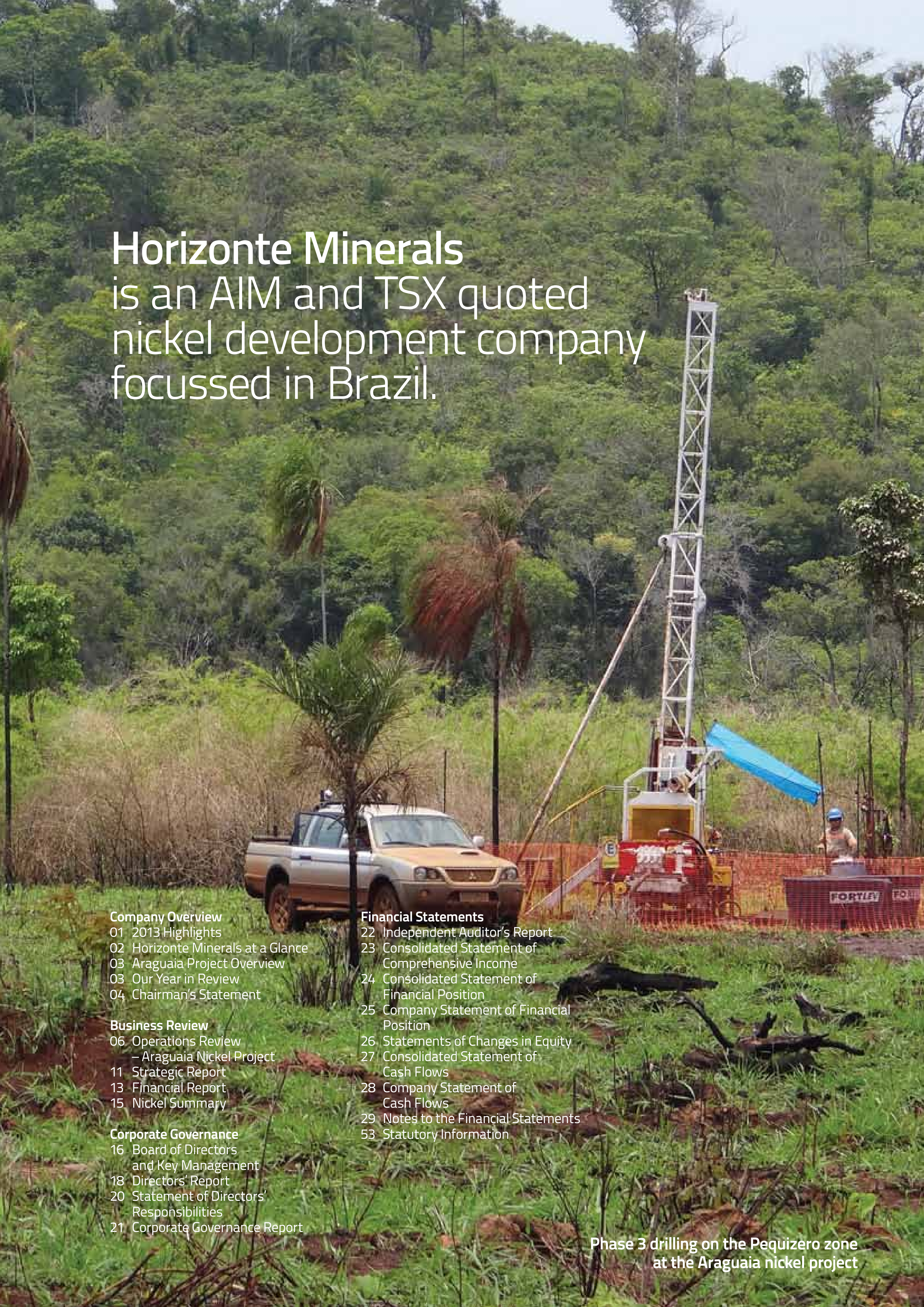
HORIZONTE
MINERALS

Horizonte Minerals Plc Annual Report 2013



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

Phase 3 drilling on the Pequizero zone at the Araguaia nickel project

2013 Highlights

- 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

"Successful delivery of the Pre-Feasibility will be a major milestone for the Company."

David J Hall, Chairman

Horizonte Minerals at a Glance

Horizonte Minerals is developing its wholly-owned Brazilian Araguaia Nickel Project, a world-leading project in terms of size and grade. Araguaia is located south of the producing Carajas mineral district in Brazil. Horizonte is currently in the Pre-Feasibility Study phase of development; and Preliminary Economic Assessment results have already highlighted the strong economics for a mining operation with a plus 20 year mine life, based on low strip ratio, excellent infrastructure and low-cost power combined with a proven Rotary Kiln Electric Furnace (RKEF) process route for ferro nickel production.

Horizonte has a strong cash balance, and the backing of supportive shareholders including Teck Resources (42.5%), Henderson Global Investors (15.1%) and Anglo Pacific Group (9.2%), which further strengthens management's belief that the Company will continue to build significant shareholder value in the years ahead as it develops Araguaia as the next major nickel project in Brazil.

Why Brazil...

- World's sixth largest economy with strong degree of economic and political stability
- US$321 million spent annually on exploration: just 3% of world spend – Brazil is underexplored
- Brazilian mineral production totals US$51 billion in 2012, up from US$8 billion in 2001
- 175,000 employed in the mining sector
- World's second largest exporter of seaborne iron ore and expected to increase by 200% by 2030
- Significant producer of bauxite, nickel, copper, gold, niobium and phosphate
- Investment in Brazilian mining sector expected to reach US$75 billion 2012/2016

Source: Instituto Brasileiro de Mineração

Araguaia Project Overview

Araguaia is an advanced nickel laterite project located in the Araguaia Belt, a significant new nickel province in Brazil which is serviced by good infrastructure. The project, which is in the Pre-Feasibility stage, is being developed by Horizonte Minerals as the next major nickel project in Brazil.

