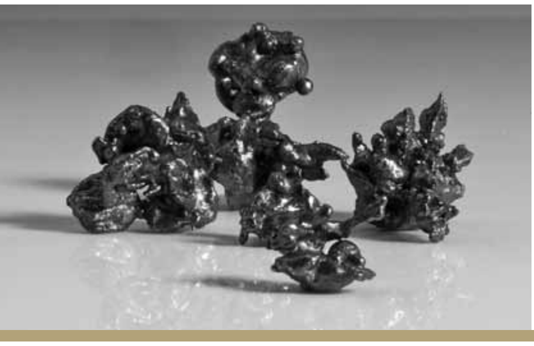
HORIZONTE MINERALS

Horizonte Minerals Plc Annual Report 2012



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

2012 Highlights

- 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

"Developing the next major nickel project in Brazil."

David J Hall, Chairman

Horizonte Minerals at a Glance

Horizonte owns the advanced Araguaia nickel project located south of the Carajás mineral district of northern Brazil. The Company has since consolidated its position in this potentially world-class nickel district by acquiring the adjacent Vila Oito and Floresta nickel laterite projects from Lara Exploration Ltd. In the last 12 months Horizonte has released a NI 43-101 resource with work underway to develop the project to Pre-Feasibility stage. It is the Company's aim to develop one of Brazil's principal nickel projects.

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

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Why Brazil...

- World's sixth largest economy with strong degree of economic and political stability
- US$320 million spent annually on exploration: just 3% of world spend - Brazil is underexplored
- Brazilian mineral production totals US$50 billion in 2011, up from US$8 billion in 2001
- Very established mining sector, employing > 150,000 people
- World's largest exporter of seaborne iron ore and expected to increase by 200% by 2030
- Significant producer of bauxite, nickel, copper, gold, niobium and phosphate
- Investment in Brazilian mining sector expected to reach US$68 billion 2011-2015
- World Cup in 2014 and Olympics in 2016

Source: Instituto Brasileiro de Mineração

Company Project Portfolio

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Araguaia Nickel Project

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

- Total drilling to date: 25,800 metres
- NI 43-101 Resource: 39.3Mt Indicated @ 1.39% nickel plus 60.9Mt Inferred @ 1.22% nickel
- Completed Preliminary Economic Assessment
- Infill drill programme, metallurgical studies, SEIA and tender process for Pre-Feasibility Study contract underway

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Falcao Gold Project

Gold exploration joint venture with AngloGold.

- US$4.5 million spend to earn 51%; AngloGold have option to earn to 70% by completion of Pre-Feasibility Study
- 4,569 metres drilled in 20 holes completed late 2012
- Multiple gold intersections in drilling

Chairman's Statement David J Hall

"Despite difficult global market conditions Horizonte has delivered a number of major milestones at Araguaia during 2012."

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 $693 million for RKEF process a 10% decrease results in NPV of $392 million but an increase in returns of $994 million.

A 10% rise from $19,000 is $20,900. Yet in 2008, we saw prices of $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 basecase 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.

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David J Hall
Chairman

Our Year in Review

January 2012
Updated NI 43-101 resource at Araguaia totalling 100 Mt

February 2012
Completion of acquisition of Vila Oito and Floresta projects of TSX-listed Lara Exploration Ltd for circa £1.25 million. Consolidates land position at Araguaia

June 2012
£5.2 million raised

September 2012
Third phase 7,000m drill campaign commences at Araguaia

October 2012
Completion of NI 43-101 Preliminary Economic Assessment for Araguaia

COMPANY OVERVIEW
BUSINESS REVIEW
CORPORATE GOVERNANCE
FINANCIAL STATEMENTS

Operations Review

"2012 has seen the Company continue to deliver on development milestones at Araguaia."

Introduction

Horizonte has continued to develop the 100%-owned Araguaia nickel project with a number of milestones achieved during 2012. In January a revised mineral resource estimate was published, combined with positive metallurgical testwork, all of which are key deliverables as the project moves towards Pre-Feasibility.

Furthermore, a Preliminary Economic Assessment was published in August 2012 demonstrating robust project economics using the proven process technology, Rotary Kiln Electric Furnace (RKEF). The baseline environmental and social studies have also been underway throughout the year leading up to the SEIA report.

In November 2012 an infill drill programme was commenced of approximately 7,000m, the results of which will feed into an updated resource estimate.

At the Falcao project, a joint venture between Horizonte and AngloGold, funded by our joint venture partner, follow up geophysical and geochemical surveys were completed with a diamond drill programme completed late in 2012.

2013 will see Horizonte complete its ongoing drill programme, as well as further metallurgical testwork at Araguaia with the aim of completing a Pre-Feasibility Study late in 2013.

During the last year Horizonte also continued to develop its shareholder base, attracting a number of important new institutional and private investors and in 2013 it will continue to build on its current shareholder base both in the UK and Brazil as it progresses with the development of Araguaia.

Diamond drill team at Araguaia October 2012

Araguaia Nickel Project

The project comprises multiple exploration targets for nickel laterite mineralisation that have been identified within the Araguaia nickel project's 14 licences totalling 118,923 ha, all of which are 100%-owned, covering over 1,200 sq km of prospective terrain.

