Horizonte Minerals plc / Index: AIM and TSX / Epic: HZM / Sector: Mining

NEWS RELEASE
22 February 2013

FINAL RESULTS

22 February 2013 – Horizonte Minerals Plc, (AIM: HZM, TSX: HZM) ('Horizonte' or 'the Company') the exploration and development company focussed in Brazil, announces its results for the year ended 31 December 2012.

Overview

- Published a new NI 43-101 Mineral Resource Estimate for Araguaia 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
- Consolidated land position around Araguaia with completion of acquisition through all share transactions of the Vila Oito and Floresta projects from TSX listed Lara Exploration Ltd
- Metallurgical testwork continues to de-risk Araguaia
- Completed a Preliminary Economic Assessment for Araguaia with attractive results
- Successful placing of £5.2 million June 2012
- Cash position at end-2012 of £5.9 million - well funded for Araguaia development work in 2013
- Board strengthened by appointment as Non-Executive Director of Owen Bavinton and Technical Advisor Dr Phillip Mackey

Chairman's Statement

This past year has seen Horizonte continue to build its position as a leading nickel development company in Brazil. Our primary focus has been advancing towards the Pre-Feasibility Study stage at our 100%-owned Araguaia nickel project, located south of the Carajas mining district in northern Brazil. To this end, I am pleased to report that we have made significant progress in terms of delivering on our key development milestones at Araguaia, and continue to unlock its intrinsic value, both on time and on budget.

In terms of Company financing, we successfully completed a £5.2 million placing in June 2012, principally through our existing shareholders including our major shareholder Teck Resources with the addition of Henderson Global Investors.

In addition to this, we also strengthened our management and geological team to help fast-track Araguaia's development and to ensure we hit milestones on time and on target. We were pleased to welcome leading metallurgist Dr Phillip Mackey as Senior Metallurgical Advisor of Horizonte to oversee future metallurgical test work. Philip joins our expanding technical team that includes Roger Billington, Technical Manager, new Country Manager Antonio Almeida and Project Manager Steve Heim, all with extensive nickel laterite experience.

In August 2012 we successfully completed a Preliminary Economic Assessment ('PEA'), a major milestone in terms of a valuation benchmark. The results demonstrated that Araguaia has strong economics based around critical factors for viability, including low strip ratio i.e. tonnes of waste to tonnes of ore, good infrastructure, and a large resource with two viable alternatives for nickel processing that generate robust post tax net present values with solid rates of return.

The PEA study looked at three process options; Rotary Kiln Electric Furnace ('RKEF'); Atmospheric Tank Leach ('ATL') and Atmospheric Heap Leach ('AHL'), to ensure that we had evaluated all the mainstream process options available in the market place. All three processing routes returned solid project economics, however due to the high technological risk associated with the AHL process the Company is only pursuing the RKEF and ATL processing routes.

The RKEF process, which returned a post-tax Net Present Value ('NPV') of US$693 million at an 8% discount rate and Internal Rate of Return of 15.4% at this stage, is the preferred processing route to take this project forward. There are currently 14 plants operating globally with this tried and tested processing route, which has evolved over the last 60 years, with two of the newest operations located in Brazil: Barro Alto operated by Anglo American commenced production in March 2011 and Vale's Onca Puma project located 180km NW of our Araguaia Project, both use the RKEF process.

In terms of Araguaia's logistics framework, it boasts both a good location and infrastructure, which is critically important in large scale mining projects. As mentioned, the project is strategically located south of Carajas, one of the world's premier mining districts where there is a railhead and a point of loading for the deep water port facilities at Sao Luis. There are also plans to build a spur line from the new north-south railway line located approximately 100km east of the project base of Conceicao do Araguaia and will bring rail access to within 25km from the project itself.

The core of any mining project is the quality of the mineral resource. The resource at Araguaia as it stands has been determined by 1,087 drill holes and 25,773 metres of drilling. The resource drilling was overseen and signed off by Independent Qualified

Person, Marc-Antoine Audet, who has consulted on the project for Horizonte alongside our Technical Manager Roger Billington. The current resource has a NI 43-101 Mineral Resource Estimate of 39.3 million tonnes grading 1.39% Ni (Indicated) and 60.9 million tonnes averaging 1.22% Ni (Inferred) using a 0.95% nickel cut-off. Within the Indicated Resource, there is also the existence of higher grade zones, including 24.2Mt with a grade of 1.6% using a 1.2% nickel cut-off which is highly significant as the presence of higher grade ore is critical to the early mine life economics of the project. This large resource also enables modelling at various throughputs and suggests a long mine life of circa 30 to 40 years.

In the case of Araguaia, mineralisation consists of flat lying tabular zones. Further infill drilling will continue to define the grade, and as recent infill drilling has demonstrated, significant wide high grade intercepts have been returned.

The long-term price used by Horizonte is US$19,000 per tonne of nickel. Metal prices are cyclical and it is important that a project has a mine life to cover at least one peak in metal prices. The variation in NPV with a 10% price increase/decrease was shown in the PEA: from NPV of US$693 million for RKEF process a 10% decrease results in NPV of US$392 million but an increase in returns of US$994 million .

A 10% rise from US$19,000 is US$20,900. Yet in 2008, we saw prices of US$25,000 per tonne and higher. The most fundamental factor for the evaluation of a project is that it makes a profit taking the long-term price into account and has lower quartile operating costs.

It is due to this assessment, showing the viability of the project at a base case long term price along with the other factors outlined above, that we believe Araguaia is a very robust project and worthy of further development.

Of course with the current markets and confidence levels there is a view that metal prices have potential to come off further, yet in 2012, prices for all metals, were still buoyant. As I stressed in my statement with the half-yearly results, the future for metals is fundamentally strong. China's economic growth has begun to slow down but still has momentum, with forecasts suggesting a growth rate of 8% for 2013. Indeed the view is that, by 2020, China will have added around US$26.5 trillion to the global economy. Other emerging markets are also global growth generators. For example, by 2050 India's economy could be larger than that of the USA and China.

As pointed out in a talk by Mark Selby of Royal Nickel at the PDAC 2012 – ''beyond 2015 in terms of nickel the cupboard is bare", to maintain nickel supply from existing sources is becoming increasingly challenging for the mining industry. With this in mind, the Araguaia project will be an increasingly valuable asset to Horizonte, even more so as we progress along the development curve and deliver a Feasibility Study for the project.

