, has several critical location advantages. Firstly, being based in Brazil, the project is in a rapidly-growing economy that is one of the

more preferable countries in terms of favourable and workable mining codes. Secondly, our project is located near the Carajás mineral district, a region with an established mining industry and significant mineral endowment and development. The third critical location advantage, and one that cannot be emphasised enough, is the infrastructure of the region. Excellent road and rail networks and economical electrical power are readily available - highly important for large scale mining projects.

So when considering the growing importance of this project it is not only the tonnage and grade that has to be considered but also the location and infrastructure, which adds significant value to the asset. Araguaia is a truly quality asset for Horizonte and one that we look forward to progressing up the development curve, accruing significant value for shareholders.

Of course, there are concerns regarding metal consumption and prices within an uncertain world economic climate. Mining and metals are long-term industries. Even if metal consumption were to remain flat, it is the critical lack of supply of new quality projects that will likely maintain metal prices at reasonable levels. The global stainless steel production is forecast to reach new highs in 2012 (Macquarie Research, November 2011) with a steady increase in following years. This should see nickel prices at levels capable of sustaining a large nickel project such as Araguaia. When economies and markets recover, as no doubt they will, Horizonte will be well placed with the ownership of a quality nickel asset in a stable and well served country and in a region with excellent infrastructure that enables rapid development of the project.

In addition to Araguaia, Horizonte has a developing gold project with a major mining partner AngloGold. The Falcao gold project ('Falcao') has progressed through the year and seen the completion of the initial 2,587 metre scout drill programme that has tested the large defined gold-in-soil anomaly. Broad zones of low grade/ near surface gold mineralisation were defined in a number of drill holes including, 15.76 metres grading 1.65 g/t Au.

These results led to the drilling of an additional five holes to further define the style and controls on the gold mineralisation. The soil grid was also expanded to cover areas where the gold anomaly was identified as open. Final results from this recent drilling programme are expected in Q1 2012 and will be used along with detailed database information to determine the 2012 follow up drilling programme. In this vein, I am delighted to report that AngloGold has confirmed a 2012 exploration budget for Falcao of US\$1.6 million.

In terms of corporate initiatives, another major development in 2011 was Horizonte listing on the main board of the Toronto Stock Exchange (TSX-HZM). This secondary listing was designed to create greater capital market exposure for the

Company in North America where nickel laterites and Brazil are well understood. One such example of this appreciation is underpinned by the Onca Puma transaction in 2005 which saw mining major Vale acquiring the project (87Mt at 1.7% nickel) from Canico Resources at a price of US\$0.23 per in-situ pound of nickel. The Onca Puma project, which is now in production, is in close proximity to Araguaia, where Horizonte's resources are valued at less than US\$0.03 per pound. I believe this again highlights the potential upside in value of Araguaia as we advance it up the development curve.

We have also further strengthened the Board during the period, firstly with the appointment of Bill Fisher, who has extensive experience with companies on the TSX and was on the Board of Aurelian when it was sold to Kinross for \$1.2 billion. I am also delighted to welcome Owen Bavinton to our Board as a Non-Executive Director. Owen was until recently Group Head of Exploration at Anglo American and has vast experience in developing major base metal projects. His familiarity with Brazil, having been involved in the development of Barro Alto nickel laterite project, will be most beneficial to us as we progress our flagship Araguaia Project.

Horizonte's investment case is clearly evident; with our target resource at Araguaia now in hand, we believe we have a world-class nickel laterite asset with a clear path to feasibility. The results of the PEA are expected shortly, which again will be a significant milestone for the Company in proving the economic potential of the Araguaia project. This in turn with expected newsflow on our gold portfolio throughout 2012, supportive mining majors, strong treasury and an excellent management team with many leading industry figures, places us in a strong 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 to thank our excellent management team and employees led by Jeremy Martin for their continued dedication to advancing our Araguaia and Falcao projects so successfully. I would also like to take this opportunity to thank our shareholders for your continued support.

David J. Hall
Chairman

****ENDS****

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Financial Statements

Consolidated Statement of Comprehensive Income For the year ended 31 December 2011

	Notes	Year ended 31 December 2011 £	Year ended 31 December 2010 £
Continuing operations			
Revenue		–	–
Cost of sales		–	–
Gross profit		–	–
Administrative expenses		(1,820,428)	(1,205,420)
Charge for share options granted		(288,290)	(52,534)
Toronto Stock Exchange listing costs		(216,140)	–
Changes in fair value of contingent consideration	18	147,222	–
Acquisition costs expensed		–	(490,403)
Project impairment	10	–	(59,945)
Gain/(loss) on foreign exchange		14,571	(2,244)
Other operating income	6	438,470	694,540
Loss from operations	7	(1,724,595)	(1,116,006)
Gain on purchase of subsidiary undertaking		–	1,798,251
Finance income	8	106,627	16,228
Finance costs	8	(186,085)	(68,035)
(Loss)/profit before taxation		(1,804,053)	630,438
Taxation	9	–	–
(Loss)/profit for the year from continuing operations		(1,804,053)	630,438
Other comprehensive income			
Currency translation differences on translating foreign operations		(2,400,008)	1,092,632
Total comprehensive income for the year attributable to equity holders of the Company		(4,204,061)	1,723,070
Earnings per share from continuing operations attributable to the equity holders of the Company			
Basic (pence per share)	20	(0.653)	0.489
Diluted (pence per share)	20	(0.653)	0.487

Consolidated Statement of Financial Position As at 31 December 2011

	Notes	31 December 2011 £	31 December 2010 £
Assets			
Non-current assets			
Intangible assets	10	19,355,457	16,918,202
Property, plant & equipment	11	139,264	168,223
Deferred taxation	9	7,243,524	8,079,087
		26,738,245	25,165,512
Current assets			

