

Horizonte Minerals plc

Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2016

Condensed consolidated statement of comprehensive income

	6 months ended 30 June		3 months ended 30 June	
	2016	2015	2016	2015
	Unaudited	Unaudited	Unaudited	Unaudited
Notes	£	£	£	£
Continuing operations				
Revenue	-	-	-	-
Cost of sales	-	-	-	-
Gross profit	-	-	-	-
Administrative expenses	(385,028)	(415,968)	(200,938)	(201,531)
Charge for share options granted	(18,184)	(86,890)	(9,092)	(44,679)
Change in value of contingent consideration	(463,301)	(55,063)	(363,534)	190,312
Gain/(Loss) on foreign exchange	80,300	(196,620)	35,988	(69,478)
Other losses – Impairment of available for sale assets	-	(253,006)	-	-
Loss from operations	(786,213)	(1,007,547)	(537,576)	(125,376)
Finance income	2,964	10,329	909	3,212
Finance costs	(172,925)	(161,963)	(87,407)	(80,982)
Loss before taxation	(956,174)	(1,159,181)	(624,074)	(203,146)
Taxation	-	-	-	-
Loss for the year from continuing operations	(956,174)	(1,159,181)	(624,074)	(203,146)
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss				
Change in value of available for sale financial assets	-	253,006	-	-
Currency translation differences on translating foreign operations	8,206,506	(3,693,733)	4,917,794	(766,850)
Other comprehensive income for the period, net of tax	8,206,506	(3,440,727)	4,917,794	(766,850)
Total comprehensive income for the period attributable to equity holders of the Company	7,250,332	(4,599,908)	4,293,720	(969,996)
Earnings per share from continuing operations attributable to the equity holders of the Company				

Basic and diluted (pence per share)	9	(0.142)	(0.235)	(0.093)	(0.041)
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Condensed consolidated statement of financial position

	Notes	30 June 2016 Unaudited £	31 December 2015 Audited £
Assets			
Non-current assets			
Intangible assets	6	28,292,139	20,046,102
Property, plant & equipment		6,278	11,888
Deferred tax assets		4,902,865	3,590,675
		33,201,282	23,648,665
Current assets			
Trade and other receivables		23,424	40,912
Cash and cash equivalents		1,660,194	2,738,905
		1,683,618	2,779,817
Total assets		34,884,900	26,428,482
Equity and liabilities			
Equity attributable to owners of the parent			
Issued capital	7	6,712,044	6,712,044
Share premium	7	31,252,708	31,252,708
Other reserves		870,179	(7,336,327)
Accumulated losses		(12,019,163)	(11,081,173)
Total equity		26,815,768	19,547,252
Liabilities			
Non-current liabilities			
Contingent consideration		5,807,855	5,171,629
Deferred tax liabilities		2,130,886	1,560,581
		7,938,741	6,732,210
Current liabilities			
Trade and other payables		130,391	149,020
Total liabilities		8,069,132	6,881,230
Total equity and liabilities		34,884,900	26,428,482

Condensed statement of changes in shareholders' equity

	Attributable to the owners of the parent				
	Share capital £	Share premium £	Accumulated losses £	Other reserves £	Total £
As at 1 January 2015	4,924,271	31,095,370	(9,526,869)	(321,601)	26,171,171
Comprehensive income					
Loss for the period	-	-	(1,159,181)	-	(1,159,181)
Other comprehensive income					
Impairment of available for sale assets	-	-	-	253,006	253,006
Currency translation differences	-	-	-	(3,693,733)	(3,693,733)
Total comprehensive income	-	-	(1,159,181)	(3,440,727)	(4,599,908)
Transactions with owners					
Share based payments	-	-	86,890	-	86,890
Total transactions with owners	-	-	86,890	-	86,890
As at 30 June 2015 (unaudited)	4,924,271	31,095,370	(10,599,160)	(3,762,328)	21,658,153