Since announcing the results of the PEA in August 2012, exploration and development work has continued apace. A new round of infill drilling (7,000m utilising 4 drill rigs) aimed at converting 50 million tonnes of higher grade resource material into the Indicated category has been underway at Araguaia. The results from this drill programme continue to show the consistency of grade within our resource. In January 2013 we announced intercepts on the Jacutinga target that included: 23.2 metres grading 2.09% Ni (including 10.1 metres grading 2.91% Ni); 9.1 metres grading 2.11% Ni; 16.2 metres grading 1.73% Ni; and 14.1 metres grading 1.62% Ni.

In addition to the recent infill resource drilling programme we have completed metallurgical testwork with global leader in high temperature kiln technology - F.L.Smidth. Two blends of Araguaia laterite were submitted for rotary kiln evaluation testing to evaluate Araguaia's expected ore performance. We were delighted to announce that the overall results of the study showed that Horizonte's ore is suitable for rotary kiln processing, and a range of suggested kiln operating conditions were indicated. The success of these latest metallurgical test-work results marks another step in Araguaia's de-risking and in turn unlocking its intrinsic value as we develop the project.

From here, we are currently in the process of awarding a Pre-Feasibility contract, the next development step of Araguaia. The Pre Feasibility Study, which will include an updated resource will be targeted to be completed by the end of 2013, will add further confidence to the economics of taking Araguaia through to production and again further de-risk the project.

In addition to Araguaia, Horizonte is developing the Falcao Gold Project in the southern Pará State, north central Brazil ('Falcao') with a major mining partner: AngloGold Ashanti. At Falcao a total of 3,663m of drilling was completed at no additional cost to Horizonte with promising results in November 2011. An additional 906m was drilled in five holes bringing the total drilling funded by AngloGold Ashanti to 4,569m. Like all the major companies, AngloGold Ashanti has been reviewing its portfolio, which includes Falcao. The work undertaken with AngloGold Ashanti funds has certainly added value and increased the understanding of this large gold anomaly. We are working closely with AngloGold Ashanti in evaluating the extensive database before we decide on the best way forward. AngloGold Ashanti has been an excellent partner and we hope to maintain our association in Falcao, or on other projects in the future.

The past year has been one of substantial achievement and growth for Horizonte, with many milestones achieved. With a robust resource defined, and the results of the PEA firmly in hand demonstrating that Araguaia has the potential to be a significant nickel laterite project globally in terms of size, grade, economics, location, legal/fiscal code and infrastructure as befits its Brazilian setting, Horizonte has the foundations in place to develop Araguaia.

These developments, coupled with the support from major shareholders, Teck Resources, Anglo Pacific Group and Henderson, give us a strong core from which to drive the growth of the Company in 2013 as we continue to develop Araguaia and target to complete a Pre-Feasibility Study by the end of the year and generate significant value for shareholders.

I would like to take this opportunity to thank our loyal shareholders for your on-going support and likewise give my thanks to Jeremy Martin, your hard-working C.E.O., Jeffrey Karoly, C.F.O., the management team and the Board.

David J. Hall
Chairman

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Financial Statements

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012

	Notes	**Year ended 31 December 2012 £**	Year ended 31 December 2011 £
Continuing operations			
Revenue		**–**	–
Cost of sales		**–**	–
Gross profit		**–**	–
Administrative expenses		**(1,741,384)**	(1,820,428)
Charge for share options granted		**(321,400)**	(288,290)
Toronto Stock Exchange listing and compliance costs		**(114,426)**	(216,140)
Changes in fair value of contingent consideration	19	**545,439**	147,222
Project and fixed asset impairment	7	**(700,397)**	–
Gain/(loss) on foreign exchange		**(181,618)**	14,571
Other operating income	6	**125,229**	438,470

Operating loss	7	**(2,388,557)**	(1,724,595)
Finance income	8	**88,262**	106,627
Finance costs	8	**(189,186)**	(186,085)
Loss before taxation		**(2,489,481)**	(1,804,053)
Taxation	9	**–**	–
Loss for the year from continuing operations		**(2,489,481)**	(1,804,053)
Other comprehensive income			
Loss on available for sale financial assets	13	**(55,291)**	-
Currency translation differences on translating foreign operations	18	**(3,039,094)**	(2,400,008)
Other comprehensive income for the year, net of tax		**(3,094,385)**	(2,400,008)
Total comprehensive income for the year attributable to equity holders of the Company		**(5,583,866)**	(4,204,061)
Earnings per share from continuing operations attributable to the equity holders of the Company			
Basic (pence per share)	21	**(0.762)**	(0.653)
Diluted (pence per share)	21	**(0.762)**	(0.653)

Consolidated Statement of Financial Position
As at 31 December 2012

	Notes	**31 December 2012 £**	31 December 2011 £
Assets			
Non-current assets			
Intangible assets	10	**20,417,739**	19,355,457
Property, plant & equipment	11	**145,564**	139,264
Deferred tax assets	9	**6,308,978**	7,243,524
		26,872,281	26,738,245
Current assets			
Trade and other receivables	12	**44,842**	172,906
Other current financial assets	13	**197,714**	–
Cash and cash equivalents	14	**5,887,174**	5,856,949
		6,129,730	6,029,855
Total assets		**33,002,011**	32,768,100
Equity and liabilities			
Equity attributable to owners of the parent			
Issued capital	15	**3,600,462**	2,795,600
Share premium	16	**24,384,527**	18,772,797
Other reserves	18	**5,438,899**	8,533,284
Accumulated losses		**(5,868,096)**	(3,700,015)
Total equity		**27,555,792**	26,401,666
Liabilities			
Non-current liabilities			
Contingent consideration	19	**2,359,112**	2,715,365
Deferred tax liabilities	9	**2,742,012**	3,148,185
		5,101,124	5,863,550
Current liabilities			
Trade and other payables	19	**345,095**	502,884
		345,095	502,884
Total liabilities		**5,446,219**	6,366,434
Total equity and liabilities		**33,002,011**	32,768,100

Company Statement of Financial Position
As at 31 December 2012

	Notes	**31 December 2012 £**	31 December 2011 £
Assets			
Non-current assets		**5,455**	

Property, plant & equipment	11		6,089
Investment in subsidiaries	27	**33,356,363**	28,662,274
		33,361,818	28,668,363
Current assets			
Trade and other receivables	12	**25,742**	107,996
Cash and cash equivalents	14	**5,154,986**	4,245,460
		5,180,728	4,353,456
Total assets		**38,542,546**	33,021,819
Equity and liabilities			
Equity attributable to owners of the parent			
Issued capital	15	**3,600,462**	2,795,600
Share premium	16	**24,384,527**	18,772,797
Merger reserve	18	**10,888,760**	10,888,760
Accumulated losses		**(3,344,872)**	(2,786,938)
Total equity		**35,528,877**	29,670,219
Liabilities			
Non-current liabilities			
Contingent consideration	19	**2,359,112**	2,715,365
Current liabilities			
Trade and other payables	19	**654,557**	636,235
Total liabilities		**3,013,669**	3,351,600
Total equity and liabilities		**38,542,546**	33,021,819

