HORIZONTE MINERALS

Horizonte Minerals Plc Annual Report 2011

Horizonte Minerals is an AIM and TSX quoted exploration and development company focussed in Brazil.

2011 Highlights

- 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 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

“The Company has delivered a number of major milestones on time and on budget.”

David J. Hall, Chairman

Horizonte Minerals at a Glance

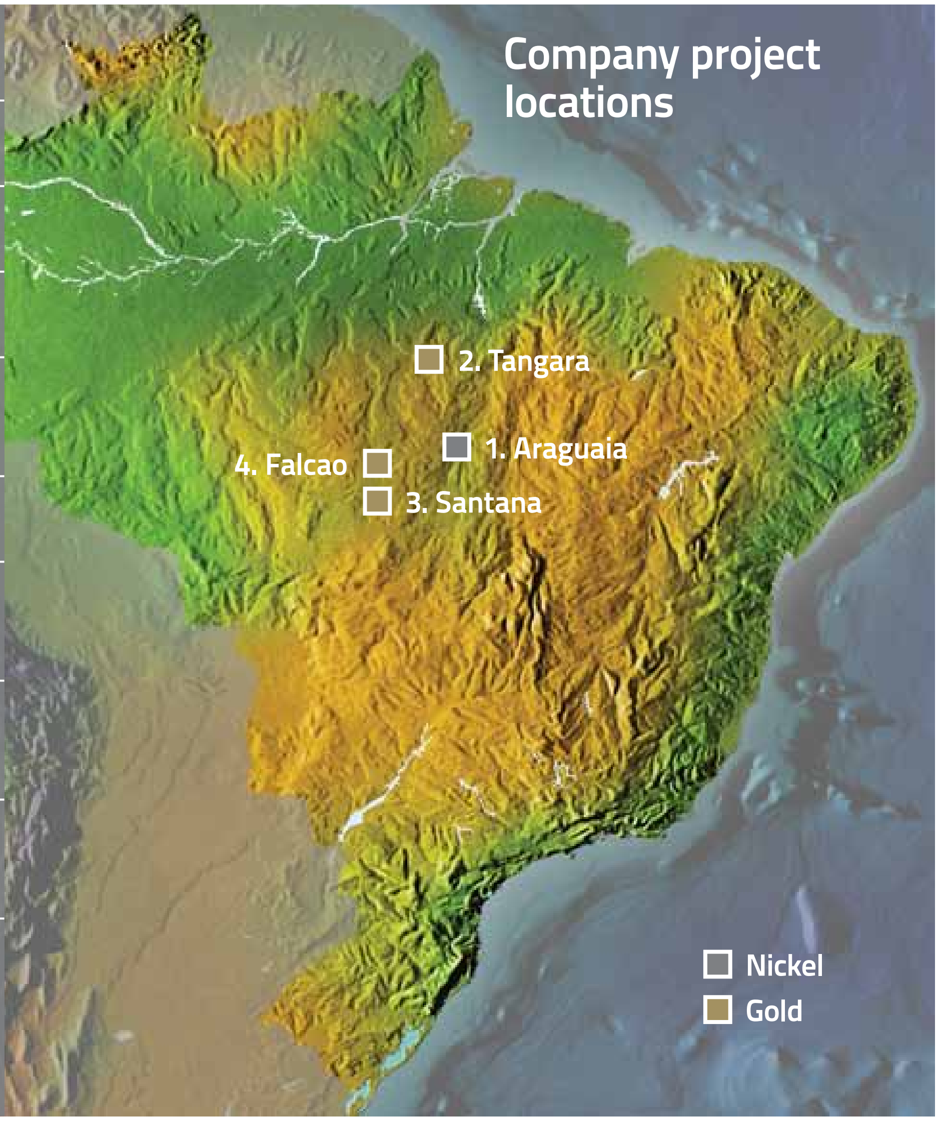
Horizonte owns the advanced Araguaia nickel project south of the Carajás mineral district of northern Brazil, which it acquired from Teck Resources Limited in August 2010. The Company has since consolidated its position in this potentially world-class nickel district by acquiring the adjacent Vila Oito and Floresta nickel laterite projects from Lara Exploration Ltd. In the last 12 months Horizonte has released a NI 43-101 resource with work underway to develop the project to feasibility stage. It is the Company's aim to develop one of the leading global nickel projects.

Horizonte also has exposure to gold through its strategic alliance with AngloGold Ashanti to explore and develop the Falcao gold project. This gold initiative is fully funded by the JV partner delivering maximum upside to Horizonte.

Why Brazil...

- Brazilian mineral production totals US$50 billion
- World's largest exporter of seaborne iron ore trade
- Second largest bauxite producer worldwide
- Significant producer of manganese, nickel, copper, gold and phosphate
- Mineral production up by 550% in the last 10 years
- Excellent record of recent nickel, iron ore and copper discoveries
- Large areas of the country are largely under explored – upside potential
- Investment in Brazilian mining sector expected to reach US$68 billion 2011-2015

Source: Instituto Brasileiro de Mineração



Company Project Portfolio

1

Araguaia Nickel Project

Advanced nickel laterite project located in the Araguaia Belt, a significant new nickel province serviced by good infrastructure, situated to the south of the Carajás mining district

- Total drilling to date: 24,800 metres
- NI 43-101 Resource: 39.3Mt Indicated @ 1.39% nickel plus 60.9Mt Inferred @ 1.22% nickel
- Metallurgical studies, EIA and preliminary economic study underway

2

Falcao Gold Project

Gold exploration joint venture with AngloGold. Originally a BHP grass roots discovery. 3km long gold in soil anomaly up to 800m wide

- US$4.5 million spend to earn 51%; AngloGold have option to earn to 70% by completion of Prefeasibility Study
- 2,587 m scout drill programme completed in 2011 – best interval 15.76 metres grading 1.65 g/t gold

3

Generative/Gold Projects

Includes the Santana programme funded by AngloGold

- New projects defined 49% held by Horizonte and 51% by AngloGold

Tangara joint venture with Troy Resources

- Royalty on future production: US$30/oz gold

Pipeline of generative nickel and gold projects partnered with Brazilian group LGA

- Aim to farm out to development partners

Chairman's Statement **David J. Hall**

"Araguaia is firmly on the map as one of the more significant nickel laterite projects."

Adding value

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 AngloAmerican 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.

We believe 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

Our Year in Review

January 2011
Sign royalty agreement with Anglo Pacific

March 2011
Maiden Inferred NI 43-101 resource at Araguaia 76Mt grading 1.35% nickel. Start 13,000 m drilling campaign at Araguaia

July 2011
Acquisition of Vila Oito and Floresta projects of TSX-listed Lara Exploration Ltd for circa £1.25 M. Consolidates land position at Araguaia. Drilling commences at Falcao project

October 2011
Commence metallurgical testwork and environmental baseline study

November 2011
First drill hole results at Falcao, including 15.76 metres grading 1.65 grammes per tonne

Operations Review

"2011 has been a transformational year for the Company in terms of project development at Araguaia and valuation in the marketplace."

Introduction

2011 saw a number of positive developments for Horizonte, with the main advances on our 100%-owned Araguaia nickel project, located south of the Carajás mining district in northern Brazil. Additionally we have a successful strategic partnership with AngloGold where we are fast-tracking our Falcao gold project. With AngloGold having confirmed a 2012 exploration budget of US$1.6 million at Falcao we continue looking for further portfolio opportunities, again in northern Brazil.