Trade and other receivables	12	172,906	72,314
Cash and cash equivalents	13	5,856,949	3,847,031
		6,029,855	3,919,345
Total assets		32,768,100	29,084,857
Equity and liabilities			
Equity attributable to owners of the parent			
Issued capital	14	2,795,600	2,465,605
Share premium	15	18,772,797	11,283,355
Other reserves	17	8,533,284	10,933,292
Accumulated losses		(3,700,015)	(2,184,252)
Total equity		26,401,666	22,498,000
Liabilities			
Non-current liabilities			
Contingent consideration	18	2,715,365	2,676,502
Deferred taxation	9	3,148,185	3,511,338
		5,863,550	6,187,840
Current liabilities			
Trade and other payables	18	502,884	399,017
		502,884	399,017
Total liabilities		6,366,434	6,586,857
Total equity and liabilities		32,768,100	29,084,857

Company Statement of Financial Position

As at 31 December 2011

		31 December 2011	31 December 2010
	Notes	£	£
Assets			
Non-current assets			
Property, plant & equipment	11	6,089	2,810
Investment in subsidiaries	26	28,662,274	22,111,812
		28,668,363	22,114,622
Current assets			
Trade and other receivables	12	107,996	42,958
Cash and cash equivalents	13	4,245,460	3,638,534
		4,353,456	3,681,492
Total assets		33,021,819	25,796,114
Equity and liabilities			
Equity attributable to owners of the parent			
Issued capital	14	2,795,600	2,465,605
Share premium	15	18,772,797	11,283,355
Merger reserve	17	10,888,760	10,888,760
Accumulated losses		(2,786,938)	(2,104,258)
Total equity		29,670,219	22,533,462
Liabilities			
Non-current liabilities			
Contingent consideration	18	2,715,365	2,676,502
Current liabilities			
Trade and other payables	18	636,235	586,150
Total liabilities		3,351,600	3,262,652
Total equity and liabilities		33,021,819	25,796,114

Statements of Changes in Equity

For the year ended 31 December 2011

	Attributable to the equity holders of the Company				Total £
	Share capital £	Share premium £	Accumulated losses £	Other reserves £	
Consolidated					

As at 1 January 2010	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 contributions by and distributions to owners of the Company	2,465,605	11,283,355	(2,814,690)	9,840,660	20,774,930
Profit for the year	–	–	630,438	–	630,438
Other comprehensive income	–	–	–	1,092,632	1,092,632
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
Issue of ordinary shares	329,995	7,919,880	–	–	8,249,875
Issue costs	–	(430,438)	–	–	(430,438)
Share based payments	–	–	288,290	–	288,290
Total contributions by and distributions to owners of the Company	329,995	7,489,442	288,290	–	8,107,727
Loss for the year	–	–	(1,804,053)	–	(1,804,053)
Other comprehensive income	–	–	–	(2,400,008)	(2,400,008)
Total comprehensive income for the year	–	–	(1,804,053)	(2,400,008)	(4,204,061)
As at 31 December 2011	2,795,600	18,772,797	(3,700,015)	8,533,284	26,401,666

	Share capital £	Share premium £	Accumulated losses £	Other reserves £	Total £
Company					
As at 1 January 2010	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 contributions by and distributions to owners of the Company	2,465,605	11,283,355	(1,036,599)	10,888,760	23,601,121
Loss for the year	–	–	(1,067,659)	–	(1,067,659)
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
Issue of ordinary shares	329,995	7,919,880	–	–	8,249,875
Issue costs	–	(430,438)	–	–	(430,438)
Share based payments	–	–	288,290	–	288,290
Total contributions by and distributions to owners of the Company	329,995	7,489,442	288,290	–	8,107,727
Loss for the year	–	–	(970,970)	–	(970,970)
Total comprehensive income for the year	–	–	(970,970)	–	(970,970)
As at 31 December 2011	2,795,600	18,772,797	(2,786,938)	10,888,760	29,670,219

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	Notes	31 December 2011 £	31 December 2010 £
Cash flows from operating activities			
(Loss)/profit before taxation		(1,804,053)	630,438
Interest income		(106,627)	(16,228)
Finance costs		186,085	68,035
Employee share options charge		288,290	52,534
Gain on bargain purchase of subsidiary undertaking		–	(1,798,251)
Project impairment		–	59,945
Transaction fees settled by share issue		–	150,000
Exchange difference		(14,571)	–
Gain on investment		–	(440,079)
Change in fair value of contingent consideration		(147,222)	–
Depreciation		4,981	31,161

Operating loss before changes in working capital	(1,593,117)	(1,262,445)
Increase in trade and other receivables	(100,592)	(27,705)
Increase in trade and other payables	105,915	56,975
Net cash outflow from operating activities	(1,587,794)	(1,233,175)
Cash flows from investing activities		
Purchase of intangible assets	(4,257,608)	(777,690)
Purchase of property, plant and equipment	(62,853)	(198,465)
Cash in acquired subsidiary	–	957
Interest received	106,627	16,228
Net cash used in investing activities	(4,213,834)	(958,970)
Cash flows from financing activities		
Proceeds from issue of ordinary shares	8,249,875	5,126,114
Issue costs	(430,438)	(368,407)
Net cash inflow from financing activities	7,819,437	4,757,707
Net increase in cash and cash equivalents	2,017,809	2,565,562
Cash and cash equivalents at beginning of year	3,847,031	1,281,410
Exchange on cash and cash equivalents	(7,891)	59
Cash and cash equivalents at end of the year	13 5,856,949	3,847,031

Major non-cash transactions

During the year ended 31 December 2011 additions to intangible exploration assets included £69,592 (2010: £Nil) in relation to depreciation charges on property, plant and equipment used for exploration activities.

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. On the same date the Company issued a further 3,000,000 ordinary shares to certain professional advisors in settlement for services in relation to the acquisition and placement of shares.