Statements of Changes in Equity

For the year ended 31 December 2012

	Attributable to the equity holders of the Company				
	Share capital £	Share premium £	Accumulated losses £	Other reserves £	Total £
Consolidated					
As at 1 January 2011	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
Issue of ordinary shares	804,862	5,710,387	–	–	6,515,249
Issue costs	–	(98,657)	–	–	(98,657)
Share based payments	–	–	321,400	–	321,400
Total contributions by and distributions to owners of the Company	804,862	5,611,730	321,400	–	6,737,992
Loss for the year	–	–	(2,489,481)	–	(2,489,481)
Other comprehensive income	–	–	-	(3,094,385)	(3,094,385)
Total comprehensive income for the year	–	–	(2,489,481)	(3,094,385)	(5,583,866)
As at 31 December 2012	**3,600,462**	**24,384,527**	**(5,868,096)**	**5,438,899**	**27,555,792**

	Share capital £	Share premium £	Accumulated losses £	Other reserves £	Total £
Company					
As at 1 January 2011	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
Issue of ordinary shares	804,862	5,710,387	–	–	6,515,249
Issue costs	–	(98,657)	–	–	(98,657)
Share based payments	–	–	321,400	–	321,400
Total contributions by and distributions to owners of the Company	804,862	5,611,730	321,400	–	6,737,992
Loss for the year	–	–	(879,334)	–	(879,334)
Total comprehensive income for the year	–	–	(879,334)	–	(879,334)
As at 31 December 2012	**3,600,462**	**24,384,527**	**(3,344,872)**	**10,888,760**	**35,528,877**

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	Note	**31 December 2012 £**	31 December 2011 £
Cash flows from operating activities			
Loss before taxation		**(2,489,481)**	(1,804,053)
Interest income		**(88,262)**	(106,627)
Finance costs		**189,186**	186,085
Employee share options charge		**321,400**	288,290
Gain on sale of fixed assets		**(13,249)**	–
Project impairment		**639,505**	–
Exchange difference		**19,931**	(14,571)
Change in fair value of contingent consideration		**(545,439)**	(147,222)
Depreciation		**5,871**	4,981
Operating loss before changes in working capital		**(1,960,538)**	(1,593,117)
(Decrease)/increase in trade and other receivables		**128,064**	(100,592)
Decrease/(increase) in trade and other payables		**(157,789)**	105,915
Net cash flows from operating activities		**(1,990,263)**	(1,587,794)
Cash flows from investing activities			
Purchase of intangible assets		**(2,848,040)**	(4,257,608)
Purchase of property, plant and equipment		**(102,672)**	(62,853)
Purchase of financial instruments		**(253,004)**	–
Proceeds from sale of property, plant and equipment		**16,673**	–
Interest received		**88,262**	106,627
Net cash used in investing activities		**(3,098,781)**	(4,213,834)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		**5,240,249**	8,249,875
Issue costs		**(98,657)**	(430,438)
Net cash inflow from financing activities		**5,141,592**	7,819,437
Net increase in cash and cash equivalents		**52,548**	2,017,809
Cash and cash equivalents at beginning of year		**5,856,949**	3,847,031
Exchange loss on cash and cash equivalents		**(22,323)**	(7,891)
Cash and cash equivalents at end of the year	14	**5,887,174**	5,856,949

Major non-cash transactions

During the year ended 31 December 2012 additions to intangible exploration assets included £73,664 (2011: £69,592) in relation to depreciation charges on property, plant and equipment used for exploration activities.

On 7 February 2012 the Company issued 8,500,000 new ordinary shares of 1 pence per share each to Lara Exploration Limited at a premium of 14 pence per share in consideration for the acquisition of the Vila Oito and Floresta nickel laterite projects.

Company Statement of Cash Flows

For year ended 31 December 2012

	Notes	**31 December 2012 £**	31 December 2011 £
Cash flows from operating activities			
Loss before taxation		**(879,334)**	(970,970)
Interest income		**(79,424)**	(99,241)
Exchange differences		**–**	(115,081)
Employee share options charge		**321,400**	288,290
Depreciation		**2,233**	929
Operating loss before changes in working capital		**(635,125)**	(896,073)
Decrease/(increase) in trade and other receivables		**82,254**	(65,038)
Increase in trade and other payables		**18,324**	74,440
Net cash flows from operating activities		**(534,547)**	(886,671)
Cash flows from investing activities			
Loans to subsidiary undertakings		**(3,775,342)**	(6,535,954)
Purchase of property, plant and equipment		**(1,599)**	(4,208)
Interest received		**79,424**	99,241
Net cash used in investing activities		**(3,697,517)**	(6,440,921)
Cash flows from financing activities		**5,240,249**	

Proceeds from issue of ordinary shares			8,249,875
Issue costs		**(98,657)**	(430,438)
Net cash inflow from financing activities		**5,141,592**	7,819,437
Net increase in cash and cash equivalents		**909,528**	491,845
Cash and cash equivalents at beginning of year		**4,245,460**	3,638,534
Exchange gains on cash and cash equivalents		–	115,081
Cash and cash equivalents at end of the year	14	**5,154,986**	4,245,460

Major non-cash transactions

On 7 February 2012 the Company issued 8,500,000 new ordinary shares of 1 pence per share each to Lara Exploration Limited at a premium of 14 pence per share in consideration for the acquisition of the Vila Oito and Floresta nickel laterite projects.

The non-cash movement in contingent consideration of £356,253 was charged to a subsidiary undertaking and adjusted for in the loans to subsidiary undertakings balance.

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 on or after 1 January 2012 that would be expected to have a material impact on the Company or Group.

(b) New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 January 2012, but not currently relevant to the Group

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2012, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company or Group.

Amendments to IFRS 1, 'First time adoption' on fixed dates and hyperinflation. The first amendment replaces references to a fixed date of 1 January 2004 with ''the date of transition to IFRSs", thus eliminating the need for companies adopting IFRSs for the first time to restate derecognition transactions that occurred before the date of transition to IFRSs. The second amendment provides guidance on how an entity should resume presenting financial statements in accordance with IFRSs after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation.

