

FINAL RESULTS

20 February 2014 – Horizonte Minerals Plc, (AIM: HZM, TSX: HZM) ('Horizonte' or 'the Company') the exploration and development company focussed in Brazil, announces its results for the year ended 31 December 2013.

Overview

- Delivery of a number of major milestones during 2013, further de-risking of 100%-owned Araguaia Nickel Project ('Araguaia') located south of the producing Carajas mineral district, Brazil
- Pre-Feasibility Study ('PFS') being conducted by Snowden Mining Industry Consultants on track for completion in Q1 2014
- Metallurgical test work completed – confirming Araguaia ore as suitable for the proven Rotary Kiln Electric Furnace processing route for ferro-nickel production
- 321 holes (9,309 metres) of the final Phase 3 infill drill programme completed on time and within budget targeting five zones at Araguaia with continual high grade intercepts including 20.21 metres grading 2.29% Ni
- Results from Phase 3 drilling to feed into a new resource update as part of the PFS aiming to convert sufficient resources to the Indicated category to provide a minimum of 20 years mine life
- Solid cash position following raising of £3.08 million underpinning the continued support from major shareholders including Teck Resources and Henderson Global Investors

Chairman's Statement

2013 was a highly active year for Horizonte with the prime focus on the commencement and near completion of the Pre-Feasibility Study ('PFS') on our 100%-owned Araguaia Nickel Project, located south of the Carajas Mining District in northern Brazil ('Araguaia'). The PFS is a major study aimed at further increasing the confidence that Araguaia is set to become Brazil's next major nickel project. The completion of the PFS, which is on budget and on schedule for Q1 2014, will be a significant de-risking milestone for the project and add inherent value for shareholders.

Key aspects of the project advancement during 2013 included the completion of a 9,309m infill drilling programme at Araguaia, where a total of 35,200m (1,412 holes) have now been drilled to date. The recent drilling has continued to return high grade

nickel results including 20.21 metres at 2.29% nickel and show good vertical thickness over the main target zone. These drilling results will feed into a new resource statement, which will convert part of the current Inferred resources into the Indicated category, and will be included as a part of the PFS. A second key aspect, as well as a critical de-risking milestone, was the completion of a metallurgical test programme at Araguaia in May 2013. This has demonstrated that Araguaia ore can be processed using the proven Rotary Kiln Electric Furnace ('RKEF') process in order to produce a saleable ferronickel product that meets the requirements of international stainless steel plants.

In June 2013, despite difficult market conditions, we successfully completed a £3.08 million placing before expenses, to help support the development at Araguaia. The placing underpinned the continued strong support Horizonte has from its major shareholders, including Teck Resources and Henderson Global Investors. Following this placing Horizonte had a strong net cash position which will take the Company through to the delivery of the PFS at Araguaia and 2014.

With the funding secured, in July 2013, Snowden Mining Consultants was appointed to deliver a PFS at Araguaia. The study is looking at preliminary pit optimisation and development of feed schedules for a RKEF process plant for two options: the first, a single line at 900,000 tonnes per annum, the second with two lines at 2.7 million tonnes per annum. The former of these options could offer lower capital expenditure. Additional aspects necessary for the viability of Araguaia will also be included in the PFS, such as project infrastructure planning and a Social and Environmental Impact Assessment and we look forward to the culmination of this study, targeted for Q1 2014, as we progress the project up the development curve towards production.

One of the recurring question marks about Araguaia and future production from the project is the nickel price. Mining has been and always will be a cyclical business, but the need for metals will persist, and that includes nickel. Nickel-containing materials play a major role in our everyday lives – food preparation equipment, mobile phones, medical equipment, transport, buildings, power generation, rechargeable batteries – the list is almost endless. These materials are selected because, compared with other materials, they offer better corrosion resistance, strength at high and low temperatures, as well as a range of special magnetic and electronic properties.

Most important are alloys of iron, nickel and chromium, of which stainless steels (frequently 8-12% nickel) represent the largest volume. Nickel based alloys – like stainless steel but with higher nickel contents – are used for more demanding applications such as gas turbines and some chemical plants. In addition, iron and nickel alloys are used in electronics and specialist engineering, while copper-nickel alloys are used for coinage and marine engineering. There are about 3,000 nickel-

containing alloys in everyday use. About 90% of all new nickel sold each year goes into alloys, two-thirds going into stainless steel.

Nickel use is growing at approximately 4% to 5% each year while use of nickel-containing stainless steel is growing at around 6%. The fastest growth today is seen in the newly and rapidly industrialising countries, especially in Asia. Nickel-containing materials are needed to modernise infrastructure, for industry and to meet the material aspirations of their populations.

China and India, the two leading emerging economies, are experiencing roughly 10 times the economic acceleration of the Industrial Revolution, on 100 times the scale, resulting in an economic force that is over 1,000 times as big. In emerging market economies today, the population of cities grows by 65 million people per year or the equivalent of seven cities the size of Chicago. Over the next 15 years, some 440 emerging market cities will generate nearly half of global GDP and 40% of global consumption growth.

The rapid cut-back of expansion to slow long-term supply, will prolong a super cycle scarcity premium for explorers. That is where Araguaia fits in; an advanced major nickel project progressing towards the full feasibility stage which can fill the gap that will inevitably appear in the nickel supply and that will see us realise higher prices than those currently in play.

The recent announcement by the Indonesian government, banning all exports of direct shipping nickel ore, should have a positive effect on the nickel price in the mid-term if the ban continues to be fully implemented. Indonesia was estimated to account for around 18% to 20% of all nickel ore imports to China. This growth from only 14% in 2007 has been driven by demand from China, to feed the country's increasing consumption of nickel pig iron and latterly RKEF production.

The fundamental issue, even without the strict implementation of the ban, is that beyond 2016 the nickel industry is facing a lack of new projects to continue to supply the industry. This positions Horizonte with its Araguaia project prominently to take advantage of this new exciting nickel cycle. Metal forecasters predict that by the end of 2016 a switch will occur in the supply-demand dynamics of nickel resulting in underlying demand outstripping supply and therefore an upwards drive in nickel prices as we bring Araguaia on line.