- 113 sq km total licence area
- Located in a country with significant nickel production – Onça Puma (Vale) and Barro Alto (Anglo American)
- Excellent infrastructure – rail, road and power
- NI 43-101 Resource: 39.3Mt Indicated @ 1.39% nickel plus 60.9Mt Inferred @ 1.22% nickel
- Preliminary Economic Assessment returned robust results
- Pre-Feasibility Study ("PFS") close to completion by Snowden Mining Industry Consultants, running on budget and expected to be delivered Q1 2014 and including:
  - 3rd Phase 9,309m diamond drill campaign – resource update to be included as part of PFS
  - Geotechnical study HQ Drilling 596m (20 holes) and trial pitting
  - Preliminary pit optimisation and development of feed schedules for Rotary Kiln Electric Furnace ('RKEF') process plant for two options:
    - Option A: single line – 900 Ktpa feed
    - Option B: twin line – 2.7Mtpa feed
  - Mining engineering, site selection and mine residue planning
  - Hydrology study (complete)
  - Met test and plant design (complete)
  - Preliminary mass and energy balances (complete)
  - Social and Environmental Impact Assessment being undertaken by Brazilian based Walm and Integratio progressing to schedule
  - Environmental and Social Baseline studies completed

Our Year in Review

March 2013
Continuing positive high-grade nickel results (6.75 metres grading 2.53% Ni) received from Phase 3 infill drilling programme

May 2013
Completion of metallurgical testwork confirming Araguaia ore as suitable for proven RKEF processing route for ferro-nickel production

June 2013
Raised £3.08 million

July 2013
Awarded Pre-Feasibility Study Contract for Araguaia to Snowden Mining Industry Consultants

September 2013
Completed Phase 3 infill drilling programme comprising 321 holes (9,309 metres) over 5 targets, final results received with high-grade nickel intercepts, including 20.21 metres grading 2.29% Ni

October 2013
Completion of geotechnical drilling over the potential pit and plant sites comprising a total of 20 holes (596 metres)

December 2013
Araguaia Pre-Feasibility Study close to completion

Chairman's Statement David J Hall

"Despite difficult global market conditions Horizonte has delivered a number of major milestones at Araguaia during 2013."

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.

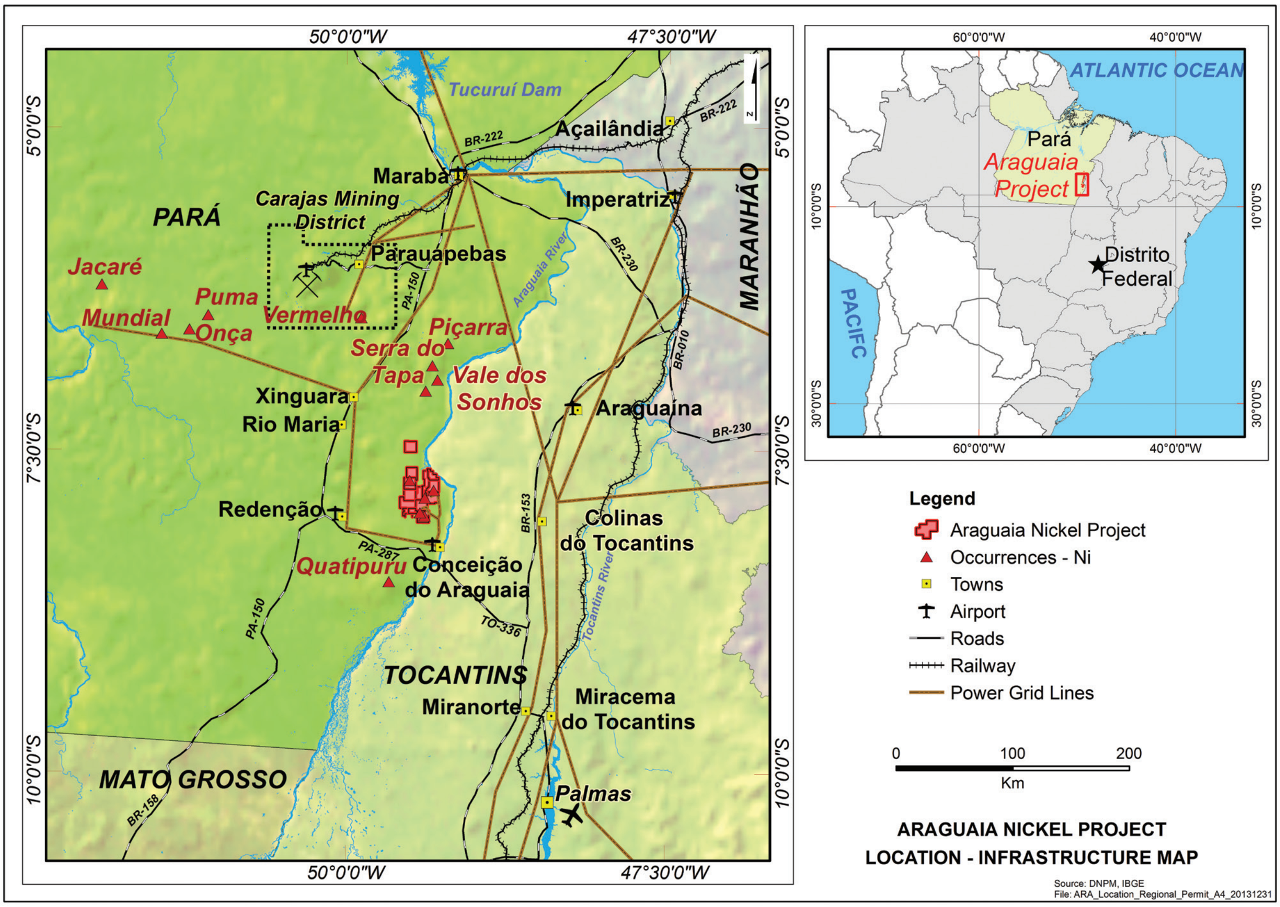
Most important are alloys of iron, nickel and chromium, of which stainless steels (frequently 8-12% nickel) represent the largest volume. Nickel based alloys – like stainless steel but with higher nickel contents – are used for more demanding applications such as gas turbines and some chemical plants. 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 Hall
20 February 2014

Operations Review **Jeremy Martin**

> “It has been a challenging year for junior companies but I am pleased with the Group’s progress on the PFS. 2014 is set to be an exciting and transformational year.”

Araguaia Nickel Project

The project comprises multiple exploration targets for nickel laterite mineralisation that have been identified within the Araguaia nickel project’s 14 exploration licences totalling 112,866 ha, all of which are 100%-owned by Horizonte (Figure 1).