Activities completed in 2012 included:

- The reporting in January 2012 of a revised mineral resource estimate based on the results of the HQ drilling programme (13,204m in 539 holes) completed between October 2010 and September 2011
- The continuation and reporting of preliminary metallurgical testwork at Xstrata Process Support (XPS) and Wardell- Armstrong International (WAI) investigating both pyrometallurgical and hydrometallurgical process options
- The completion and reporting of a Preliminary Economic Assessment (PEA)
- The initiation of additional metallurgical testwork at several facilities including MineSense, FL Smidth, Kingston Process Metallurgy (KPM), Feeco and SGS Lakefield
- The commencement of the third phase of exploration drilling in September 2012
- The continuation of collection of data for the environmental baseline study

Mineral Resource Estimate January 2012

The mineral resource estimate is effective 10 January 2012 and is based on 1,087 boreholes for a total of 25,773m and includes targets within the North, Centre, Pequizeiro, Baião and Lontra sectors of the greater Araguaia project. Marc-Antoine Audet Géologue Consultant Inc. carried out the resource modelling and was the Independent Qualified Person on the Resource Statement. Significant portions of the Mineral Resource, in particular from the Pequizeiro and Baião targets, have been raised to the Indicated category. The Mineral Resources include estimates from the Vila Oito West and Lontra zones not included in the previous resource estimate dated March 2011. The model integrates the concept of geological horizons (limonite, transition and saprolite) to create a 3D block model. Estimation was conducted in unwrinkled space using Gemcom software with Ordinary Kriging as the interpolation method where drilling coverage allowed (generally 100m x 100m hole spacing or closer on the Pequizeiro, Pequizeiro West and Baião targets) otherwise using Inverse Distance at the Power of 2 (ID2). Mineral Resources are

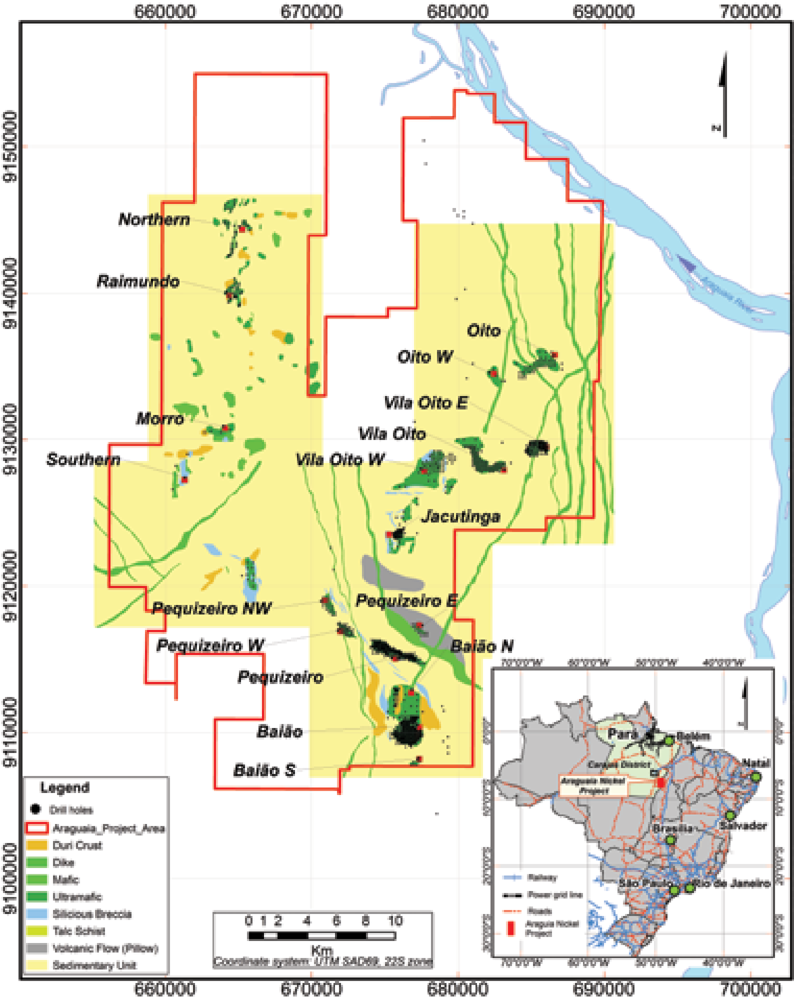


Figure 1: Principal Resource Targets on the Araguaia Project

Diamond drilling on the Jacutinga target October 2012

Operations Review continued

Sample of ferronickel produced by XPS from blended ore from Araguaia grading 34.3% Ni and 63.9% Fe

reported using a range of Ni cut-off grades **(Table 1)** and detailed by geological host at a 0.95% Ni cut-off **(Table 2)**.

Metallurgical Testwork

In March 2012 the positive results from the preliminary metallurgical testwork were announced. The pyrometallurgical testwork completed at Xstrata Process Support (XPS), based in Sudbury, Canada, including the determination of the thermal characteristics and batch smelting demonstrated that commercial grades of ferronickel could be produced from blends considered representative of the combined Pequizeiro and Baião deposits. The Araguaia ores have a high SiO2/MgO ratio, in a similar range to that found in the BHP Billiton Cerro Matoso ferronickel operation. The XPS study also developed a Metsim model of a potential reduction/smelting process for the Araguaia ore and found that the energy requirements will be similar to published data for other laterite smelting operations.

The hydrometallurgical testwork completed by WAI comprised both Bottle Roll Leach (BRL) tests and Atmospheric Agitated Tank Leach (AATL) tests. Both sets of tests were undertaken on different test conditions. The tests successfully demonstrated that the ore is readily leachable in sulphuric acid solutions and it was possible to obtain 80-90% nickel and 80-95% cobalt recoveries with moderate acid consumptions. The AATL and BRL tests showed that the mean acid consumption was around 650 kg/t to reach a nickel recovery of 80% from the blend ore sample. Normalized acid consumption was found to be 52 kg acid per kg of nickel extracted for nickel recoveries of 80 to 90%.

In April 2012 a selection of samples from the mineralised horizons of the Pequizeiro target were sent to MineSense, Vancouver Canada to undertake preliminary testwork to establish their upgrading potential based on the measurement of the variability of the nickel and iron grades as measured by a XRF analyser. The range of nickel and iron grades in the samples was established and estimations of the upgrading effect of rejection of lower grade material were made. A small degree of upgrading was shown to be possible, however further work is required to determine if an upgrading step would be viable in a commercial operation.