Having completed a number of major de-risking milestones at Araguaia during 2013 in terms of geology and metallurgy and with nickel futures in mind, we are eager to progress the project towards production. We therefore look forward to detailing the results of the PFS as soon as available and proving the potential viability of this major

nickel project for Horizonte as we continue along our clear path to generate significant value uplift for shareholders.

The on-going support Horizonte Minerals has had from our loyal shareholders and the hard work and dedication shown by our management team and Board is greatly appreciated and I would like to take this opportunity to thank you all, and I look forward to another positive and successful period ahead.

David J. Hall
Chairman

For further information visit www.horizonteminerals.com or contact:

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The Annual Report for the year ended 31 December 2013, together with the Management's Discussion and Analysis prepared as at 31 December 2013 and Notice of Meeting and Management Information Circular with Respect to the Annual General Meeting of Shareholders to be held on 25 March 2014 will be posted to shareholders and are available on the Company's website at www.horizonteminerals.com and on Sedar www.Sedar.com

The Annual General Meeting of the Company will be held at 2:30 pm on 25 March 2014 at FinnCap 60 New Broad Street London EC2M 1JJ

Financial Statements

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2013

	Year ended 31 December 2013	Year ended 31 December 2012
Notes	£	£
Continuing operations		
Revenue	—	—
Cost of sales	—	—
Gross profit	—	—
Administrative expenses	(1,260,604)	(1,741,384)

Charge for share options granted		(171,277)	(321,400)
Toronto Stock Exchange listing and compliance costs		(28,154)	(114,426)
Changes in fair value of contingent consideration	19	46,940	545,439
Project and fixed asset impairment	7	(1,033,240)	(700,397)
Gain/(loss) on foreign exchange		(149,199)	(181,618)
Other operating income	6	—	125,229
Operating loss	7	(2,595,534)	(2,388,557)
Finance income	8	47,451	88,262
Finance costs	8	(165,138)	(189,186)
Loss before taxation		(2,713,221)	(2,489,481)
Taxation	9	—	—
Loss for the year from continuing operations		(2,713,221)	(2,489,481)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Changes in value of available for sale financial assets	13	(174,985)	(55,291)
Currency translation differences on translating foreign operations	18	(4,124,364)	(3,039,094)
Other comprehensive income for the year, net of tax		(4,299,349)	(3,094,385)
Total comprehensive income for the year attributable to equity holders of the Company		(7,012,570)	(5,583,866)
Earnings per share from continuing operations attributable to the equity holders of the Company			
Basic (pence per share)	21	(0.709)	(0.762)
Diluted (pence per share)	21	(0.709)	(0.762)

Consolidated Statement of Financial Position

As at 31 December 2013

	Notes	31 December 2013 £	31 December 2012 £
Assets			
Non-current assets			
Intangible assets	10	20,041,937	20,417,739
Property, plant & equipment	11	107,451	145,564
Deferred tax assets	9	5,373,634	6,308,978
		25,523,022	26,872,281
Current assets			
Trade and other receivables	12	62,127	44,842
Other current financial assets	13	22,729	197,714
Cash and cash equivalents	14	3,091,880	5,887,174
		3,176,736	6,129,730
Total assets		28,699,758	33,002,011
Equity and liabilities			
Equity attributable to owners of the parent			
Share capital	15	4,011,395	3,600,462
Share premium	16	26,997,998	24,384,527
Other reserves	18	1,139,550	5,438,899
Retained losses		(8,410,040)	(5,868,096)
Total equity		23,738,903	27,555,792
Liabilities			
Non-current liabilities			
Contingent consideration	19	2,477,310	2,359,112
Deferred tax liabilities	9	2,335,492	2,742,012
		4,812,802	5,101,124
Current liabilities			
Trade and other payables	19	148,053	345,095
		148,053	345,095
Total liabilities		4,960,855	5,446,219

Total equity and liabilities	28,699,758	33,002,011
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Company Statement of Financial Position

As at 31 December 2013

	Notes	31 December 2013	31 December 2012
Assets			
Non-current assets			
Property, plant & equipment	11	5,137	5,455
Investment in subsidiaries	27	34,525,339	33,356,363
		35,530,476	33,361,818
Current assets			
Trade and other receivables	12	12,035	25,742
Cash and cash equivalents	14	2,756,368	5,154,986
		2,768,403	5,180,728
Total assets		37,298,879	38,542,546
Equity and liabilities			
Equity attributable to owners of the parent			
Share capital	15	4,011,395	3,600,462
Share premium	16	26,997,998	24,384,527
Merger reserve	18	10,888,760	10,888,760
Retained losses		(7,551,817)	(3,344,872)
Total equity		34,346,336	35,528,877
Liabilities			
Non-current liabilities			
Contingent consideration	19	2,477,310	2,359,112
Current liabilities			
Trade and other payables	19	475,233	654,557
Total liabilities		2,952,543	3,013,669
Total equity and liabilities		37,298,879	38,542,546

Statements of Changes in Equity

For the year ended 31 December 2013

	Attributable to owners of parent				Total £
	Share capital £	Share premium £	Retained losses £	Other reserves £	
Consolidated					
As at 1 January 2012	2,795,600	18,772,797	(3,700,015)	8,533,284	26,401,666
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)
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 transactions with owners	804,862	5,611,730	321,400	—	6,737,992
As at 31 December 2012	3,600,462	24,384,527	(5,868,096)	5,438,899	27,555,792
Loss for the year	—	—	(2,713,221)	—	(2,713,221)
Other comprehensive income	—	—	—	(4,299,349)	(4,299,349)
Total comprehensive income for the year	—	—	(2,713,221)	(4,299,349)	(7,012,570)
Issue of ordinary shares	410,933	2,671,066	—	—	3,081,999
Issue costs	—	(57,595)	—	—	(57,595)
Share-based payments	—	—	171,277	—	171,277
Total transactions with owners	410,933	2,613,471	171,277	—	3,195,681
As at 31 December 2013	4,011,395	26,997,998	(8,410,040)	1,139,550	23,738,903