Activities in 2013 included:

- The completion of a Phase 3 infill drilling programme comprising 321 holes (9,309 metres) over 5 targets
- Completion of metallurgical testwork which confirmed the suitability of the Araguaia Nickel Project for Rotary Kiln Electric Furnace (‘RKEF’) processing in order to produce ferronickel
- Advancement of the data collection for a social and environmental baseline study to near completion
- The commencement of a Pre-Feasibility Study (‘PFS’) with expected completion in Q1 2014
- Completion of geotechnical drilling over the potential pit and plant sites comprising a total of 20 holes (596 metres)
- Regional mapping in the potential northern extensions to the main project area

Phase 3 in-fill mineral resource drilling

This programme was designed to complete infill drilling on 100 m x 100 m grids on the Jacutinga, Vila Oito West, Vila Oito, Vila Oito East and Pequizeiro West targets of the Araguaia Nickel Project in Brazil. It was commenced in September 2012 and completed in mid-2013. A total of 321 holes (9,309 metres) were completed including 35 holes (1,186 metres) on Jacutinga, 84 holes (1,669 metres) on Vila Oito West, 133 holes (4,228 metres) on Vila Oito, 44 holes (1,509 metres) on Vila Oito East and 25 holes (717 metres) on Pequizeiro West. The results of this programme will be used in a revised mineral resource estimate which will be included in the PFS.

Following the completion of this drilling programme a total of 1,412 HQ diamond holes totalling 35,200 meters have been completed on the project to date.

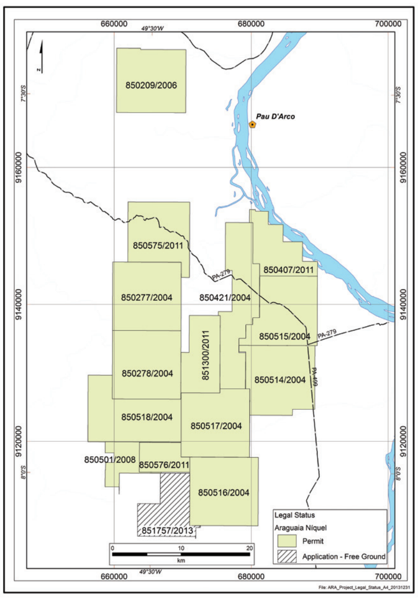
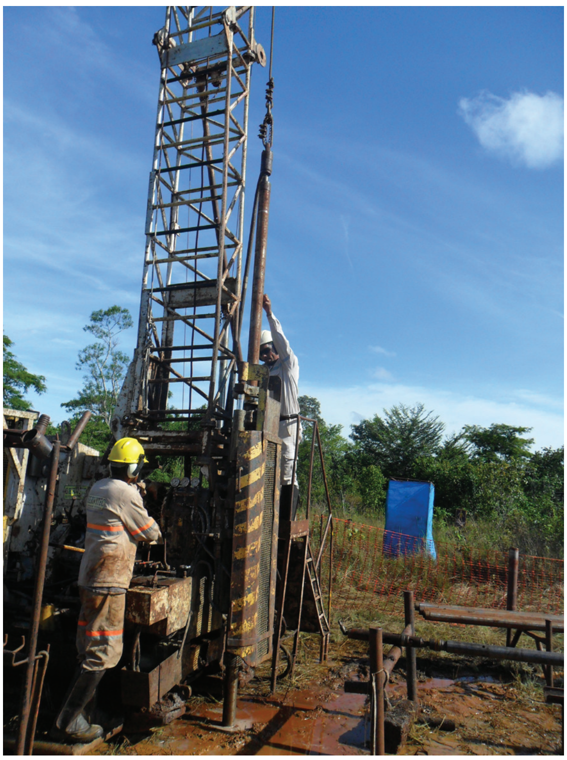


Figure 1: Araguaia Niquel Exploration Licenses/Permits



Phase 3 diamond drilling programme, Araguaia April 2013

A selection of the best mineralised intersections from the Phase 3 drilling are tabulated below:

Borehole	Width (m)	Ni%
PDA-DD-1176	6.8	2.53
PDA-DD-1283	20.2	2.29
PDA-DD-1379	6.9	2.18
PDA-DD-1310	7.2	2.10
PDA-DD-1111	23.2	2.09
PDA-DD-1186	10.5	1.91
PDA-DD-1126	7.6	1.80
PDA-DD-1215	14.3	1.79
PDA-DD-1181	13.3	1.78
PDA-DD-1270	20.4	1.68

Metallurgical Testwork

The metallurgical test programme was carried out to determine the suitability of the RKEF process to treat Araguaia ore and develop preliminary process data. The programme was completed during the first half of 2013 and additionally, provided process information for the PFS work. The metallurgical programme included:

- A series of laboratory tests designed to establish the suitability of the ore for rotary kiln processing by FLSmidth at their Bethlehem, PA, USA laboratories;
- Work on agglomeration by Feeco International Inc. of Green Bay, WI, USA, supplemented by briquette testing at K.P. Komarek of Wood Dale, IL, USA; and
- Smelting testing was undertaken at the laboratories of Xstrata Process Support in Sudbury, Ontario, Canada supplemented by additional work on the characteristics of the slag produced by smelting Araguaia laterite and slag melting temperature tests at Kingston Process Metallurgy of Kingston, Ontario, Canada.

The testing for rotary kiln operation and smelting conditions included the full range of physical and chemical laboratory tests intended to understand the characteristics of Araguaia ore under RKEF conditions.

Testing for rotary kiln operation

The testwork at FLSmidth was completed on two blends of laterite; one a blend of limonite, transition and saprolite ore and a second blend of transition and saprolite only. The blends were made up in the same proportions that laterite types occur in the in-situ mineral resource. A total of approximately 6,000 kg of laterite material was sent to FLSmidth. The test work showed the following:

Pre-Feasibility consultants kick off site meeting August 2013.

Geotechnical core sample drilled at the plant site.

Operations Review continued


Field technician measuring core recovery. Part of the 3rd Phase drill programme.

The laboratory study primarily showed that Araguaia ore is suited for rotary kiln processing in an RKEF plant and the range of operating conditions was identified. This included information on agglomeration features for the dryer design, calcine temperatures and pre-reduction levels to be considered applicable for electric furnace design.