During the year ended 31 December 2010 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 2011

	31 December 2011	31 December 2010
	Notes	£
		£
Cash flows from operating activities		
Loss before taxation		(1,067,659)
Interest income		(16,142)
Transaction fees settled by share issue		150,000
Exchange differences		–
Employee share options charge		52,534
Depreciation		994
Operating loss before changes in working capital		(880,273)
Increase in trade and other receivables		(25,050)
Increase in trade and other payables		126,476
Net cash outflow from operating activities		(778,847)
Cash flows from investing activities		
Loans to subsidiary undertakings		(1,453,565)
Purchase of property, plant and equipment		(2,905)
Interest received		16,142
Net cash used in investing activities		(1,440,328)
Cash flows from financing activities		
Proceeds from issue of ordinary shares		5,126,114
Issue costs		(368,407)
Net cash inflow from financing activities		4,757,707
Net increase in cash and cash equivalents		2,538,532
Cash and cash equivalents at beginning of year		1,100,002
Exchange gains on cash and cash equivalents		–
Cash and cash equivalents at end of the year	13	3,638,534

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. On the same date the Company issued a further 3,000,000 ordinary shares to certain professional advisors in settlement for services in relation to the acquisition 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 and on the Toronto 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.

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

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning 1 January 2011 that would be expected to have a material impact on the Group.

(b) New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 January 2011 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 2011 or earlier periods, but not currently relevant to the Group.

A revised version of IAS 24 "Related Party Disclosures" simplified the disclosure requirements for government-related entities and clarified the definition of a related party. This revision was effective for periods beginning on or after 1 January 2011.

An amendment to IFRS 1 "First-time Adoption of International Financial Reporting Standards" relieved 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 was effective for periods beginning on or after 1 July 2010.

Amendments to IFRS 7 "Financial Instruments: Disclosures" were 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 were effective for periods beginning on or after 1 July 2011.

Amendments to IAS 32 “Financial Instruments: Presentation” addressed the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. These amendments were effective for periods beginning on or after 1 February 2010.

IFRIC 19 “Extinguishing Financial Liabilities with Equity Instruments” clarified 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 was effective for periods beginning on or after 1 July 2010.

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 permitted such an entity to treat the benefit of such an early payment as an asset. This amendment was effective for periods beginning on or after 1 January 2011.

(c) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2011 and not early adopted

The Group’s assessment of the impact of these new standards and interpretations is set out below.

IFRS 10 “Consolidated Financial Statements” builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. 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.

IFRS 11 “Joint Arrangements” provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form (as is currently the case). The standard addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities. 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.

IFRS 12 “Disclosure of Interests in Other Entities” is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. 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.

IFRS 13 “Fair Value Measurement” improves consistency and reduces complexity by providing, for the first time, a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. It does not extend the use of fair value accounting, but provides guidance on how it should be applied where its use is already required or permitted by other standards. 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.

IAS 27 “Separate Financial Statements” replaces the current version of IAS 27 “Consolidated and Separate Financial Statements” as a result of the issue of IFRS 10 (see above). This revised 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.

IAS 28 “Investments in Associates and Joint Ventures” replaces the current version of IAS 28 “Investments in Associates” as a result of the issue of IFRS 11 (see above). This revised 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.

Amendments to IAS 1 “Presentation of Financial Statements” require items that may be reclassified to the profit or loss section of the income statement to be grouped together within other comprehensive income (OCI). The amendments also reaffirm existing requirements that items in OCI and profit or loss should be presented as either a single statement or two consecutive statements. These amendments are effective for periods beginning on or after 1 July 2012, subject to EU endorsement. The Directors are assessing the possible impact of these amendments on the Group’s Financial Statements.

Amendments to IAS 19 “Employment Benefits” eliminate the option to defer the recognition of gains and losses, known as the “corridor method”; streamline the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring remeasurements to be presented in other comprehensive income; and enhance the disclosure requirements for defined benefit plans, providing better information about the characteristics of defined benefit plans and the risks that entities are exposed to through participation in those plans. These amendments are effective for periods beginning on or after 1 January 2013, subject to EU endorsement, and are not expected to have an impact on the Group’s Financial Statements.

IFRIC 20 “Stripping Costs in the Production Phase of a Surface Mine” clarifies when stripping costs incurred in the production phase of a mine’s life should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods. This interpretation 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.

Amendments to IFRS 7 “Financial Instruments: Disclosures” require disclosure of information that will enable users of financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity’s recognised financial assets and recognised financial liabilities, on the entity’s financial position. This standard is effective for periods beginning on or after 1 January 2013, subject to EU endorsement.

Amendments to IFRS 9 “Financial Instruments” and IFRS 7 “Financial Instruments: Disclosures” require entities to apply IFRS 9 for annual periods beginning on or after 1 January 2015 instead of on or after 1 January 2013. Early application continues to be permitted. The amendments also require additional disclosures on transition from IAS 39 “Financial Instruments: Recognition and Measurement” to IFRS 9.

Amendments to IAS 32 “Financial Instruments: Presentation” add application guidance to address inconsistencies identified in applying some of the criteria when offsetting financial assets and financial liabilities. This includes clarifying the meaning of “currently has a legally enforceable right of set-off” and that some gross settlement systems may be considered equivalent to net settlement. This standard is effective for annual periods beginning on or after 1 January 2014, subject to EU endorsement.

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. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. 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.

If an acquisition is achieved in stages, the acquisition date fair value of the acquirer’s previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or a liability is recognised in accordance with IAS 39 either in profit or loss or as a change in other comprehensive income. The unwinding of the discount on contingent consideration liabilities is recognised as a finance charge within profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

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.

Investments in subsidiaries are accounted for at cost less impairment.