Attributable to equity shareholders

Company	Share capital £	Share premium £	Retained losses £	Merger reserves £	Total £
As at 1 January 2012	2,795,600	18,772,797	(2,786,938)	10,888,760	29,670,219
Loss for the year	—	—	(879,334)	—	(879,334)
Total comprehensive income for the year	—	—	(879,334)	—	(879,334)
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 transactions with owners	804,862	5,611,730	321,400	—	6,737,992
As at 31 December 2012	3,600,462	24,384,527	(3,344,872)	10,888,760	35,528,877
Loss for the year	—	—	(4,378,222)	—	(4,378,222)
Total comprehensive income for the year	—	—	(4,378,222)	—	(4,378,222)
Issue of ordinary shares	410,933	2,671,066	—	—	3,081,999
Issue costs	—	(57,595)	—	—	(57,595)
Share-based payments	—	—	171,277	—	171,277
Total transactions with owners	410,933	2,613,471	171,277	—	3,195,681
As at 31 December 2013	4,011,395	26,997,998	(7,551,817)	10,888,760	34,346,336

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	31 December 2013 Notes £	31 December 2012 £
Cash flows from operating activities		
Loss before taxation	(2,713,221)	(2,489,481)
Interest income	(47,451)	(88,262)
Finance costs	165,138	189,186
Share-based payments	171,277	321,400
Gain on sale of fixed assets	—	(13,249)
Project impairment	1,048,282	639,505
Exchange difference	(27,424)	19,931
Change in fair value of contingent consideration	(46,940)	(545,439)
Depreciation	4,370	5,871
Operating loss before changes in working capital	(1,445,969)	(1,960,538)
(Increase)/decrease in trade and other receivables	(17,285)	128,064
(Decrease)/increase in trade and other payables	(177,040)	(157,789)
Net cash used in operating activities	(1,640,294)	(1,990,263)
Cash flows from investing activities		
Purchase of intangible assets	(4,199,863)	(2,848,040)
Purchase of property, plant and equipment	(100,037)	(102,672)
Purchase of available-for-sale financial assets	—	(253,004)
Proceeds from sale of property, plant and equipment	91,247	16,673
Interest received	47,451	88,262
Net cash used in investing activities	(4,161,202)	(3,098,781)
Cash flows from financing activities		
Proceeds from issue of ordinary shares	3,081,999	5,240,249
Issue costs	(57,595)	(98,657)
Net cash from financing activities	3,024,404	5,141,592
Net increase in cash and cash equivalents	(2,777,092)	52,548
Cash and cash equivalents at beginning of year	5,887,174	5,856,949
Exchange loss on cash and cash equivalents	(18,202)	(22,323)
Cash and cash equivalents at end of the year	14 3,091,880	5,887,174

Major non-cash transactions

During the year ended 31 December 2013 additions to intangible exploration assets included £80,109 (2012: £73,664) in relation to depreciation charges on property, plant and equipment used for exploration activities.

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

Company Statement of Cash Flows

For year ended 31 December 2013

	31 December 2013	31 December 2012
	Notes	
	£	£
Cash flows from operating activities		
Loss before taxation	(4,378,222)	(879,334)
Interest income	(45,075)	(79,424)
Share-based payments	171,277	321,400
Impairment of investment in subsidiaries	4,264,167	—
Depreciation	2,868	2,233
Operating loss before changes in working capital	15,015	(635,125)
Decrease in trade and other receivables	13,707	82,254
(Decrease)/increase in trade and other payables	(179,324)	18,324
Net cash flows used in operating activities	(150,602)	(534,547)
Cash flows from investing activities		
Loans to subsidiary undertakings	(5,314,945)	(3,775,342)
Purchase of property, plant and equipment	(2,550)	(1,599)
Interest received	45,075	79,424
Net cash used in investing activities	(5,272,420)	(3,697,517)
Cash flows from financing activities		
Proceeds from issue of ordinary shares	3,081,999	5,240,249
Issue costs	(57,595)	(98,657)
Net cash from financing activities	3,024,404	5,141,592
Net (decrease)/increase in cash and cash equivalents	(2,398,618)	909,528
Cash and cash equivalents at beginning of year	5,154,986	4,245,460
Cash and cash equivalents at end of the year	14 2,756,368	5,154,986

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 £118,198 (2012: £356,253) was charged to a subsidiary undertaking and adjusted for in the loans to subsidiary undertakings balance.

Notes to the Financial Statements

1 General information

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

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

2 Summary of significant accounting policies

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

2.1 Basis of preparation

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

A number of new standards and amendments to standards and interpretations are effective for the annual period beginning after 1 January 2013 and have been applied in preparing these financial statements.

Amendment to IAS 1, 'Financial statement presentation' regarding other comprehensive income became effective during the period. Items in the consolidated statement of comprehensive income that may be reclassified to profit or loss in subsequently periods are now presented separately from items that will not be reclassified to profit or loss in subsequent periods.

IFRS 13, "Fair value measurement" became effective during the period. The standard requires specific disclosures on fair values, some of which replace existing disclosure requirements in IFRS 7, "Financial instruments: Disclosures". The fair values of cash and cash equivalents, trade and other receivables and trade and other payables approximate to their book values due to the short maturity periods of these financial instruments. Available for sale financial assets consist of equity investments whose fair value is determined by reference to quoted market prices (level 1 in the fair value measurement hierarchy).

b) New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 January 2013, 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 2013, 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.

IAS 19, 'Employee benefits' eliminate the option to defer the recognition of gains and losses, known as the "corridor method"; streamline the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring 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.

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.

Amendment to IFRS 1, 'First-time Adoption of International Financial Reporting Standards' on government loans, 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.

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.

'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 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.

c) New and amended standards and interpretations issued but not yet effective for the financial year beginning 1 January 2013 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.

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 2014.

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 2014.

Amendment to IAS 19, ‘Defined Benefit Plans: Employee Contributions’, provides guidance added to IAS 19 Employee Benefits on accounting for contributions from employees or third parties set out in the formal terms of a defined benefit plan. The Directors do not believe that this will have an impact on the Group however will be adopted no later than accounting period beginning on or after 1 January 2014.