	Attributable to the owners of the parent				
	Share capital £	Share premium £	Accumulated losses £	Other reserves £	Total £
As at 1 January 2016	6,712,044	31,252,708	(11,081,173)	(7,336,327)	19,547,252
Comprehensive income					
Loss for the period	-	-	(956,174)	-	(956,174)
Other comprehensive income					
Impairment of available for sale assets	-	-	-	-	-
Currency translation differences	-	-	-	8,206,506	8,206,506
Total comprehensive income	-	-	(956,174)	8,206,506	7,250,332
Transactions with owners					
Share based payments	-	-	18,184	-	18,184
Total transactions with owners	-	-	18,184	-	18,184
As at 30 June 2016 (unaudited)	6,712,044	31,252,708	(12,019,163)	870,179	26,815,768

Condensed Consolidated Statement of Cash Flows

	6 months ended 30 June		3 months ended 30 June	
	2016	2015	2016	2015
	Unaudited £	Unaudited £	Unaudited £	Unaudited £
Cash flows from operating activities				
Loss before taxation	(956,174)	(1,159,181)	(624,074)	(203,146)
Interest income	(2,964)	(10,329)	(909)	(3,212)
Finance costs	172,925	161,963	87,407	80,982
Loss on disposal of subsidiary	-	3,848	-	-
Realisation of Peruvian Reserves	-	13,353	-	-
Impairment of available for sale financial assets	-	253,005	-	-
Project impairment	-	-	-	-
Gain on sale of fixed asset	-	(11,011)	-	(11,011)
Exchange differences	(80,300)	196,620	(35,988)	69,478
Employee share options charge	18,184	86,890	9,092	44,679
Change in fair value of contingent consideration	463,301	55,063	363,534	(190,312)
Depreciation	579	819	294	407
Operating loss before changes in working capital	(384,449)	(408,960)	(200,644)	(212,135)
Decrease/(increase) in trade and other receivables	18,657	6,034	5,723	6,313
(Decrease)/increase in trade and other payables	(43,028)	(61,358)	3,842	17,238
Net cash outflow from operating activities	(408,820)	(464,284)	(191,079)	(188,584)
Cash flows from investing activities				
Purchase of intangible assets	(751,986)	(1,978,727)	(359,011)	(870,162)
Proceeds from sale of property, plant and equipment	-	13,292	-	13,292
Interest received	2,964	10,329	909	3,213
Net cash used in investing activities	(749,022)	(1,955,106)	(358,102)	(853,657)
Net decrease in cash and cash equivalents	(1,157,842)	(2,419,390)	(549,181)	(1,042,241)
Cash and cash equivalents at beginning of period	2,738,905	5,030,968	2,173,055	3,527,280
Exchange gain/(loss) on cash and cash equivalents	79,131	(195,872)	36,320	(69,333)
Cash and cash equivalents at end of the period	1,660,194	2,415,706	1,660,194	2,415,706

Notes to the Financial Statements

1. General information

The principal activity of the Company and its subsidiaries (together 'the Group') is the exploration and development of precious and base metals. There is no seasonality or cyclicity of the Group's operations.

The Company's shares are listed on the Alternative Investment Market of the London Stock Exchange (AIM) and on the Toronto Stock Exchange (TSX). The Company is incorporated and domiciled in the United Kingdom. The address of its registered office is 26 Dover Street London W1S 4LY.

2. Basis of preparation

The condensed consolidated interim financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards and in accordance with International Accounting Standard 34 *Interim Financial Reporting*. The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2015, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The condensed consolidated interim financial statements set out above do not constitute statutory accounts within the meaning of the Companies Act 2006. They have been prepared on a going concern basis in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRS) as adopted by the European Union. Statutory financial statements for the year ended 31 December 2015 were approved by the Board of Directors on 15 March 2016 and delivered to the Registrar of Companies. The report of the auditors on those financial statements was unqualified.

The condensed consolidated interim financial statements of the Company have not been audited or reviewed by the Company's auditor, BDO LLP.