The year ahead will largely be driven by the delivery of the key development milestones at Araguaia taking the project through to Prefeasibility by the end of H1 2013, with the aim of demonstrating the project's economic potential and moving it up the value curve.

Additionally, 2012 will also see us continue to focus on delivering on our corporate initiatives. In the UK, enhancing our profile on AIM and working to build an institutional shareholder base; in Brazil, continuing to build important relationships with both local and international mining companies operating in the area; and using our TSX listing to build a shareholder base in North America, all of which will allow us to gain increased capital markets exposure and to attract a wider institutional and retail following, providing Horizonte with greater liquidity and support in the marketplace.

Collection of Bulk Metallurgical Samples at Araguaia September 2011

Araguaia Nickel Project

The project comprises multiple exploration targets for nickel laterite mineralisation that have been identified within the Araguaia nickel project's 17 exploration licences, all of which are 100%-owned, covering over 1,200 sq. km of prospective terrain (Figure 1).

Active exploration at Araguaia continued throughout 2011 as we focussed on increasing the project's mineral resource from the maiden Inferred Mineral Resource defined in March 2011 of 76.6Mt grading 1.35% nickel using a 1.0% nickel cut-off. In line with this the infill resource HQ drilling programme, which commenced in October 2010, was continued with a total of 13,204 metres in 539 holes completed in September 2011. Highlights from this drilling programme include the intersections given in Table 1.

This programme, utilising seven drill rigs, was principally focussed on reducing the drill spacing to 100m x 100m grids or closer and upgrading the resource category on the Pequizeiro (154 holes) and Baião (241 holes) targets. The programme also included infill drilling to reduce the drill spacing on the Pequizeiro West (17 holes) and Vila Oito East (42 holes) targets to 141m x 141m, drilling the Lontra Northern (41 holes) and Lontra Raimundo (37 holes) targets to approximately 200m x 200m drill spacing and finally seven scout holes on the Lontra Southern target. The results from this programme provided the Company with a new National Instrument (NI) 43-101 Mineral Resource Estimate in January 2012. An Indicated Mineral Resource of 39.3 million tonnes grading 1.39% nickel and an Inferred Mineral Resource of 60.9 million tonnes grading 1.22% nickel using a 0.95% nickel cut-off were estimated. See Table 2 for resource breakdown by cut-off grade and Table 3 for the resource by geological facies.

The following are parameters used to establish the NI 43-101-compliant Mineral Resources:

- Mineral resources which are not mineral reserves do not have demonstrated economic viability.

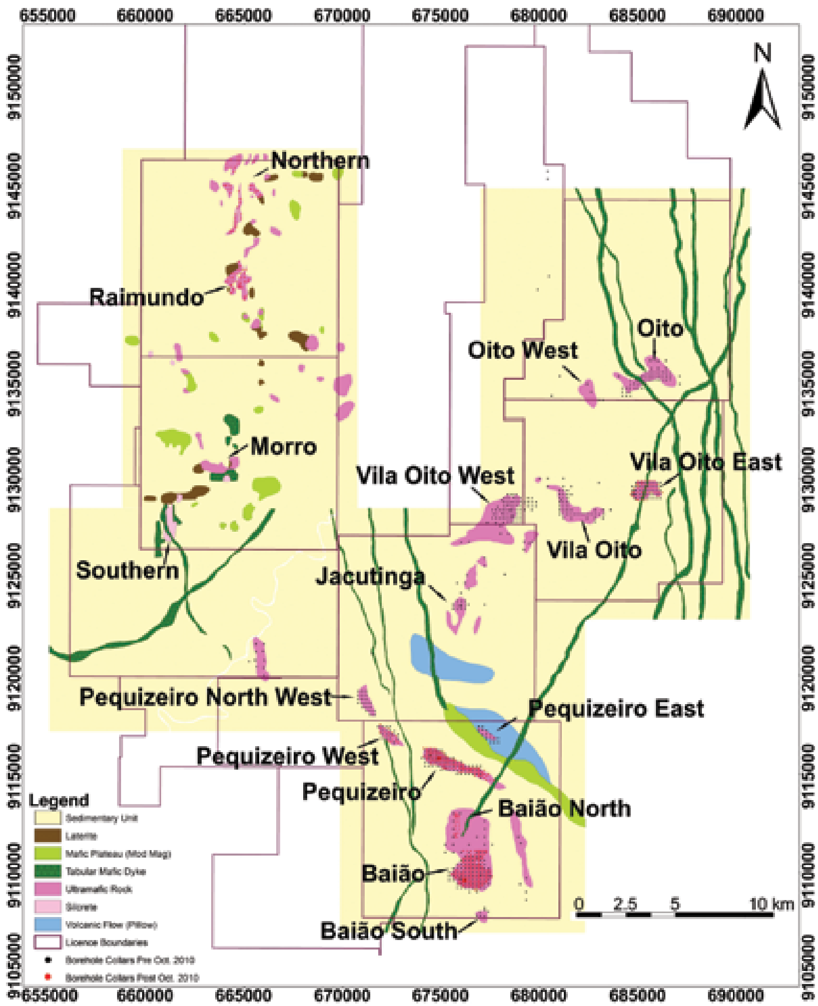


Figure 1: Principal Resource Targets on the Araguaia Project

Table 1: High Grade Drill Intersections from the 2011 Drill Programme

Borehole	From (m)	To (m)	Width (m)	Nickel%	Co%
PDA-DD-0586	10.4	29.0	18.6	2.42	0.08
PDA-DD-0599	5.6	22.9	17.3	2.25	0.05
PDA-DD-0528	13.1	23.5	10.4	2.08	0.05
PDA-DD-0603	11.4	27.0	15.6	1.97	0.05
PDA-DD-0587	11.0	24.8	13.8	1.96	0.04
PDA-DD-0529	15.0	29.3	14.3	1.93	0.06
PDA-DD-0621	10.5	30.0	19.5	1.84	0.05
PDA-DD-0710	2.8	17.9	15.1	1.82	0.07
PDA-DD-0516	8.3	31.3	23.0	1.78	0.06
PDA-DD-0547	5.0	27.3	22.3	1.76	0.03

Operations Review continued

- The estimate of mineral resources may be materially affected by environmental, permitting, legal, title, taxation, socio-political, marketing, or other relevant issues.
- Reported mineral resources have been rounded and this may result in minor discrepancies.
- The most likely cut-off grade for this deposit is not known and will need to be confirmed by the appropriate economic studies.
- The majority of the samples were crushed and pulverised at the SGS laboratory in Goiania and the resultant pulps analysed at the SGS laboratory in Belo Horizonte using tetraborate fusion X-Ray Fluorescence ('XRF').
- Full quality assurance and quality control ('QA/QC') procedures were implemented, including insertion of standards, duplicates and blanks.
- Check (umpire) samples representing approximately 5% of the mineralised samples were analysed by ACME laboratories in Vancouver using XRF.
- Bulk density factors ('BDF') were measured from core samples and in excess of 7,600 determinations were used in the resource estimation.
- A mineral resource confidence classification scheme has been applied for reporting the estimates that reflects the requirements of NI 43-101, and the CIM Definition Standards.

