

Horizonte Minerals plc

Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2017

Condensed consolidated statement of comprehensive income

	6 months ended 30 June		3 months ended 30 June	
	2017	2016	2017	2016
	Unaudited	Unaudited (Restated)	Unaudited	Unaudited (Restated)
Notes	£	£	£	£
Continuing operations				
Revenue	-	-	-	-
Cost of sales	-	-	-	-
Gross profit	-	-	-	-
Administrative expenses	(654,548)	(385,028)	(376,487)	(200,938)
Charge for share options granted	(78,810)	(18,184)	(28,424)	(9,092)
Change in value of contingent consideration	153,095	(148,706)	120,885	(109,008)
Gain/(Loss) on foreign exchange	(245,553)	80,300	(141,613)	35,988
Other losses – Impairment of available for sale assets	-	-	-	-
Loss from operations	(825,816)	(471,618)	(425,639)	(283,050)
Finance income	7,448	2,964	6,825	909
Finance costs	(116,944)	(110,409)	(58,758)	(55,204)
Loss before taxation	(935,312)	(579,063)	(477,572)	(337,345)
Taxation	-	-	-	-
Loss for the year from continuing operations	(935,312)	(579,063)	(477,572)	(337,345)
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss				
Change in value of available for sale financial assets		-		-
Currency translation differences on translating foreign operations	(2,196,597)	9,018,737	(2,499,362)	4,903,938
Other comprehensive income for the period, net of tax	(2,196,597)	9,018,737	(2,499,362)	4,903,938
Total comprehensive income for the period attributable to equity holders of the Company	(3,131,909)	8,439,674	(2,976,934)	4,566,593

Earnings per share from continuing operations

attributable to the equity
holders of the Company

Basic and diluted (pence per share)	9	(0.080)	(0.086)	(0.041)	(0.036)
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Condensed consolidated statement of financial position

	Notes	30 June 2017 Unaudited £	31 December 2016 Audited £
Assets			
Non-current assets			
Intangible assets	6	32,517,929	32,017,796
Property, plant & equipment		264	862
		32,518,193	32,018,658
Current assets			
Trade and other receivables		36,286	35,493
Cash and cash equivalents		5,655,064	9,317,781
		5,691,350	9,353,274
Total assets		38,209,543	41,371,932
Equity and liabilities			
Equity attributable to owners of the parent			
Issued capital	7	11,719,343	11,719,343
Share premium	7	35,747,912	35,767,344
Other reserves		2,270,467	4,467,064
Accumulated losses		(15,755,799)	(14,899,297)
Total equity		33,981,923	37,054,454
Liabilities			
Non-current liabilities			
Contingent consideration		3,606,891	3,643,042
Deferred tax liabilities		263,143	282,450
		3,870,034	3,925,492
Current liabilities			
Trade and other payables		357,586	391,986
			391,986
Total liabilities		4,227,620	4,317,478
Total equity and liabilities		38,209,543	41,371,932

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 2016 (Restated)	6,712,044	31,252,708	(13,477,853)	(4,848,116)	19,638,783
Comprehensive income					
Loss for the period	-	-	(579,063)	-	(579,063)
Other comprehensive income					
Impairment of available for sale assets	-	-	-	-	-
Currency translation differences	-	-	-	9,018,737	9,018,737
Total comprehensive income	-	-	(579,063)	9,018,737	8,439,674
Transactions with owners					
Share based payments	-	-	18,184	-	18,184
Total transactions with owners	-	-	18,184	-	18,184
As at 30 June 2016 (unaudited) (Restated)	6,712,044	31,252,708	(14,038,732)	4,170,621	28,096,641

	Attributable to the owners of the parent				
	Share capital £	Share premium £	Accumulated losses £	Other reserves £	Total £
As at 1 January 2017	11,719,343	35,767,344	(14,899,297)	4,467,064	37,054,454
Comprehensive income					
Loss for the period	-	-	(935,312)	-	(935,312)
Other comprehensive income					
Impairment of available for sale assets	-	-	-	-	-
Currency translation differences	-	-	-	(2,196,597)	(2,196,597)
Total comprehensive income	-	-	(935,312)	(2,196,597)	(3,131,909)
Transactions with owners					
Share based payments	-	-	78,810	-	78,810
Share issue costs	-	(19,432)	-	-	(19,432)
Total transactions with owners	-	(19,432)	78,810	-	59,378
As at 30 June 2017 (unaudited)	11,719,343	35,747,912	(15,755,799)	2,270,467	33,981,923

