

**Condensed Consolidated Interim Financial Statements**  
for the nine months ended 30 September 2016

**Condensed consolidated statement of comprehensive income**

Notes	9 months ended Sep 30		3 months ended Sep 30	
	2016 Unaudited	2015 Unaudited	2016 Unaudited	2015 Unaudited
	£	£	£	£
<b>Continuing operations</b>				
Revenue	-	-	-	-
Cost of sales	-	-	-	-
<b>Gross profit</b>				
Administrative expenses	(629,943)	(602,552)	(244,915)	(186,584)
Charge for Share Options Granted	(32,764)	(139,231)	(14,580)	(52,341)
Change in value of contingent consideration	(608,873)	(111,621)	(145,592)	(56,558)
Project impairment	-	-	-	-
(Loss)/gain on foreign exchange	82,864	(240,418)	2,564	(43,798)
Other losses – Impairment of available for sale assets	-	(253,006)	-	-
<b>Loss from operations</b>	<b>(1,188,716)</b>	<b>(1,346,828)</b>	<b>(402,503)</b>	<b>(339,281)</b>
Gain on sale of fixed asset	-	-	-	-
Finance income	3,743	12,403	779	2,074
Finance costs	(265,179)	(242,944)	(92,254)	(80,981)
<b>(Loss)/Profit before taxation</b>	<b>(1,450,152)</b>	<b>(1,577,369)</b>	<b>(493,978)</b>	<b>(418,188)</b>
Taxation	-	-	-	-
<b>(Loss)/Profit for the period from continuing operations</b>	<b>(1,450,152)</b>	<b>(1,577,369)</b>	<b>(493,978)</b>	<b>(418,188)</b>
<b>Other comprehensive income</b>				
<b>Items that may be reclassified subsequently to profit or loss</b>				
Change in value of available for sale financial assets	-	253,006	-	-
Exchange differences on translating foreign operations	8,969,263	(7,694,888)	762,756	(4,001,155)
Other comprehensive income for the period, net of tax	8,969,263	(7,441,882)	762,756	(4,001,155)
<b>Total comprehensive income for the period attributable to equity holders of the Company</b>	<b>7,519,111</b>	<b>(9,019,251)</b>	<b>268,778</b>	<b>(4,419,343)</b>

**Earnings per share  
from continuing  
operations attributable  
to the equity holders of  
the Company**

Basic and diluted (pence per share)	9	(0.264)	(0.320)	(0.07)	(0.085)
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**Condensed consolidated statement of financial position**

	Notes	30 September 2016 Unaudited £	31 December 2015 Audited £
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	6	30,242,051	20,046,102
Property, plant & equipment		1,556	11,888
Deferred taxation		5,022,846	3,590,675
		35,266,453	23,648,665
<b>Current assets</b>			
Trade and other receivables		11,377	40,912
Cash and cash equivalents		1,179,863	2,738,905
		1,191,240	2,779,817
<b>Total assets</b>		<b>36,457,693</b>	<b>26,428,482</b>
<b>Equity and liabilities</b>			
<b>Equity attributable to owners of the parent</b>			
Issued capital	7	7,219,343	6,712,044
Share premium	7	31,758,029	31,252,708
Other reserves		1,632,936	(7,336,327)
Accumulated losses		(12,498,561)	(11,081,173)
<b>Total equity</b>		<b>28,111,747</b>	<b>19,547,252</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Contingent consideration		6,045,681	5,171,629
Deferred taxation		2,183,033	1,560,581
		8,228,714	6,732,210
<b>Current liabilities</b>			
Trade and other payables		117,232	149,020
<b>Total liabilities</b>		<b>8,345,946</b>	<b>6,881,230</b>
<b>Total equity and liabilities</b>		<b>36,457,693</b>	<b>26,428,482</b>

