

Horizonte Minerals plc

Condensed Consolidated Interim Financial Statements for the nine months ended 30 September 2017

Condensed consolidated statement of comprehensive income

	Notes	9 months ended 30 September		3 months ended 30 September	
		2017	2016	2017	2016
		Unaudited	Unaudited (Restated)	Unaudited	Unaudited (Restated)
		£	£	£	£
<b>Continuing operations</b>					
<b>Revenue</b>		-	-	-	-
Cost of sales		-	-	-	-
<b>Gross profit</b>		-	-	-	-
Administrative expenses		(959,250)	(629,943)	(304,702)	(244,915)
Charge for share options granted		(101,931)	(32,764)	(23,121)	(14,580)
Change in value of contingent consideration		255,342	(191,313)	102,248	(42,607)
Gain/(Loss) on foreign exchange		(271,947)	82,864	(26,395)	2,564
<b>Loss from operations</b>		(1,077,786)	(771,156)	(251,970)	(299,538)
Finance income		9,961	3,743	2,513	779
Finance costs		(175,304)	(165,613)	(58,360)	(55,204)
<b>Loss before taxation</b>		(1,243,129)	(933,026)	(307,817)	(353,963)
Taxation		-	-	-	-
<b>Loss for the year from continuing operations</b>		(1,243,129)	(933,026)	(307,817)	(353,963)
<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		-	-	-	-
Currency translation differences on translating foreign operations		(1,796,142)	9,131,471	400,455	112,734
<b>Other comprehensive income for the period, net of tax</b>		(1,796,142)	9,131,471	400,455	112,734
<b>Total comprehensive income for the period attributable to equity holders of the Company</b>		(3,039,271)	8,198,445	92,638	(241,229)
<b>Earnings per share from continuing operations attributable to the equity holders of the Company</b>					

Basic and diluted (pence per share)	9	(0.106)	(0.137)	(0.026)	(0.050)
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### Condensed consolidated statement of financial position

		30 September 2017 Unaudited	31 December 2016 Audited
	Notes	£	£
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	6	34,047,623	32,017,796
Property, plant & equipment		53	862
		34,047,676	32,018,658
<b>Current assets</b>			
Trade and other receivables		73,766	35,493
Cash and cash equivalents		4,024,745	9,317,781
		4,098,511	9,353,274
<b>Total assets</b>		<b>38,146,187</b>	<b>41,371,932</b>
<b>Equity and liabilities</b>			
<b>Equity attributable to owners of the parent</b>			
Issued capital	7	11,719,343	11,719,343
Share premium	7	35,747,912	35,767,344
Other reserves		2,670,922	4,467,064
Accumulated losses		(16,040,495)	(14,899,297)
<b>Total equity</b>		34,097,682	37,054,454
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Contingent consideration		3,563,004	3,643,042
Deferred tax liabilities		266,863	282,450
		3,829,867	3,925,492
<b>Current liabilities</b>			
Trade and other payables		218,638	391,986
		218,638	391,986
<b>Total liabilities</b>		4,048,505	4,317,478
<b>Total equity and liabilities</b>		<b>38,146,187</b>	<b>41,371,932</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 2016 (Restated)</b>	<b>6,712,044</b>	<b>31,252,708</b>	<b>(13,477,853)</b>	<b>(4,848,116)</b>	<b>19,638,783</b>
<b>Comprehensive income</b>					
Loss for the period	-	-	(933,026)	-	(933,026)
<b>Other comprehensive income</b>					
Impairment of available for sale assets	-	-	-	-	-
Currency translation differences	-	-	-	9,131,471	9,131,471
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>(933,026)</b>	<b>9,131,471</b>	<b>8,198,445</b>
<b>Transactions with owners</b>					
Issue of ordinary shares	507,299	505,321	-	-	1,012,620
Share based payments	-	-	32,764	-	32,764
<b>Total transactions with owners</b>	<b>507,299</b>	<b>505,321</b>	<b>32,764</b>	<b>-</b>	<b>1,045,384</b>
<b>As at 30 September 2016 (unaudited) (Restated)</b>	<b>7,219,343</b>	<b>31,758,029</b>	<b>(14,378,115)</b>	<b>4,283,355</b>	<b>28,862,612</b>