IFRS 7, 'Financial instruments: Disclosures' was amended in October 2012 for the transfer of financial assets. These amendments are as part of the IASB's comprehensive review of off Statement of Financial Position activities. The amendments promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial asset.

Amendments to IAS 12, 'Income Taxes' on deferred tax. Currently IAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40 Investment Property. Hence this amendment introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21, 'income taxes – recovery of revalued non-depreciable assets', would no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is accordingly withdrawn.

(c) New and amended standards and interpretations issued but not yet effective for the financial year beginning 1 January 2012 and not early adopted

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the financial statements are disclosed below. The Company and Group intend to adopt these standards, if applicable, when they become effective.

Amendment to IAS 1, 'Financial statement presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. The amendment becomes effective for annual periods beginning on or after 1 July 2012.

IAS 19, 'Employee benefits', was amended in June 2011. The amendments 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 re-measurements 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. The amendment becomes effective for annual periods beginning on or after 1 January 2013. The amendment has no impact on the Group.

Amendment to IFRS 1, 'First-time Adoption of International Financial Reporting Standards' on government loans. This amendment addresses how first-time adopters would account for a government loan with a below-market rate of interest when transitioning to IFRS. It also adds an exception to the retrospective application of IFRS, which provides the same relief to first time adopters granted to existing preparers of IFRS Financial Statements when the requirement was incorporated into IAS 20 'Accounting for Government Grants and Disclosure of Government Assistance' in 2008. The amendment is effective for the accounting period beginning on or after 1 January 2013, subject to endorsement by the EU. The amendment has no impact on the Group.

IFRS 7, 'Financial Instruments: Disclosures' was amended for asset and liability offsetting. This amendment requires 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. The amendment is effective for the accounting period beginning on or after 1 January 2013, subject to endorsement by the EU.

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. The Group is yet to assess IFRS 10's full impact and intends to adopt IFRS 10 no later than the accounting period beginning on or after 1 January 2013.

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. There are two types of joint arrangement; joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and therefore accounts for its share of assets, liabilities, revenue and expenses. Joint ventures arise where the joint venture has rights to the net assets of the arrangement and therefore equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. The Group is yet to assess IFRS 11's full impact and intends to adopt IFRS 11 no later than the accounting period beginning on or after 1 January 2013.

IFRS 12, 'Disclosures of interests in other entities', includes the disclosure requirements for all forms of interests in entities, including joint arrangements, associates, special purpose vehicles and other off Statement of Financial Position vehicles. The Group is yet to assess IFRS 12's full impact and intends to adopt IFRS 12 no later than the accounting period beginning on or after 1 January 2013.

Amendments to IFRS 10, 'Consolidated Financial Statements', IFRS 11, 'Joint Arrangements and IFRS 12, 'Disclosure of Interests in Other Entities', provide additional transition relief to IFRSs 10,11 and 12 by limiting the requirement to provide adjusted comparative information to only the preceding comparative period. For disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before IFRS 12 is first applied. The Group is yet to assess the full impact of these amendments and intends to adopt the amended standards no later than the accounting period beginning on or after 1 January 2013, subject to endorsement by the EU.

IFRS 13, 'Fair value measurement', aims to provide consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRS and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards with IFRSs or US GAAP. The standard becomes effective for annual periods beginning on or after 1 January 2013.

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. The revised standard includes the requirements relating to separate financial statements. The revised standard becomes effective for annual periods beginning on or after 1 January 2013.

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. The revised standard includes the requirements for associates and joint ventures that have to be equity accounted following the issue of IFRS 1. The Group is yet to assess full impact of the revised standard and intends to adopt IAS 28 (revised) no later than the accounting period beginning on or after 1 January 2013.

IFRIC 20, 'Stripping Costs in the Production Phase of a Surface Mine', clarifies when production stripping should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods. The interpretation may require the Group to write off existing stripping assets to opening retained earnings if the assets cannot be attributed to an identifiable component of an ore body. The Group is yet to assess IFRIC 20's full impact and intends to adopt IFRIC 20 no later than the accounting period beginning on or after 1 January 2013.

IFRS 9, 'Financial Instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics for the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2015, subject to endorsement by the EU. The Group will also consider the impact of the remaining phases of IFRS 9 when completed by the Board.

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. The Group is yet to assess the full impact of the amendments to IAS 32 and intends to adopt the amended standard no later than the accounting period beginning on or after 1 January 2014.

‘Annual Improvements 2009–2011 Cycle’ sets out amendments to various IFRSs as follows:

> An amendment to IFRS 1, ‘First-time Adoption’ clarifies whether an entity may apply IFRS 1:

(a) if the entity meets the criteria for applying IFRS 1 and has applied IFRS 1 in a previous reporting period; or

(b) if the entity meets the criteria for applying IFRS 1 and has applied IFRSs in a previous reporting period when IFRS 1 did not exist.

> The amendment to IFRS 1 also addresses the transitional provisions for borrowing costs relating to qualifying assets for which the commencement date for capitalisation was before the date of transition to IFRSs.

> An amendment to IAS 1, ‘Presentation of Financial Statements’ clarifies the requirements for providing comparative information:

(a) for the opening Statement of Financial Position when an entity changes accounting policies, or makes retrospective restatements or reclassifications; and

(b) when an entity provides Financial Statements beyond the minimum comparative information requirements.

> An amendment to IAS 16, ‘Property, Plant and Equipment’ addresses a perceived inconsistency in the classification requirements for servicing equipment.

> An amendment to IAS 32, ‘Financial Instruments: Presentation’ addresses perceived inconsistencies between IAS 12, ‘Income Taxes’ and IAS 32 with regard to recognising the consequences of income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction.

> An amendment to IAS 34, ‘Interim Financial Reporting’ clarifies the requirements on segment information for total assets and liabilities for each reportable segment.

The Group intends to adopt the amended standards no later than the accounting period beginning on or after 1 January 2013, subject to endorsement by the EU. These improvements are not expected to have an impact on the Group.

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 carrying 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	Arguaia Niquel Mineração Ltda/ Horizonte Nickel (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 includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and its exposure to credit and liquidity risk.

The Financial Statements have been prepared on a going concern basis. Although the Group's assets are not generating revenues and an operating loss has been reported, the Directors believe that the Group has sufficient funds to undertake its operating activities for a period of at least the next 12 months including any additional payments required in relation to its current exploration projects. The

Group has considerable financial resources which, together with additional funding available from joint venture partners, will be sufficient to fund the Group's committed expenditure both operationally and on various exploration projects for the foreseeable future. However, as additional projects are identified and existing projects move into production, additional funding may be required. The amount of funding is estimated without any certainty at the point of approval of these Financial Statements and the Group may be required to raise additional funds either via an issue of equity or through the issuance of debt. The Directors are confident that funds will be forthcoming if and when they are required.