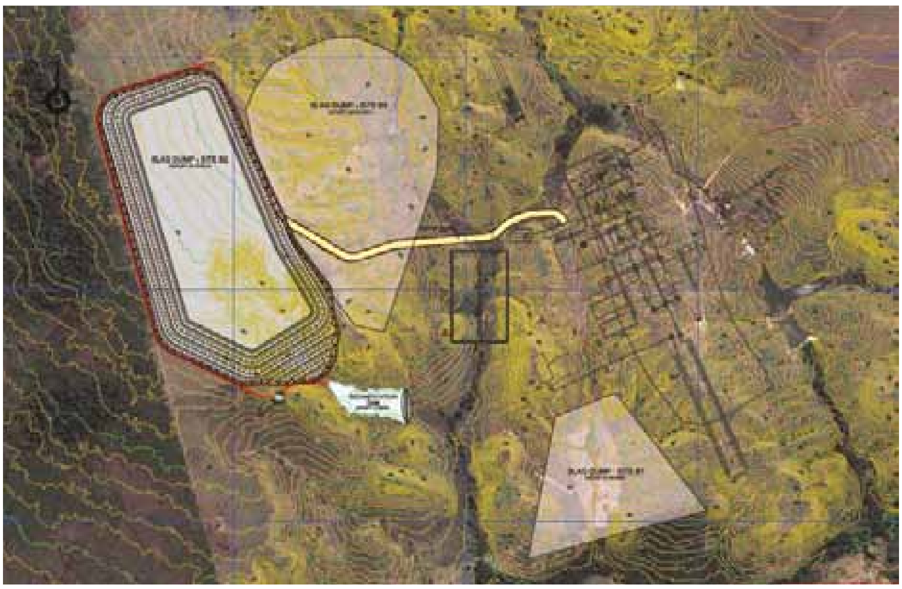
The tests showed that Araguaia ore is characterised by a fine natural particle size. Further, the fine particles demonstrated binding properties similar to clays when dried, thereby yielding relatively hard agglomerates resistant to significant degradation and dusting. The end result is that with the tendency for the formation of agglomerates, the dusting potential was considered reasonable and comparable to that of a number of other laterite ores currently processed in commercial RKEF operations. The test work further showed that kiln operations should be conducted so as to allow for a calcine temperature of 800–825°C during rotary kiln processing (versus a range of 850–900°C in a number of other commercial operations). The work also showed that 10% Ni and 60% Fe were reasonable pre-reduction targets for design.

Supporting rotary drum agglomeration testing at Feeco International, with subsequent testing of the product at FLSmidth, demonstrated the production of agglomerates resistant to fines generation during the tumbling action. The result of these studies indicated that provided the dryer design incorporated lifter features to promote ore agglomeration and particle strength (as included in some commercial dryers), the production of fines and dust would correspond to that in typical current laterite RKEF operations. It is noted that briquetting was also found to produce a satisfactory agglomerated feed, however due to the successful work at Feeco, briquetting was considered not necessary in the process design.

Laboratory smelting tests

Laboratory smelting tests carried out at the laboratories of Xstrata Process Support in Sudbury, Ontario, Canada showed that smelting Araguaia ores can produce ferronickel alloy over a range of Fe-Ni compositions – from about 15% Ni to over 40% Ni – and a low nickel slag. The testwork was carried out on a blend of limonite, transition and saprolite and a transition/saprolite blend with equally acceptable results. Hatch of Toronto reviewed this work plus the results of the FLSmidth study (and also the slag compositional data) and confirmed that the Araguaia ore is amenable to processing in an RKEF plant under the conditions indicated.

Araguaia ores have a high SiO_2/MgO ratio, in a similar range as that reported during the early years of operation at the BHB-Billiton Cerro Matoso ferronickel operation. Kingston Process Metallurgy of Kingston, Ontario, Canada, examined the characteristics of the slag produced by smelting Araguaia laterite ore. This work both mapped a range of slag compositions using the FACT thermodynamic database, and also experimentally measured the slag melting point using the TGA/DTA technique. Measured slag melting points were in the range of 1,400°C, depending on the specific SiO_2/MgO ratio and the level of Al_2O_3 in the slag. These results confirmed the electric furnace smelting conditions when producing a 20% Ni grade of ferronickel, and further confirmed the suitability of the RKEF process for the Araguaia ore. A market study undertaken for Horizonte by CRU Strategies has also confirmed the potential market of this grade of ferronickel to meet the requirements of stainless steel plants.


Site plan showing proposed RKEF process plant.


Electrical substation in south Parà

Environmental and Social Baseline Study
The baseline data collection programme, designed to meet IFC standards, that commenced in November 2011 was completed in 2013, with the exception of the archaeological investigation. The environmental baseline programme included information on: climate, particulate matter, groundwater composition and depth, soils, surface water composition and flow, spring locations, fauna and flora.

The social baseline data collection programme included information on: regional demographics, stakeholders, livelihoods, community infrastructure, cultural heritage, natural resource use, labour and working conditions, vulnerable groups, land rights, regional medical and emergency services, public safety/security, and traffic volume. The archaeological investigation commenced in January 2014.

The baseline studies included independent research and investigations undertaken by various groups or individuals:

- Environmental technical investigations for baseline studies and Social and Environmental Impact Assessment (SEIA) – WALM Engenharia e Tecnologia Ambiental
- Biodiversity (flora and fauna) surveys – DBO Engenharia Ambiental
- Social and community surveys and data analysis resulting in a document on stakeholder mapping, scenario assessment, risk analysis, and communication programme – Integratio Mediação Social e Sustentabilidade

The results of these studies have been compiled to feed into the on-going PFS. The preparation of a SEIA is at an advanced stage to comply with Brazilian Environmental laws as part of the project permitting process.

Pre-Feasibility Study
A contract to undertake a PFS on the Araguaia Nickel Project was awarded to Snowden Mining Industry Consultants ("Snowden"), a leading global mining consultancy, in July 2013. Snowden as lead contractor is managing a group of selected third party consulting groups to deliver the PFS.

Ferronickel prills grading 20% Ni produced at Morro Azul facility.

Test ferronickel pour at the Morro Azul RKEF plant.

Operations Review continued

The PFS is based on the following:

- A project scope incorporating a RKEF flowsheet defined by the completed process testwork
- A mine plan developed from Mineral Reserves established from the updated Mineral Resource estimates
- Infrastructure planning
- Construction planning and scheduling
- Market studies
- On-going environmental baseline impact as well as socio-economic studies

By the end of 2013 the study was at an advanced stage and is expected to be completed in Q1 2014.