Amendment to IAS 32, ‘Offsetting Financial Assets and Financial Liabilities’, 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 amendment to IAS 32 and intends to adopt the amended standard no later than the accounting period beginning on or after 1 January 2014.

Amendment to IAS 36, ‘Recoverable Amount Disclosures for Non-Financial Assets’, to reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique. The Group is yet to assess full impact of the revised standard and intends to adopt the amendment to IAS 36 no later than the accounting period beginning on or after 1 January 2014.

Amendment to IAS 39, ‘Novation of Derivatives and Continuation of Hedge Accounting’, make it clear that there is no need to discontinue hedge accounting if a hedging derivative is novated, provided

certain criteria are met. The Group is yet to assess full impact and intends to adopt the amendment to IAS 39 no later than the accounting period beginning on or after 1 January 2014.

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 2014, 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.

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 2014.

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 2014.

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 2014.

Amendments to IFRS 10, "Consolidated Financial Statements", IFRS 12, "Disclosure of Interests in Other Entities" and IAS 27, 'Separate Financial Statements', provide 'investment entities' (as defined) an exemption from the consolidation of particular subsidiaries and instead require that an investment entity measure the investment in each eligible subsidiary at fair value through profit or loss in accordance with IFRS 9 Financial Instruments or IAS 39 Financial Instruments: Recognition and Measurement. 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 2014.

Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosure of Interests in Other Entities" clarify the IASB's intention when first issuing the transition guidance in IFRS 10, provide similar relief in IFRS 11 and IFRS 12 from the presentation or adjustment of comparative information for periods prior to the immediately preceding period, and provide additional transition relief by eliminating the requirement to present comparatives for the disclosures relating to unconsolidated structured entities for any period before the first annual period for which IFRS 12 is applied. The Group plans to adopt these amendments no later than the annual period beginning on or after 1 January 2014.

IFRIC 21, 'Levies', provides guidance on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of the levy is certain. It provides the following guidance on recognition of a liability to pay levies:

- The liability is recognised progressively if the obligating event occurs over a period of time;
- If an obligation is triggered on reaching a minimum threshold, the liability is recognised when that minimum threshold is reached.

The Group is yet to assess the full impact and intends to adopt the standard no later than the accounting period beginning on or after 1 January 2014, subject to endorsement by the EU.

“Annual Improvements 2010 – 2012 Cycle” sets out amendments to various IFRSs and provides a vehicle for making non-urgent but necessary amendments to IFRSs:

- IFRS 2 “Share-based Payment”: amendment to the definition of a vesting condition.
- IFRS 3 “Business Combinations”: amendments to the accounting for contingent consideration in a business combination.
- IFRS 8 “Operating Segments”: amendments to the aggregation of operating segments and the reconciliation of the total of the reportable segments’ assets to the entity’s assets.
- IFRS 13 “Fair Value Measurement”: amendments to short-term receivables and payables.
- IAS 16 “Property, Plant and Equipment”: amendments to the revaluation method in relation to the proportionate restatement of accumulated depreciation.
- IAS 24 “Related Party Disclosures”: amendments regarding key management personnel.
- IAS 38 “Intangible Assets”: amendments to the revaluation method in relation to the proportionate restatement of accumulated depreciation.

The Group intends to adopt the amended standards no later than the annual period beginning on or after 1 July 2014, subject to EU endorsement.

“Annual Improvements 2011 – 2013 Cycle” sets out amendments to various IFRSs and provides a vehicle for making non-urgent but necessary amendments to IFRSs:

- IFRS 1 “First-time Adoption of International Financial Reporting Standards”: amendment to the meaning of ‘effective IFRSs’.
- IFRS 3 “Business Combinations”: amendments to the scope exceptions for joint ventures.
- IFRS 13 “Fair Value Measurement”: amendments to the scope of paragraph 52 (portfolio exception).
- IAS 40 “Investment Property”: amendments clarifying the interrelationship between IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property.

The Group intends to adopt the amended standards no later than the annual period beginning on or after 1 July 2014, subject to EU endorsement.

2.3 Basis of consolidation

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

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

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

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

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

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

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

Investments in subsidiaries are accounted for at cost less impairment.

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

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

Subsidiary undertaking	Parent company	Country of incorporation	Nature of business
Horizonte Exploration Ltd	Horizonte Minerals Plc	England	Mineral Exploration
Horizonte Minerals (IOM) Ltd	Horizonte Exploration Ltd	Isle of Man	Holding company
HM Brazil (IOM) Ltd	Horizonte Minerals (IOM) Ltd	Isle of Man	Holding company
HM Peru (IOM) Ltd	Horizonte Minerals (IOM) Ltd	Isle of Man	Holding company
Horizonte Nickel (IOM) Ltd	Horizonte Minerals (IOM) Ltd	Isle of Man	Holding company Mineral
HM do Brasil Ltda	HM Brazil (IOM) Ltd	Brazil	Exploration Mineral
Araguaia Niquel Mineração Ltda	Horizonte Nickel (IOM) Ltd	Brazil	Exploration
Lontra Empreendimentos e Participações Ltda	Arguaia Niquel Mineração Ltda/		Mineral Exploration
Participações 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, a subsidiary of Brazil Mineral Holdings Ltd, was dissolved during the year and South America Resources Ltd and Brazil Mineral Holdings Ltd are in the process of being dissolved.

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 consider 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 will be sufficient to fund the Group's committed

expenditure both operationally and on its exploration projects for the foreseeable future. However, as additional projects are identified and the Araguaia project moves towards production, additional funding will be required. The amount of funding is estimated without any certainty at the point of approval of these Financial Statements and the Group will 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, liabilities and contingent liabilities of the acquired subsidiary at the date of acquisition. Goodwill arising on the acquisition of subsidiaries is included in 'intangible assets'. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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

(b) Exploration and evaluation assets

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

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

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

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

2.6 Property, plant and equipment

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

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

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

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

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

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

2.7 Impairment

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

2.8 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

(c) Group companies

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

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

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

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

2.9 Financial assets

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.