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

2.5 Intangible Assets

(a) Goodwill

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

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

(b) Exploration and evaluation assets

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

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

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

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

2.6 Property, plant and equipment

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

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

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

Office equipment	25%
Vehicles and other field equipment	25%–33%

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

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

2.7 Impairment

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

2.8 Foreign currency translation

(a) Functional and presentation currency

Items included in the Financial Statements of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The functional currency of the UK and Isle of Man entities is Sterling and the functional currency of the Brazilian and Peruvian entities is Brazilian Real and Peruvian Nuevo Sol respectively. The Consolidated Financial Statements are presented in Pounds Sterling, rounded to the nearest pound, which is the Company's functional and Group's presentation currency.

(b) Transactions and balances

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

(c) Group companies

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

(1) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(2) each component of profit or loss is translated at average exchange rates during the accounting period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(3) all resulting exchange differences are recognised in other comprehensive income.

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

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.9 Financial assets

Financial assets within the scope of IAS 39 are classified as loans and receivables or available-for-sale financial assets, as appropriate. The Group determines the classification of its financial assets at initial recognition.

Available-for-sale financial investments

Available-for-sale financial investments consist of equity investments that are neither classified as held for trading nor designated at fair value through profit or loss. After initial recognition, available-for-sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available-for-sale reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the available-for-sale reserve to the Income Statement in finance costs. The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method, less impairment. The Group's loans and receivables comprise 'trade and other receivables' in the statement of financial position.

Derecognition

A financial asset is derecognised when the rights to receive cash flows from the asset have expired.

2.10 Cash and cash equivalents

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

2.11 Taxation

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

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

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

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

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

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

Deferred tax is calculated at the tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply to the period when the asset is realised or the liability is settled.

Deferred tax assets and liabilities are not discounted.

2.12 Share capital

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

2.13 Trade payables

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

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

2.14 Operating leases

Leases of assets under which a significant amount of the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Operating lease payments are charged to profit 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 2012, 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 £58,809/56,009 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's listed equity securities are susceptible to price risk arising from uncertainties about future values of the securities.

(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 2012 and defines capital based on the total equity of the Company. The Group monitors its level of cash resources available against future planned exploration and evaluation activities and may issue new shares in order to raise further funds from time to time.

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

3.3 Fair value estimation

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

4. Critical accounting estimates and judgements

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

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

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

Impairment of exploration and evaluation costs

Exploration and evaluation costs have a carrying value at 31 December 2012 of £20,074,974 (2011: £18,968,079). 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 an impairment charge necessary for the Tangara Project for the year ended 31 December 2012 of £639,505 (2011: £nil).

Estimated impairment of goodwill

Goodwill has a carrying value at 31 December 2012 of £342,765 (2011: £387,378). 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 £2,359,112 at 31 December 2012 (2011: £2,715,365). 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 the operating and financial assumptions in the cashflow model derived from the Preliminary Economic Assessment published by the Company in August 2012 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. 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 not be affected were the operating cashflows to vary by as much as 50% from management's estimates, as the tax losses are utilised in the first year of operations in either case.

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 17.

Were the actual number of options that vest to differ by 10% from management's estimates the overall option charge would increase/decrease by £32,140.

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 Group operates principally in the UK and Brazil, with operations managed on a project by project basis within each geographical area. Activities in the UK are mainly administrative in nature whilst the activities in Brazil relate to exploration and evaluation work. The reports used by the chief operating decision-maker are based on these geographical segments.

2012	**UK 2012 £**	**Brazil 2012 £**	**Other 2012 £**	**Total 2012 £**
Administrative expenses	**(1,124,892)**	**(592,830)**	**(23,662)**	**(1,741,384)**
(Loss)/gain on foreign exchange	**(79,976)**	**(101,642)**	**–**	**(181,618)**
Project and fixed asset impairment	**–**	**(700,397)**		**(700,397)**
Other operating income	**111,980**	**13,249**		**125,229**
(Loss)/profit from operations per reportable segment	**(1,092,888)**	**(1,381,620)**	**(23,662)**	**(2,498,170)**
Inter segment revenues	**–**	**377,533**	**65,486**	**443,019**
Depreciation charges	**2,232**	**3,067**	**–**	**5,299**
Additions to non-current assets	**–**	**4,299,376**	**–**	**4,299,376**
Reportable segment assets	**6,377,678**	**25,798,664**	**825,669**	**33,002,011**
Reportable segment liabilities	**2,458,669**	**2,987,550**	**–**	**5,446,219**

2011	UK 2011 £	Brazil 2011 £	Other 2011 £	Total 2011 £
Administrative expenses	(1,288,145)	(509,217)	(23,066)	(1,820,428)
(Loss)/gain 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

Inter segment revenues are calculated and recorded in accordance with the underlying intra group service agreements.

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

	2012 £	2011 £
Loss from operations per reportable segment	**(2,498,170)**	(1,367,387)
Changes in fair value of contingent consideration (refer note 18)	**545,439**	147,222
Charge for share options granted	**(321,400)**	(288,290)

Toronto Stock Exchange Listing and compliance costs	**(114,426)**	(216,140)
Finance income	**88,262**	106,627
Finance costs	**(189,186)**	(186,085)
Profit/(loss) for the year from continuing operations	**(2,489,481)**	(1,804,053)

6. Other operating income

Group	**2012** **£**	2011 £
Project management fees	**98,986**	115,094
Gain on sale of fixed assets	**13,249**	10,876
Fee on granting of royalty option	**–**	312,500
Other option fees	**12,994**	–
	125,229	438,470

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 28).

Other option fees in 2012 relate to non-refundable payments made for the right to first refusal on the purchase of one of the Group's exploration projects.

7. Operating loss

Loss from operations is stated after charging the following:

Group	**2012** **£**	2011 £
Depreciation	**5,299**	4,981
Project and fixed asset impairment	**700,397**	–
Auditors' remuneration		
– Fees payable for the audit of Parent and consolidated financial statements	**30,000**	28,000
– Fees payable for audit related assurance services	**13,603**	54,075
– Fees payable for tax compliance	**2,097**	2,100
Operating lease charges	**60,777**	51,001

Project and fixed asset impairment costs of £700,397 consist of the impairment charge on intangible assets attributable to the Tangara project (refer note 10) of £639,505 and the cost of an option over a licence which was acquired and lapsed in the year of £60,892.