Geotechnical Drilling

In preparation for the PFS, a geotechnical drilling programme designed by Snowden was completed in H2 2013. The programme comprised two parts:

- **Potential Pit Areas** – 12 HQ diamond drillholes totalling 386m were completed over six target areas. The targets included Pequizeiro, Baião, Jacutinga, Vila Oito, Vila Oito East, and Vila Oito West.
- **Potential Plant Site** – 8 HQ diamond drillholes were completed totalling 210m at the potential plant site near the Pequizeiro Target.

Regional Mapping

A programme of regional mapping was undertaken in H2 2013 to investigate the potential of possible northern extensions to the main project area. A number of minor laterite areas associated with ultramafic sub-outcrops were located and investigated. No significant new targets were identified.

Project geologist logging drill core at Horizonte's core storage facility.

Pequizeiro West Drilling Program
100m x 100m Infill Drilling
Intercepts ≥1% Ni cut-off
Holes PCA-DD-1241 to PCA-DD-1265

HOLE_ID	From (m)	To (m)	Width (m)	Ni %	Co %
PCA_DD_1241					NSI
PCA_DD_1242	8.00	14.52	6.52	1.16	0.056
PCA_DD_1243	9.15	18.15	9.00	1.54	0.038
PCA_DD_1244	9.30	28.66	19.36	1.22	0.045
PCA_DD_1245			NSI		
PCA_DD_1246	9.15	23.00	13.85	1.69	0.037
PCA_DD_1247			NSI		
PCA_DD_1248			NSI		
PCA_DD_1249	2.15	4.89	2.74	1.20	0.044
PCA_DD_1250					NSI
PCA_DD_1251	9.94	22.71	12.77	1.50	0.038
PCA_DD_1252			NSI		
PCA_DD_1253	**10.12**	**16.36**	**6.24**	**1.77**	**0.067**
PCA_DD_1254	13.06	21.51	8.45	1.49	0.042
PCA_DD_1255			NSI		
PCA_DD_1256	6.07	11.52	5.45	1.18	0.040
PCA_DD_1257			NSI		
PCA_DD_1258	**17.80**	**22.13**	**4.33**	**1.85**	**0.115**
PCA_DD_1259	7.51	19.17	11.66	1.36	0.058
PCA_DD_1260			NSI		
PCA_DD_1261	11.63	19.65	8.02	1.59	0.102
PCA_DD_1262			NSI		
PCA_DD_1263			NSI		
PCA_DD_1264	14.71	23.28	8.57	1.49	0.084
PCA_DD_1265			NSI		

Note:
NSI: no significant intercept

Strategic Report

The Directors of the Company and its subsidiary undertakings (which together comprise "the Group") present their Strategic Report for the year ended 31 December 2013.

The Strategic Report is a new statutory requirement under section 414A of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 and is intended to provide fair and balanced information that enables the Directors to be satisfied that they have complied with s172 of the Companies Act 2006, which sets out the Directors' duty to promote the success of the Company.

Review of the Business

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

Organisation Overview

The Group's business is directed by the Board and is managed on a day to day basis by the Chief Executive Officer, based at the Company's offices in London, United Kingdom. The corporate structure reflects the historical development of the Group, together with various project holdings of the Group, with relevant licences and permits held through locally domiciled subsidiaries. Where there is an appropriate requirement, for fiscal and other reasons, incorporated entities are also located in other particular territories.

The Group's exploration activities in Brazil are undertaken through HM do Brazil Ltda, Araguaia Niquel Mineração Ltda and Lontra Empreendimentos e Participaçoes Ltda.

The Board of Directors comprises the Chief Executive Officer and five Non-Executive Directors.

Aims, Strategy & Business Plan

The Group's **aim** is to create value for shareholders through the discovery and development of economic mineral deposits.

The Group's **strategy** is to continue to progress the development of the 100%-owned Araguaia project and to consolidate the Group's existing landholdings in the Araguaia area. The Group also evaluates on an ad hoc basis with a view to eventual acquisition, exploration and development, mineral projects in jurisdictions in which it holds a presence, and/or in sectors in which management has expertise.

The Group's **business plan** is to complete in the first quarter of 2014 an on-going Pre-Feasibility Study on Araguaia, which will be a further milestone in its progressive development and de-risking. This has been the core focus of the Group since the acquisition of Araguaia in August 2010. After the completion of the Araguaia Pre-Feasibility Study, the next aim of the Group is to progress the project through to completion of a Feasibility Study, should it be warranted.

Packing of drill core as part of Phase 3 drill programme.

The Board seeks to run the Group with a low cost base in order to maximise the amount that is spent on exploration and development as this is where value can be added. To this extent, the corporate office is run on a streamlined basis by a core team, and specialist skills and activities are outsourced as appropriate, both in the United Kingdom and in Brazil.

The Group finances its activities through periodic capital raisings with share placings. As the Group continues to develop its projects, there may be opportunities to obtain funding through other financial instruments, including royalty, debt or other arrangements with strategic parties.

Principal Risks and Uncertainties

Set out below are the principal risks and uncertainties facing the Group:

Exploration risks

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

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

Resource estimates

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

Strategic Report continued

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

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

Brazil, the current focus of the Group's activity, offers stable political frameworks and actively supports foreign investment. Brazil has a well-developed exploration and mining code with proactive support for foreign companies and in terms of economic growth, ran at circa 2.0% for 2013 which compares well to the previous year.

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

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

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

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

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

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

Financial Performance Review
The Group is not yet producing minerals and so has no income other than bank interest. Consequently the Group is not expected to report profits until it disposes of or is able to profitably develop or otherwise turn to account its exploration and development projects. The principal financial KPIs monitored by the Board concern levels and usage of cash.

The three main financial KPIs for the Group allow it to monitor costs and plan future exploration and development activities and are as follows:

	2013	2012
Cash and cash equivalents	**£3,091,880**	£5,887,174
Administrative expenses as a percentage of Total assets	**4.4%**	5.3%
Exploration costs capitalised as intangible assets	**£4,241,762**	£4,196,704

Administrative expenses as a percentage of total assets have been reduced due to streamlining of corporate activity in the constrained financing environment prevalent in the sector in which the Group operates.