(a) 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.

(b) 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 the Income Statement, 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 the Income Statement 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 to which the Group's activities are exposed are liquidity and fluctuations on foreign currency. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

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

(a) Liquidity and related market risks

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

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

(b) Foreign currency risks

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

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

At 31 December 2013, 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 2013 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 are 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 2.

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:

4.1 Impairment of exploration and evaluation costs

Exploration and evaluation costs have a carrying value at 31 December 2013 of £19,754,559 (2012: £20,074,974). 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 a full impairment charge necessary for the El Aguila Project of £738,103 (2012: £nil) and the Falcao Project as at 31 December 2013 of £310,179 (2012: £nil). In 2012 the Tangara Project was fully impaired, with a charge to the Income Statement of £639,505.

4.2 Estimated impairment of goodwill

Goodwill has a carrying value at 31 December 2013 of £287,378 (2012: £342,765). 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.

4.3 Contingent consideration

Contingent consideration has a carrying value of £2,477,310 at 31 December 2013 (2012: £2,359,112). 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 cash flow 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 cash flows 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.

4.4 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.

4.5 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 £77,813.

4.6 Other areas

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

5 Segmental reporting

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

	UK 2013 £	Brazil 2013 £	Other 2013 £	Total 2013 £
2013				
Administrative expenses	(740,090)	(498,874)	(21,640)	(1,260,604)
Loss on foreign exchange	(59,916)	(89,283)	—	(149,199)
Project and fixed asset impairment	—	(295,137)	(738,103)	(1,033,240)
Other operating income	—	—	—	—
Loss from operations per reportable segment	(800,006)	(883,294)	(759,743)	(2,443,043)
Inter segment revenues	—	511,766	65,740	577,506
Depreciation charges	(2,869)	(1,501)	—	(4,370)
Additions to non-current assets	—	(4,241,762)	—	(4,241,762)
Reportable segment assets	3,342,399	25,354,609	2,750	28,699,758
Reportable segment liabilities	2,544,042	2,416,813	—	4,960,855

	UK 2012 £	Brazil 2012 £	Other 2012 £	Total 2012 £
2012				
Administrative expenses	(1,124,892)	(592,830)	(23,662)	(1,741,384)
Loss 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 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

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 loss before tax is provided as follows:

	2013 £	2012 £
Loss from operations per reportable segment	(2,443,043)	(2,498,170)
Changes in fair value of contingent consideration (refer note 18)	46,940	545,439
Charge for share options granted	(171,277)	(321,400)
Toronto Stock Exchange Listing and compliance costs	(28,154)	(114,426)
Finance income	47,451	88,262
Finance costs	(165,138)	(189,186)
Loss for the year from continuing operations	(2,713,221)	(2,489,481)

6 Other operating income

Group	2013 £	2012 £
Project management fees	—	98,986
Gain on sale of property, plant and equipment	—	13,249
Other option fees	—	12,994
	—	125,229

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	2013 £	2012 £
Depreciation	4,370	5,299
Project and fixed asset impairment	1,033,240	700,397
Auditors' remuneration		
– Fees payable for the audit of Parent and consolidated financial statements	30,000	30,000
– Fees payable for audit related assurance services	7,500	13,603
– Fees payable for tax compliance	2,400	2,097
Operating lease charges	92,773	60,777

Project and fixed asset impairment costs in 2013 of £1,033,240 consist of the impairment charge on intangible assets attributable to the El Aguila and Falcao projects (refer note 10) of £738,103 and £310,179 respectively. A receipt of £15,042 (US\$25,000) in connection with the signing of a purchase and sale agreement for the Falcao project in December 2013 was netted off against the impairment of that project so that the net impact on profit or loss of the impairment of Falcao amounted to £295,037 (see note 10 Intangible Assets). Project and fixed asset impairment costs of in 2012 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 that year of £60,892.

8 Finance income and costs

Group	2013 £	2012 £
Finance income:	47,451	88,262
– Interest income on cash and short-term bank deposits		
Finance costs:	(165,138)	(189,186)
– Contingent consideration: unwinding of discount		
Net finance costs	(117,687)	(100,924)

9 Taxation

Income tax expense

Group	2013 £	2012 £
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	2013 £	2012 £
Loss before income tax	(2,713,221)	(2,489,481)
Current tax at 23.1% (2012: 28.6%)	(626,754)	(725,159)
Effects of:		
Expenses not deducted for tax purposes	370,226	416,749
Tax losses carried forward for which no deferred income tax asset was recognised – UK	207,143	301,371
Tax losses carried forward for which no deferred income tax asset was recognised – Brazil and Peru	49,385	7,039
Total tax	—	—

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

The weighted average applicable tax rate of 23.1% used is a combination of the 23.25% effective standard rate of corporation tax in the UK, 34% Brazilian corporation tax and 30% Peruvian corporation tax. During 2013 the Brazil registered subsidiaries elected to adopt the Actual Profit system to determine income tax, as opposed to the prior year where as during 2012, they adopted the Presumed Income method. As a result the losses incurred during the current year are eligible for tax purposes.

Deferred income tax

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

Group	2013 £	2012 £
Deferred tax assets		
– Deferred tax asset to be recovered after more than 12 months	5,373,634	6,308,978
	5,373,634	6,308,978
Deferred tax liabilities		
– Deferred tax liability to be recovered after more than 12 months	(2,335,492)	(2,742,012)
	(2,335,492)	(2,742,012)
Deferred tax asset (net)	3,038,142	3,566,966

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

Group	2013 £	2012 £
At 1 January	3,566,966	4,095,339
Exchange differences	(528,824)	(528,373)
At 31 December	3,038,142	3,566,966

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	Deferred tax assets	Total
	Fair value gains £	Tax Losses £	
At 1 January 2012	(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
Exchange differences	406,520	(935,344)	(528,824)
At 31 December 2013	(2,335,492)	5,373,634	3,038,142

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 £17,750,903 (2012: £18,479,270) in Brazil and excess management charges of approximately £2,387,000 (2012: £2,199,000) 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 2011, 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 former joint venture agreements, amounting to £nil (2012: £1,056,131).