8. Finance income and costs

Group	**2012** **£**	2011 £
Finance income:		
– Interest income on cash and short-term bank deposits	**88,262**	106,627
Finance costs:		
– Contingent consideration: unwinding of discount	**(189,186)**	(186,085)
Net finance costs	**(100,924)**	(79,458)

9. Taxation

Income tax expense

Group	**2012** **£**	2011 £
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	**2012** **£**	2011 £
(Loss)/profit before income tax	**(2,489,481)**	(1,804,053)
Current tax at 29.1% (2011: 28.6%)	**(725,159)**	(516,769)

Effects of:		
Expenses not deducted for tax purposes	**416,749**	380,451
Tax losses carried forward for which no deferred income tax asset was recognised – UK	**301,371**	129,710
Tax losses carried forward for which no deferred income tax asset was recognised – Brazil and Peru	**7,039**	6,607
Total tax	**–**	–

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

The weighted average applicable tax rate of 29.1% used is a combination of the 24% effective standard rate of corporation tax in the UK, 34% Brazilian corporation tax and 30% Peruvian corporation tax. During 2011 and 2012 the Brazil registered subsidiaries elected to adopt the Presumed Income profile. As a consequence the losses incurred during those years are ineligible for tax purposes.

Deferred income tax

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

Group	**2012 £**	2011 £
Deferred tax assets		
– Deferred tax asset to be recovered after more than 12 months	**6,308,978**	7,243,524
	6,308,978	7,243,524
Deferred tax liabilities		
– Deferred tax liability to be recovered after more than 12 months	**(2,742,012)**	(3,148,185)
	(2,742,012)	(3,148,185)
Deferred tax asset (net)	**3,566,966**	4,095,339

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

Group	**2012 £**	2011 £
At 1 January	**4,095,339**	4,567,749
Exchange differences	**(528,373)**	(472,410)
At 31 December	**3,566,966**	4,095,339

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 2011	(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
Exchange differences	406,173	(934,546)	(528,373)
At 31 December 2012	**(2,742,012)**	**6,308,978**	**3,566,966**

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 £18,479,270 (2011: £22,999,500) in Brazil and excess management charges of approximately £2,199,000 (2011: £1,757,000) in the UK 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, 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 £1,056,131 (2011: £1,464,805).

Group	Goodwill £	Exploration and evaluation costs £	Total £
Cost			
At 1 January 2011	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)	(1,889,945)
At 31 December 2011	387,378	18,968,079	19,355,457
Additions – internally generated	–	2,921,704	2,921,704
Additions – acquired	–	1,275,000	1,275,000
Impairments	–	(639,505)	(639,505)
Exchange rate movements	(44,613)	(2,450,304)	(2,494,917)
Net book amount at 31 December 2012	**342,765**	**20,074,974**	**20,417,739**

Impairment charges in 2012 of £639,505 were included in profit or loss as the intangible assets attributable to the Tangara project were written off following the termination of the joint venture with Troy Resources. There were no impairment charges in the year ended 31 December 2011.

(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	**2012 £**	2011 £
Brazil – Araguaia/Lontra/Vila Oito and Floresta	**18,819,797**	16,934,456
Brazil – Other	**431,153**	1,217,759
Peru – El Aguila	**824,024**	815,864
	20,074,974	18,968,079

The adjacent Araguaia/Lontra/Vila Oito and Floresta exploration sites ('the Araguaia Project') 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.

In August 2012 a Canadian NI 43 101 compliant Preliminary Economic Assessment ('PEA') was published by the Company regarding the Araguaia Project. The financial results and conclusions of the PEA clearly indicate the economic viability of the Araguaia Project. The Directors undertook an assessment of impairment through evaluating the results of the PEA and judged that no impairment was required with regards to the Araguaia Project.

An updated 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.

Sensitivity to changes in assumptions

For the base case NPV8 of the Araguaia project of US$693 million as per the PEA to be reduced to the book value of the Araguaia project as at 31 December 2012, the discount rate applied to the cashflow model would need to be increased from 8% to 15%, or the assumed long-term real nickel price of US$19,000 per tonne would need to be reduced to approximately US$14,700 per tonne.

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, whether by the Company directly or through a joint venture agreement.

> A decision has been taken by the Board to discontinue exploration and evaluation in an area due to the absence of a commercial level of reserves.

> Sufficient data exists to indicate that the book value will not be fully recovered from future development and production.

Following the termination of the joint venture with Troy resources concerning the Tangara project, the Directors considered that a full impairment was appropriate and as a result an impairment charge to exploration and evaluation assets arose in 2012 of £639,505 (2011: nil).

(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 2011	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
Additions	95,293	7,379	102,672
Disposals	(31,377)	–	(31,377)
Foreign exchange movements	(30,412)	–	(30,412)
At 31 December 2012	**271,882**	**10,633**	**282,515**
Accumulated depreciation			
At 1 January 2011	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
Charge for the year	78,571	964	79,535
Disposals	(27,953)	–	(27,953)
Foreign exchange movements	(16,999)	–	(16,999)
At 31 December 2012	**134,730**	**2,221**	**136,951**
Net book amount as at 31 December 2012	**137,152**	**8,412**	**145,564**
Net book amount as at 31 December 2011	137,267	1,997	139,264
Net book amount as at 1 January 2011	165,413	2,810	168,223

Depreciation charges of £73,664 (2011: £69,592) have been capitalised and included within intangible exploration and evaluation asset additions for the year. Charges of £572 (2011: £Nil) have also been offset against the Anglo Gold spend on Falcao included within 'Trade and other payables'. The remaining depreciation expense for the year ended 31 December 2012 of £5,299 (2011: £4,981) has been charged in 'administrative expenses, split between 'Depreciation' and 'Exploration costs expensed'.'