Exploration costs capitalised as intangible assets in the year are similar to 2012 as the Group continues to carry out exploration activity on the Araguaia project, which was acquired in August 2010 and in 2013 comprised expenditure on the Pre-Feasibility Study together with the 3rd phase 9,309 metre drilling programme. No material exploration activities were carried out on the Group's other sites, notably the Falcao and El Aguila projects, the values of which were fully impaired during the year.

At 31 December 2013 the Group's intangible assets had a carrying value of £20,041,937.

Fundraising
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.

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

By order of the Board

Jeffrey Karoly
Company Secretary
20 February 2014

Financial Report **Jeffrey Karoly**

"The weaker Brazilian Real and the improving world economy provide a positive financial platform for Horizonte as it progresses Araguaia through Pre-Feasibility and beyond."

	Year ended 31 December 2013 £	Year ended 31 December 2012 £
Loss before taxation	**(2,713,221)**	(2,489,481)
Cash and cash equivalents	**3,091,880**	5,887,174
Exploration assets	**19,754,559**	20,074,974
Net assets	**23,738,903**	27,555,792
Loss per share (pence)	**(0.709)**	(0.762)

Loss for the year
The loss before tax of the Group amounted to £2,713,221 for the year and was after the following:

- A one-off non cash net impairment charge of £1,033,240 due to the writing off of the El Aguila and Falcao projects (see 'Exploration Assets').
- An adverse exchange movement of £149,199 driven by a strengthening of Sterling during the year against the US Dollar and Brazilian Real.

Administrative expenses reduced to £1,260,604 in 2013, down from £1,741,384 in 2012. The principal drivers behind the £480,780 reduction are as follows:

- £84,062 reduction in management salaries, as no bonus was paid in 2013
- £163,581 reduction in professional fees, principally due to scaling back Investor Relations activities in Canada and cost cuts
- £73,687 of savings in Investor Relations
- £118,815 reduction in exploration costs expensed, due to a weaker currency and an increased focus in 2013 on the core Araguaia project.

In addition, total comprehensive income attributable to equity holders of £(7,012,570) included currency translation differences of £(4,124,364). This was due to the Brazilian Real weakening against Sterling as at 31 December 2013, as compared to 31 December 2012.

Cash and Cash Equivalents
The closing cash balance for the Group of £3,091,880 is net of £4,241,762 of direct exploration and capital expenditure in the year, as compared to £2,921,704 spent in 2012. The increased expenditure in 2013 versus 2012 is due to commencement of the Pre-Feasibility study in mid-2013 and was preceded by the 3rd phase 9,309 metre drill programme, which fell predominantly in the first half of the year and partially into 2012.

Bulk sample preparation at Araguaia.

Financial Report continued

Exploration Assets
Exploration Assets have decreased by £320,415 in the year to £19,754,559. This decrease includes a negative foreign exchange revaluation of £3,513,895, as the Brazilian Real continued to depreciate in value against Sterling. Also included is an impairment provision of £310,179 against the Falcao project, following the termination of the joint venture with AngloGold Ashanti plc and an impairment of provision of £738,103 against the El Aguila project, following the decision to discontinue activity at that project for the foreseeable future. Internally generated additions in the year totalled £4,241,762. In December 2013 the Company signed a sale and purchase agreement with Falcao Mineradora Ltda, a Brazilian company. US$25,000 (£15,042) was paid upon signature and offset against the £310,179 impairment charge in the year for Falcao. Further consideration of US$140,000 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').


Local community road improvement project.


HQ diamond drill rig in action as part of the 3rd Phase drilling programme.

NICKEL SUMMARY

Industry Summary
Nickel is widely used in tens of thousands of products for consumer, industrial, military, transport, aerospace, marine and architectural applications. Around two-thirds of total production is used in the manufacture of stainless and heat resistant steels and a further 20% in non-ferrous alloys and other steels. Overall there are some 3,000 nickel-containing alloys in everyday use.

According to the Nickel Institute, nickel's use is growing at around 4% per year, with the fastest growth occurring in industrialising countries. Nickel's principal end use is in construction, where its resistance to corrosion, strength, ductility, and high melting point all contribute to its widespread use. Other principal demand sectors include automotive and electronics, where it is a critical component in re-chargeable batteries, as well as in chemical processing and piping.

Markets:
Global annual demand for nickel has increased over time and in correlation with economic development: according to Wood Mackenzie, worldwide primary use of nickel hit an all-time high in 2013 of circa 1.85 million tonnes, driven primarily by the strong growth in stainless steel output in China and up over 7% on 2012.

In terms of supply, Nickel Pig Iron (NPI) has been the fastest growing source of nickel in recent years and Indonesia was the world's largest miner of nickel ore in 2012, with a total of 500.000 tonnes, up 67% on the 2011 figure, according to the Mining Journal.

This will however likely be affected by the raw materials export ban implemented by Indonesia in January 2014 and which is expected to have a positive effect on nickel prices in due course, given that it has the potential to remove circa 300,000 tonnes of nickel from the NPI market.

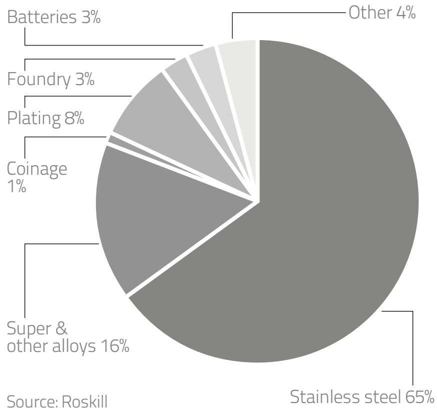
Supply is relatively concentrated, with the top 5 producers accounting for approximately half of global nickel output.

Ferronickel casting

Market Outlook
Due to future increases in world population, to 9.6 billion by around 2050, as well as current and future global trends such as growth in demand for transport, accommodation, food/water and energy, future nickel demand is expected to continue to increase, principally on the back of Chinese demand. Mine output has increased as new projects have been brought on line, notably NPI, and based upon existing production, the market is expected to remain in surplus until around 2017, although this could be affected by the Indonesian export ban. Production costs are however expected to continue to increase, both in conventional nickel as well as NPI, and the trend of movement in production from sulphide to laterites is expected to continue.

Nickel's role in innovative uses is also expected to continue to be significant: its exceptional high temperature strength and corrosion resistance lends well to use in super alloys for chemical plants and gas turbines, for example. Nickel catalysts are also being developed and power storage solutions incorporating nickel are continuously advancing. According to estimates from Wood Mackenzie, based upon the outlook for stainless steel production and world industrial production trend growth forecasts, the world will need an additional 400,000 tonnes per annum of nickel production by 2025.