Going concern

The Directors, having made appropriate enquiries, consider that adequate resources exist for the Group to continue in operational existence for the foreseeable future and that, therefore, it is appropriate to adopt the going concern basis in preparing the condensed consolidated interim financial statements for the period ended 30 June 2016.

Risks and uncertainties

The Board continuously assesses and monitors the key risks of the business. The key risks that could affect the Group's medium term performance and the factors that mitigate those risks have not substantially changed from those set out in the Group's 2015 Annual Report and Financial Statements, a copy of which is available on the Group's website: www.horizonteminerals.com and on Sedar: www.sedar.com The key financial risks are liquidity risk, foreign exchange risk, credit risk, price risk and interest rate risk.

Critical accounting estimates

The preparation of condensed consolidated interim financial statements 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. Significant items subject to such estimates are set out in note 4 of the Group's 2015 Annual Report and Financial Statements. The nature and amounts of such estimates have not changed significantly during the interim period.

3. Significant accounting policies

The condensed consolidated interim financial statements have been prepared under the historical cost convention as modified by the revaluation of certain of the subsidiaries' assets and liabilities to fair value for consolidation purposes.

The same accounting policies, presentation and methods of computation have been followed in these condensed consolidated interim financial statements as were applied in the preparation of the Group's Financial Statements for the year ended 31 December 2015.

4 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.

2016	UK	Brazil	Other	Total
	6 months ended 30 June 2016	6 months ended 30 June 2016	6 months ended 30 June 2016	6 months ended 30 June 2016
	£	£	£	£
Revenue	-	-	-	-
Administrative expenses	(256,251)	(128,777)	-	(385,028)
Profit on foreign exchange	63,320	16,980	-	80,300
(Loss) from operations per reportable segment	(192,931)	(111,797)	-	(304,728)
Inter segment revenues	-	567,589	-	567,589
Depreciation charges	(519)	(61)	-	(579)
Additions and foreign exchange movements to non-current assets	-	8,175,863	-	8,175,863
Reportable segment assets	1,635,604	33,249,296	-	34,884,900
Reportable segment liabilities	5,848,311	2,220,821	-	8,069,132

2015	UK	Brazil	Other	Total
	6 months ended 30 June 2015	6 months ended 30 June 2015	6 months ended 30 June 2015	6 months ended 30 June 2015
	£	£	£	£
Revenue	-	-	-	-
Administrative expenses	(318,060)	(84,555)	(13,353)	(415,968)
(Loss) on foreign exchange	(108,941)	(87,679)	-	(196,620)
(Loss) from operations per reportable segment	(427,001)	(172,234)	(13,353)	(612,588)
Inter segment revenues	-	427,513	-	427,513
Depreciation charges	(519)	(300)	-	(819)
Additions and foreign exchange movements to non-current assets	-	1,310,368	-	1,310,368
Reportable segment assets	2,269,845	23,898,966	-	26,168,811
Reportable segment liabilities	2,503,815	2,006,843	-	4,510,658

2016	UK	Brazil	Other	Total
	3 months ended 30 June 2016	3 months ended 30 June 2016	3 months ended 30 June 2016	3 months ended 30 June 2016
	£	£	£	£
Revenue	-	-	-	-
Administrative expenses	(113,961)	(86,977)	-	(200,938)
Profit on foreign exchange	25,808	10,180	-	35,988
(Loss) from operations per reportable segment	(88,153)	(76,797)	-	(164,950)
Inter segment revenues	-	327,101	-	327,101
Depreciation charges	(259)	(35)	-	(294)
Additions and foreign exchange movements to non-current assets	-	4,818,164	-	4,818,164

2015	UK 3 months ended 30 June 2015 £	Brazil 3 months ended 30 June 2015 £	Other 3 months ended 30 June 2015 £	Total 3 months ended 30 June 2015 £
Revenue	-	-	-	-
Administrative expenses	(154,912)	(46,619)	-	(201,531)
(Loss) on foreign exchange	(63,700)	(5,778)	-	(69,478)
(Loss) from operations per reportable segment	(218,612)	(52,397)	-	(271,009)
Inter segment revenues	-	221,935	-	221,935
Depreciation charges	(260)	(147)	-	(407)
Additions and foreign exchange movements to non-current assets	--	28,722	-	28,722