In October 2012 two blends of Araguaia laterite were submitted to the laboratories of F.L. Smidth in Bethleham, Pennsylvania, USA, market leaders in the design and supply of rotary kilns, for rotary kiln evaluation testing. The overall results of

IGEO RKEF pilot plant

Diamond drill core lossing at the main geological office in Conceicao Do Araguaia the study show that Araguaia ore is suitable for rotary kiln calcination and partial reduction prior smelting in an electric furnace. A range of suggested kiln operating conditions was indicated. The testwork comprised 1) physical analysis of the blends including moisture content, bulk density, angle of repose, wet and dry particle size distribution and particle degradation in tumble testing; 2) Chemical analysis and ore thermal analysis; 3) Ore reduction and sintering tests including small scale briquetting tests. The determined properties of the two Araguaia blends show that the material is amenable to high temperature kiln processing. The dry particle size distribution data and the results of the tumble testing were found to be generally comparable to those of a number of laterite ores currently handled in commercial Rotary Kiln-Electric Furnace operations. The sintering tests established the range of kiln operating temperatures. In the ore reduction tests, the degree of iron reduction was considered normal, and while a somewhat lower degree of nickel reduction was obtained, this result does not materially affect overall Rotary Kiln-Electric Furnace performance.

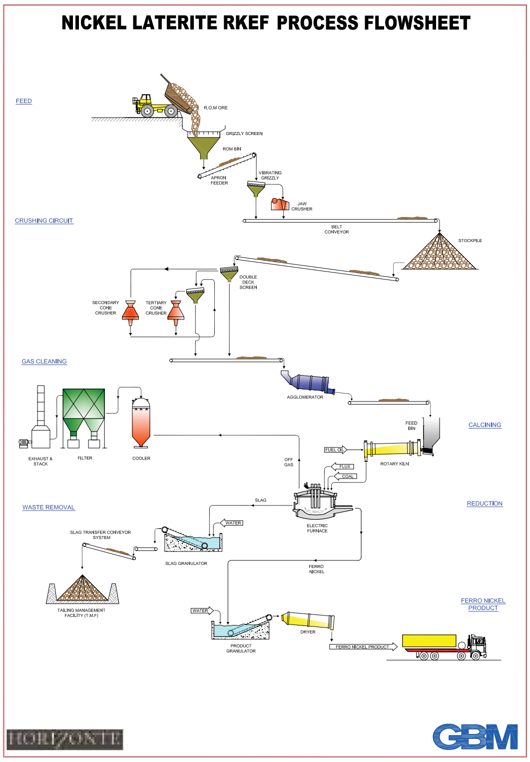


Table 1: Mineral Resource Estimate (January 2012) at a range of nickel cut-off grades

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

Table 2: Mineral Resource Estimate (January 2012) at 0.95% nickel cut-off by Geological Facies

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

Operations Review continued

In 2012 there were 14 operational RKEF process plants worldwide. This photo shows Anglo American's Barrol Alto project in Brazil

In December 2012 some additional testwork was initiated, directed at pyrometallurgical processing of the Araguaia ore. The work includes the measurement of the Araguaia slag melting point at Kingston Process Metallurgy Inc, Kingston, Ontario, Canada, ore agglomeration behaviour testwork at Feeco, Green Bay, Winsconsin, USA, and a detailed mineralogy study at SGS Lakefield, Ontario, Canada of one of the ore blends tested at F.L. Smidth.

While a Rotary Kiln Electric Furnace ('RKEF') process is the preferred route established by the Preliminary Economic Assessment ('PEA'), reported in August 2012 (see below), it was deemed appropriate to continue investigating Atmospheric Tank Leaching ('ATL') as an alternative process. To that end a testwork programme to optimise the operating conditions for ATL was initiated at SGS Lakefield in October 2012. The scope of this programme comprises optimisation of the leach conditions with respect to nickel, iron and magnesium recoveries and acid consumption and the generation of the required engineering design parameters by employing a continuous, bench-scale test set-up. The operating conditions established in the earlier batch leaching testwork undertaken at WAI are the starting point for the optimisation testwork. Specific objectives of the programme include 1) determining comminution parameters to reach a target feed size, 2) obtaining leach times and acid consumptions for optimum metal recoveries under controlled acid strength conditions, 3) analysing process flowsheet alternatives, 4) estimating the rheological characteristics of the slurry. This work is scheduled to be completed and reported in Q1/Q2 2013.

Preliminary Economic Assessment

In August 2012 the Company announced the results of its NI 43-101-compliant PEA of the Araguaia Project. These included a post tax Net Present Value ('NPV') of US$693 million at an 8% discount rate and Internal Rate of Return ('IRR') of 15.4% based on an ore throughput of 1.75 million tonnes per annum of mineralised material treated through a 90 MW RKEF process plant using US$8.60/lb long term nickel price. Assessment of the ATL processing option gave a post tax NPV of US$554 million at an 8% discount rate and an IRR of 18.1%. Capital payback is estimated as being 7 years for RKEF and 6 years for ATL. RKEF is the preferred processing route, favoured due to availability of hydro electrical energy in the Araguaia region combined with the presence of three operating RKEF pyrometallurgical operations in Brazil.

Environmental and Social Baseline Study

Baseline environmental and social studies and data collection to international

Drilling team at Araguaia

standards has been underway on the project since November 2011 and continued through 2012. This work includes soil sampling, surface water monitoring, meteorological measurements, air quality sampling and biological (flora and fauna) surveys. Initial stakeholder mapping has been completed and formal social management systems, including Stakeholder and Community Engagement Plan are in preparation. The aim is to complete the environmental baseline survey in Q2 2013. The process selection is currently underway to award the SEIA tender to a Brazilian consulting group to complete this work to IFC standards and comply with Brazilian Environmental laws as part of the project permitting process.

Infill Drilling Programme

The third phase mineral resource drilling (HQ3) programme commenced in September 2012. There are 4 diamond drill rigs currently active on the project. The programme is designed to complete infill drilling on 100m x 100m grids on the Jacutinga, Vila Oito, Vila Oito East and Pequizeiro West targets and define a high grade resource at the Indicated category.