VIASAT Geo Technologies (Montreal, Canada) were contracted to acquire stereo imagery over the licence area and to produce a digital elevation model (DEM) over those parts of the licence in which the drilled targets occur. The colour stereo imagery was acquired from the American satellite GeoEye-1. The DEM was delivered and utilised in the mineral resource estimation. A contour map will be extracted from the DEM with 2m contour intervals.

In addition to the infill drilling programme we also initiated metallurgical testwork and an environmental base line study both of which are integral parts of the development process of advancing an asset towards the feasibility stage with a view to production. Preliminary pyrometallurgical testing is currently being undertaken by Xstrata Process Support and hydrometallurgical testwork by Wardell Armstrong. This work comprises:

- Pyrometallurgical testwork including the determination of the thermal characteristics and batch smelting to test the amenability for a ferronickel operation.
- Bottle Roll tests to research leachability of nickel and other metals in a potential heap leach operation and also to determine acid consumptions and leach rates of each ore sample which are supplied from the Araguaia deposit.
- Atmospheric Agitated Tank Leach tests to research the effect of ore size, pulp density, acid strength, leaching temperature and time on metal recoveries, acid consumptions and the leach rates in a potential tank leaching operation.


Diamond Drilling at Araguaia August 2011


Drill Core Recovery

The definition of the process route is fundamental to producing the Preliminary Economic Assessment study that will be undertaken in 2012.

In September 2011 a 130 dry tonne bulk sample was collected from the Pequizeiro target using wide diameter auger drilling. This sampling programme was designed to collect mineralised limonite, transitional and saprolite material in the same proportions that they occur in the Baião and Pequizeiro targets and with similar chemical parameters as established in the March 2011 Mineral Resource Estimate. These samples are currently stored in sealed plastic drums and will be utilised in the next phase of metallurgical testwork.

An environmental baseline study was commenced in October 2011 under the overall supervision of Wardell-Armstrong. The field data collection is being managed and undertaken by Horizonte Minerals.

Araguaia – Regional Infrastructure

Table 2: Mineral Resource Estimate (January 2012) at a range of nickel cut-off grades

Category	Cut-off (% nickel)	Tonnage (Mt)	Contained nickel (Kt)	Nickel %	Co %	Fe %	MgO %	SiO_2 %	Al_2O_3 %	Cr_2O_3 %
Indicated	0.70%	60.9	725	1.19	0.061	19.49	15.91	35.87	6.06	0.55
	0.80%	51.8	656	1.27	0.060	19.35	15.70	36.29	5.91	0.57
	0.90%	43.3	584	1.35	0.061	19.22	15.39	36.77	5.81	0.60
	0.95%	39.3	548	1.39	0.061	19.10	15.28	37.07	5.74	0.61
	1.00%	36.0	515	1.43	0.061	19.01	15.14	37.32	5.70	0.63
	1.10%	29.7	450	1.51	0.061	18.73	14.90	37.90	5.63	0.66
	1.20%	24.2	386	1.60	0.061	18.34	14.72	38.57	5.57	0.71
Inferred	0.70%	114.1	1179	1.03	0.057	19.68	15.98	38.33	5.44	0.53
	0.80%	84.6	935	1.11	0.057	19.09	16.04	37.90	5.19	0.48
	0.90%	70.4	832	1.18	0.057	19.80	15.43	37.17	5.28	0.50
	0.95%	60.9	743	1.22	0.058	19.83	15.26	37.27	5.25	0.50
	1.00%	53.0	667	1.26	0.058	19.71	15.21	37.51	5.19	0.49
	1.10%	38.2	512	1.34	0.058	19.50	15.16	37.90	5.07	0.48
	1.20%	26.0	373	1.43	0.059	19.21	14.96	38.59	4.93	0.44
Inferred	1.30%	37.1	596	1.60	0.061	18.43	14.62	39.20	5.22	0.60
	1.40%	27.2	457	1.68	0.067	19.40	13.29	38.35	5.80	0.71
	1.50%	19.7	353	1.80	0.064	17.97	13.96	40.01	5.39	0.71
	2.00%	3.7	85	2.27	0.069	16.90	14.16	39.57	6.08	0.85

Table 3: Mineral Resource Estimate (January 2012) at 0.95% nickel cut-off by Geological Facies

Category	Material type	Tonnage (Mt)	Nickel (Kt)	Nickel %	Co %	Fe %	MgO %	SiO_2 %	Al_2O_3 %	Cr_2O_3 %
Indicated	Limonite	7.8	96	1.22	0.118	35.54	4.11	19.04	52.17	0.49
	Transition	13.3	205	1.54	0.062	18.83	12.39	40.72	36.96	0.66
	Saprolite	18.1	246	1.36	0.035	12.19	22.24	42.18	42.02	0.63
	Sub-Total	**39.3**	**548**	**1.39**	**0.061**	**19.10**	**15.28**	**37.07**	**42.33**	**0.61**
Inferred	Limonite	13.5	154	1.14	0.105	34.61	3.81	22.76	8.77	0.94
	Transition	21.3	279	1.31	0.053	19.31	12.67	40.80	5.15	0.58
	Saprolite	26.2	312	1.19	0.036	12.51	23.30	41.95	3.51	0.20
	Sub-Total	**60.9**	**744**	**1.22**	**0.058**	**19.81**	**15.27**	**37.30**	**5.25**	**0.50**

Operations Review continued

Falcao Gold Project (JV with AngloGold Ashanti)

At the Falcao gold project, located in southern Pará State approximately 110 km to the north of the Araguaia Project, we completed an initial scout 2,587 metre, 10 hole diamond drill programme in October 2011. Funded by our JV partner AngloGold Ashanti ('AngloGold'), this campaign, which commenced in June 2011, tested a number of combined geochemical, geophysical and geological anomalies over the main target zone covering an area of approximately 3km by 1km and varying in width from 200 metres to 400 metres. The aim of this programme was to confirm the existence of a large alteration system along with presence of gold over a large area that would merit further detailed drilling.

The Company announced positive results from seven of the first ten holes in November 2011 from the initial phase of the drill programme, highlighting the presence of several target zones within the main anomaly. Six of the seven holes received intersected zones of gold mineralisation ranging from broad zones of near surface disseminated gold mineralisation to high grade intervals such as 1.67 metres grading 27.70 g/t gold. The latter zone had high grade silver together with copper, lead and zinc indicating a different style of mineralisation not present in the other drill holes.

Subsequently, with the approval of AngloGold, a five further holes for 1,076 metres were then drilled mainly in and around the mineralisation intersected on holes 1 and 2. These results, which are targeted for Q1 2012, in conjunction with the results from the remaining holes from the preliminary initial drilling campaign, will be used to determine the 2012 follow up drill programme. Previous drilling, using a reverse circulation method, intersected some 30 metres grading 0.25 g/t Au with elevated Cu up to 0.1% some 1,000 metres east of holes 1 and 2. Ongoing soil sampling to the east, combined with ground geophysics, will extend the coverage over the open gold anomaly in this area.

Under the terms of the strategic agreement between Horizonte and AngloGold, AngloGold can earn a 51% participating interest in the project by funding US$4.5 million in project expenditure by October 2013. AngloGold can earn an additional 19% participating interest in the Joint Venture (to bring its participating share to 70%) by solely funding and completing a pre-feasibility study within three years of the vesting date. Horizonte is managing the project exploration during the earn-in period. AngloGold has confirmed the budget for 2012 is US$1.6 million, with fieldwork in Q1 comprising a ground Induced Polarisation (IP) geophysical survey of the principal mineralised zone to assist with controls on mineralisation, combined with expansion of the soil geochemical sampling with the aim to expand the target zone to the east. This will be followed by a diamond drill programme in Q2 2012 subject to positive results from the geophysics and soil results.