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

	6 months ended 30 June 2016 £	6 months ended 30 June 2015 £	3 months ended 30 June 2016 £	3 months ended 30 June 2015 £
Loss from operations per reportable segment	(304,728)	(612,588)	(164,950)	(271,009)
– Change in fair value of contingent consideration	(463,301)	(55,063)	(363,534)	190,312
– Charge for share options granted	(18,184)	(86,890)	(9,092)	(44,679)
– Impairment of available for sale asset	-	(253,006)	-	-
– Finance income	2,964	10,329	909	3,212
– Finance costs	(172,925)	(161,963)	(87,407)	(80,982)
Loss for the period from continuing operations	(956,174)	(1,159,181)	(624,074)	(203,146)

5 Change in Fair Value of Contingent Consideration

Contingent Consideration payable to the former owners of Teck Cominco Brasil S.A.

Contingent consideration payable to the former owners of Teck Cominco Brasil S.A. has a carrying value of £2,637,724 at 30 June 2016 (30 June 2015: £ 2,452,538). The fair value of the contingent consideration arrangement with the former owners of Teck Cominco Brasil S.A. was estimated at the acquisition date according to when future taxable profits against which the tax losses may be utilised were anticipated to arise. The fair value estimates were based on the current rates of tax on profits in Brazil of 34%. A discount factor of 7.0% was applied to the future dates at which the tax losses will be utilised and consideration paid.

As at 30 June 2016, there was a finance expense of £83,000 (30 June 2015: £161,963) recognised in finance costs within the Condensed Statement of Comprehensive Income in respect of this contingent consideration arrangement, as the discount applied to the contingent consideration at the date of acquisition was unwound.

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 Pre-Feasibility Study as published by the Group in March 2014. The key assumptions underlying the cash flow model derived from the Pre-Feasibility Study as published by the Group in March 2014 are unchanged as at 30 June 2016, other than that in 2015 the assumed date for commencement of commercial production was revised from 2017 to 2019. The change in the fair value of contingent consideration payable to the former owners of Teck Cominco Brasil S.A. generated a charge to profit or loss of £ 189,971 for the six months ended 30 June 2016 (30 June 2015: £55,063 charge) due to changes in the functional currency in which the liability is payable.

Contingent Consideration payable to Xstrata Brasil Mineração Ltda

The contingent consideration payable to Xstrata Brasil Mineração Ltda has a carrying value of £ 3,170,131 at 30 June 2016 (30 June 2015: £ nil). It comprises two elements: US\$1,000,000 due after the date of issuance of a joint feasibility study for the combined Enlarged Project areas and to be satisfied by shares or cash, together with US\$5,000,000 consideration in cash as at the date of first commercial production from any of the resource areas within the Enlarged Project area. The key assumptions underlying the treatment of the contingent consideration the US\$5,000,000 are as per those applied to the contingent consideration payable to the former owners of Teck Cominco Brasil S.A.

As at 30 June 2016, there was a finance expense of £89,925 (2014: £nil) recognised in finance costs within the Statement of Comprehensive Income in respect of this contingent consideration arrangement, as the discount applied to the contingent consideration at the date of acquisition was unwound.

The change in the fair value of contingent consideration payable to Xstrata Brasil Mineração Ltda generated a charge to profit or loss of £273,330 for the six months ended 30 June 2016 (30 June 2015: £nil) due to changes in the functional currency in which the liability is payable.

6 Intangible assets

Intangible assets comprise exploration and evaluation costs and goodwill. Exploration and evaluation costs comprise internally generated and acquired assets.