First uses of nickel



Source: Roskill

Board of Directors and Key Management

A wealth of experience

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

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

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

Jeremy J Martin MSc, ASCM
Director and Chief Executive Officer

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

Jeffrey Karoly BSc, ACA
Chief Financial Officer and Company Secretary

Mr Karoly has degree in Geology from the University of Bristol and is a Chartered Accountant with over 15 years of experience in the mining industry. He was with Minorco/Anglo American from 1997 to 2007 in a variety of finance/corporate finance functions in the UK, Brazil, South Africa and France and from 2008 to 2011 was Chief Financial Officer of South American Ferro Metals, a private company that acquired, explored and developed an iron ore property in Brazil and which in 2011 listed on the ASX. Mr Karoly started his career at Coopers & Lybrand and speaks French and Portuguese.

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

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

Allan M Walker MA
Non-Executive Director

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

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

Mr Christopher, a professional geologist, has some 30 years of experience in mineral exploration and the mining industry. He is a member of the Association of Professional Engineers and Geoscientists BC and possesses an Honours B.Sc. in Geology from McMaster University and an Environmental Biology Technology diploma from Canadore College. Mr Christopher currently holds the position of Vice President Exploration at Teck. Mr Christopher has been with Teck since the mid 1980s holding a number of positions within the company and has spent much of his time over the past 10 years focusing on the junior mining sector, partnerships, property transactions and Teck's junior mining equity investments.

William Fisher PGeo
Non-Executive Director

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

Roger Billington PGeo
Technical Manager

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

Philip Mackey
Senior Metallurgical Advisor

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

Directors' Report

The Directors present their annual report on the affairs of Horizonte Minerals Plc, together with the audited Financial Statements for the year ended 31 December 2013.

Principal activities
The principal activity of the Company and the Group is the identification, acquisition, exploration and development of mineral projects. The main area of activity comprises the development of the Araguaia nickel project, located in Parà State in north-eastern Brazil.

Financial review
The Group recorded a loss for the year of £2,713,221 (2012: loss £2,489,481). The Group is currently involved in exploration and evaluation activities and not active mining. As a result, the Group is not revenue generative.

In 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 £3.08 million before expenses.

At 31 December 2013 the Group had cash and cash equivalents of £3,091,880 (2012: £5,887,174). The Directors have prepared cash flow forecasts for the 12 months from the date of signing of these financial statements. The Directors have formed a judgment at the time of approving the financial statements that there is a reasonable expectation that the Company and Group have adequate resources to continue operations for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements. Further details of the Directors' conclusions regarding going concern are detailed in note 2.4 to the Financial Statements.

The Directors do not recommend payment of a dividend (2012: £Nil).

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

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

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

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

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

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

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

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

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

Substantial shareholdings
The Directors are aware of the following substantial interests or holdings in 3% or more of the Company's ordinary called up share capital as at 20 February 2014.

Major shareholders	Number of shares	% of issued capital
Teck Resources Limited	170,573,987	42.5
Henderson Global Investors	60,719,334	15.1
Anglo Pacific Group Plc	36,853,821	9.2
Quantom Holdings Ltd	30,000,000	7.5
Richard Griffiths	16,536,192	4.1

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

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

The Directors who served during the year, together with all their beneficial interests in the shares of the Company as at 31 December 2013 are as follows:

	31 December 2013		31 December 2012	
Director	Shares	Options	Shares	Options
David Hall	**765,908**	**3,000,000**	765,908	3,000,000
Jeremy Martin	**853,908**	**5,250,000**	853,908	5,250,000
Owen Bavinton	**–**	**1,500,000**	–	1,500,000
Allan Walker	**–**	**2,400,000**	–	2,400,000
William Fisher	**–**	**1,500,000**	–	1,500,000
Alex Christopher	**–**	**–**	–	–

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

There has been no change in the interests set out above between 31 December 2013 and 20 February 2014.

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

Creditor payment policy
The Company's policy is to settle terms of payment with suppliers when agreeing terms of business, to ensure that the suppliers are aware of the terms of payment and to abide by them. Creditors' days as at 31 December 2013 amounted to 14 days (2012: 54 days).

Charitable donations
During the year ended 31 December 2013, the Company made no charitable donations (2012: £6,519, to a charity addressing the needs of homeless people).

Events after the reporting date
The events after the reporting date are set out in note 31 to the Financial Statements.

Annual General Meeting
The Notice of the Annual General Meeting of the Company and the management information circular together with Management Discussion and Analysis as at 31 December 2013 will be distributed to shareholders together with the Annual Report. Full details of the business to be considered at that meeting can be found in the Notice.

Auditors
The auditor, PKF Littlejohn LLP (formerly Littlejohn LLP), will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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

By Order of the Board

Jeffrey Karoly
Company Secretary
20 February 2014

Statement of Directors' Responsibilities

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

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

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

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

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

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

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

Corporate Governance Report

The Board of Directors
As at 31 December 2013, the Board of Directors comprised six members: one Executive Director and five Non-Executive Directors including the Chairman, Mr David Hall. The Executive Director has a wealth of minerals exploration and development experience. Similarly the Non-Executive Directors have extensive mineral and financial experience. Three of the Non-Executive Directors are classified as Independent by the Toronto Stock Exchange.

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

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

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

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

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

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

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

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

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

We have audited the Financial Statements of Horizonte Minerals Plc for the year ended 31 December 2013 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statements of Financial Position, the Consolidated and Parent Company Statements of Cash Flows, the Consolidated and Parent Company Statements of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company Financial Statements, as applied in accordance with the provisions of the Companies Act 2006.

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

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

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

Opinion on Financial Statements
In our opinion:

- the Financial Statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2013 and of the Group's loss for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company Financial Statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006.

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

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

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

1 Westferry Circus
Canary Wharf
London E14 4HD

20 February 2014

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2013

	Notes	Year ended 31 December 2013 £	Year ended 31 December 2012 £
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)

The notes on pages 29 to 51 form part of these financial statements.

COMPANY OVERVIEW
BUSINESS REVIEW
CORPORATE GOVERNANCE
FINANCIAL STATEMENTS

Consolidated Statement of Financial Position

Company number: 05676866
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

The notes on pages 29 to 51 form part of these financial statements.