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 Brazil (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 Ltd	Isle of Man	Holding company
PMA Geoquímica Ltda	Brazil Mineral Holdings Ltd	Brazil	Mineral Exploration

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 Statement on pages 4 and 5; 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 have 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 or 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 on a straight-line basis so as to write off the cost of assets, over their estimated useful lives, using the straightline method, on the following bases:

Office equipment	25%
Vehicles and other field 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 exploration 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 Consolidated 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 profit or loss.

(c) Group companies

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

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

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

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and 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 (and laws) that have been enacted or substantively enacted by the balance sheet date and 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

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

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 performance and service 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.

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 using the effective interest method, taking into account the principal amounts outstanding and the interest rates applicable.

3 Financial risk management

3.1 Financial risk factors

The main financial risks that the Group's activity exposes it to are liquidity and fluctuations on foreign currency. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by the Board of Directors under policies approved at the quarterly Board meetings. The Board frequently discusses principles for overall risk management including policies for specific areas such as foreign exchange.

(a) Liquidity and related market risks

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, US Dollar and the UK pound.

Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations that are denominated in a foreign currency. The Group holds a proportion of its cash in US Dollars and Brazilian Reals to hedge its exposure to foreign currency fluctuations and recognises the profits and losses resulting from currency fluctuations as and when they arise. The volume of transactions is not deemed sufficient to enter into forward contracts.

At 31 December 2011, if the US Dollar had weakened/strengthened by 5% against Pound Sterling and Brazilian Real with all other variables held constant, post tax loss for the year would have been approximately £90,760/86,738 higher/lower mainly as a result of foreign exchange losses/gains on translation of US Dollar denominated bank balances.

(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 for which the Directors use a mixture of fixed and variable rate deposits. As a result fluctuations in interest rates are not expected to have a significant impact on profit or loss or equity.

(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. The Group maintains cash and short-term deposits with a variety of credit worthy financial institutions and considers the credit ratings of these institutions before investing in order to mitigate against the associated credit risk. Management does not expect any losses from non-performance by joint venture 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.

3.2 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 31 December 2011 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.

As indicated above, 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.

3.3 Fair value estimation

The carrying values of trade receivables and payables is assumed to be approximate to their fair values, due to their short-term nature. The fair value of contingent consideration is estimated by discounting the future contractual cash flows at the Group's current cost of capital of 7% based on the interest rate available to the Group for a similar financial instrument. As this is an observable input all fair value estimates fall within level two.

4 Critical accounting estimates and judgements

The preparation of the Financial Statements in conformity with IFRSs 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 and the reported amount of expenses during the year. 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 2011 of £18,968,079 (2010: £16,482,451). 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 consider no impairment charge necessary for the year ended 31 December 2011 (2010: £59,945).

Estimated impairment of goodwill

Goodwill has a carrying value at 31 December 2011 of £387,378 (2010: £435,751). The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2.5.

Management has concluded that there is no impairment charge necessary to the carrying value of goodwill. See also note 10 to the financial statements.

Contingent consideration

Contingent consideration has a carrying value of £2,715,365 at 31 December 2011 (2010: £2,676,502). The contingent consideration arrangement requires the Group to pay the former owners of Teck Cominco Brasil S.A (subsequently renamed Araguaia Niquel Mineração Ltda) 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 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 £168,976 lower or £23,191 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 Araguaia Niquel Mineração Ltda (formerly Teck Cominco Brasil S.A) and Lontra Empreendimentos e Participações Ltda. A deferred tax asset has been recognised on acquisition of Araguaia Niquel Mineração Ltda 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 16.

Were the actual number of options that vest to differ by 10% from management's estimates the overall option charge would increase/ decrease by £28,829.

Other areas

Other estimates include but are not limited to employee benefit liabilities; future cash flows associated with assets; useful lives for depreciation and fair value of financial instruments.

5 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.

	UK 2011 £	Brazil 2011 £	Peru 2011 £	Total 2011 £
Administrative expenses	(1,288,145)	(509,217)	(23,066)	(1,820,428)
(Loss)/profit on foreign exchange	115,081	(100,510)	–	14,571
Other operating income	427,594	–	10,876	438,470

(Loss)/profit from operations per reportable segment	(745,470)	(609,727)	(12,190)	(1,367,387)
Inter segment revenues	–	212,067	64,754	–
Depreciation charges	(929)	(4,052)	–	(4,981)
Additions to non-current assets	4,208	4,390,808	–	4,395,016
Reportable segment assets	5,924,447	26,017,920	825,733	32,768,100
Reportable segment liabilities	2,923,269	3,443,165	–	6,366,434

	UK 2010 £	Brazil 2010 £	Peru 2010 £	Total 2010 £
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

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

	2011 £	2010 £
Loss from operations per reportable segment	(1,367,387)	(1,116,006)
Changes in fair value of contingent consideration (refer note 18)	147,222	–
Charge for share options granted	(288,290)	–
Toronto Stock Exchange Listing costs	(216,140)	–
Finance income	106,627	16,228
Finance costs	(186,085)	(68,035)
Gain on bargain purchase	–	1,798,251
Profit/(loss) for the year from continuing operations	(1,804,053)	630,438

6 Other operating income

Group	2011 £	2010 £
Project management fees	115,094	33,729
Gain on sale of fixed assets	10,876	–
Gain on re-measuring existing interest in Lontra on acquisition	–	440,079
Fee on granting of royalty option	312,500	–
Other option fees	–	220,732
	438,470	694,540

Included in other operating income for 2011 is US\$500,000 relating to an option payment received from Anglo Pacific Group plc ('Anglo'). On 12 January 2011 the Company signed an option agreement with Anglo whereby Anglo received the option to acquire a Net Smelter Royalty ('NSR') on future nickel revenues of the Araguaia project in exchange for the option payment (refer note 27).

Other option fees in 2010 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.