The total drilling meterage planned is approximately 7,000m. By the end of the 2012, 2,654m had been completed in 80 boreholes. It is planned that this infill drill programme will be complete by the end of March 2013 and the results will be integrated into an updated resource estimate prepared as part of the Pre-Feasibility Study.

Chairman David Hall on site at Araguaia 2012

Table 3: Jacutinga 2012 Drilling Programme
100m x 100m Infill Drilling
Intercepts ≥1% Ni cut-off
Holes PCA-DD-1100 to PCA-DD-1106;

PCA-DD-1108 to PCA-DD-1112;
PCA-DD-1114 to PCA-DD-1118;
PCA_DD_1120 to PCA-DD-1125;
PCA-DD-1127

Hole	From (m)	To (m)	Width (m)	Ni %	Co %
PCA-DD-1100	13.76	18.24	4.48	1.09	0.01
PCA-DD-1101			NSI		
PCA-DD-1102			NSI		
PCA-DD-1103	**3.30**	**12.39**	**9.09**	**2.11**	**0.09**
PCA-DD-1104			NSI		
PCA-DD-1105			NSI		
PCA-DD-1106			NSI		
PCA-DD-1107			Results Awaited		
PCA-DD-1108	3.56	28.64	25.08	1.29	0.05
PCA-DD-1109			NSI		
PCA-DD-1110			NSI		
PCA-DD-1111	**5.93**	**29.13**	**23.20**	**2.09**	**0.10**
Including	**7.82**	**17.92**	**10.10**	**2.91**	**0.13**
PCA-DD-1112			NSI		
PCA-DD-1113			Results Awaited		
PCA-DD-1114	5.08	9.32	4.24	1.39	0.09
PCA-DD-1115	13.36	15.60	2.24	1.71	0.08
PCA-DD-1116	18.74	25.74	7.00	1.35	0.06
&	35.74	40.50	4.76	1.09	0.03
PCA-DD-1117	5.17	9.20	4.03	1.32	0.06
PCA-DD-1118	**2.05**	**18.23**	**16.18**	**1.73**	**0.07**
&	22.56	26.11	3.55	1.19	0.01
&	29.29	31.48	2.19	1.15	0.02
PCA-DD-1119			Results Awaited		
PCA-DD-1120			NSI		
PCA-DD-1121			NSI		
PCA-DD-1122	**12.75**	**26.85**	**14.10**	**1.62**	**0.09**
&	34.10	37.18	3.08	1.04	0.04
PCA-DD-1123	5.48	12.30	6.82	1.19	0.04
PCA-DD-1124			NSI		
PCA-DD-1125	8.68	16.20	7.52	1.64	0.04
PCA-DD-1126			Results Awaited		
PCA-DD-1127	6.66	16.43	9.77	1.51	0.05

Falcao Gold Project (JV with AngloGold Ashanti)

The Falcao Project is a joint venture between the Company and AngloGold which was signed in August 2010. It gives AngloGold the right to earn into 51% of the project by investing US$4.5 million over three years. AngloGold has the option of obtaining a further 19%, taking it to 70%, by funding a Pre-Feasibility Study within three years of the vesting date. Under the terms of the agreement, AngloGold was required to invest a minimum of US$900,000 within the first year, a milestone that was achieved in the second quarter of 2011.

Falcao is located in southern Pará State, north central Brazil, which hosts the Carajás Mineral District and lies approximately 110km to the north of the Company's Araguaia Project. The project was a BHP grassroots discovery that was identified by regional stream sediment sampling which defined several sample locations running anomalous gold, copper and silver values, covering a 50 sq km land area. The stream sediment programme was followed-up by a regional soil grid and wide spaced, shallow auger drill programme which defined the main area of interest as an open 6km long anomalous gold trend and adjacent zinc/silver/gold zone.

BHP undertook a limited wide spaced reverse circulation ('RC') drilling campaign in September 1998. The final RC drill holes were located on a wide (2,400m by 400m) spacing along the 6km anomalous trend. Despite the wide drill hole spacing a number of highly anomalous intersections were drilled.

Since initiating field work in the third quarter of 2010, the Company carried out extensive exploration and evaluation at Falcao. This commenced with a soil sampling survey. The survey was carried out during October and November 2010 over a 3,000m by 1,500m zone on 100m line spacing. The grid covers the central part of the main target zone. Samples were collected every 25m along lines and every second sample analysed by Acme Laboratories. The results confirmed a 300 to 600m wide zone at greater than 50ppb, with the trend open to both the east and west and the resulting data, compiled with the regional soil geochemistry database and interpreted together with the newly acquired geophysical database is being used to define the drill targets and additional zones for follow-up. Geological mapping was carried out over an area of approximately 20 sq km and has been used for the combined interpretation of the geochemical and geophysical data. Given the poor exposure in the target zone, this combined interpretation has played a critical role in enhancing the understanding of the geologic setting and the definition of drill targets.

As part of the Anglo programme a 3,200 line km aeromagnetic and radiometric survey was flown over the Falcao Project in November 2010. The survey was carried out on 100m line spacing over the central part of the area and lines at 200m spacing extending to the east and west to aid in the structural interpretation of the data. All quality control data was monitored and approved by AngloGold's geophysical specialist group in Bogotá.

Following evaluation of the above, in July 2011 the Company commenced a 2,587m diamond drilling programme at Falcao, with a view to testing the gold soil anomaly which is currently 4km long and is open to the east and which varies from 200m to 800m in width. 10 diamond drill-holes were spaced out over a 4,700m strike and went to a depth of between 200 and 300m. Of the first 10 holes, 6 intersected zones of gold mineralisation and as a result, a further 5 holes totalling 1,076m were drilled in late 2011, taking the total number of metres drilled to 3,663m. Highlights were 29.35m grading 0.68 g/t Au in DDH-1 including 11.1m with 1.21 g/t Au; 48.9m grading 0.93 g/t Au in DDH-2 and 65m grading 0.82 g/t Au in DDH-14 including 16.01m with 2.63 g/t Au.