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

	2012 £	2011 £
Cost	**267,844**	219,768
Accumulated depreciation	**(130,057)**	(92,666)
Net book amount	**137,787**	127,102

Company	Field equipment £	Office equipment £	Total £
Cost			
At 1 January 2011	–	4,751	4,751
Additions	4,208	–	4,208
Disposals	–	(1,497)	(1,497)
At 31 December 2011	4,208	3,254	7,462
Additions	–	1,599	1,599
Disposals	–	–	–
At 31 December 2012	**4,208**	**4,853**	**9,061**
Accumulated depreciation			
At 1 January 2011	–	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
Charge for the year	1,389	844	2,233
Disposals	–	–	–
At 31 December 2012	**1,505**	**2,101**	**3,606**
Net book amount as at 31 December 2012	**2,703**	**2,752**	**5,455**
Net book amount as at 31 December 2011	4,092	1,997	6,089
Net book amount as at 1 January 2011	–	2,810	2,810

12 Trade and other receivables

	Group		**Company**	
	2012 £	2011 £	**2012 £**	2011 £
Trade receivables	–	95,907	–	91,448
Other receivables	**44,842**	76,999	**25,742**	16,548
Current portion	**44,842**	172,906	**25,742**	107,996

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**	
	2012 £	2011 £	**2012 £**	2011 £
Brazilian Real	**19,030**	60,381	–	–
UK Pound	**25,812**	16,618	**25,812**	16,548
US Dollar	–	95,907	–	119,593
	44,842	172,906	**25,812**	136,141

As of 31 December 2012 the Group's and Company's trade receivables of £nil (2011: £95,907) 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. Other financial assets

	Group		**Company**	
	2012 £	2011 £	**2012 £**	2011 £
Available for sale investments				
Quoted equity shares	**197,714**	–	**–**	–
Total Current	**197,714**	–	**–**	–

The Group has investments in listed equity shares. The fair of these equity shares is determined by reference to published price quotations in an active market. The Group purchased listed equity shares of £253,005 during the year. Total losses recognised in other comprehensive income were £55,291.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets

Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data

As at 31 December 2012 all other financial assets carried at fair value in the Statement of Financial Position are categorised under Level 1.

14. Cash and cash equivalents

	Group		**Company**	
	2012	2011	**2012**	2011
	£	£	**£**	£
Cash at bank and on hand	**2,589,759**	3,889,970	**1,859,426**	2,222,601
Short-term deposits	**3,297,415**	1,966,622	**3,297,415**	2,022,859
	5,887,174	5,856,949	**5,156,841**	4,245,460

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

	Group		**Company**	
	2012	2011	**2012**	2011
	£	£	**£**	£
A	**3,240,254**	3,889,970	**2,591,228**	2,715,452
BBB	**2,646,920**	1,966,622	**2,563,758**	1,530,008
	5,887,174	5,856,592	**5,154,986**	4,245,460

15 Share Capital

Group and Company	**2012 Number**	**2012 £**	2011 Number	2011 £
Issued and fully paid				
Ordinary shares of 1p each				
At 1 January	**279,559,980**	**2,795,600**	246,560,480	2,465,605
Issue of ordinary shares	**80,486,190**	**804,862**	32,999,500	329,995
At 31 December	**360,046,170**	**3,600,462**	279,559,980	2,795,600

On 7 February 2012, 8,500,000 shares were issued to Lara Exploration Ltd in consideration for the Acquisition of the Vila Oito and Floresta licences, both located in the vicinity of Araguaia.

On 13 June 2012, 71,986,190 ordinary shares of 1p each were issued fully paid for cash consideration at 7.25 pence per share to raise £5.2 million before expenses.

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.

16. Share Premium

Group and Company	**2012 £**	2011 £
At 1 January	**18,772,797**	11,283,355
Premium arising on issue of ordinary shares	**5,710,387**	7,919,880
Issue costs	**(98,657)**	(430,438)
At 31 December	**24,384,527**	18,772,797

17. Share options

The Directors have discretion to grant options to the Group employees to subscribe for Ordinary shares up to a maximum of 10% of the Company's issued share capital. The options are exercisable two years from the date of grant and lapse on the tenth anniversary of the date of grant or the holder ceasing to be an employee of the Group. Neither the Company nor the Group has any legal or constructive obligation to settle or repurchase the options in cash.

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

	Number of options 2012 £	**Weighted average exercise price 2012 £**	Number of options 2011 £	Weighted average exercise price 2011 £
Outstanding at 1 January	**27,380,000**	**0.147**	14,150,000	0.136
Forfeited	**(4,150,000)**	**0.154**	(1,150,000)	0.095
Granted	**3,500,000**	**0.154**	14,380,000	0.154
Outstanding at 31 December	**26,730,000**	**0.147**	27,380,000	0.147
Exercisable at 31 December	**11,900,000**	**0.138**	2,900,000	0.095

The options outstanding at 31 December 2012 had a weighted average remaining contractual life of 8.38 years (2011: 9.21 years).

In September 2012, 3,500,000 options were issued at an exercise price of 15.4 pence, representing a 63% premium to the share price on the day that the options were issued.

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

The parameters used are detailed below.

Group and Company	**2012 options**	2011 options	2010 options
Date of grant or reissue	**24/09/2012**	21/09/2011	17/11/2010
Weighted average share price	**9.43 pence**	13.9 pence	14.0 pence
Weighted average exercise price	**15.4 pence**	15.4 pence	15.5 pence
Expiry date	**24/09/2022**	21/09/2021	17/11/2020
Options granted	**3,500,000**	14,380,000	10,100,000
Volatility	**14.2%**	17%	17%
Dividend yield	**Nil**	Nil	Nil
Option life	**10 years**	10 years	10 years
Annual risk free interest rate	**2.50%**	2.50%	2.50%
Forfeiture discount	**–**	–	–
Marketability discount	**5%**	5%	5%
Total fair value of options granted	**£41,233**	£528,745	£343,271

The expected volatility is based on historical volatility for the six 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 (£)	**2012 Weighted average exercise price (£)**	**2012 Number of shares**	**2012 Weighted average remaining life expected (years)**	**2012 Weighted average remaining life contracted (years)**	2011 Weighted average exercise price (£)	2011 Number of shares	2011 Weighted average remaining life expected (years)	2011 Weighted average remaining life contracted (years)
0–0.1	**0.095**	**3,400,000**	**4.9**	**6.9**	0.095	3,400,000	5.9	7.9
0.1–0.2	**0.154**	**23,330,000**	**6.5**	**8.3**	0.154	23,980,000	7.3	9.3

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 2012 of £321,400 (2011: £288,290) based on the fair values at the time the options were granted.

18. Other reserves

Group	Available for sale reserve £	Merger reserve £	Translation reserve £	Other reserve £	Total £
At 1 January 2011	–	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
Other comprehensive income	(55,291)	–	–	–	(55,291)
Currency translation differences	–	–	(3,039,094)	–	(3,039,094)
At 31 December 2012	**(55,291)**	**10,888,760**	**(4,346,470)**	**(1,048,100)**	**5,438,899**

Company	Merger reserve £	Total £
At 1 January 2011 and 31 December 2011	10,888,760	10,888,760
At 31 December 2012	**10,888,760**	**10,888,760**

The other reserve as at 31 December 2012 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.

Currency translation differences relate to the translation of Group entities that have a functional currency different from the presentation currency (refer note 2.8(c)).