Group	Exploration and Goodwill evaluation costs		Total
	£	£	
Cost			
At 1 January 2012	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)
At 31 December 2012	342,765	20,074,974	20,417,739
Additions - internally generated	—	4,241,762	4,241,762
Impairments	—	(1,048,282)	(1,048,282)
Exchange rate movements	(55,387)	(3,513,895)	(3,569,282)
Net book amount at 31 December 2013	287,378	19,754,559	20,041,937

Impairment charges in 2013 of £1,048,282 were included in profit or loss as the intangible assets attributable to El Aguila and Falcao were written off following suspension of exploration activities at El Aguila and termination of the Falcao joint venture with AngloGold Ashanti plc.

Following the termination of the joint venture last year 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. The charge was included in profit or loss.

In December 2013 the Company signed a sale and purchase agreement with Falcao Mineradora Ltda, a Brazilian company. 25,000 US Dollars (£15,042) was paid upon signature and offset against the £310,179 impairment charge in the year for Falcao. Further consideration of 140,000 US Dollars shall be paid to the Company in the event that the Final Exploration Report for the Falcao project is accepted by the Brazilian Department of Mines ('DNPM').

(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	2013 £	2012 £
Brazil – Araguaia/Lontra/Vila Oito and Floresta	19,697,507	18,819,797
Brazil – Other	57,052	431,153
Peru – El Aguila	—	824,024
	19,754,559	20,074,974

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 2013 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.

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 2013, the discount rate applied to the cash flow 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.

(b) Goodwill

Goodwill arose on the acquisition of Lontra Empreendimentos e Participações Ltda in 2011. 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 2012	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
Additions	94,574	5,463	100,037
Disposals	(165,590)	—	(165,590)
Foreign exchange movements	(39,796)	(921)	(40,717)
At 31 December 2013	161,070	15,175	176,245
Accumulated depreciation			
At 1 January 2012	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
Charge for the year	81,489	2,990	84,479
Disposals	(132,555)	—	(132,555)
Foreign exchange movements	(19,903)	(178)	(20,081)
At 31 December 2013	63,761	5,033	68,794
Net book amount as at 31 December 2013	97,309	10,142	107,451
Net book amount as at 31 December 2012	137,152	8,412	145,564

Depreciation charges of £80,109 (2012: £73,664) have been capitalised and included within intangible exploration and evaluation asset additions for the year. Charges of £Nil (2012: £572) 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 2013 of £4,370 (2012: £5,299) has been charged in 'administrative expenses' under 'Depreciation'.

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

	2013 £	2012 £
Cost	161,070	267,844
Accumulated depreciation	(63,761)	(130,057)
Net book amount	97,309	137,787

Company	Field equipment £	Office equipment £	Total £
Cost			
At 1 January 2012	4,208	3,254	7,462
Additions	—	1,599	1,599
Disposals	—	—	—
At 31 December 2012	4,208	4,853	9,061
Additions	—	2,550	2,550
Disposals	—	—	—
At 31 December 2013	4,208	7,403	11,611
Accumulated depreciation			
At 1 January 2012	116	1,257	1,373
Charge for the year	1,389	844	2,223
Disposals	—	—	—
At 31 December 2012	1,505	2,101	3,606
Charge for the year	1,389	1,479	2,868
Disposals	—	—	—
At 31 December 2013	2,894	3,580	6,474
Net book amount as at 31 December 2013	1,314	3,823	5,137
Net book amount as at 31 December 2012	2,703	2,752	5,455

12 Trade and other receivables

	Group		Company	
	2013 £	2012 £	2013 £	2012 £
Other receivables	62,127	44,842	12,035	25,742
Current portion	62,127	44,842	12,035	25,742

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	
	2013 £	2012 £	2013 £	2012 £
Brazilian Real	12,898	19,030	—	—
UK Pound	49,229	25,812	12,035	25,742
US Dollar	—	—	—	—
	62,127	44,842	12,035	25,742

As of 31 December 2013 the Group's and Company's other receivables of £62,127 (2012: £44,842) were fully performing.

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

13 Other financial assets

	Group		Company	
	2013 £	2012 £	2013 £	2012 £
Available for sale investments				
Quoted equity shares	22,729	197,714	—	—
Total Current	22,729	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 £nil (2012: £253,005). Total losses recognised in other comprehensive income and fully attributable to Level 1 financial assets were £174,985 (2012: £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 2013 all other financial assets carried at fair value in the Statement of Financial Position are categorised under Level 1 and denominated in Canadian Dollars.

14 Cash and cash equivalents

	Group		Company	
	2013 £	2012 £	2013 £	2012 £
Cash at bank and on hand	1,602,206	2,589,759	1,266,694	1,857,571
Short-term deposits	1,489,674	3,297,415	1,489,674	3,297,415

3,091,880 5,887,174 **2,756,368** 5,154,986

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

	Group		Company	
	2013 £	2012 £	2013 £	2012 £
A	1,490,199	3,240,254	1,266,694	2,591,228
BBB-	1,601,681	2,646,920	1,489,674	2,563,758
	3,091,880	5,887,174	2,756,368	5,154,986

15 Share capital

Group and Company	2013 Number	2013 £	2012 Number	2012 £
Issued and fully paid				
Ordinary shares of 1p each				
At 1 January	360,046,170	3,600,462	279,559,980	2,795,600
Issue of ordinary shares	41,093,327	410,933	80,486,190	804,862
At 31 December	401,139,497	4,011,395	360,046,170	3,600,462

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 11 June 2013, 41,093,327 ordinary shares of 1p each were issued fully paid for cash consideration at 7.5 pence per share to raise £3.1 million before expenses.