## Condensed statement of changes in shareholders' equity

	Attributable to the owners of the parent				
	Share capital £	Share premium £	Accumulated losses £	Other reserves £	Total £
<b>As at 1 January 2015</b>	<b>4,924,271</b>	<b>31,095,370</b>	<b>(9,526,869)</b>	<b>(321,601)</b>	<b>26,171,171</b>
<b>Comprehensive income</b>					
Loss for the period	-	-	(1,577,369)	-	(1,577,369)
<b>Other comprehensive income</b>					
Change in value of available for sale financial assets	-	-	-	253,006	253,006
Currency translation differences	-	-	-	(7,694,888)	(7,694,888)
<b>Total comprehensive income</b>	-	-	(1,577,369)	(7,441,882)	(9,019,251)
<b>Transactions with owners</b>					
Issue of ordinary shares	-	-	-	-	-
Issue costs	-	-	-	-	-
Share based payments	-	-	139,231	-	139,231
<b>Total transactions with owners</b>	-	-	139,231	-	139,231
<b>As at 30 September 2015</b>	<b>4,924,271</b>	<b>31,095,370</b>	<b>(10,965,007)</b>	<b>(7,763,483)</b>	<b>17,291,151</b>

	Attributable to the owners of the parent				
	Share capital £	Share premium £	Accumulated losses £	Other reserves £	Total £
<b>As at 1 January 2016</b>	<b>6,712,044</b>	<b>31,252,708</b>	<b>(11,081,173)</b>	<b>(7,336,327)</b>	<b>19,547,252</b>
<b>Comprehensive income</b>					
Loss for the period	-	-	(1,450,152)	-	(1,450,152)
<b>Other comprehensive income</b>					
Change in value of available for sale financial assets	-	-	-	-	-
Currency translation differences	-	-	-	8,969,263	8,969,263
<b>Total comprehensive income</b>	-	-	(1,450,152)	8,969,263	7,519,111
<b>Transactions with owners</b>					
Issue of ordinary shares	507,299	505,321	-	-	1,012,620
Issue costs	-	-	-	-	-
Share based	-	-	32,764	-	32,764

payments					
<b>Total transactions with owners</b>	507,299	505,321	32,764	-	1,045,384
<b>As at 30 September 2016</b>	7,219,343	31,758,029	(12,498,561)	1,632,936	28,111,747

### Condensed Consolidated Statement of Cash Flows

	9 months ended 30 September		3 months ended 30 September	
	2016	2015	2016	2015
	Unaudited £	Unaudited £	Unaudited £	Unaudited £
<b>Cash flows from operating activities</b>				
Profit / (Loss) before taxation	(1,450,152)	(1,577,369)	(493,978)	(418,188)
Interest income	(3,743)	(12,403)	(779)	(2,074)
Finance costs	265,179	242,944	92,254	80,981
Loss on disposal of subsidiary	-	3,848	-	-
Realisation of Peruvian Reserves	-	13,353	-	-
Impairment of available for sale financial assets	-	253,006	-	-
Project Impairment	-	-	-	-
Gain on sale of fixed asset	-	(11,011)	-	-
Exchange differences	(82,864)	240,418	(2,565)	43,798
Employee share options charge	32,764	139,231	14,581	52,341
Change in fair value of contingent consideration	608,873	111,620	145,572	56,557
Depreciation	870	1,134	291	315
<b>Operating profit / (loss) before changes in working capital</b>	<b>(629,073)</b>	<b>(595,229)</b>	<b>(244,624)</b>	<b>(186,270)</b>
(Increase) / decrease in trade and other receivables	30,704	2,524	12,047	(3,510)
Increase / (decrease) in trade and other payables	(6,411)	(43,550)	36,616	17,808
<b>Net cash inflow/(outflow) from operating activities</b>	<b>(604,780)</b>	<b>(636,255)</b>	<b>(195,961)</b>	<b>(171,972)</b>
<b>Cash flows from investing activities</b>				
Net purchase of intangible assets	(1,039,700)	(2,362,774)	(287,714)	(384,047)
Proceeds from sale of property, plant and equipment	-	13,292	-	-
Interest received	3,743	12,403	779	2,074
<b>Net cash used in investing activities</b>	<b>(1,035,957)</b>	<b>(2,337,079)</b>	<b>(286,935)</b>	<b>(381,973)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(1,640,737)</b>	<b>(2,973,334)</b>	<b>(482,896)</b>	<b>(553,945)</b>
Cash and cash equivalents at beginning of period	2,738,905	5,030,968	1,660,194	2,415,706
Exchange (losses)/gains on cash and cash equivalents	81,695	(238,908)	2,565	(43,035)
<b>Cash and cash equivalents at end of the period</b>	<b>1,179,863</b>	<b>1,818,726</b>	<b>1,179,863</b>	<b>1,818,726</b>