Condensed Consolidated Statement of Cash Flows

	6 months ended 30 June		3 months ended 30 June	
	2017	2016	2017	2016
	Unaudited	Unaudited (Restated)	Unaudited	Unaudited (Restated)
	£	£	£	£
Cash flows from operating activities				
Loss before taxation	(935,312)	(579,063)	(477,572)	(337,345)
Interest income	(7,448)	(2,964)	(6,825)	(909)
Finance costs	116,944	110,409	58,758	55,204
Exchange differences	245,553	(80,300)	141,613	(35,988)
Employee share options charge	78,810	18,184	28,424	9,092
Change in fair value of contingent consideration	(153,095)	148,706	(120,885)	109,008
Depreciation	234	579	75	294
Operating loss before changes in working capital	(654,314)	(384,449)	(376,412)	(200,644)
Decrease/(increase) in trade and other receivables	(793)	18,657	12,800	5,723
(Decrease)/increase in trade and other payables	(252,149)	(43,028)	24,812	3,842
Net cash outflow from operating activities	(907,256)	(408,820)	(338,800)	(191,079)
Cash flows from investing activities				
Purchase of intangible assets	(2,497,924)	(751,986)	(1,664,272)	(359,011)
Proceeds from sale of property, plant and equipment	-	-	-	-
Interest received	7,448	2,964	6,825	909
Net cash used in investing activities	(2,490,476)	(749,022)	(1,657,447)	(358,102)
Cash flows from financing activities				
Issue of shares	-	-	-	-
Share issue costs	(19,432)	-	-	-
Net cash used in financing activities	(19,432)	-	-	-
Net decrease in cash and cash equivalents	(3,417,164)	(1,157,842)	(1,996,247)	(549,181)
Cash and cash equivalents at beginning of period	9,317,781	2,738,905	7,792,924	2,173,055
Exchange gain/(loss) on cash and cash equivalents	(245,553)	79,131	(141,613)	36,320
Cash and cash equivalents at end of the period	5,655,064	1,660,194	5,655,064	1,660,194

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 cyclical nature 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 2016, which have been prepared in accordance with International Financial Reporting Standards (IFRS).

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). Statutory financial statements for the year ended 31 December 2016 were approved by the Board of Directors on 16 March 2017 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 2017.

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 2016 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 2016 Annual Report and Financial Statements. The nature and amounts of such estimates have not changed significantly during the interim period.

Prior period restatement

As clearly set out in the 2016 audited annual report and the accompanying management discussion and analysis, which can be found on the company's website and also filed on Sedar, the company restated certain prior year numbers for the year ended 2015 and before. The result of this and applying a consistent methodology means that the 2016 quarterly information has been restated in line with the revised assumptions. These quarterly condensed unaudited financial statements have been restated to reflect the amended figures for the quarter ended 30 June 2016. The figures for 30 June 2017 are not affected.

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 2016.

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.

2017	UK 6 months ended 30 June 2017 £	Brazil 6 months ended 30 June 2017 £	Total 6 months ended 30 June 2017 £
Revenue			
Administrative expenses	(424,914)	(229,634)	(654,548)
Profit on foreign exchange	(224,641)	(20,912)	(245,553)
(Loss) from operations per reportable segment	(649,555)	(250,546)	(906,101)
Inter segment revenues	-	-	-
Depreciation charges	(234)	-	(234)
Additions and foreign exchange movements to non-current assets	-	519,276	519,276
Reportable segment assets	5,631,052	32,578,490	38,209,543)
Reportable segment liabilities	3,623,391	604,229	4,227,620
2016	UK 6 months ended 30 June 2016 £ (Restated)	Brazil 6 months ended 30 June 2016 £ (Restated)	Total 6 months ended 30 June 2016 £ (Restated)
Revenue	-	-	-
Administrative expenses	(256,251)	(128,777)	(385,028)
(Loss) 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
2017	UK 3 months ended 30 June 2017 £	Brazil 3 months ended 30 June 2017 £	Total 3 months ended 30 June 2017 £
Revenue			
Administrative expenses	(272,223)	(104,264)	(376,487)
Profit on foreign exchange	(121,113)	(20,501)	(141,613)
(Loss) from operations per reportable segment	(393,336)	(124,765)	(518,100)
Inter segment revenues	-	-	-
Depreciation charges	(75)	-	(75)