Key numbers

3,663
metres drilled to date

US$1.6m
2012 spend


Field Team

Santana Exploration Alliance (JV AngloGold Ashanti 2009)

The regional US$5.3 million Santana programme, established in 2009, is a Strategic Alliance formed with AngloGold to generate new gold projects in north and south Brazil. Under the terms of the agreement, any new projects defined will be 49% owned by Horizonte and 51% by AngloGold, with AngloGold having the option to take projects to pre-feasibility for an additional 19% equity position.

During the year we maintained an active exploration programme and sampled an area of approximately 9,000 sq km generating 1,266 stream sediment samples and 1,447 rock geochemical samples. During this time three previously unknown anomalies were defined:

- A +7,000 metre trend associated with a 1.8 to 2.05Ga, mid-Proterozoic sedimentary package of the same age as the gold rich conglomerates of the Tarkwa Belt in West Africa.
- A 4,000 metre trend of low gold and pathfinder elements (Te, Sb, Bi, As +/- W) reflective of intrusion related systems, located on a structure bounding a 1.8Ga zoned alcalic, granite intrusion.
- A 75km long zone of rifting with multiple dykes and extensive granitic intrusions. Partial coverage by stream sediment sampling gave values up to 122ppb from stream sediment results.

Follow-up work has yet to define gold mineralisation representing an AngloGold sized target. The Company, with AngloGold, is fully reviewing this programme and the extensive land position built up and will look at ways of adding value to the portfolio going forwards.

Tangara Gold Project (JV with Troy Resources)

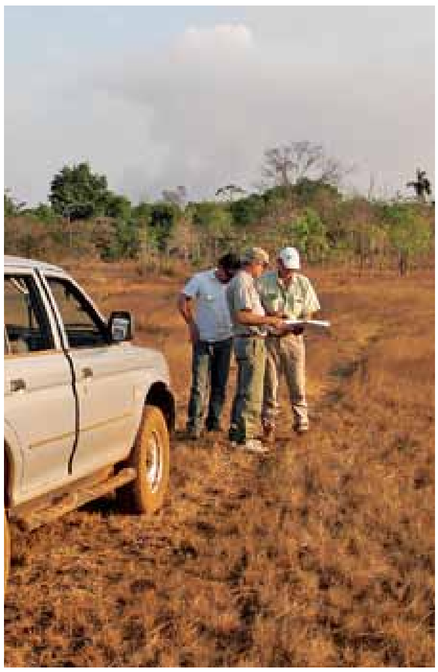
During the year, Troy has continued to explore the northern part of the project area. Low impact field work, including mapping and soil sampling, continued on the Horizonte JV, with work focussed on the northern portion of the Rio Maria West area and further north along the western portion of the Malvinas Trend.

The northern part of the Rio Maria West (RMW) area is located about 8km west of the town of Rio Maria. The area has been the site of earlier garimpeiro stream-based alluvial workings with at least four historic garimpeiro pits extending into primary mineralisation. These workings are hosted in mafic metavolcanic rocks with quartz veins within shears zones and occur in a similar setting and have a similar style of mineralisation as noted immediately to the south at the Manoel and Anastácio workings within the southern portion of the RMW block.

At Rio Maria West the soil programme along the Bezerro – Serrinha Trend yielded significant results with a maximum of 1,989ppb gold and 6 zones above 110ppb gold. The results defined a 3km long east-northeast striking anomalous trend up to 300m wide within which rock grab sampling of float and outcropping veins yielded values up to 36.75g/t gold. South of the main trend another anomalous zone was defined over 1.6km including 4 zones above 100ppb gold with a maximum of 811ppb gold and rock chips yielding up to 2.20g/t gold.

On the northern part of the Horizonte JV, an infill soil programme at Malvinas resulting in the collection of 440 samples further defined several known anomalous gold-in-soil trends and identified a number of RAB Drill targets.

A mining licence application has been applied for to the DNPM to cover the Malvinas target. The company will update on progress with this application.



Financial Report

“Financial stability as we enter a year of significant development.”

	Year ended 31 December 2011 £	Year ended 31 December 2010 £
(Loss)/profit before taxation	**(1,804,053)**	630,438
Cash and cash equivalents	**5,856,949**	3,847,031
Exploration assets	**18,968,079**	16,482,451
Net assets	**26,401,666**	22,498,000
(Loss)/profit per share	**(0.653)**	0.489

(Loss)/profit before taxation
The £2,434,491 negative swing in profit/(loss) from continuing operations is driven by the following principal factors:

- The results for 2010 benefited from a net gain of £1,747,927 comprising a gain of £440,079 on remeasuring the Group’s existing interest in Lontra at the date of acquisition to fair value, together with a gain of £1,798,251, from the acquisition of Araguaia due to the fair value of net assets acquired exceeding the total purchase consideration at that date. These were offset by acquisition costs expensed in 2010 of £490,403. These items did not recur in 2011.
- An additional non-cash charge of £235,756 was incurred in 2011 on stock options, with the full year’s charge being taken on those options issued in November 2010, as well as charges associated with further options issued in September 2011.
- Costs of £216,140 were incurred in 2011 in listing the shares of the Group on the Toronto Stock Exchange.
- There was a credit to the 2011 income statement due to a change in the fair value of contingent consideration of £147,222.
- Other operating income improved in the year by £184,009, excluding the one off gain in 2010 of £440,079 on the Lontra purchase included above. This was due principally to option and project management fees.
- Other operating costs expensed increased in 2011 by £615,008. The increase on 2010 levels reflects the significantly higher levels of corporate and other activity since the acquisition of the Araguaia project in the third quarter of 2010, as the Group has acted to reinforce its management structure.
- Total comprehensive income attributable to equity holders of £(4,204,061) included currency translation differences of £(2,400,008). This was principally due to the Brazilian Real weakening against Sterling as at 31 December 2011 compared to 31 December 2010.

HQ Drilling at Araguaia August 2011

Cash and Cash Equivalents

The closing cash balance for the group of £5,856,949 is net of £4,390,053 of direct exploration and capital expenditure in 2011, as compared to £976,155 in 2010. Where possible, cash reserves have been placed on fixed term deposits by management in order to maximise returns on the balance for minimal risk.

Exploration Assets

Exploration Assets have increased by £2,485,628 in the year to £18,968,079. However this is net of a negative foreign exchange revaluation of £1,841,572 as the Brazilian Real depreciated in value against Sterling.

Drill Team Discussing the Finer Points of Diamond Drilling

Bulk Sample Auger Drill in Action at Araguaia

Board of Directors

A wealth of experience

David J. Hall BSc, MSc, Fellow SEG. P. Geo
Non Executive Chairman

Mr Hall is a graduate in geology from Trinity College Dublin and holds a Masters Degree in Mineral Exploration from Queens University, Kingston, Ontario. He has over 30 years of experience in the exploration sector and has worked on and assessed exploration projects and mines in over 50 countries. From 1992, he was Chief Geologist for Minorco responsible for Central and Eastern Europe, Central Asia and the Middle East. He moved to South America in 1997 as Consultant Geologist for Minorco South America and subsequently became Exploration Manager for AngloGold South America in 1999.