7 Loss from operations

Loss from operations is stated after charging the following:

Group	2011 £	2010 £
Depreciation	4,981	31,161
Project impairment	–	59,945
Auditors' remuneration	–	–
– Fees payable for the audit of Parent and consolidated financial statements	28,000	20,000
– Fees payable for tax and other services pursuant to legislation	56,175	7,100
Operating lease charges	51,001	37,620

Auditors' remuneration of £38,433 charged during 2010 in respect of the corporate finance transaction was included within issue costs and offset against other reserves.

8 Finance income and costs

Group	2011 £	2010 £
Finance income:		
– Interest income on cash and short-term bank deposits	106,627	16,228
Finance costs:		
– Contingent consideration: unwinding of discount	(186,085)	(68,035)
Net finance costs	(79,458)	(51,807)

9 Taxation

Income tax expense

Group	2011 £	2010 £
Analysis of tax charge		
Current 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	2011 £	2010 £
(Loss)/profit before income tax	(1,804,053)	630,438
Current tax at 28.6% (2010: 28%)	(516,769)	176,523
Effects of:		
Income not subject to tax, expenses not deductible for tax	–	(626,732)
Expenses not deducted for tax purposes	380,451	170,499
Tax losses carried forward – UK	129,710	147,494
Tax losses carried forward – Brazil and Peru	6,607	132,215
Total tax	–	–

No tax charge or credit arises on the loss for the year.

The weighted average applicable tax rate of 28.6% used is a combination of the 26.5% effective standard rate of corporation tax in the UK, 34% Brazilian corporation tax and 30% Peruvian corporation tax.

Deferred income tax

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

Group	2011 £	2010 £
Deferred tax assets		
– Deferred tax asset to be recovered after more than 12 months	7,243,524	8,079,087
	7,243,524	8,079,087
Deferred tax liabilities		
– Deferred tax liability to be recovered after more than 12 months	(3,148,185)	(3,511,338)
	(3,148,185)	(3,511,338)
Deferred tax asset (net)	4,095,339	4,567,749

The gross movement on the deferred income tax account is as follows:

Group	2011 £	2010 £
At 1 January	4,567,749	–
Acquisition of subsidiary undertakings	–	4,301,609
Exchange differences	(472,410)	266,140
At 31 December	4,095,339	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
Exchange differences	363,152	(835,563)	(472,411)
At 31 December 2011	(3,148,185)	7,243,524	4,095,339

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 £22,999,500 (2010: £25,440,000) available to carry forward against future taxable profits. With the exception of the deferred tax asset arising on acquisition of Araguaia Niquel Mineração Ltda (formerly Teck Cominco Brasil S.A.) in 2010 and any subsequent available losses arising in that company, 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.

10 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 £1,464,805 (2010: £795,475).

Group	Goodwill £	Exploration and evaluation costs £	Total £
Cost			
At 1 January 2010	–	2,498,411	2,498,411
Additions – internally generated	–	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)
At 31 December 2010	435,751	16,482,451	16,918,202
Additions – internally generated	–	4,327,200	4,327,200
Exchange rate movements	(48,373)	(1,841,572)	(1,889,955)
Net book amount at 31 December 2011	387,378	18,968,079	19,355,457

There were no impairment charges in the year ended 31 December 2011. Impairment charges in 2010 of £59,945 were included in profit or loss.

(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. 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	2011 £	2010 £
Brazil – Araguaia/Lontra	16,934,456	14,384,634
Brazil – Other	1,217,759	1,331,603
Peru – El Aguila	815,864	766,214

The adjacent Araguaia/Lontra exploration sites comprise a resource of a sufficient size and scale to allow the Company to create a significant single nickel project. For this reason, at the current stage of development, these two projects are viewed and assessed for impairment by management as a single cash generating unit.

Shortly after the reporting period Canadian NI 43-101 compliant resource estimates were published for the Araguaia/Lontra project. Upon receipt of these resource estimates the Directors are now in the process of commissioning a Preliminary Economic Assessment study which will allow value in use calculations to be prepared in future periods when a clearer position of the revenues and costs expected to arise from exploiting the resource will be available. Given that the Preliminary Economic Assessment has yet to be commenced the Directors are unable as at 31 December 2011 to estimate with any degree of certainty the key assumptions needed in order to perform a value in use calculation. The Directors undertook an assessment of impairment through a benchmarking exercise with a variety of peer group companies and taking into account metal content of the comparable projects and no evidence of impairment was identified.

A similar benchmarking exercise was undertaken as a means of assessing the Group's El Aguila project in Peru based on the non-NI 43-101 compliant resource estimate available for the project and no evidence of impairment was identified.

Other early stage exploration projects in Brazil are at an early stage of development and no JORC/Canadian NI 43-101 or non-JORC/ Canadian NI 43-101 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 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.

The Group has some projects for which no exploration activity is currently being undertaken or planned by the Group. The Directors have considered the potential impairment of these sites with reference to the present value of future royalty streams or other forms of consideration arising from potential sale agreements after accounting for the costs of preparing the asset for sale.

Following their assessment the Directors concluded that no impairment of exploration and evaluation assets arose in 2011 (2010: £59,945).

(b) Goodwill

Goodwill arose on the acquisition of Lontra Empreendimentos e Participações Ltda in 2010. 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.