Expenditure for 2012 with AngloGold was US$1.67 million and was focussed initially on an induced polarisation geophysical survey over the principal mineralised zone, combined with an expansion of the soil geochemical sampling with the aim to expand the target zone to the east. This work lead to further targeting of drill holes in and around the area of DDH-1, 2 and 14.

A follow up drill programme commenced in October 2012 and comprised some 5 holes: FAL-DDH-016: the continuation of the FAL-DDH-014 that intercepted disseminated sulphides in sheared acidic metavolcanics with strong chloritization and sericitization stopped temporarily at 253,41m due to rod problems in sheared basic metavolcanics locally with disseminated sulphides zones locally, both lithotypes displaying minor quartz veins with carbonatization with low dissemination of sulphides. FAL-DDH-017: finished at 202.50m, started and terminated in sheared basic metavolcanic locally with low to high sulphide dissemination and carbonate-quartz vein with minor disseminated sulphides. FAL-DDH-018: finished at 202.46m, started and terminated in sheared basic metavolcanic locally with low to high sulphide dissemination and carbonate-quartz vein with minor sulphide dissemination. FAL-DDH-019: finished at 202.48m, started with sheared acidic metavolcanics with strong chloritization and sericitization locally with low to medium sulphide dissemination and carbonate-quartz veins with sulphides until 74,80m. Thereafter, sheared basic metavolcanics with minor to major sulphide dissemination and carbonate-quartz vein with minor pyrite and chalcopyrite dissemination were encountered.

FAL-DDH-020: finished at 186.83m, started with sheared acidic metavolcanics with strong chloritization and sericitization locally with minor sulphides and quartz veins.

However, despite the extensive presence of sulphides the drill results were disappointing, with no significant values returned in this phase of drilling outside the main anomaly defined in the 2011 programme.

All work to date is now being evaluated to determine the overall geological potential of the project area and if additional exploration work is justified. Once complete AngloGold Ashanti and Horizonte will determine any future exploration funding commitment.

Financial Report

"A robust balance sheet as Horizonte continues to advance the Araguaia Project."

	Year ended 31 December 2012 £	Year ended 31 December 2011 £
Loss before taxation	**(2,489,481)**	(1,804,053)
Cash and cash equivalents	**5,887,574**	5,856,949
Exploration assets	**20,074,974**	18,968,079
Net assets	**27,555,792**	26,401,666
Loss per share	**(0.762)**	(0.653)

Loss for the year
The financial results of the Group showed a £685,428 negative swing in loss before tax due to a number of mainly one off items, principally as follows:

- A one-off non cash impairment charge of £700,397 due to the writing off of the Tangara intangible asset following termination of the joint venture with Troy Resources, combined with the write off of a fee paid on an option which expired during the year.
- The 2011 results also benefited from a one off fee of £312,500 on the granting of a royalty option which did not recur in 2012.
- An adverse exchange movement of £181,618 driven by a strengthening of Sterling during the year against the US Dollar and Brazilian Real.

Conversely there were a number of positive movements which partly offset the above, notably:

- Cost savings of £180,758 in administrative and Toronto Stock Exchange compliance costs, due to an increased focus on cost management, coupled with the listing of the Group on the Toronto Stock Exchange in 2011 which involved costs that consequently did not recur in 2012.
- There was an additional net credit to the 2012 income statement of £398,217 due to a change in fair value of contingent consideration arising due to exchange rate changes in the functional currency in which the liability is payable.

In addition, total comprehensive income attributable to equity holders of £(5,583,866) included currency translation differences of £(3,039,094). This was principally due to the Brazilian Real weakening against Sterling as at 31 December 2012, as compared to 31 December 2011.

HQ Drilling at Araguaia August 2012

Financial Report continued

Cash and Cash Equivalents
The closing cash balance for the Group of £5,887,174 is net of £2,886,484 of direct exploration and capital expenditure in the year, as compared to £4,320,461 in 2011. The variance is principally due to timing of the drilling campaigns at Araguaia, where the second phase 13,204 metre drill programme fell principally in 2011, whereas costs on the 3rd phase 7,000 metre programme, started in 2012, only started to come through in November.

Exploration Assets
Exploration Assets have increased by £1,106,895 in the year to £20,074,974. However this is net of a negative foreign exchange revaluation of £2,450,304 as the Brazilian Real depreciated in value against Sterling. Included in investment in Exploration Assets was the completion in 2012 of the acquisition from Lara Exploration Limited of the Vila Oito and Floresta nickel laterite projects, as Horizonte consolidates its land position around Araguaia.


Drill site rehabilitation at Araguaia January 2013


Diamond drilling at the Jacutinga target, Araguaia nickel project January 2013

NICKEL

Industry Summary

Nickel's main use is as an alloying metal in the production of stainless and heat resistant steel. Some two thirds of nickel is used in the manufacture of stainless steel and a further 20% in non-ferrous alloys and other steels. Nickel's principal end use is in construction, where its strength, ductility, high melting point as well as its resistance to corrosion and heat all contribute to its widespread use. Other principal demand sectors include automotive and electronics, where it is a critical component in re-chargeable batteries, as well as in chemical processing and piping.

Markets:

Global annual demand for nickel has increased over time and in correlation with economic development: according to the Nickel Institute, from 1.10 million tonnes in 2001 to 1.57 million tonnes in 2011. Asia is by far the largest regional market, representing 65% of global demand, with China alone accounting for circa 44%, up from 8% a decade earlier. Nickel prices have shown considerable volatility over the past 20 years as can be seen in the graph below.

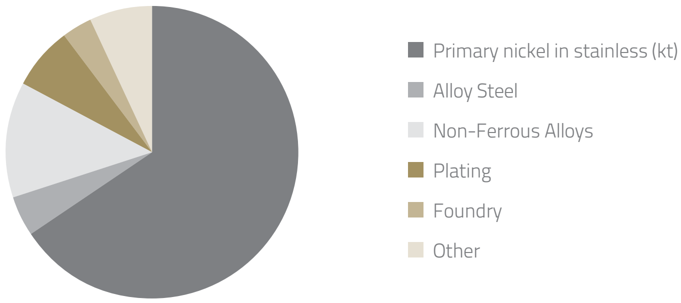
Until 2003 nickel prices remained below $10,000/tonne, breaching $14,000/tonne in 2005 before peaking at $52,179/tonne in May 2007, falling since then on the back of the global economic crisis and since then staging a series of recoveries and retreats.