	Attributable to the owners of the parent				
	Share capital £	Share premium £	Accumulated losses £	Other reserves £	Total £
<b>As at 1 January 2017</b>	<b>11,719,343</b>	<b>35,767,344</b>	<b>(14,899,297)</b>	<b>4,467,064</b>	<b>37,054,454</b>
<b>Comprehensive income</b>					
Loss for the period	-	-	(1,243,129)	-	(1,243,129)
<b>Other comprehensive income</b>					
Impairment of available for sale assets	-	-	-	-	-
Currency translation differences	-	-	-	(1,796,142)	(1,796,142)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>(1,243,129)</b>	<b>(1,796,142)</b>	<b>(3,039,271)</b>
<b>Transactions with owners</b>					
Share based payments	-	(19,432)	101,931	-	83,499
Share issue costs	-	-	-	-	-
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>As at 30 September 2017 (unaudited)</b>	<b>11,719,343</b>	<b>35,747,912</b>	<b>(16,040,495)</b>	<b>2,670,922</b>	<b>34,097,682</b>

## Condensed Consolidated Statement of Cash Flows

	9 months ended 30 September		3 months ended 30 September	
	2017	2016	2017	2016
	Unaudited £	Unaudited (Restated) £	Unaudited £	Unaudited (Restated) £
<b>Cash flows from operating activities</b>				
Loss before taxation	(1,243,129)	(933,026)	(307,817)	(353,963)
Interest income	(9,961)	(3,743)	(2,513)	(779)
Finance costs	175,304	165,613	58,360	55,204
Exchange differences	271,947	(82,864)	26,395	(2,564)
Employee share options charge	101,931	32,764	23,121	14,580
Change in fair value of contingent consideration	(255,342)	191,313	(102,248)	42,607
Depreciation	283	870	50	291
<b>Operating loss before changes in working capital</b>	<b>(958,967)</b>	<b>(629,073)</b>	<b>(304,652)</b>	<b>(244,624)</b>
Decrease/(increase) in trade and other receivables	(38,274)	30,714	(37,481)	12,047
(Decrease)/increase in trade and other payables	(233,445)	(6,411)	18,704	36,616
<b>Net cash outflow from operating activities</b>	<b>(1,230,686)</b>	<b>(604,780)</b>	<b>(323,429)</b>	<b>(195,961)</b>
<b>Cash flows from investing activities</b>				
Purchase of intangible assets	(3,780,932)	(1,039,700)	(1,283,008)	(287,714)
Proceeds from sale of property, plant and equipment	-	-	-	-
Interest received	9,961	3,743	2,513	779
<b>Net cash used in investing activities</b>	<b>(3,770,971)</b>	<b>(1,035,957)</b>	<b>(1,280,495)</b>	<b>(286,935)</b>
<b>Cash flows from financing activities</b>				
Issue of shares	-	-	-	-
Share issue costs	(19,432)	-	-	-
<b>Net cash used in financing activities</b>	<b>(19,432)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(5,021,089)</b>	<b>(1,640,737)</b>	<b>(1,603,924)</b>	<b>(482,896)</b>
Cash and cash equivalents at beginning of period	9,317,781	2,738,905	5,655,064	1,660,194
Exchange gain/(loss) on cash and cash equivalents	(271,947)	81,695	(26,395)	2,565
<b>Cash and cash equivalents at end of the period</b>	<b>4,024,745</b>	<b>1,179,863</b>	<b>4,024,745</b>	<b>1,179,863</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 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) 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 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 September 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](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***

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 September 2016. The figures for 30 September 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	Brazil	Total
	9 months ended 30 September 2017 £	9 months ended 30 September 2017 £	9 months ended 30 September 2017 £
Revenue	-	-	-
Administrative expenses	(601,315)	(357,935)	(959,250)
Profit on foreign exchange	(249,816)	(22,131)	(27,947)
(Loss) from operations per reportable segment	(851,132)	(380,066)	(1,231,197)
Inter segment revenues			
Depreciation charges	(283)	-	(283)
Additions and foreign exchange movements to non-current assets	-	2,045,281	2,045,281
Reportable segment assets	4,021,401	34,124,786	38,146,187
Reportable segment liabilities	3,643,226	405,279	4,048,505

  