11 Property, plant and equipment

Group	Vehicles and other field equipment £	Office equipment £	Total £
Cost			
At 1 January 2010	–	2,878	2,878
Additions	195,560	2,905	198,465
At 31 December 2010	195,560	5,783	201,343
Additions	62,853	–	62,853
Disposals	–	(2,529)	(2,529)
Foreign exchange movements	(20,035)	–	(20,035)
At 31 December 2011	238,378	3,254	241,632
Accumulated depreciation			
At 1 January 2010	–	1,959	1,959

Charge for the year	30,147	1,014	31,161
At 31 December 2010	30,147	2,973	33,120
Charge for the year	73,760	813	74,573
Disposals	–	(2,529)	(2,529)
Foreign exchange movements	(2,796)	–	(2,796)
At 31 December 2011	101,111	1,257	102,368
Net book amount as at 31 December 2011	137,267	1,997	139,264
Net book amount as at 31 December 2010	165,413	2,810	168,223
Net book amount as at 1 January 2010	–	919	919

Depreciation charges of £69,592 (2010: £Nil) have been capitalised and included within intangible exploration and evaluation asset additions for the year. The remaining depreciation expense for the year ended 31 December 2011 of £4,981 (2010: £31,161) has been charged in ‘administrative expenses.’

Vehicles and other field equipment includes the following amounts used to perform exploration activities:

	2011 £	2010 £
Cost	219,768	–
Accumulated depreciation	(92,666)	–
Net book amount	127,102	–

Company	Field equipment £	Office equipment £	Total £
Cost			
At 1 January 2010	–	1,846	1,846
Additions	–	2,905	2,905
At 31 December 2010	–	4,751	4,751
Additions	4,208	–	4,208
Disposals	–	(1,497)	(1,497)
At 31 December 2011	4,208	3,254	7,462
Accumulated depreciation			
At 1 January 2010	–	947	947
Charge for the year	–	994	994
At 31 December 2010	–	1,941	1,941
Charge for the year	116	813	929
Disposals	–	(1,497)	(1,497)
At 31 December 2011	116	1,257	1,373
Net book amount as at 31 December 2011	4,092	1,997	6,089
Net book amount as at 31 December 2010	–	2,810	2,810
Net book amount as at 1 January 2010	–	899	899

12 Trade and other receivables

	Group		Company	
	2011 £	2010 £	2011 £	2010 £
Trade receivables	95,907	60,290	91,448	30,934
Other receivables	76,999	12,024	16,548	12,024
Current portion	172,906	72,314	107,996	42,958

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		Company	
	2011 £	2010 £	2011 £	2010 £
Brazilian Real	60,381	–	–	–
UK Pound	16,618	18,895	16,548	18,895
US Dollar	95,907	53,419	119,593	24,063

	172,906	72,314	136,141	42,958
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As of 31 December 2010 the Group's and Company's trade receivables of £95,907 (2010: £60,290) 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.

13 Cash and cash equivalents

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
Cash at bank and on hand	3,889,970	1,086,959	2,222,601	878,462
Short-term deposits	1,966,622	2,760,072	2,022,859	2,760,072
	5,856,949	3,847,031	4,245,460	3,638,534

The Group's cash at bank and short-term deposits are held with institutions with the following credit ratings (Fitch):

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
A	3,889,970	1,755,037	2,715,452	1,740,166
BBB	1,966,622	2,082,072	1,530,008	1,898,368
	5,856,592	3,837,109	4,245,460	3,638,534

14 Share Capital

Group and Company	2011	2011	2010	2010
	Number	£	Number	£
Issued and fully paid				
Ordinary shares of 1p each				
At 1 January	246,560,480	2,465,605	59,019,096	590,191
Issue of ordinary shares	32,999,500	329,995	187,541,384	1,875,414
At 31 December	279,559,980	2,795,600	246,560,480	2,465,605

On 4 February 2011, 32,999,500 ordinary shares of 1p each were issued fully paid for cash consideration at 25 pence per share to raise £8.25 million before expenses.

15 Share Premium

Group and Company	2011	2010
	£	£
At 1 January	11,283,355	6,811,399
Premium arising on issue of ordinary shares	7,919,880	4,883,503
Issue costs	(430,438)	(411,547)
At 31 December	18,772,797	11,283,355

16 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	Weighted average exercise price	Number of options	Weighted average exercise price
	2011	2011	2010	2010
	£	£	£	£
Outstanding at 1 January	14,150,000	0.136	4,050,000	0.095
Forfeited	(1,150,000)	0.095	–	–
Granted	14,380,000	0.155	10,100,000	0.152
Outstanding at 31 December	27,380,000	0.147	14,150,000	0.136

Exercisable at 31 December	2,900,000	0.095	–	–
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The options outstanding at 31 December 2011 had a weighted average remaining contractual life of 9.21 years.

In September 2011, 14,380,000 options were issued at an exercise price of 15.4 pence, representing a 10% premium to the share price on the day that the options were issued.

The fair value of the share options was determined using the Black-Scholes valuation model.

The parameters used are detailed below.

Group and Company	2011 options	2010 options	2009 options
Date of grant or reissue	21/09/2011	17/11/2010	25/09/2009
Weighted average share price	13.9 pence	14.0 pence	8.0 pence
Weighted average exercise price	15.4 pence	15.5 pence	9.5 pence
Expiry date	21/09/2021	17/11/2020	25/09/2019
Options granted	14,380,000	10,100,000	4,050,000
Volatility	17%	17%	50%
Dividend yield	Nil	Nil	Nil
Option life	10 years	10 years	10 years
Annual risk free interest rate	2.50%	2.50%	3.30%
Forfeiture discount	–	–	15%
Marketability discount	5%	5%	–
Total fair value of options granted	£528,745	£343,271	£132,379

The expected volatility is based on historical volatility for the 6 months prior to the date of grant. The risk free rate of 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 (£)	2011 Weighted average exercise price	2011 Number of shares	2011 Weighted average remaining life expected	2011 Weighted average remaining life contracted	2010 Weighted average exercise price	2010 Number of shares	2010 Weighted average remaining life expected	2010 Weighted average remaining life contracted
	(£)	shares	(years)	(years)	(£)	shares	(years)	(years)
0 – 0.1	0.095	3,400,000	5.9	7.9	0.095	4,550,000	6.9	8.9
0.1 – 0.2	0.154	23,980,000	7.3	9.3	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 profit or loss for the year ended 31 December 2011 of £288,290 (2010: £52,534) based on the fair values at the time the options were granted.

