HORIZONTE
MINERALS

Annual Report 2017

Horizonte Minerals is an AIM and TSX listed nickel development company focused in Brazil.

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2017 Highlights

Jeremy Martin
CEO

Horizonte Minerals plc (the 'Company') achieved a number of key milestones in 2017, strengthening it as a leading nickel development Company which will allow it to take advantage of the improving nickel price and the global sentiment concerning future nickel demand outlook. Towards the end of the year the Company acquired the Vermelho nickel-cobalt asset transforming it into a multi-asset commodity developer.

The Company's primary strategy is to position Araguaia as one of the lowest cost nickel producers globally with robust economics at the current nickel price. To achieve this in early 2017 the Company formally commenced a Feasibility Study ('FS').

As part of the FS, contracts were awarded to leading global engineering groups including; Worley Parsons Group to undertake the process engineering, Snowden Mining Industry Consultants to design the mine planning and Environmental Resources Management (ERM) to undertake the hydrogeology and the environmental and social permitting.

High grade drilling results from the trial excavation site at Araguaia were announced in 2017. These high grade nickel intersections included, 4.97 metres grading 2.44% Ni, 8.69 metres grading 2.31% Ni, 8.62 metres grading 2.19% Ni, 11.14 metres grading 2.07% Ni and 11.05 metres grading 2.02% Ni. The aim of this work was to define an area with near surface transition and saprolite mineralisation, that would be representative of the first five to eight years mine life. The drill results demonstrated this and additionally confirmed the high grade nature of the nickel mineralisation that has been defined across the project.

The Company was also pleased to announce a maiden limonite resource at Araguaia. The limonite mineral resource, in the Measured and Indicated category, are 20.7 million tonnes grading 1.13% Nickel and 0.12% Cobalt (0.9% nickel cut off). The processing of the resource is not part of the current mine plan in the FS, however, in other operations globally limonite is treated to produce products, such as nickel and cobalt sulphates; suitable for supplying the electric vehicle battery market. With this future growth market in mind and downstream value, it is intended that the limonite will be mined and stockpiled separately based on mineralogy and nickel / cobalt grades.

In parallel with the FS, the Company completed and filed the Mine Construction Licence for Araguaia to SEMAS, the Pará State authority responsible for environmental licensing, for the construction of the Project, including mine, associated infrastructure and pyro-metallurgical processing plant. This was a major milestone for Araguaia, as it moves the project towards the construction phase.

Towards the end of 2017 the Company announced that it has reached an agreement with Vale S.A to acquire 100% of the advanced Vermelho nickel-cobalt project in Brazil.

The transfer of legal title occurred shortly after the year end, at which point the agreement became unconditional. The acquisition terms were compelling with minimal upfront consideration, a portion of consideration deferred for 2 years and the balance once commercial production has been achieved.

At the same time as the Vermelho agreement, the Company announced a conditional placing of ordinary shares in the Company to raise up to £9.2 million with the final portion of the placing closing in early 2018.

The acquisition of Vermelho, transforms Horizonte into a multi-asset company bringing together two large, high grade, advanced nickel projects located in an established mining region in the Para State northern, Brazil.

Horizonte Minerals at a Glance

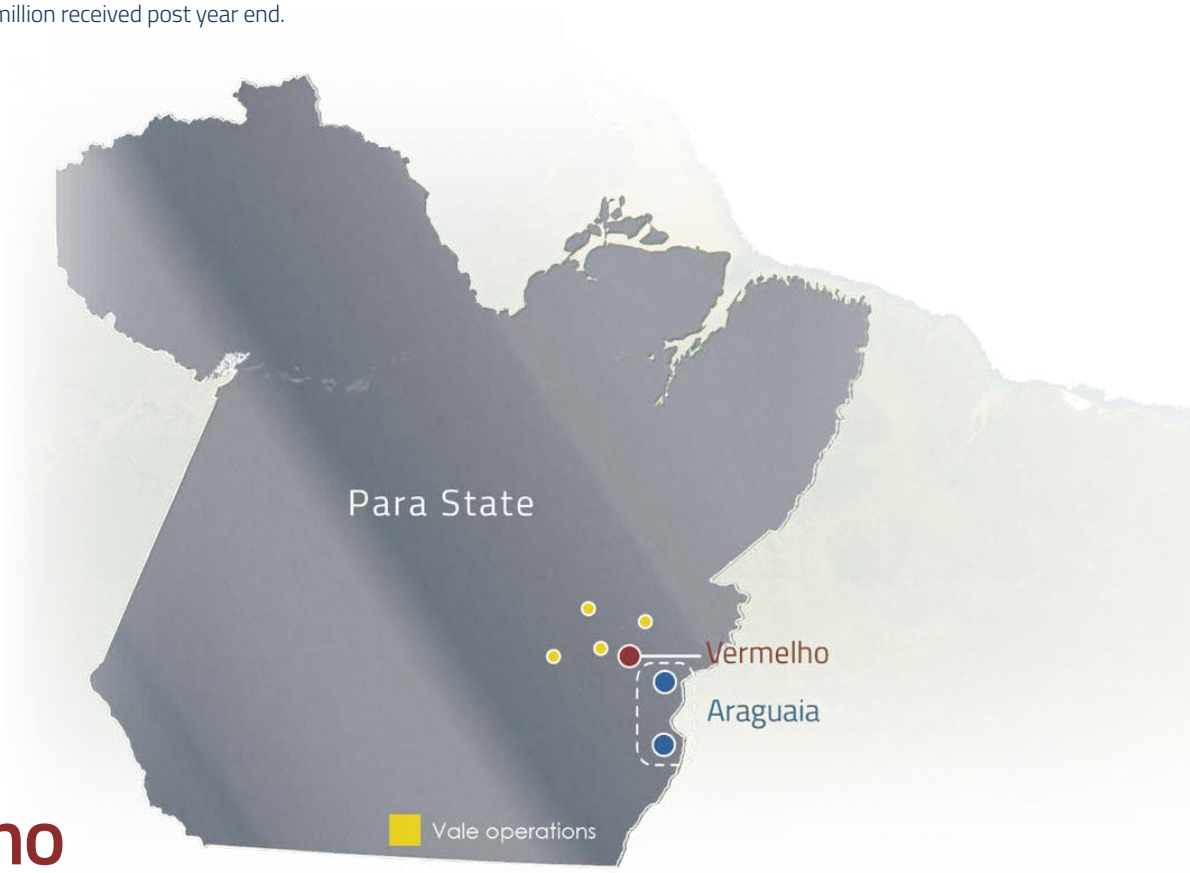
Horizonte Minerals wholly owns the advanced Araguaia nickel project, and the new Vermelho Nickel-Cobalt project, both located south of the Carajàs mineral district in northern Brazil.