19. Trade and other payables

	Group		**Company**	
	2012 **£**	2011 £	**2012** **£**	2011 £
Non-current				
Contingent consideration	**2,359,112**	2,715,365	**2,359,112**	2,715,365
	2,359,112	2,715,365	**2,359,112**	2,715,365
Current				
Trade and other payables	**94,841**	92,231	**120,167**	51,266
Amounts due to related parties (refer note 22)	**–**	–	**458,610**	428,331
Social security and other taxes	**43,087**	18,763	**12,899**	11,059
Accrued expenses	**207,167**	391,890	**62,881**	145,579
	345,095	502,884	**654,557**	636,235
Total trade and other payables	**2,704,207**	3,218,249	**3,013,669**	3,351,600

Trade and other payables includes £48,704 (2011: £nil) 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 £71,064 (2011: £40,964) 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 2012, there was a finance expense of £189,186 (2011: £186,085) 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 2012, Management has 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 as derived from the Preliminary Economic Assessment as published by the Company in August 2012. The change in the fair value of contingent consideration has generated a credit to profit or loss of £545,439 for the year ended 31 December 2012 (2011: credit £147,222) due to exchange rate changes in the functional currency in which the liability is payable.

20. Dividends

No dividend has been declared or paid by the Company during the year ended 31 December 2012 (2011: nil).

21. Earnings per share

(a) Basic

The basic loss per share of 0.762p (2011 loss per share: 0.653p) 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	**2012** **£**	2011 £
Loss attributable to equity holders of the Company	**(2,489,481)**	(1,804,053)
Weighted average number of ordinary shares in issue	**326,725,469**	276,395,644

(b) Diluted

The basic and diluted earnings per share for the years ended 31 December 2012 and 31 December 2011 are the same as the effect of the exercise of share options would be anti-dilutive.

Details of share options that could potentially dilute earnings per share in future periods are set out in note 17.

22. Related party transactions

The following transactions took place with subsidiaries in the year:

A fee totalling £157,795 (2011: £100,304) was charged to HM do Brazil Ltda, £65,486 (2011: £64,754) to Minera El Aguila SAC and £219,738 (2011: £105,257) to Araguaia Niquel Mineração Ltda and £nil (2011: £6,506) 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 2011.

Amounts totalling £4,031,256 (2011: £6,025,165) 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 2012, 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	**2012** **Assets** **£**	**2012** **Liabilities** **£**	2011 Assets £	2011 Liabilities £
HM do Brasil Ltda	**160,460**	–	357,173	–
PMA Geoquimica Ltda	–	**44,680**	–	14,508
Minera El Aguila SAC	**1,325,769**	–	1,255,252	–
Minera El Cotahuasi SAC	–	–	–	–
HM Brazil (IOM) Ltd	**5,944,359**	–	5,123,066	–
Horizonte Nickel (IOM) Ltd	**21,150,454**	–	19,189,919	–
Araguaia Niquel Mineração Ltda	**2,049,946**	–	388,820	–
Brazil Mineral Holdings Ltd	**124,327**	–	–	–
Horizonte Minerals (IOM) Ltd	**253,004**	–	–	–
Horizonte Exploration Ltd	–	**413,930**	–	413,823
Total	**31,008,319**	**458,610**	26,314,230	428,331

All Group transactions were eliminated on consolidation.

23. Ultimate controlling party

The Directors believe there to be no ultimate controlling party.

24. Expenses by nature

Group	**2012** **£**	2011 £
Staff costs	**696,860**	688,939
Indemnity for loss of office	**55,709**	96,519
Transaction costs (excluding staff costs)	**118,816**	–

Exploration related costs expensed (excluding staff costs)	**243,399**	224,078
Share option costs	**321,400**	288,290
Depreciation (note 11)	**5,299**	4,981
(Gain)/loss on foreign exchange	**181,618**	(14,571)
Gain on revaluation of contingent consideration	**(545,439)**	(147,222)
Project impairments	**700,397**	–
Toronto Stock Exchange listing and compliance costs	**114,426**	216,140
Other expenses	**621,301**	805,911
Total operating expenses	**2,513,786**	2,163,065

25. Directors' remuneration

Group 2012	**Basic salary and fees £**	**Other benefits £**	**Discretionary performance related bonus £**	**Indemnity for loss of office £**	**Total £**
Non-Executive Directors					
Alexander Christopher	–	–	–	–	–
David Hall	**71,454**	–	**17,500**	–	**88,954**
William Fisher	**24,000**	–	–	–	**24,000**
Allan Walker	**23,000**	–	–	–	**23,000**
Owen Bavinton	**23,011**	–	–	–	**23,011**
Executive Directors					
Jeremy Martin	**145,625**	**38,827**	**40,000**	–	**224,452**
	287,090	**38,827**	**57,500**	–	**383,417**

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

The Company does not operate a pension scheme. Included in other benefits for the year of £38,827 (2011: £21,272) are contributions to a Defined Contribution pension plan held by Mr Jeremy Martin of £37,561 (2011: £20,272).

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.

26. Employee benefit expense (including directors)

Group	**2012 £**	2011 £
Wages and salaries	**1,204,957**	1,068,882
Social security costs	**299,627**	255,444
Indemnity for loss of office	**55,709**	96,519
Share options granted to Directors and employees (note 17)	**321,400**	288,290
	1,881,693	1,709,135
Average number of employees including Directors	**53**	54

Employee benefit expenses includes £614,497 (2011: £383,361) of costs capitalised and included within intangible non-current assets. £185,678 (2011: £252,026) of employee benefit expenses have been reimbursed by various joint venture partners.

Share options granted include costs of £234,499 (2011: £182,312) relating to Directors.

27. Investments

Company	**2012** £	2011 £
Shares in Group undertakings	2,348,044	2,348,044
Loans to Group undertakings	31,008,319	26,314,230
	33,356,363	28,662,274

Investments in Group undertakings are stated at cost.

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

28. Commitments

Operating lease commitments

The Group leases office premises under cancellable and non-cancellable operating lease agreements. The cancellable lease terms are up to two 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	**2012** **£**	2011 £
Not later than one year	**24,669**	7,814
Later than one year and no later than five years	**–**	–
Total	**24,669**	7,814

Capital Commitments

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

Group	**2012** **£**	2011 £
Intangible assets	**847,006**	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.

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 2012 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 £50,000.

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 £879,334 (2011: £970,970 loss).

****ENDS****

CAUTIONARY STATEMENT REGARDING FORWARD LOOKING INFORMATION

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

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