17 Other reserves

Group	Merger reserve £	Translation reserve £	Other reserve £	Total £
1 January 2010	–	–	(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
Currency translation differences	–	(2,400,008)	–	(2,400,008)
At 31 December 2011	10,888,760	(1,307,376)	(1,048,100)	8,533,284

Company	Merger reserve £	Total £
At 1 January 2010	–	–
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 2011 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.

18 Trade and other payables

	Group		Company	
	2011 £	2010 £	2011 £	2010 £
Non-current				
Contingent consideration	2,715,365	2,676,502	2,715,365	2,676,502
	2,715,365	2,676,502	2,715,365	2,676,502
Current				
Trade and other payables	92,231	317,371	51,266	90,682
Amounts due to related parties (refer note 21)	–	–	428,331	413,823
Social security and other taxes	18,763	19,755	11,059	19,755
Accrued expenses	391,890	61,891	145,579	61,890
	502,884	399,017	636,235	586,150
Total trade and other payables	3,218,249	3,075,519	3,351,600	3,262,652

Trade and other payables includes £nil (2010: £167,049) of cash advanced by AngloGold Ashanti Holdings plc under the Exploration Alliance and the Falcão Joint Venture.

Trade and other payables include amounts due of £40,964 (2010: £73,241) in relation to exploration and evaluation activities.

Contingent consideration

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

As at 31 December 2011, there was a finance expense of £187,085 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.

At 31 December 2011, Management have reassessed the fair value of the potential contingent consideration in accordance with the group accounting policy. The cash flow model used to estimate the contingent consideration has been adjusted, taking into account changed assumptions in the timing of cash flows and improved knowledge of mineral grades at Araguaia. The change in the fair value of contingent consideration has generated a credit to profit or loss of £147,222 for the year ended 31 December 2011.

19 Dividends

No dividend has been declared or paid by the Company during the year ended 31 December 2011 (2010: nil).

20 Earnings per share

(a) Basic

The basic loss per share of 0.653p (2010 earnings per share: 0.489p) is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

Group	2011 £	2010 £
(Loss)/profit attributable to equity holders of the Company	(1,804,053)	630,438
Weighted average number of ordinary shares in issue	276,395,644	128,897,529

(b) Diluted

The basic and diluted earnings per share for the year ended 31 December 2011 are the same as the effect of the exercise of share options would be anti-dilutive.

The diluted earnings per share for the year ended 31 December 2010 of 0.487p was 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 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

Details of share options that could potentially dilute earnings per share in future periods are set out in note 16.

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 28.

21 Related party transactions

The following transactions took place with subsidiaries in the year:

A fee totalling £100,304 (2010: £117,895) was charged to HM do Brazil Ltda, £64,754 (2010: £50,573) to Minera El Aguila SAC and £105,257 (2010: £10,000) to Araguaia Niquel Mineração Ltda and £6,506 (2010: £nil) to Brazil Mineral Holdings Ltd by Horizonte Minerals Plc in respect of consultancy services provided and funding costs. The balance due from Mineira Cotahusi SAC of £17,730 was written off to profit or loss during the year.

Amounts totalling £6,025,165 (2010: £1,386,040) were lent to HM Brazil (IOM)Ltd, HM do Brasil Ltda, Araguaia Niquel Mineração Ltda, Minera El Aguila SAC and Minera El Cotahuasi SAC to finance exploration work during 2011, by Horizonte Minerals Plc. Interest is charged at an annual rate of 4% on balances outstanding during the year.

Balances with subsidiaries at the year-end were:

Company	2011	2011	2010	2010
	Assets	Liabilities	Assets	Liabilities
	£	£	£	£
HM do Brasil Ltda	357,173	–	1,256,494	–
PMA Geoquimica Ltda	–	14,508	–	–
Minera El Aguila SAC	1,255,252	–	1,170,836	–
Minera El Cotahuasi SAC	–	–	17,793	–
HM Brazil (IOM) Ltd	5,123,066	–	3,208,159	–
Horizonte Nickel (IOM) Ltd	19,189,919	–	14,100,486	–
Araguaia Niquel Mineração Ltda	388,820	–	10,000	–
Horizonte Exploration Ltd	–	413,823	–	413,823
Total	26,314,230	428,331	19,763,768	413,823

All Group transactions were eliminated on consolidation.

22 Ultimate controlling party

The Directors believe there to be no ultimate controlling party.

23 Expenses by nature

Group	2011	2010
	£	£
Staff costs	688,939	686,302
Indemnity for loss of office	96,519	–
Transaction costs (excluding staff costs)	–	328,353
Exploration related costs expensed (excluding staff costs)	224,078	300,116

Share option costs	288,290	52,534
Depreciation (note 11)	4,981	31,160
(Gain)/loss on foreign exchange	(14,571)	2,244
Gain on revaluation of contingent consideration	(147,222)	–
Project impairments	–	59,945
Toronto Stock Exchange Listing costs	216,140	–
Other expenses	805,911	349,892
Total operating expenses	2,163,065	1,810,546

24 Directors' remuneration

	Basic salary and fees £	Other benefits £	Discretionary performance related bonus £	Indemnity for loss of office £	Total £
Group 2011					
Non-Executive Directors					
Alexander Christopher	–	–	–	–	–
David Hall	70,142	–	–	–	70,142
William Fisher	14,000	–	–	–	14,000
Allan Walker	19,000	–	–	–	19,000
Executive Directors					
Jeremy Martin	146,125	21,272	–	–	167,397
Nicholas Winer	88,364	–	–	96,519	184,883
	337,631	21,272	–	96,519	455,422

	Basic salary and fees £	Other benefits £	Discretionary performance related bonus £	Indemnity for loss of office £	Total £
Group 2010					
Non-Executive Directors					
Alexander Christopher	–	–	–	–	–
David Hall	63,944	–	48,000	–	111,944
Allan 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

The Company does not operate a pension scheme. Included in other benefits for the year of £21,272 (2010: £800) are contributions to a Defined Contribution pension plan held by Mr Jeremy Martin of £20,272 (2010: £nil).