The financial statements were authorised for issue by the Board of Directors on 20 February 2014 and were signed on its behalf.

David J Hall
Chairman

Jeremy J Martin
Chief Executive Officer

Company Statement of Financial Position
Company number: 05676866
As at 31 December 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

The notes on pages 29 to 51 form part of these financial statements.

The financial statements were authorised for issue by the Board of Directors on 20 February 2014 and were signed on its behalf.

David J Hall
Chairman

Jeremy J Martin
Chief Executive Officer

Statements of Changes in Equity
For the year ended 31 December 2013

	Attributable to owners of parent				
	Share capital £	Share premium £	Retained losses £	Other reserves £	Total £
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				
	Share capital £	Share premium £	Retained losses £	Merger reserves £	Total £
Company					
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**

The notes on pages 29 to 51 form part of these financial statements.

Consolidated Statement of Cash Flows
For the year ended 31 December 2013

	Notes	31 December 2013 £	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.

The notes on pages 29 to 51 form part of these financial statements.

Company Statement of Cash Flows
For year ended 31 December 2013

	Notes	31 December 2013 £	31 December 2012 £
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.

The notes on pages 29 to 51 form part of these financial statements.

Notes to the Financial Statements

1 General information

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

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

2 Summary of significant accounting policies

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

2.1 Basis of preparation

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

Notes to the Financial Statements continued

2 Summary of significant accounting policies continued
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.

2 Summary of significant accounting policies continued
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.

Notes to the Financial Statements continued

2 Summary of significant accounting policies continued

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
HM do Brasil Ltda	HM Brazil (IOM) Ltd	Brazil	Mineral Exploration
Araguaia Niquel Mineração Ltda	Horizonte Nickel (IOM) Ltd	Brazil	Mineral Exploration
Lontra Empreendimentos e Participações Ltda	Arguaia Niquel Mineração Ltda/ Horizonte Nickel (IOM) Ltd	Brazil	Mineral Exploration
Mineira El Aguila SAC	HM Peru (IOM) Ltd	Peru	Mineral Exploration
Mineira Cotahusi SAC	Mineira El Aguila SAC	Peru	Mineral Exploration
South America Resources Ltd	Horizonte Minerals Plc	Isle of Man	Holding company
Brazil Mineral Holdings Ltd	South America Resources Ltd	Isle of Man	Holding company

PMA Geoquimica Ltda, 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 Summary of significant accounting policies continued

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.

Notes to the Financial Statements continued

2 Summary of significant accounting policies continued

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 Summary of significant accounting policies continued

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.

Notes to the Financial Statements continued

2 Summary of significant accounting policies continued
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.

3 Financial risk management continued

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.

Notes to the Financial Statements continued

4 Critical accounting estimates and judgements continued

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.

2013	UK 2013 £	Brazil 2013 £	Other 2013 £	Total 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**

2012	UK 2012 £	Brazil 2012 £	Other 2012 £	Total 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.

5 Segmental reporting continued

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

Notes to the Financial Statements continued

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

9 Taxation continued

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Group	Deferred tax liabilities Fair value gains £	Deferred tax assets Tax Losses £	Total £
At 1 January 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	Goodwill £	Exploration and 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.

Notes to the Financial Statements continued

10 Intangible assets continued

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

Notes to the Financial Statements continued

11 Property, plant and equipment continued

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 2013 £	Group 2012 £	Company 2013 £	Company 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 2013 £	Group 2012 £	Company 2013 £	Company 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 2013 £	Group 2012 £	Company 2013 £	Company 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.

Notes to the Financial Statements continued

16 Share premium

Group and Company	2013 £	2012 £
At 1 January	**24,384,527**	18,772,797
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**	24,384,527

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.

17 Share-based payments continued

The range of option exercise prices is as follows:

Range of exercise prices (£)	2013 Weighted average exercise price (£)	2013 Number of shares	2013 Weighted average remaining life expected (years)	2013 Weighted average remaining life contracted (years)	2012 Weighted average exercise price (£)	2012 Number of shares	2012 Weighted average remaining life expected (years)	2012 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 2013 £	Group 2012 £	Company 2013 £	Company 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.

Notes to the Financial Statements continued

19 Trade and other payables continued
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	**2013** **£**	2012 £
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 Brazil 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 Cotahusi 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 Mineraçao 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** **Assets** **£**	**2013** **Liabilities** **£**	2012 Assets £	2012 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.

22 Related party transactions continued

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**

Notes to the Financial Statements continued

25 Directors' remuneration continued

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 warrantees granted by the previous owners at the date of sale. The Directors are confident that no amounts are due in relation to these proposed membership fees and that the claim will be unsuccessful. As a result, no provision has been made in the financial statements for the year ended 31 December 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.

Notes

Statutory Information

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

Company Secretary
Jeffrey Laszlo Karoly

Company Number
05676866

Registered Office
Horizonte Minerals Plc
26 Dover Street
London
W1S 4LY
United Kingdom

Nominated Adviser and Broker
finnCap
60 New Broad Street
London
EC2M 1JJ
United Kingdom

Independent Auditor
PKF Littlejohn LLP
Statutory Auditor
1 Westferry Circus
Canary Wharf
London
E14 4HD
United Kingdom

Solicitors to the Company
As to English law:
Greenberg Traurig Maher LLP
200 Gray's Inn Road
London
WC1X 8HF
United Kingdom

As to Canadian law:
Cassels Brock and Blackwell LLP
2100 Scotia Plaza
Toronto ON
M5H 3C2
Canada

As to Brazilian law:
Brito Maia
Belo Horizonte – MG
Rua Santa Catarina 1429
Lourdes – CEP 30.170-081
Brazil

Registrar
For shares listed on the London Stock Exchange:
Computershare Investor Services (Ireland) Limited
Heron House
Corrig Road
Sandyford Industrial Estate
Dublin 18
Ireland

For shares listed on the Toronto Stock Exchange:
Computershare Investor Services Inc.
100 University Avenue
8th Floor
Toronto ON
M5J 2Y1
Canada

Designed and produced by Emperor
www.emperordesign.co.uk +44 (0)121 262 3830

HORIZONTE
MINERALS

Horizonte Minerals Plc
26 Dover Street
London W1S 4LY
United Kingdom

T + 44 (0) 207 763 7157
E info@horizonteminerals.com

www.horizonteminerals.com