16 Share premium

Group and Company	2013 £	2012 £
At 1 January	24,384,527	18,772,79
Premium arising on issue of ordinary shares	2,671,066	5,710,387
Issue costs	(57,595)	(98,657)
At 31 December	26,997,998	24,384,52

17 Share-based payments

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 2013 £	Weighted average exercise price 2013 £	Number of options 2012 £	Weighted average exercise price 2012 £
Outstanding at 1 January	26,730,000	0.138	27,380,000	0.147
Forfeited	(870,000)	0.154	(4,150,000)	0.154
Granted	—	—	3,500,000	0.154
Outstanding at 31 December	25,860,000	0.148	26,730,000	0.147
Exercisable at 31 December	22,360,000	0.147	11,900,000	0.138

The options outstanding at 31 December 2013 had a weighted average remaining contractual life of 7.55 years (2012: 8.38 years).

No options were granted in 2013.

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	2009 options
Date of grant or reissue	24/09/2012	21/09/2011	17/11/2010	25/09/2009
Weighted average share price	9.43 pence	13.94 pence	14.0 pence	8.00 pence
Weighted average exercise price	15.40 pence	15.40 pence	15.50 pence	9.5 pence
Expiry date	24/09/2022	21/09/2021	17/11/2020	01/09/2019
Options granted	3,500,000	14,380,000	10,100,000	4,050,000
Volatility	14.2%	17%	17%	50%
Dividend yield	Nil	Nil	Nil	Nil
Option life	10 years	10 years	10 years	10 years
Annual risk free interest rate	2.50%	2.50%	2.50%	3.3%
Forfeiture discount	—	—	—	—
Marketability discount	5%	5%	5%	5%
Total fair value of options granted	£29,315	£404,832	£313,228	£107,932

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

The range of option exercise prices is as follows:

Range of exercise prices (£)	2013		2013		2012		2012	
	Weighted average exercise price (£)	Number of shares	Weighted average remaining life expected (years)	Weighted average remaining life contracted (years)	Weighted average exercise price (£)	Number of shares	Weighted average remaining life expected (years)	Weighted average remaining life contracted (years)
0–0.1	0.095	2,850,000	4.0	6.0	0.095	3,400,000	4.9	6.9
0.1–0.2	0.133	23,010,000	6.6	7.6	0.154	23,330,000	6.5	8.3

18 Other reserves

Group	Available for sale reserve £	Merger reserve £	Translation reserve £	Other reserve £	Total £
At 1 January 2012	—	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
Other comprehensive income	(174,985)	—	—	—	(174,985)
Currency translation differences	—	—	(4,124,364)	—	(4,124,364)
At 31 December 2013	(230,276)	10,888,760	(8,470,834)	(1,048,100)	1,139,550

Company	Merger reserve £	Total £
At 1 January 2012 and 31 December 2012	10,888,760	10,888,760
At 31 December 2013	10,888,760	10,888,760

The other reserve as at 31 December 2013 arose on consolidation as a result of merger accounting for the acquisition of the entire issued share capital of Horizonte Exploration Limited during 2006 and represents the difference between the value of the share capital and premium issued for the acquisition and that of the acquired share capital and premium of Horizonte Exploration Limited.

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

19 Trade and other payables

	Group		Company	
	2013	2012	2013	2012
	£	£	£	£
Non-current				
Contingent consideration	2,477,310	2,359,112	2,477,310	2,359,112
	2,477,310	2,359,112	2,477,310	2,359,112
Current				
Trade and other payables	11,632	94,841	6,203	120,167
Amounts due to related parties (refer note 22)	—	—	413,930	458,610
Social security and other taxes	28,322	43,087	13,000	12,899
Accrued expenses	108,099	207,167	42,100	62,881
	148,053	345,095	475,233	654,557
Total trade and other payables	2,625,363	2,704,207	2,952,543	3,013,669

Trade and other payables includes £nil (2012: £48,704) 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 £72,694 (2012: £71,604) 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 2013, there was a finance expense of £165,138 (2012: £189,186) 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 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 was adjusted, to take 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 key assumptions underlying the cash flow model are unchanged as at 31 December 2013. The change in the fair value of contingent consideration has generated a credit to profit or loss of £46,940 for the year ended 31 December 2013 due to exchange rate changes in the functional currency in which the liability is payable. During 2012, the change in fair value of £545,439 was due to exchange rate changes as well as Management's assumptions.

20 Dividends

No dividend has been declared or paid by the Company during the year ended 31 December 2013 (2012: nil).

21 Earnings per share

(a) Basic

The basic loss per share of 0.709p (2012 loss per share: 0.762p) 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	£	£
Loss attributable to equity holders of the Company	(2,713,221)	(2,489,481)
Weighted average number of ordinary shares in issue	382,737,815	326,725,469

(b) Diluted

The basic and diluted earnings per share for the years ended 31 December 2013 and 31 December 2012 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 £183,241 (2012: £157,795) was charged to HM do Brasil Ltda, £65,740 (2012: £65,486) to Minera El Aguila SAC and £368,344 (2012: £219,738) to Araguaia Niquel Mineração Ltda and £nil (2012: £nil) to Brazil Mineral Holdings Ltd by Horizonte Minerals Plc in respect of consultancy services provided and funding costs. The balance due from HM do Brasil Ltda of £554,372, from Minera El Aguila SAC of £1,283,978, from HM Brazil (IOM) Ltd of £2,000,000, to PMA Geoquimica Ltda of £111,016 and from Brazil Mineral Holdings Ltd of £536,867 were impaired through profit or loss during 2013. The balance due from Mineira Cotahuasi SAC of £17,730 was written off to profit or loss during 2012.

Amounts totalling £3,828,388 (2012: £4,031,256) were lent to HM Brazil (IOM) Ltd, HM do Brasil Ltda, Araguaia Niquel Mineração Ltda, PMA Geoquimica Ltda, Minera El Aguila SAC and Minera El Cotahuasi SAC to finance exploration work during 2013, 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	2013	2013	2012	2012
	Assets	Liabilities	Assets	Liabilities
	£	£	£	£
HM do Brasil Ltda	—	—	160,460	—
PMA Geoquimica Ltda	—	—	—	44,680
Minera El Aguila SAC	—	—	1,325,769	—
Minera El Cotahuasi SAC	—	—	—	—
HM Brazil (IOM) Ltd	4,078,148	—	5,944,359	—
Horizonte Nickel (IOM) Ltd	25,158,763	—	21,150,454	—
Araguaia Niquel Mineração Ltda	2,687,382	—	2,049,946	—
Brazil Mineral Holdings Ltd	—	—	124,327	—
Horizonte Minerals (IOM) Ltd	253,004	—	253,004	—
Horizonte Exploration Ltd	—	413,930	—	413,930
Total	32,177,297	413,930	31,008,319	458,610

All Group transactions were eliminated on consolidation.