## 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 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 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 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 interim financial statements for the period ended 30<sup>th</sup> September 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](http://www.horizonteminerals.com) and on Sedar: [www.sedar.com](http://www.sedar.com). The key financial risks are liquidity risk, foreign exchange risk, credit risk, price risk and interest rate risk.

#### ***Critical accounting estimates and judgements***

The preparation of condensed 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 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 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 Company operates in three geographical areas, UK, Brazil, and Other, 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 outside of the UK 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
	9 months	9 months	9 months	9 months
	ended	ended	ended	ended
	30 September	30 September	30 September	30 September
	2016	2016	2016	2016
	£	£	£	£
Revenue	-	-	-	-
Administrative expenses	(486,610)	(143,333)	-	(629,943)
Profit / (Loss) on foreign exchange	64,898	17,966	-	82,864
Loss from operations per reportable segment	(421,712)	(125,367)	-	(547,079)
Inter segment revenues	-	903,391	-	903,391
Depreciation charges	(778)	(92)	-	(870)
Additions to non-current assets	-	10,118,359	-	10,118,389
Reportable segment assets	1,151,304	35,306,389	-	36,457,693
Reportable segment liabilities	6,115,765	2,230,181	-	8,345,946
<b>2015</b>	<b>UK</b>	<b>Brazil</b>	<b>Other</b>	<b>Total</b>
	9 months	9 months	9 months	9 months
	ended	ended	ended	ended
	30 September	30 September	30 September	30 September
	2015	2015	2015	2015
	£	£	£	£
Revenue	-	-	-	-
Administrative expenses	(441,032)	(148,167)	(13,353)	(602,552)
Profit / (Loss) on foreign exchange	(112,044)	(128,374)	-	(240,418)
Other operating income	-	-	-	-
Loss from operations per Reportable segment	(553,076)	(276,541)	(13,353)	(842,970)
Inter segment revenues	-	648,821	-	648,832
Depreciation charges	(778)	(356)	-	(1,134)
Additions to non-current assets	-	(4,515,135)	-	(4,515,135)
Reportable segment assets	1,768,683	19,764,619	-	21,533,302
Reportable segment liabilities	2,672,230	1,569,921	-	4,242,151
<b>2016</b>	<b>UK</b>	<b>Brazil</b>	<b>Other</b>	<b>Total</b>
	3 months	3 months	3 months	3 months
	ended	ended	ended	ended
	30 September	30 September	30 September	30 September
	2016	2016	2016	2016
	£	£	£	£
Revenue	-	-	-	-
Administrative expenses	(230,359)	(14,556)	-	(244,915)
Profit/(loss) on foreign exchange	1,578	986	-	2,564
Other operating Income	-	-	-	-
Loss from operations per reportable segment	(218,781)	(13,570)	-	(242,351)
Inter segment revenues	-	-	-	-
Depreciation charges	(259)	(31)	-	(290)
Additions to non-current assets	-	1,942,496	-	1,942,496
<b>2015</b>	<b>UK</b>	<b>Brazil</b>	<b>Other</b>	<b>Total</b>
	3 months	3 months	3 months	3 months
	ended	ended	ended	ended
	30 September	30 September	30 September	30 September
	2015	2015	2015	2015
	£	£	£	£
Revenue	-	-	-	-
Administrative expenses	(125,253)	(61,331)	-	(186,584)
Profit/(loss) on foreign exchange	(3,102)	(40,696)	-	(43,798)
Other operating Income	-	-	-	-
Loss from operations per reportable segment	(128,355)	(102,027)	-	(230,382)
Inter segment revenues	-	221,307	-	221,307