Subsequently in 2002, Mr Hall was instrumental in forming TSX-V listed GoldQuest Mining Corp focussed in the Dominican Republic. GoldQuest's major equity partner is one of the world's leading gold mining companies – Gold Fields of South Africa. Mr Hall also founded Stratex International plc, which has made a number of significant gold discoveries in Turkey and has Teck Resources Limited as an equity partner.

Jeremy J. Martin MSc, ASCM
Director and Chief Executive Officer

Mr Martin holds a degree in mining geology from the Camborne School of Mines, and an MSc. in mineral exploration from the University of Leicester. He has worked in South America for Inca Pacific Resources Inc. and subsequently in Central America and Europe, where he was responsible for grassroots regional metalliferous exploration programmes through to resources definition and mine development. Mr Martin has been involved in the formation of four AIM and TSX traded companies and has completed a number of high value mineral project transactions. He has served on a number of public company boards and is a member of the Society of Economic Geologists and the Institute of Mining Analysts.

Jeffrey Karoly BSc, ACA
Chief Financial Officer and Company Secretary

Mr Karoly has degree in Geology and is a Chartered Accountant with over 15 years of experience in the mining industry. He was with Minorco/Anglo American from 1997 to 2007 in a variety of finance/corporate finance functions in the UK, Brazil, South Africa and France and from 2008 to 2010 was Chief Financial Officer of South American Ferro Metals, a private company that acquired, explored and developed an iron ore property in Brazil and which in 2010 listed on the ASX. Mr Karoly started his career at Coopers & Lybrand and speaks French and Portuguese.

Owen A Bavinton BSc(Hons), MSc, DIC, PhD
Non-Executive Director

Dr Bavinton graduated from the University of Queensland in geology in 1969 and holds a Masters Degree in Mineral Exploration from Imperial College, London and a PhD in Economic Geology from ANU, Canberra, Australia. He has 42 years of varied international experience in the mineral exploration and mining sector in several commodities. After brief periods as a junior consultant and an underground mine geologist on a Witwatersrand gold mine, from 1974 to 1985 he had several positions with Western Mining Corporation ('WMC'), finally as director of WMC's activities in Brazil. From 1986 to 1992 he was Chief Executive Officer of Aredor Guinea SA. In 1992 he joined the Anglo American Group where he stayed until his retirement in 2010. Based initially in Turkey and then in Budapest, he was responsible for Anglo American's exploration and project evaluation activities in the FSU, Central Europe and the Middle East. He moved to London in 1998, initially as Head of Exploration for Minorco, and later Group Head of Exploration and Geology for the Anglo American Group. In those roles he was responsible for worldwide exploration and geosciences covering a wide range of exploration projects worldwide, through all stages of development, including advanced projects and feasibility studies, as well as providing geoscience input into numerous acquisitions. He is a fellow of the Society of Economic Geologists, the Association of Applied Geochemists and the Institute of Materials, Mining and Metallurgy.
Dr Bavinton is currently an independent consultant.

Allan M. Walker MA
Non-Executive Director

Mr Walker has over 30 years of experience in investment banking, primarily focussed on project finance and private equity in the energy and natural resource sectors particularly in emerging markets. He has extensive contacts in these sectors worldwide as well as with governments, multilateral agencies and regional development banks. He joined Black River Asset Management (UK) Limited, an indirectly held subsidiary of Cargill Inc, in 2005 to structure and develop a renewable energy, clean fuels and carbon fund. Prior to this he was head of power and infrastructure in London for Standard Bank Plc from May 2002, a world leader in emerging markets resource banking. He was also previously a director in the Global Energy and Project Finance Group of Credit Suisse First Boston in London and ran the energy company at CSFB Garantia in Sao Paulo, Brazil from 1998 to 2001, where he spent seven years covering Latin America. Mr Walker graduated with an MA in economic geography from Cambridge University in 1982 and speaks Portuguese and Spanish.

Alexander N. Christopher BSc (Hons), PGeo (BC)
Non-Executive Director

Mr Christopher, a professional geologist, has over 27 years of experience in mineral exploration and the mining industry. He is a member of the Association of Professional Engineers and Geoscientists BC and possesses an Honours B.Sc. in Geology from McMaster University and an Environmental Biology Technology diploma from Canadore College. Mr Christopher currently holds the position of General Manager New Ventures within the Corporate Development Group at Teck. Mr Christopher has been with Teck since the mid 1980s holding a number of positions within the company and has spent much of his time over the past 10 years focusing on the junior mining sector, partnerships, property transactions and Teck's junior mining equity investments. Prior to moving into a more business-oriented role at Teck, he spent over a decade in the field on early to advanced stage exploration projects focussed on gold and base metal exploration.

William Fisher P.Geo
Non-Executive Director

Bill Fisher graduated as a geologist in 1979 and has extensive industry experience which has included a number of residential posts in Africa, Australia, Europe and Canada in both exploration and mining positions. Under his leadership, Karmin Exploration discovered the Aripuanã base metal massive sulphide deposits in Brazil. From 1997 to 2001 Bill was Vice President, Exploration for Boliden AB, a major European mining and smelting company where he was responsible for thirty five projects in nine countries. From 2001 to 2008 Bill led GlobeStar Mining Corp. from an exploration company to an emerging base metal producer in the Dominican Republic which developed and operates the Cerro de Maimon mine. Bill was also Chairman of Aurelian Resources which was acquired by Kinross in 2008 for $1.2 Billion after the discovery of the Fruta del Norte gold deposit in Ecuador. Bill currently also serves as an independent director of PC Gold (TSX: PKL), RX exploration (RXE. CNQ) and Treasury Metals (TSX: TML).

Roger Billington P.Geo
Technical Consultant Nickel

Ex head of Falconbridge nickel laterite exploration worldwide. Project development including senior roles in the discovery and evaluation of the Touba-Biankouma nickel laterite deposits (Côte d'Ivoire), the Koniambo nickel laterite deposit (New Caledonia), the Sechol nickel laterite deposit (Guatemala) and the GlobeStar nickel laterite deposit (Dominican Republic).

Directors' Report

The Directors present their annual report on the affairs of Horizonte Minerals Plc, together with the audited Financial Statements for the year ended 31 December 2011.

Principal activities
The principal activity of the Company and the Group is the exploration and development of precious and base metals in Brazil.

Review of the business
The Group is focussed on the development of the Araguaia nickel project, its joint ventures with AngloGold Ashanti plc and the generation of new mineral opportunities in Brazil. A detailed review of the activities together with future developments of the Group is provided in the Chairman's Statement and the Operations Review.

Financial review
The Group recorded a loss for the year of £1,804,053 (2010: Profit £630,438). The Group is currently involved in exploration and evaluation activities and not active mining. As a result, the Group is not revenue generative. The profit in 2010 arose from a number of exceptional items principally arising from the acquisition of new subsidiaries during that period.

In 2010 a combined net gain arose of £1,747,927 on re-measuring the Group's existing interest in Lontra at the date of acquisition to fair value, together with a gain on the acquisition of Araguaia resulting from the fair value of net assets acquired exceeding the total purchase consideration at that date, offset by transaction costs. A detailed review of the financial progress of the business is provided in the financial report presented on pages 12 and 13 of the annual report.