Market Outlook

Due to future increases in world population, to 9-10 billion by around 2050, as well as current and future global megatrends such as growth in demand for transport, accommodation, food/water and energy, the outlook for future nickel demand is expected to increase. Its role in innovative uses is also expected to be significant: its exceptional high temperature strength and corrosion resistance lends well to use in super alloys for chemical plants and gas turbines for example. Nickel catalysts are also being developed and power storage solutions incorporating nickel are continuously advancing.

According to estimates from Wood Mackenzie, based upon the outlook for stainless steel production and world industrial production trend growth forecasts, nickel demand is expected to grow at 3% per annum through to 2025. Taking into account existing operations and base case projects classed as 'highly probable', a structural market supply shortfall opens up by 2025 of circa 450 Kt per annum, and which will have to be filled from new projects.

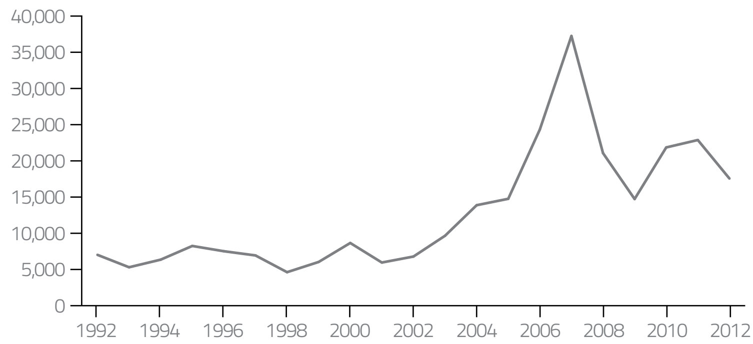
Nickel first uses



Source: Wood Mackenzie

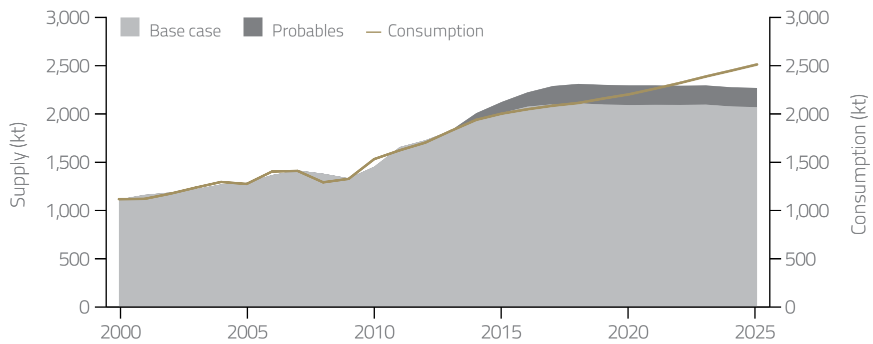
Ferronickel casting

Nickel price US$/tonne (annual average prices)



Source: Wood Mackenzie

LT supply shortfall



Source: Wood Mackenzie

Board of Directors and Key Management

A wealth of experience

David J Hall BSc, MSc, Fellow SEG PGeo
Non Executive Chairman

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

Subsequently in 2002, Mr Hall was instrumental in forming TSX-V listed GoldQuest Mining Corp focussed in the Dominican Republic. Mr Hall also founded Stratex International plc, which has made a number of significant gold discoveries in Turkey and Ethiopia and has Teck Resources Limited as an equity partner.

Jeremy J Martin MSc, ASCM
Director and Chief Executive Officer

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

Jeffrey Karoly BSc, ACA
Chief Financial Officer and Company Secretary

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

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

Dr Bavinton graduated from the University of Queensland in geology in 1969 and holds a Masters Degree in Mineral Exploration from Imperial College, London and a PhD in Economic Geology from ANU, Canberra, Australia. He has over 40 years of varied international experience in the mineral exploration and mining sector in several commodities. After brief periods as a junior consultant and an underground mine geologist on a Witwatersrand gold mine, from 1974 to 1985 he had several positions with Western Mining Corporation ('WMC'), finally as director of WMC's activities in Brazil. From 1986 to 1992 he was Chief Executive Officer of Aredor Guinea SA. In 1992 he joined the Anglo American Group where he stayed until his retirement in 2010. Based initially in Turkey and then in Budapest, he was responsible for Anglo American's exploration and project evaluation activities in the FSU, Central Europe and the Middle East. He moved to London in 1998, initially as Head of Exploration for Minorco, and later Group Head of Exploration and Geology for the Anglo American Group. In those roles he was responsible for worldwide exploration and geosciences covering a wide range of exploration projects worldwide, through all stages of development, including advanced projects and feasibility studies, as well as providing geoscience input into numerous acquisitions. He is a fellow of the Society of Economic Geologists, the Association of Applied Geochemists and the Institute of Materials, Mining and Metallurgy.
Dr Bavinton is currently an independent consultant.

Allan M Walker MA
Non-Executive Director

Mr Walker has over 30 years of experience in investment banking, primarily focussed on project finance and private equity in the energy and natural resource sectors particularly in emerging markets. He has extensive contacts in these sectors worldwide as well as with governments, multilateral agencies and regional development banks. He joined Masdar Capital in Abu Dhabi in March 2012 as Executive Director, responsible for managing the third party private equity funds management business for Masdar, the Abu Dhabi government's clean energy and sustainability company. Previously he founded and ran a similar fund for Black River Asset Management Limited, an indirectly held subsidiary of Cargill Inc. Prior to Black River Mr Walker, from 2002 until 2005, was head of power and infrastructure in London for Standard Bank Plc, a world leader in emerging markets resource banking. He was also previously a director in the Global Energy and Project Finance Group of Credit Suisse First Boston in London and ran the energy company at CSFB Garantia in Sao Paulo, Brazil from 1998 to 2001. Mr Walker graduated with an MA in economic geography from Cambridge University in 1982 and speaks Portuguese and Spanish.