Group	Goodwill	Exploration licences	Exploration and evaluation costs	Total
	£	£	£	£
Cost				
At 1 January 2016	192,028	3,174,275	16,679,799	20,046,102
Additions	-	-	784,588	784,588
Exchange rate movements	70,174	1,162,895	6,228,380	7,461,449
Net book amount at 30 June 2016	262,202	4,337,170	23,692,767	28,292,139

7 Share Capital and Share Premium

Issued and fully paid	Number of shares	Ordinary shares	Share premium	Total
		£	£	£
At 1 January 2016	671,204,378	6,712,044	31,252,708	37,964,752
At 30 June 2016	671,204,378	6,712,044	31,252,708	37,964,752

8 Dividends

No dividend has been declared or paid by the Company during the six months ended 30 June 2016 (2015: nil).

9 Earnings per share

The calculation of the basic loss per share of 0.142 pence for the 6 months ended 30 June 2016 (30 June 2015 loss per share: 0.235 pence) is based on the loss attributable to the equity holders of the Company of £ (956,174) for the six month period ended 30 June 2016 (30 June 2015: £(1,159,181)) divided by the weighted average number of shares in issue during the period of 671,204,378 (weighted average number of shares for the 6 months ended 30 June 2015: 492,427,105).

The calculation of the basic loss per share of 0.093 pence for the 3 months ended 30 June 2016 (30 June 2015 loss per share: 0.041 pence) is based on the loss attributable to the equity holders of the Company of £ (624,074) for the three month period ended 30 June 2016 (3 months ended 30 June 2014: £ 203,146) divided by the weighted average number of shares in issue during the period of 671,204,378 (weighted average number of shares for the 3 months ended 30 June 2015: 492,427,105).

The basic and diluted loss per share is the same, as the effect of the exercise of share options would be to decrease the loss per share.

Details of share options that could potentially dilute earnings per share in future periods are disclosed in the notes to the Group's Annual Report and Financial Statements for the year ended 31 December 2015 and in note 10 below.

10 Issue of Share Options

No share options were issued in the first 6 months of 2016.

On 10 June 2015, the Company awarded 13,250,000 share options to Directors and senior management. All of the share options have an exercise price of 4.00 pence. One third of the options are exercisable from 10 December 2015, one third from 10 June 2016 and one third from 10 December 2016.

11 Ultimate controlling party

The Directors believe there to be no ultimate controlling party.

12 Related party transactions

The nature of related party transactions of the Group has not changed from those described in the Group's Annual Report and Financial Statements for the year ended 31 December 2015.

13 Events after the reporting period

On August 3rd 2016 the Company announced the transfer to a wholly-owned subsidiary of the Company of the remaining two licences that make up the Glencore Araguaia nickel project ('**GAP**'). This completes the licence transfer under the agreement ('**Asset Purchase Agreement**') to acquire GAP from Xstrata Brasil Exploração Mineral Ltda ('**Xstrata**'), a wholly owned subsidiary of Glencore, as announced by the Company on 28 September 2015.

Following the registration by the National Department of Mineral Production of Brazil of the transfer of the outstanding GAP licences from Xstrata to a wholly-owned subsidiary of the Company and pursuant to the Asset Purchase Agreement, Horizonte has now completed the second and final allotment to Xstrata of Initial Consideration Shares.

Further to the above, the Company has issued and allotted 50,729,922 new Ordinary Shares to Xstrata, being the Initial Consideration Shares equivalent in value to US\$1,340,000. These closing Initial Consideration Shares were issued at a price of 1.99 pence (the "Issue Price"). In accordance with the terms of the Asset Purchase Agreement the Issue Price was equal to the five day weighted average price per Ordinary Share on AIM, taken on the business day when the transfer of the remaining GAP licences was confirmed, and converted at a rate of exchange as set out in the Asset Purchase Agreement. This allocation of shares signifies the completion of the issuance of the Initial Consideration Shares to a total value of US\$2,000,000. Initial Consideration Shares were previously issued under the Asset Purchase Agreement to the value of US\$660,000 in November 2015 following transfer of the first GAP licence to a wholly-owned subsidiary of the Company.

Approval of interim financial statements

These Condensed Consolidated Interim Financial Statements were approved by the Board of Directors on 9 August 2016.