In February 2011 the Company raised £8,249,875 before expenses through a placing of 32,999,500 new ordinary shares at a price of 25 pence each.

At 31 December 2011 the Group had cash and cash equivalents of £5,856,949 (2010: £3,847,031). The Directors have prepared cash flow forecasts for the twelve months from the date of signing of these financial statements. The Directors have formed a judgment at the time of approving the financial statements that there is a reasonable expectation that the Company and Group have adequate resources to continue operations for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements. Further details of the Directors' conclusions regarding going concern are detailed in note 2 to the financial statements.

The Directors do not recommend payment of a dividend (2010: £Nil).

Key Performance Indicators ('KPIs')
The Board monitors the activities and performance of the Group on a regular basis. The Board uses both financial and non-financial indicators to assess the performance of the Group. The indicators set out below were used during the year ended 31 December 2011 and will continue to be used by the Board to assess performance over the year to 31 December 2012.

Financial KPIs
The principal financial KPIs monitored by the Board concern levels and usage of cash. The three main financial KPIs for the Group are as follows. These allow the Company to monitor costs and plan future exploration and development activities.

	2011	2010
Cash and cash equivalents	**£5,856,949**	£3,847,031
Administrative expenses as a percentage of Total assets	**5.6%**	4.1%
Exploration costs capitalised as intangible assets	**£4,327,200**	£777,690

The increase in administrative expenses as a percentage of total assets is due to consolidation of the management structure of the Group since late 2010 as it advances with the development of the Araguaia project. Associated costs following the listing on the Toronto Stock Exchange in June 2011 have also impacted on administrative expenses in 2011. The increase is also reflective of the entity's increased complexity of operations in 2011 as the Group seeks to advance its various exploration projects.

The increase in exploration costs capitalised as intangible assets in the year is due to a full year of exploration activity on the Araguaia project, which was acquired in August 2010. The drilling programme that was initiated towards the end of the 2010 financial period was progressed during the current year and increased the exploration activities of the Group significantly – in total 13,204 metres were drilled in the campaign at Araguaia, which was completed in September 2011. Exploration activities undertaken on the Group's other sites, such as the Falcao project, were also undertaken during the year but do not feature as capitalised exploration assets in the Group's financial statements since the activity is funded by the Group's various joint venture partners.

At 31 December 2011 the Group's intangible assets had a carrying value of £19,355,457.

Non-Financial Key Performance Indicators ('KPIs')
The Board monitors the following key non-financial KPIs on a regular basis:

Health and Safety – number of reported incidents
There were no reportable incidents in the current or prior year.

Operational performance
Resource size and grade: A Canadian National Instrument ('NI') 43-101/JORC compliant resource at the Inferred level was released in March 2011 for the Araguaia project of 76.6 million tonnes at 1.35% nickel ('Ni') at a 1.0% nickel cut-off. Subsequent drilling and evaluation during the year has increased this: in January 2012 the Group announced an NI 43-101/JORC compliant indicated resource of 39.3 million tonnes at 1.39% nickel, together with 60.9 million tonnes at 1.22% nickel at the inferred level, both at a 0.95% nickel cut-off.

Corporate and Social Responsibility
People
As a Company we understand the importance of the team in developing and growing the Company for the future. We aim to create an environment that will attract, retain and motivate people so they can maximise their potential.

Social
Horizonte currently conducts exploration in Brazil and recognises that there is a vital social dimension to all exploration activity.

We are fortunate to maintain excellent relationships with all communities and landholders located close to, or on, our projects. Horizonte adheres to a good neighbour policy of open community consultation and to sourcing commodities and labour services from local communities. Wherever possible the Group tries to source supplies and labour locally. As our projects advance we will proactively engage with the relevant communities to generate and enhance benefits associated with our activities.

Environmental

Horizonte undertakes its exploration activities in a manner that minimises or eliminates negative environmental impacts and strives wherever possible to make that impact positive. Horizonte is currently a mineral explorer, hence, the environmental impact associated with its activities is minimal. To ensure proper environmental stewardship on its projects, Horizonte conducts certified baseline studies prior to all drill programmes and ensures that areas explored are properly maintained and conserved in accordance with local environmental legislation. After drilling has occurred, drill sites and access routes are made good and where practical, improvements carried out on local roads and infrastructure.

ESIA

In the context of the above and as the project moves into the pre-feasibility stage, an Environmental and Social Impact Assessment has been commissioned and is being carried out by a qualified third party to International Finance Corporation/World Bank standards.

Health and safety

Horizonte operates a comprehensive health and safety programme to ensure the wellness and security of its employees. The control and eventual elimination of all work related hazards requires a dedicated team effort involving the active participation of all employees. A comprehensive health and safety programme is the primary means for delivering best practices in health and safety management. This programme is regularly updated to incorporate employee suggestions, lessons learned from past incidents and new guidelines related to new projects with the aim of identifying areas for further improvement of health and safety management. This results in improvements to the health and safety programme. Employee involvement is recognised as fundamental in recognising and reporting unsafe conditions and avoiding events that may result in injuries and accidents.

Risk and Uncertainties

Exploration risks

The exploration and mining business is controlled by a number of global factors, principally supply and demand which in turn is a key driver in global metal prices; these factors are beyond the control of the Company. Exploration is a high-risk business and there can be no guarantee that any mineralisation discovered will result in proven and probable reserves or go on to be an operating mine. At every stage of the exploration process the projects are rigorously reviewed, internally and by qualified third party consultants to determine if the results justify the next stage of exploration expenditure ensuring that funds are only applied to high priority targets.

The principal assets of the Group comprising the mineral exploration licences are subject to certain financial and legal commitments. If these commitments are not fulfilled the licences could be revoked. They are also subject to legislation defined by the governments in Brazil; if this legislation is changed it could adversely affect the value of the Group's assets.

Resource estimates

The Group's reported resources are only estimates. No assurance can be given that the estimated resources will be recovered or that they will be recovered at the rates estimated. Mineral reserve and resource estimates are based on limited sampling and as a result are uncertain because the samples may not be fully representative of the full resource. Mineral resource estimates may require revision (either up or down) in future periods based on further drilling or actual production experience.

Any future resource figures will be estimates and there can be no assurance that the minerals are present, will be recovered or that they can be brought into profitable production. Furthermore, a decline in the market price for natural resources, particularly nickel, could render reserves containing relatively lower grades of these resources uneconomic to recover.

Country risk

The Group's licences and operations are located in foreign jurisdictions. As a result, the Group is subject to political, economic and other uncertainties, including but not limited to, changes in policies or the personnel administering them, appropriation of property without fair compensation, cancellation or modification of contract rights, royalty and tax increases and other risks arising out of foreign governmental sovereignty over the area in which these operations are conducted.

Brazil, the current focus of the Company's activity, offers stable political frameworks and actively supports foreign investment. Brazil has a well-developed exploration and mining code with proactive support for foreign companies and in terms of economic growth, ran at circa 4.5% for 2011 which compares well to its global peer group.

Volatility of commodity prices

Historically, commodity prices (including in particular the price of nickel) have fluctuated and are affected by numerous factors beyond the Group's control. The aggregate effect of these factors is impossible to predict. Fluctuations in commodity prices in the long-term may adversely affect the returns of the Group's exploration projects.