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

Mr Christopher, a professional geologist, has over 28 years of experience in mineral exploration and the mining industry. He is a member of the Association of Professional Engineers and Geoscientists BC and possesses an Honours B.Sc. in Geology from McMaster University and an Environmental Biology Technology diploma from Canadore College. Mr Christopher currently holds the position of Vice President Exploration at Teck. Mr Christopher has been with Teck since the mid 1980s holding a number of positions within the company and has spent much of his time over the past 10 years focusing on the junior mining sector, partnerships, property transactions and Teck's junior mining equity investments.

William Fisher PGeo
Non-Executive Director

Bill Fisher graduated as a geologist in 1979 and has extensive industry experience which has included a number of residential posts in Africa, Australia, Europe and Canada in both exploration and mining positions. Under his leadership, Karmin Exploration discovered the Aripuanã base metal massive sulphide deposits in Brazil. From 1997 to 2001 Bill was Vice President, Exploration for Boliden AB, a major European mining and smelting company where he was responsible for 35 projects in nine countries. From 2001 to 2008 Bill led GlobeStar Mining Corp. from an exploration company to an emerging base metal producer in the Dominican Republic which developed and operates the Cerro de Maimon mine. Bill was also Chairman of Aurelian Resources which was acquired by Kinross in 2008 for $1.2 billion after the discovery of the Fruta del Norte gold deposit in Ecuador. Bill currently also serves as an independent director of PC Gold (TSX: PKL), RX exploration (RXE. CNQ) and Treasury Metals (TSX: TML).

Roger Billington PGeo
Technical Manager

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

Philip Mackey
Senior Metallurgical Advisor

Dr Mackey is a consulting metallurgical engineer with over forty years' experience in non-ferrous metals processing with a particular focus on nickel and copper sulphide smelting and nickel laterite processing. He has worked for leading producers of nickel including Falconbridge and Xstrata and throughout his career he has been involved in a number of nickel sulphide projects and later on, nickel laterite projects at various stages of the development cycle. Dr Mackey's extensive experience has seen him take projects from the start-up stage, through the feasibility stages and into the processing and production of non-ferrous metals. Dr Mackey is a Member and Fellow of the Canadian Institute of Mining and Metallurgy as well as the Metals and Minerals Society USA. He has also authored or co-authored over 100 publications regarding metallurgy with a particular focus on nickel and copper.

Directors' Report

The Directors present their annual report on the affairs of Horizonte Minerals Plc, together with the audited Financial Statements for the year ended 31 December 2012.

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

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

Financial review
The Group recorded a loss for the year of £2,489,481 (2011: loss £1,804,053). The Group is currently involved in exploration and evaluation activities and not active mining. As a result, the Group is not revenue generative.

In 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.

In 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.

At 31 December 2012 the Group had cash and cash equivalents of £5,887,174 (2011: £5,856,949). The Directors have prepared cash flow forecasts for the 12 months from the date of signing of these financial statements. The Directors have formed a judgment at the time of approving the financial statements that there is a reasonable expectation that the Company and Group have adequate resources to continue operations for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements. Further details of the Directors' conclusions regarding going concern are detailed in note 2.4 to the financial statements.

The Directors do not recommend payment of a dividend (2011: £Nil).

Key Performance Indicators ('KPIs')
The Board monitors the activities and performance of the Group on a regular basis. The Board uses both financial and non-financial indicators to assess the performance of the Group. The indicators set out below were used during the year ended 31 December 2012 and will continue to be used by the Board to assess performance over the year to 31 December 2013.

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

	2012	2011
Cash and cash equivalents	**£5,887,174**	£5,856,949
Administrative expenses as a percentage of Total assets	**5.3%**	5.6%
Exploration costs capitalised as intangible assets	**£4,196,704**	£4,327,200

Administrative expenses as a percentage of total assets have been reduced due to stabilisation of corporate activity following the TSX listing in 2011 and the acquisition of the Araguaia Project in late 2010.

Exploration costs capitalised as intangible assets in the year are similar to 2011 as the Company continues to carry out exploration activity on the Araguaia project, which was acquired in August 2010 and in 2012 include the purchase of exploration assets from Lara Exploration Limited, in which the Company issued 8,500,000 new ordinary shares of 1 pence per share each at a premium of 14 pence per share in consideration for the acquisition of the Vila Oito and Floresta nickel laterite projects. Exploration activities on the Group's other sites, such as the Falcao project, were also undertaken during the year but do not feature as capitalised exploration assets in the Group's financial statements since the activity is funded by the Group's various joint venture partners.

At 31 December 2012 the Group's intangible assets had a carrying value of £20,417,739.

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

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

Operational performance
Resource size and grade: A Canadian National Instrument ('NI') 43-101 Technical Report was released in February 2012 for the Araguaia project and included an indicated resource of 39.3 million tonnes at 1.39% nickel, together with 60.9 million tonnes at 1.22% nickel at the inferred level, both at a 0.95% nickel cut-off. This represented an overall increase on previous published reports.

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

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

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

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

SEIA
In the context of the above and as the project moves into the Pre-Feasibility Stage, a Social and Environmental Impact Assessment will be commissioned and will be carried out by a qualified third party to International Finance Corporation/World Bank standards.

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

Risk and Uncertainties

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

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

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

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

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

Brazil, the current focus of the Company's activity, offers stable political frameworks and actively supports foreign investment. Brazil has a well-developed exploration and mining code with proactive support for foreign companies and in terms of economic growth, ran at circa 3.0% for 2012 which compares well to its global peer group.