Additions and foreign exchange movements to non-current assets	-	(648,305)	(648,305)
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2016	UK 3 months ended 30 June 2016 £ (Restated)	Brazil 3 months ended 30 June 2016 £ (Restated)	Total 3 months ended 30 June 2016 £ (Restated)
Revenue	-	-	-
Administrative expenses	(113,961)	(86,977)	(200,938)
(Loss) 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

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

	6 months ended 30 June 2017 £	6 months ended 30 June 2016 £ (Restated)	3 months ended 30 June 2017 £	3 months ended 30 June 2016 £ (Restated)
Loss from operations per reportable segment	(900,101)	(304,728)	(518,100)	(164,950)
– Change in fair value of contingent consideration	153,095	(148,706)	120,885	(109,008)
– Charge for share options granted	(78,810)	(18,184)	(28,424)	(9,092)
– Impairment of available for sale asset	-	-	-	-
– Finance income	7,448	2,964	6,825	909
– Finance costs	(116,944)	(110,409)	(58,758)	(55,204)
Loss for the period from continuing operations	(955,312)	(579,063)	(477,572)	(337,345)

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 £141,325 at 30 June 2017 (30 June 2016 (Restated): £176,453).

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 the probability and timing of when future taxable profits will arise against which the tax losses may be utilised in accordance with the terms of the acquisition agreement.

As explained in note 21 of the 2016 Annual Report the estimate of fair value was restated as at 31 December 2015 and all periods up to 31 December 2016. The critical assumptions underlying the fair value estimate are set out in note 4.3. Estimates were also based on the current rates of tax on profits in Brazil of 34% and 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 2017, there was a finance expense of £5,050 (30 June 2016 Restated: £6,408) 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 October 2016. The key assumptions underlying the cash flow model derived from the Pre-Feasibility Study as published by the Group in October 2016 are unchanged as at 30 June 2017. 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 £21,239 for the six months ended 30 June 2017 (30 June 2016 Restated: £36,623 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 £3,246,242 at 30 June 2017 (30 June 2016: £3,244,253). 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 2017, there was a finance expense of £112,464 (2016: £104,001) 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 credit to profit or loss of £174,259 for the six months ended 30 June 2017 (30 June 2016: £112,083) 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 2017	280,060	5,645,185	26,092,551	32,017,796
Additions	-	-	2,716,012	2,716,012
Exchange rate movements	(19,144)	(316,663)	(1,880,078)	(2,215,879)
Net book amount at 30 June 2017	260,916	5,328,522	26,928,495	32,517,928

7 Share Capital and Share Premium

Issued and fully paid	Number of shares	Ordinary shares	Share premium	Total
		£	£	£
At 1 January 2017	1,171,934,300	11,719,343	35,767,344	47,486,687
At 30 June 2017	1,171,934,300	11,719,343	35,767,344	47,486,687

8 Dividends

No dividend has been declared or paid by the Company during the six months ended 30 June 2017 (2016: nil).

9 Earnings per share

The calculation of the basic loss per share of 0.08 pence for the 6 months ended 30 June 2017 (30 June 2016 loss per share: 0.086 pence) is based on the loss attributable to the equity holders of the Company of £ (935,312) for the six month period ended 30 June 2017 (30 June 2016: £(579,063)) divided by the weighted average number of shares in issue during the period of 1,171,934,300 (weighted average number of shares for the 6 months ended 30 June 2016: 671,047,312).

The calculation of the basic loss per share of 0.041 pence for the 3 months ended 30 June 2017 (30 June 2016 loss per share: 0.036 pence) is based on the loss attributable to the equity holders of the Company of £ (477,572) for the three month period ended 30 June 2017 (3 months ended 30 June 2016: £ 337,345) divided by the weighted average number of shares in issue during the period of 1,171,934,300 (weighted average number of shares for the 3 months ended 30 June 2016: 671,204,378).

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 2016 and in note 10 below.

10 Issue of Share Options

On 31 March 2017, the Company awarded 41,000,000 share options to Directors and senior management. All of the share options have an exercise price of 3.20 pence. One third of the options are exercisable from 30 September 2017, one third from 31 March 2018 and one third from 30 September 2018.

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

13 Events after the reporting period

There are no events which have occurred after the reporting period which would be material to the financial statements.

Approval of interim financial statements

These Condensed Consolidated Interim Financial Statements were approved by the Board of Directors on 10 August 2017.