A significant reduction in the global demand for nickel, leading to a fall in nickel prices could lead to a significant fall in the cash flow of the Group in future periods and/or delay in exploration and production, which may have a material adverse impact on the operating results and financial position of the Group.

Financing

The successful exploration of natural resources on any project requires significant capital investment. The Group currently sources finance either through the issue of additional equity capital or through funding agreements with various joint venture partners. The Group's ability to raise further funds will depend on the success of its investment strategy and acquired operations. The Group may not be successful in procuring the requisite funds on terms which are acceptable and, if such funding is unavailable, the Group may be required to reduce the scope of its investments or anticipated expansion.

Dependence on key personnel

The Group is dependent upon its executive management team. Whilst it has entered into contractual agreements with the aim of securing the services of these personnel, the retention of their services cannot be guaranteed. The development and success of

Directors' Report continued

the Group depends on the Company's ability to recruit and retain high quality and experienced staff. The loss of the service of key personnel or the inability to attract additional qualified personnel as the Company grows could have an adverse effect on future business and financial conditions. To date the Company has been successful in recruiting and retaining high quality staff.

Uninsured risk

The Group, as a participant in exploration and development programmes, may become subject to liability for hazards that cannot be insured against or third party claims that exceed the insurance cover. The Group may also be disrupted by a variety of risks and hazards that are beyond its control, including geological, geotechnical and seismic factors, environmental hazards, industrial accidents, occupation and health hazards and weather conditions or other acts of God.

Financial risks

The Group's operations expose it to a variety of financial risks, particularly relating to foreign currency exchange rates as a result of the Group's foreign operations. The Group has a risk management programme in place that seeks to limit the adverse effects on the financial performance of the Group of these risks.

Details of the Group's financial risk management objectives and policies are set out in note 3 to the Financial Statements.

Substantial shareholdings

The Directors are aware of the following substantial interests or holdings in 3% or more of the Company's ordinary called up share capital as at 21 February 2012.

Major shareholders	Number of shares	% of issued capital
Teck Resources Limited	123,280,240	42.80
Anglo Pacific Group Plc	31,650,000	10.99
Quantom Holdings Ltd	30,000,000	10.41
Richard Griffiths	11,332,143	4.04

Share capital

A statement of the changes in the share capital of the Company is set out in note 14 of the Financial Statements.

Directors and their interests

The names of the Directors of the Company at the date of this report are shown in the statutory information on page 49.

Mr Nicholas Winer stepped down by mutual consent as a director on 31 December 2011 to pursue other business interests. Mr William Fisher was appointed as Non-Executive Director on 8 June 2011 and Dr Owen Bavinton was appointed as a Non-Executive Director on 17 January 2012.

The Directors who served during the year, together with all their beneficial interests in the shares of the Company as at 31 December 2011 are as follows:

	31 December 2011		31 December 2010	
Director	**Shares**	**Options**	Shares	Options
David Hall	**528,571**	**3,000,000**	528,571	2,000,000
Jeremy Martin	**616,571**	**5,250,000**	493,571	3,250,000
Nicholas Winer[1]	**–**	**–**	5,500,000	2,050,000
Allan Walker	**–**	**2,400,000**	–	1,400,000
William Fisher	**–**	**1,500,000**	–	–
Alex Christopher	**–**	**–**	–	–

1 Nicholas Winer owns 500,000 Ordinary Shares in his own right. MVR holds 5,000,000 Ordinary Shares. Nicholas Winer owns 49% of the equity share capital of MVR and is accordingly interested in 5,500,000 Ordinary Shares for the purposes of section 252 of the Companies Act 2006.

None of the Directors exercised any share options during the year.

There has been no change in the interests set out above between 31 December 2011 and 21 February 2012.

Directors' statement as to disclosure of information to auditors
The Directors who held office at the date of approval of this Report of the Directors confirm that, so far as they are individually aware, there is no relevant audit information of which the Company's auditors are unaware and the Directors have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of the information.

Creditor payment policy
The Company's policy is to settle terms of payment with suppliers when agreeing terms of business, to ensure that the suppliers are aware of the terms of payment and to abide by them. Creditors' days as at 31 December 2011 amounted to 36 days (2010: 37 days).

Charitable donations
During the year ended 31 December 2011, the Company made a charitable donation of £6,540 (2010: £nil) to a charity addressing the needs of homeless people.

Post balance sheet events
Further to a sale and purchase agreement signed on 8 July 2011, on 7 February 2012 the Company 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. Further details of the acquisition can be found in the Chairman's Statement on pages 4 and 5 and note 28 of these Financial Statements.

Annual General Meeting
The notice of the Annual General Meeting of the Company and the management information circular together with management discussion and analysis as at 31 December 2011 will be distributed to shareholders together with the Annual Report. Full details of the business to be considered at that meeting can be found in the Notice.

Auditors
Littlejohn LLP has signified its willingness to continue in office as auditor.

By Order of the Board

Jeffrey Karoly
Company Secretary
21 February 2012

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have elected to prepare the Group and Parent Company Financial Statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Under Company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company as at the end of the financial year, and of the profit or loss of the Group for that period.

In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- prepare the Financial Statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group, and enable them to ensure that the Financial Statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included in the Company's website, www.horizonteminerals.com. Legislation in the United Kingdom governing the preparation and dissemination of the Financial Statements may differ from legislation in other jurisdictions.

Corporate Governance Report

The Board of Directors
As at 31 December 2011, the Board of Directors comprised five members: one Executive Director and four Non-Executive Directors including the Chairman, Mr David Hall. The Executive Director has a wealth of minerals exploration and development experience. Similarly the Non-Executive Directors have extensive mineral and financial experience. Two of the Non-Executive Directors are classified as Independent by the Toronto Stock Exchange. On 17 January 2012 a further Non-Executive Director joined the Board and who is classified as Independent by the Toronto Stock Exchange.

Board meetings
The Board ordinarily meets on a quarterly basis and as and when further required, providing effective leadership and overall management of the Company's affairs by reference to those matters reserved for its decision. This includes the approval of the budget and business plan, major capital expenditure, acquisitions and disposals, risk management policies and the approval of the financial statements. Formal agendas, papers and reports are sent to the Directors in a timely manner, prior to the Board meetings. The Board delegates certain of its responsibilities to the Board committees which have terms of reference as listed below.

Corporate governance practices
The Board recognises the importance of sound corporate governance commensurate with the size of the Company and the interests of Shareholders. As the Company grows, the Directors will develop policies and procedures which reflect the requirements of the Code of Best Practice (commonly known as the 'UK Corporate Governance Code'), as published by the Financial Reporting Council so far as is practicable, taking into account the size and nature of the Company.

Remuneration and audit committees
The remuneration committee comprises David Hall, William Fisher and Allan Walker and is responsible for reviewing the performance of the Executive Directors and senior management and for setting the framework and broad policy for the scale and structure of their remuneration taking into account all factors which it shall deem necessary. The remuneration committee also determines the allocation of share options and is responsible for setting up any performance criteria in relation to the exercise of options granted under any share options schemes adopted by the Company.

The audit committee, also comprising David Hall, William Fisher and Allan Walker, has primary responsibility for monitoring the quality of internal controls, ensuring that the financial performance of the Company is properly measured and reported on and for reviewing reports from the Company's auditors relating to the Group's accounting and internal controls.