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

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

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

Dependence on key personnel
The Group is dependent upon its executive management team. Whilst it has entered into contractual agreements with the aim of securing the services of these personnel, the retention of their services cannot be guaranteed. The development and success of the Group depends on the Company's ability to recruit and retain high quality and experienced staff. The loss of the service of key personnel or the inability to attract additional qualified personnel as the Company grows could have an adverse effect on future business and financial conditions. To date the Company has been successful in recruiting and retaining high quality staff.

Directors' Report continued

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

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

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

Substantial shareholdings
The Directors are aware of the following substantial interests or holdings in 3% or more of the Company's ordinary called up share capital as at 21 February 2013.

Major shareholders	Number of shares	% of issued capital
Teck Resources Limited	150,573,987	41.8
Henderson Global Investors	46,943,477	13.0
Anglo Pacific Group Plc	35,520,491	9.9
Quantom Holdings Ltd	30,000,000	8.3
Richard Griffiths	14,536,192	4.0

Share capital
A statement of the changes in the share capital of the Company is set out in note 15 of the Financial Statements.

Directors and their interests
The names of the Directors of the Company at the date of this report are shown in the Statutory Information.

Dr Owen Bavinton was appointed as a Non-Executive Director on 17 January 2012.

The Directors who served during the year, together with all their beneficial interests in the shares of the Company as at 31 December 2012 are as follows:

	31 December 2012		31 December 2011	
Director	**Shares**	**Options**	Shares	Options
David Hall	**765,908**	**3,000,000**	528,571	3,000,000
Jeremy Martin	**853,908**	**5,250,000**	616,571	5,250,000
Owen Bavinton	**–**	**1,500,000**	–	–
Allan Walker	**–**	**2,400,000**	–	2,400,000
William Fisher	**–**	**1,500,000**	–	1,500,000
Alex Christopher	**–**	**–**	–	–

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

There has been no change in the interests set out above between 31 December 2012 and 21 February 2013.

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

Creditor payment policy
The Company's policy is to settle terms of payment with suppliers when agreeing terms of business, to ensure that the suppliers are aware of the terms of payment and to abide by them. Creditors' days as at 31 December 2012 amounted to 54 days (2011: 36 days).

Charitable donations
During the year ended 31 December 2012, the Company made a charitable donation of £6,519 (2011: £6,540) to a charity addressing the needs of homeless people.

Annual General Meeting
The Notice of the Annual General Meeting of the Company and the management information circular together with Management Discussion and Analysis as at 31 December 2012 will be distributed to shareholders together with the Annual Report. Full details of the business to be considered at that meeting can be found in the Notice.

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

By Order of the Board

Jeffrey Karoly
Company Secretary
21 February 2013

Statement of Directors' Responsibilities

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

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

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

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

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

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

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

Corporate Governance Report

The Board of Directors
As at 31 December 2012, the Board of Directors comprised six members: one Executive Director and five Non-Executive Directors including the Chairman, Mr David Hall. The Executive Director has a wealth of minerals exploration and development experience. Similarly the Non-Executive Directors have extensive mineral and financial experience. Three of the Non-Executive Directors are classified as Independent by the Toronto Stock Exchange.

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

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

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

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

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

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

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

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

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

We have audited the Financial Statements of Horizonte Minerals Plc for the year ended 31 December 2012 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statements of Financial Position, the Consolidated and Parent Company Statements of Cash Flows, the Consolidated and Parent Company Statements of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company Financial Statements, as applied in accordance with the provisions of the Companies Act 2006.

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

This report, including the opinions, has been prepared for and only for the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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

Opinion on Financial Statements
In our opinion:

- the Financial Statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2012 and of the Group's loss for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company Financial Statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

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

1 Westferry Circus
Canary Wharf
London E14 4HD

21 February 2013

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)

The notes on pages 31 to 52 form part of these financial statements.

COMPANY OVERVIEW
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Consolidated Statement of Financial Position

Company number: 05676866
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

The notes on pages 31 to 52 form part of these financial statements.

The financial statements were authorised for issue by the Board of Directors on 21 February 2013 and were signed on its behalf.

David J Hall
Chairman

Jeremy J Martin
Chief Executive Officer

Company Statement of Financial Position

Company number: 05676866
As at 31 December 2012

	Notes	31 December 2012 £	31 December 2011 £
Assets			
Non-current assets			
Property, plant & equipment	11	**5,455**	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

The notes on pages 31 to 52 form part of these financial statements.

The financial statements were authorised for issue by the Board of Directors on 21 February 2013 and were signed on its behalf.

David J Hall
Chairman

Jeremy J Martin
Chief Executive Officer

Statements of Changes in Equity
For the year ended 31 December 2012

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

The notes on pages 31 to 52 form part of these financial statements.

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.

The notes on pages 31 to 52 form part of these financial statements.

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			
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		**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.

The notes on pages 31 to 52 form part of these financial statements.

Notes to the Financial Statements

1 General information

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

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

2 Summary of significant accounting policies

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

2.1 Basis of preparation

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's Accounting Policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Statements, are disclosed in Note 4.

2.2 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning 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.

Notes to the Financial Statements continued

2 Summary of significant accounting policies continued
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.

Notes to the Financial Statements continued

2 Summary of significant accounting policies continued
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.

Notes to the Financial Statements continued

2 Summary of significant accounting policies continued

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.

Notes to the Financial Statements continued

3 Financial risk management continued

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.

Notes to the Financial Statements continued

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.

Notes to the Financial Statements continued

9 Taxation continued

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).

10 Intangible assets continued

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.

Notes to the Financial Statements continued

10 Intangible assets continued
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.

Notes to the Financial Statements continued

13 Other financial assets

	Group 2012 £	Group 2011 £	Company 2012 £	Company 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 2012 £	Group 2011 £	Company 2012 £	Company 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 2012 £	Group 2011 £	Company 2012 £	Company 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.

Notes to the Financial Statements continued

17 Share options continued

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 2012 £	Group 2011 £	Company 2012 £	Company 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.

Notes to the Financial Statements continued

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.

Notes to the Financial Statements continued

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).

Statutory Information

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

Company Secretary
Jeffrey Laszlo Karoly

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