On 11 June 2013, 41,093,327 ordinary shares of 1p each were issued fully paid for cash consideration at 7.5 pence per share to raise £3.1 million before expenses. As part of this private placement, Teck Resources Limited subscribed for 20,000,000 shares representing 48.7 percent of the placing and Henderson Global Investors subscribed for 12,133,329 shares, representing 29.5 percent of the placing. By reason of their existing shareholdings in the Company, the participation of Teck Resources Limited and Henderson Global Investors in the private placement each constitute a related party transaction under AIM Rule 13 of the AIM Rules for Companies.

On 27 June 2013 the Company signed an agreement for an £8 million Equity Financing Facility ('EFF') with Darwin Strategic Limited ('Darwin'), a majority owned subsidiary of Henderson Global Investors' Volantis Capital. The EFF agreement with Darwin provides Horizonte Minerals with an equity line facility which, subject to certain conditions and restrictions, can be drawn on any time over 36 months. The floor subscription price in relation to each draw down is set at the discretion of the Company. Horizonte Minerals is under no obligation to make a draw down and there are no penalty fees if the Company does not use the facility.

On 13 June 2012, 71,186,190 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. As part of this private placement, Teck Resources Limited subscribed for 27,293,747 shares representing 37.9 percent of the placing.

23 Ultimate controlling party

The Directors believe there to be no ultimate controlling party.

24 Expenses by nature

Group	2013 £	2012 £
Staff costs	228,505	696,860
Indemnity for loss of office	77,847	55,709
Transaction costs (excluding staff costs)	—	118,816
Exploration related costs expensed (excluding staff costs)	188,438	243,399
Share-based payments	171,277	321,400
Depreciation (note 11)	4,370	5,299
Loss on foreign exchange	149,199	181,618
Change in fair value of contingent consideration	(46,940)	(545,439)
Project impairments	1,033,240	700,397
Toronto Stock Exchange listing and compliance costs	28,154	114,426
Other expenses	761,444	621,301
Total operating expenses	2,595,534	2,513,786

25 Directors' remuneration

Group 2013	Basic salary and fees £	Other benefits £	Discretionary performance related bonus £	Total £
Non-Executive Directors				
Alexander Christopher	—	—	—	—
David Hall	47,870	—	—	47,870
William Fisher	24,000	—	—	24,000
Allan Walker	24,000	—	—	24,000
Owen Bavinton	24,000	—	—	24,000
Executive Directors				
Jeremy Martin	146,000	45,754	—	191,754
	265,870	45,754	—	311,624

Group 2012	Basic salary and fees £	Other benefits £	Discretionary performance related bonus £	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

The Company does not operate a pension scheme. Included in other benefits for the year of £45,754 (2012: £38,827) are contributions to a Defined Contribution pension plan held by Mr Jeremy Martin of £44,313 (2012: £37,561).

26 Employee benefit expense (including directors)

Group	2013 £	2012 £
Wages and salaries	999,956	1,204,957
Social security costs	286,990	299,627
Indemnity for loss of office	77,847	55,709
Share options granted to Directors and employees (note 17)	171,277	321,400
	1,536,070	1,881,693
Average number of employees including Directors	43	53

Employee benefit expenses includes £1,058,441 (2012: £614,497) of costs capitalised and included within intangible non-current assets. In 2013 no employee benefit expenses have been reimbursed by joint venture partners (2012: £185,678).

Share options granted include costs of £101,918 (2012: £234,499) relating to Directors.

27 Investments

Company	2013 £	2012 £
Shares in Group undertakings	2,348,042	2,348,044
Loans to Group undertakings	32,177,297	31,008,319
	34,525,339	33,356,363

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	2013 £	2012 £
Not later than one year	9,849	24,669
Later than one year and no later than five years	—	—
Total	9,849	24,669

Capital Commitments

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

Group	2013 £	2012 £
Intangible assets	421,051	847,006

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 2012 the Company signed an option agreement with Anglo Pacific Group plc ('Anglo Pacific') for a future Net Smelter Royalty. If Anglo chooses to exercise the option, which is exercisable upon completion of a Pre-Feasibility Study on the site, it will pay Horizonte US\$12.5 million and shall receive a NSR. The NSR will be at a rate of 1.5% of nickel revenue produced up to 30,000 tonnes per annum, reduced by 0.02% for every 1,000 tonnes per annum above this rate. The rate will be fixed at a minimum rate of 1.1% for production of 50,000 tonnes per annum and above.

29 Contingencies

The Group has received a claim from various trade union organisations in Brazil regarding outstanding membership fees due in relation to various subsidiaries within the Group. Some of these claims relate to periods prior to the acquisition of the relevant subsidiary and would be covered by warranties granted by the previous owners at the date of sale. The Directors are confident that no amounts are due in relation to these proposed membership fees and that the claim will be unsuccessful. As a result, no provision has been made in the financial statements for the year ended 31 December 2013 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.

In 2013 the Group also received an infraction notice from the Brazilian Environmental Agency's (IBAMA) district office in Conceição do Araguaia in connection with carrying out drilling activities in an alleged legal reserve in 2011. There is however no official or other evidence of the past or present existence of the said legal reserve. The Group strongly believes that it operated with all necessary permits and has initiated legal proceedings to overturn the infraction notice and its associated fine of approximately £33,000.

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 £4,378,222 (2012: £879,334 loss).

31 Events after the reporting date

No significant events have occurred since the reporting date.

****ENDS****

CAUTIONARY STATEMENT REGARDING FORWARD LOOKING INFORMATION

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

Company's dependence on key personnel; possible conflicts of interest of directors and officers of the Company, and various risks associated with the legal and regulatory framework within which the Company operates.

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