Internal controls
The Board recognises the importance of both financial and non-financial controls and has reviewed the Company's control environment and any related shortfalls during the year. Since the Company was established, the Directors are satisfied that, given the current size and activities of the Company, adequate internal controls have been implemented. Whilst they are aware that no system can provide absolute assurance against material misstatement or loss, in light of the current activity and proposed future developments of the Company, continuing reviews of internal controls will be undertaken to ensure that they are adequate and effective.

Risk management
The Board considers risk assessment to be important in achieving its strategic objectives. There is a process of evaluation of performance targets through regular reviews by senior management of forecasts. Project milestones and timelines are regularly reviewed.

Securities trading
The Company has adopted a share dealing code for dealings in shares by Directors and senior employees which is appropriate for an AIM and TSX listed company. The Directors comply with relevant AIM and TSX rules relating to Directors' dealings and take reasonable steps to ensure compliance by the Group's applicable employees.

Relations with shareholders
The Board is committed to providing effective communication with the shareholders of the Company. Significant developments are disseminated through stock exchange announcements and regular updates on the Company website. The Board views the Annual General Meeting as a forum for communication between the Company and its shareholders and encourages their participation in its agenda.

Independent Auditor's Report to the Shareholders of Horizonte Minerals Plc

We have audited the Financial Statements of Horizonte Minerals Plc for the year ended 31 December 2011 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statements of Financial Position, The Consolidated and Parent Company Statements of Cash Flows, the Consolidated and Parent Company Statements of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company Financial Statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone, other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditor

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the Financial Statements sufficient to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the Financial Statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited Financial Statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on Financial Statements

In our opinion:

› the Financial Statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2011 and of the Group's loss for the year then ended;
› the Group Financial Statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
› the Parent Company Financial Statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
› the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

› adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
› the Parent Company Financial Statements are not in agreement with the accounting records and returns; or
› certain disclosures of Directors' remuneration specified by law are not made; or
› we have not received all the information and explanations we require for our audit.

Alistair Roberts (Senior statutory auditor)
For and on behalf of Littlejohn LLP
Statutory auditor

1 Westferry Circus
Canary Wharf
London E14 4HD

21 February 2012

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

The notes on pages 29 to 48 form part of these financial statements.

Consolidated Statement of Financial Position
Company number: 05676866
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

The notes on pages 29 to 48 form part of these financial statements.

The financial statements were authorised for issue by the Board of Directors on 21 February 2012 and were signed on its behalf.

David J. Hall
Chairman

Jeremy J. Martin
Chief Executive Officer

Company Statement of Financial Position

Company number: 05676866
As at 31 December 2011

	Notes	31 December 2011 £	31 December 2010 £
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

The notes on pages 29 to 48 form part of these financial statements.

The financial statements were authorised for issue by the Board of Directors on 21 February 2012 and were signed on its behalf.

David J. Hall
Chairman

Jeremy J. Martin
Chief Executive Officer

Statements of Changes in Equity
For the year ended 31 December 2011

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

The notes on pages 29 to 48 form part of these financial statements.

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.

The notes on pages 29 to 48 form part of these financial statements.

Company Statement of Cash Flows
For year ended 31 December 2011

	Notes	31 December 2011 £	31 December 2010 £
Cash flows from operating activities			
Loss before taxation		**(970,970)**	(1,067,659)
Interest income		**(99,241)**	(16,142)
Transaction fees settled by share issue		**–**	150,000
Exchange differences		**(115,081)**	–
Employee share options charge		**288,290**	52,534
Depreciation		**929**	994
Operating loss before changes in working capital		**(896,073)**	(880,273)
Increase in trade and other receivables		**(65,038)**	(25,050)
Increase in trade and other payables		**74,440**	126,476
Net cash outflow from operating activities		**(886,671)**	(778,847)
Cash flows from investing activities			
Loans to subsidiary undertakings		**(6,535,954)**	(1,453,565)
Purchase of property, plant and equipment		**(4,208)**	(2,905)
Interest received		**99,241**	16,142
Net cash used in investing activities		**(6,440,921)**	(1,440,328)
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		**491,845**	2,538,532
Cash and cash equivalents at beginning of year		**3,638,534**	1,100,002
Exchange gains on cash and cash equivalents		**115,081**	–
Cash and cash equivalents at end of the year	13	**4,245,460**	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.

The notes on pages 29 to 48 form part of these financial statements.

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.

Notes to the Financial Statements continued

2 Summary of significant accounting policies continued

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 Geoquimica 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.

Notes to the Financial Statements continued

2 Summary of significant accounting policies continued

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 straight-line 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.

Notes to the Financial Statements continued

2 Summary of significant accounting policies continued
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 on 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.

Notes to the Financial Statements continued

3 Financial risk management continued

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.

2011	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**

2010	UK 2010 £	Brazil 2010 £	Peru 2010 £	Total 2010 £
Administrative expenses	(740,608)	(407,592)	(109,754)	(1,257,954)
(Loss)/profit on foreign exchange	(5,476)	3,232	–	(2,244)
Impairment charges	–	(21,578)	(38,367)	(59,945)
Other operating income	33,730	660,810	–	694,540
Acquisition costs expensed	(490,403)	–	–	(490,403)
(Loss)/profit from operations per reportable segment	(1,202,757)	234,872	(148,121)	(1,116,006)
Inter segment revenues	–	127,895	50,573	–
Depreciation charges	(994)	(30,166)	–	(31,160)
Additions to non-current assets	2,905	973,250	–	976,155
Reportable segment assets	3,827,167	24,485,310	772,380	29,084,857
Reportable segment liabilities	2,953,487	3,633,370	–	6,586,857

Notes to the Financial Statements continued

5 Segmental reporting continued

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

Notes to the Financial Statements continued

9 Taxation continued

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
	18,968,079	16,482,451

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.'

Notes to the Financial Statements continued

11 Property, plant and equipment continued

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

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 2011 £	Group 2010 £	Company 2011 £	Company 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 2011 £	Group 2010 £	Company 2011 £	Company 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 Number	2011 £	2010 Number	2010 £
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 2011 £	Weighted average exercise price 2011 £	Number of options 2010 £	Weighted average exercise price 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**	–	–

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.

Notes to the Financial Statements continued

16 Share options continued

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 (years)	2011 Weighted average remaining life contracted (years)	2010 Weighted average exercise price (£)	2010 Number of shares	2010 Weighted average remaining life expected (years)	2010 Weighted average remaining life contracted (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
At 31 December 2011	**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 2011 £	Group 2010 £	Company 2011 £	Company 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.

Notes to the Financial Statements continued

20 Earnings per share continued

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 Mineraçao 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 Assets £**	**2011 Liabilities £**	2010 Assets £	2010 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

Group 2011	Basic salary and fees £	Other benefits £	Discretionary performance related bonus £	Indemnity for loss of office £	Total £
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**

Group 2010	Basic salary and fees £	Other benefits £	Discretionary performance related bonus £	Indemnity for loss of office £	Total £
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.

Notes to the Financial Statements continued

26 Investments continued

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 warrantees 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).

Statutory Information

Directors
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Jeremy John Martin (Chief Executive Officer)
William James Fisher (Non-Executive Director)
Allan Michael Walker (Non-Executive Director)
Alex Christopher (Non-Executive Director)
Owen Alexander Bavinton (Non-Executive Director)

Company Secretary
Jeffrey Laszlo Karoly

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