Nicholas Winer stepped down by mutual consent on 31 December 2011. The discretionary compensation for loss of office was approved by the Board and was awarded in respect of his past service to the Company.

25 Employee benefit expense (including directors)

Group	2011 £	2010 £
Wages and salaries	1,068,882	711,897
Social security costs	255,444	103,491
Indemnity for Director for loss of office	96,519	–
Share options granted to Directors and employees (note 17)	288,290	52,534
	1,709,135	867,922
Wages and salaries charged to Share Premium	–	101,407
Social security costs charged to Share Premium	–	6,627
	1,709,135	975,956
Average number of employees including Directors	54	19

Employee benefit expenses includes £383,361 (2010: £44,155) of costs capitalised and included within intangible non-current assets. £252,026 (2010: £84,931) of employee benefit expenses have been reimbursed by various joint venture partners.

Share options granted include costs of £182,312 (2010: £34,147) relating to Directors.

26 Investments

Company	2011 £	2010 £
Shares in Group undertakings	2,348,044	2,348,044
Loans to Group undertakings	26,314,230	19,763,768
	28,662,274	22,111,812

Investments in Group undertakings are stated at cost.

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.

27 Commitments

Operating lease commitments

The Group leases office premises under cancellable and non-cancellable operating lease agreements. The cancellable lease terms are between two and five years and are renewable at the end of the lease period at market rate. The leases can be cancelled by payment of up to three months rental as a cancellation fee. The lease payments charged to profit or loss during the year are disclosed in note 7.

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

Group	2011 £	2010 £
Not later than one year	7,814	25,188
Later than one year and no later than five years	–	2,356
Total	7,814	27,544

Capital Commitments

Capital expenditure contracted for at the end of the reporting period but not yet incurred is as follows:

Group	2011 £	2010 £
Intangible assets	333,900	–

Capital commitments relate to contractual commitments for metallurgical, economic and environmental evaluations by third parties. Once incurred these costs will be capitalised as intangible exploration asset additions.

Other Commitments

On 12 January 2011 the Company signed an option agreement with Anglo Pacific Group plc ('Anglo Pacific') for a future Net Smelter Royalty (refer note 6). If Anglo chooses to exercise the option, which is exercisable upon completion of a pre-feasibility study on the site, it will pay Horizonte US\$12.5 million 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.

28 Events after the reporting period

Acquisition of project sites and share issue

On 8 July 2011 the Company signed a sale and purchase agreement with Lara Exploration Limited for the purchase of the Vila Oito and Floresta nickel laterite projects. The consideration for the transaction was 8,500,000 ordinary shares in the Company and the agreement was contingent on the successful transfer of the legal title to the licences by the Departamento Nacional de Produção Mineral ('DNPM') in Brazil.

On 7 February 2012 the Company received notification that the legal title to the licence areas had been successfully transferred and therefore issued 8,500,000 fully paid ordinary shares to Lara Exploration Limited in consideration for 100% of the Vila Oito and Floresta nickel laterite projects.

29 Contingencies

The Group has received a claim from various trade union organisations in Brazil regarding outstanding membership fees due in relation to various subsidiaries within the Group. Some of these claims relate to periods prior to the acquisition of the relevant subsidiary and would be covered by warranties granted by the previous owners at the date of sale. The Directors are confident that no amounts are due in relation to these proposed membership fees and that the claim will be unsuccessful. As a result, no provision has been made in the financial statements for the year ended 31 December 2011 for amounts claimed. Should the claim be successful the maximum amount payable in relation to fees not subject to the warranty agreement would be approximately £40,000.

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 loss for the year was £970,970 (2010: £1,067,659 loss).

****ENDS****

CAUTIONARY STATEMENT REGARDING FORWARD LOOKING INFORMATION

Except for statements of historical fact relating to the Company, certain information contained in this press release constitutes "forward-looking information" under Canadian securities legislation. Forward-looking information includes, but is not limited to, statements with respect to the potential of the Company's current or future property mineral projects; the success of exploration and mining activities; cost and timing of future exploration, production and development; the estimation of mineral resources and reserves and the ability of the Company to achieve its goals in respect of growing its mineral resources; and the realization of mineral resource and reserve estimates. Generally, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". Forward-looking information is based on the reasonable assumptions, estimates, analysis and opinions of management made in light of its experience and its perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances at the date that such statements are made, and are inherently subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information, including but not limited to risks related to: exploration and mining risks, competition from competitors with greater capital; the Company's lack of experience with respect to development-stage mining operations; fluctuations in metal prices; uninsured risks; environmental and other regulatory requirements; exploration, mining and other licences; the Company's future payment obligations; potential disputes with respect to the Company's title to, and the area of, its mining concessions; the Company's dependence on its ability to obtain sufficient financing in the future; the Company's dependence on its relationships with third parties; the Company's joint ventures; the potential of currency fluctuations and political or economic instability in countries in which the Company operates; currency exchange fluctuations; the Company's ability to manage its growth effectively; the trading market for the ordinary shares of the Company; uncertainty with respect to the Company's plans to continue to develop its operations and new projects; the Company's dependence on key personnel; possible conflicts of interest of directors and officers of the Company, and various risks associated with the legal and regulatory framework within which the Company operates.

Although management of the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking information. The Company does not undertake to update any forward-looking information, except in accordance with applicable securities laws.