2016	UK	Brazil	Total
	9 months ended 30 September 2016 £ (Restated)	9 months ended 30 September 2016 £ (Restated)	9 months ended 30 September 2016 £ (Restated)
Revenue	-	-	-
Administrative expenses	(486,610)	(143,333)	(629,943)
(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			
Depreciation charges	(778)	(92)	(870)
Additions and foreign exchange movements to non-current assets	-	10,118,359	10,118,359
Reportable segment assets	1,151,304	35,306,389	36,457,693
Reportable segment liabilities	6,115,765	2,230,181	8,345,946

  

2017	UK	Brazil	Total
	3 months ended 30 September 2017 £	3 months ended 30 September 2017 £	3 months ended 30 September 2017 £
Revenue	-	-	-
Administrative expenses	(176,401)	(128,300)	(304,702)
Profit on foreign exchange	(25,176)	(1,219)	(26,395)
(Loss) from operations per	(201,577)	(129,520)	(331,097)

reportable segment

Inter segment revenues	-	-	-
Depreciation charges	(50)	-	-
Additions and foreign exchange movements to non-current assets	-	1,526,005	1,526,005

2016	UK	Brazil	Total
	3 months ended 30 September 2016 £ (Restated)	3 months ended 30 September 2016 £ (Restated)	3 months ended 30 September 2016 £ (Restated)
Revenue	-	-	-
Administrative expenses	(230,359)	(14,556)	(244,915)
(Loss) on foreign exchange	1,578	986	2,564
(Loss) from operations per reportable segment	(228,781)	(13,569)	(242,351)
Inter segment revenues	-	-	-
Depreciation charges	(259)	(31)	(291)
Additions and foreign exchange movements to non-current assets	-	1,942,496	1,942,496

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

	9 months ended 30 September 2017 £ (Restated)	9 months ended 30 September 2016 £ (Restated)	3 months ended 30 September 2017 £ (Restated)	3 months ended 30 September 2016 £ (Restated)
Loss from operations per reportable segment	(1,231,197)	(547,079)	(331,097)	(242,351)
– Change in fair value of contingent consideration	255,342	(191,313)	102,248	(42,607)
– Charge for share options granted	(101,931)	(32,764)	(23,121)	(14,580)
– Impairment of available for sale asset	-	-	-	-
– Finance income	9,961	3,743	2,513	779
– Finance costs	(175,304)	(165,613)	(58,360)	(55,204)
Loss for the period from continuing operations	(1,243,129)	(933,026)	(307,817)	(353,963)

## 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 £139,680 at 30 Sept 2017 (30 Sept 2016 (Restated: £168,473).

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 September 2017, there was a finance expense of £7,575 (2016 Restated: £9,612) 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 September 2017. The change in the fair value of contingent consideration payable to the former owners of Teck Cominco Brasil S.A. generated a credit to profit or loss of £15,428 for the nine months ended 30 September 2017 (30 September 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 £3,423,333 at 30 September 2017 (2016 Restated: £3,350,044). 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 2017, there was a finance expense of £167,729 (2016 restated: £156,001) 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 £239,914 for the nine months ended 30 September 2017 (2016 Restated: £154,709 charge) 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	-	-	3,841,533	3,841,533
Exchange rate movements	(15,455)	(255,644)	(1,540,607)	(1,811,706)
Net book amount at 30 September 2017	264,605	5,389,541	28,393,477	34,047,623

## 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
<b>At 30 September 2017</b>	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 nine months ended 30 September 2017 (2016: nil).

## **9 Earnings per share**

The calculation of the basic loss per share of 0.106 pence for the 9 months ended 30 September 2017 (30 September 2016 loss per share: 0.137 pence) is based on the loss attributable to the equity holders of the Company of £ (1,243,129) for the nine month period ended 30 September 2017 (30 September 2016: £(933,026)) 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 9 months ended 30 Sept 2016: 681,202,246).

The calculation of the basic loss per share of 0.026 pence for the 3 months ended 30 September 2017 (30 September 2016 loss per share: 0.050 pence) is based on the loss attributable to the equity holders of the Company of £ (307,817) for the three month period ended 30 September 2017 (3 months ended 30 September 2016: £ 353,963) 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 September 2016: 701,307,848).

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.

## **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 9 November 2017.