Depreciation charges	(259)	(56)	-	(315)
Additions to non-current assets	-	(3,204,767)	-	(3,204,767)

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

	9 months ended 30 September 2016 £	9 months ended 30 September 2015 £	3 months ended 30 September 2016 £	3 months ended 30 September 2015 £
Profit/(Loss) from operations per reportable segment	(547,079)	(842,970)	(242,351)	(230,382)
– Change in fair value of contingent consideration	(608,873)	(111,621)	(145,572)	(56,558)
– Charge for share options Granted	(32,764)	(139,231)	(14,584)	(52,341)
– Impairment of available for sale asset	-	(253,006)	-	-
– Finance income	3,743	12,403	779	2,074
– Finance costs	(265,179)	(242,944)	(92,254)	(80,981)
Profit/(Loss) for the period from continuing operations	(1,450,152)	(1,577,369)	(493,978)	(418,188)

## 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 £2,733,882 at 30 September 2016 (31 December 2015: £2,561,867). 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 September 2016, there was a finance expense of £124,501 (30 September 2015: £242,944) 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 September 2016, other than that in 2015 the assumed date for commencement of commercial production was revised from 2017 to 2019. The assumptions have not been updated to reflect the newly released pre-feasibility study announced on 1 November 2016. 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 £ 244,629 for the nine months ended 30 September 2016 (30 September 2015: £111,620 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 £3,311,799 at 30 September 2016 (31 December 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 September 2016, there was a finance expense of £140,667 (2015: £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 £364,253 for the nine months ended 30 September 2016 (31 December 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	-	1,012,620	1,027,094	2,039,714
Exchange rate movements	76,591	1,269,032	6,810,613	8,156,236
<b>Net book amount at 30 September 2016</b>	<b>268,619</b>	<b>5,455,927</b>	<b>24,517,506</b>	<b>30,242,052</b>

## 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
Shares issued during the period	50,729,922	507,299	505,321	1,012,620
<b>At 30 September 2016</b>	<b>721,934,300</b>	<b>7,219,343</b>	<b>31,758,029</b>	<b>38,977,372</b>

During the period 50,729,922 new ordinary shares were issued to Xstrata at a price of 1.99 pence per share in connection with the acquisition of GAP.

## 8 Dividends

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

## 9 Loss per share

The calculation of the basic loss per share of 0.264 pence for the 9 months ended 30 September 2016 (30 September 2015 loss per share: 0.320 pence) is based on the loss attributable to the equity holders of the Company of £ (1,450,152) for the nine month period ended 30 September 2016 (30 September 2015: £(1,577,369) divided by the weighted average number of shares in issue during the period of 548,921,091 (weighted average number of shares for the 9 months ended 30 September 2015: 492,427,105 ).

The calculation of the basic loss per share of 0.07 pence for the 3 months ended 30 September 2016 (30 September 2015 earnings per share: 0.085 pence) is based on the loss attributable to the equity holders of the Company of £ (493,978) for the three month period ended 30 September 2016 (3 months ended 30 September 2015: £ (418,188)) divided by the weighted average number of shares in issue during the period of 701,307,848 (weighted average number of shares for the 3 months ended 30 September 2015: 492,427,105 ).

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.

## 10 Ultimate controlling party

The Directors believe there to be no ultimate controlling party.

## 11 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.

## **12 Commitments**

The Group had no capital expenditure contracted for at the end of the reporting period but not yet incurred and operating lease commitments of £ 5,000. All other commitments remain as stated in the Group's Annual Financial Statements for the year ended 31 December 2015.

## **13 Approval of interim financial statements**

The Condensed interim financial statements were approved by the Board of Directors on 11<sup>th</sup> November 2016.

**\*\*ENDS\*\***