The Araguaia project will utilise the proven Rotary Kiln Electric Furnace (RKEF) process to produce 14,500 tonnes per annum of nickel grading 30% in around 50,000 tonnes ferronickel product.

Araguaia is currently undergoing a Feasibility Study with an anticipated completion planned in mid 2018.

In December 2017, the Company agreed to acquire the nearby Vermelho nickel-cobalt project from Vale SA which will form the Company's second potential operation.

£9.2 million of new capital raised to advance both of its projects. £7 million was raised in December 2017 with the remaining £2.2 million received post year end.



Vermelho
Project Overview

- New project 100% owned by Horizonte Minerals plc
- Located in the Carajas Mining district in Northern Brazil
- Feasibility showed a nameplate capacity of 46,000 t/a nickel and 2,500 t/a cobalt
- Historic Mineral Resource: M&I 245 Mt grading 0.81% Ni

Within trucking distance of Araguaia.

The project was originally developed to full feasibility level by Vale, with the objective of becoming its principal nickel operation. The well-established infrastructure of this mining region, combined with Vermelho's large-scale and high grade resource make this a compelling project.

Previous full scale pilot campaigns achieved average leaching extraction of more than 96% nickel and produced LME-grade nickel cathode.

Potential nickel products would be suitable for the EV market. In addition, drilling programmes totalling 152,000 metres and detailed engineering studies have been completed on the project. Vermelho has a high-grade scalable mineral resource with over 2.2Mt contained nickel and 121,000t of cobalt, making it one of the largest nickel – cobalt resources globally.

Araguaia Project Overview

Araguaia is an advanced nickel project being developed by the Company as the next major ferronickel operation in Brazil.

- 100% owned by Horizonte Minerals plc
- Located south of the Carajas Mining district in Northern Brazil, with good access to infrastructure

Mining: Shallow open pit mining will be used for the exploitation of nickel saprolite. Production will be supplied from eight open pits, 3 -5 being open at any given time, with a targeted 0.9mt per annum of ore to a central processing and smelting facility. A 28 year production schedule is envisaged with a 2 year construction period followed by ramp up over 13 months to full scale commercial production.

Process: The selected metallurgical process is the widely used and proven RKEF (rotary kiln - electric furnace). A successful pilot campaign produced high grade commercial quality ferronickel from the Araguaia deposit. The process flow sheet has been frozen as part of the ongoing Feasibility Study for the Araguaia project.

Our Year in Review

March 2017	Contract awards for the Araguaia Feasibility Study
March 2017	Commencement of Araguaia Feasibility Study & drilling programme
April 2017	Awarding of new exploration concessions adjacent to Araguaia North deposit
May 2017	Trial Mining drill results
July 2017	Progression of sustainability work streams with fauna and flora field programmes underway
August 2017	Araguaia Feasibility Study update
September 2017	Araguaia limonite resource containing nickel and cobalt
October 2017	Construction Licence application submission to Environmental Agency
November 2017	Araguaia mine plan licence submission to Mining Agency
December 2017	Acquisition of Vermelho nickel-cobalt project from Vale
December 2017	£9.2m fundraise to fund the Vermelho acquisition, Preliminary Economic Assessment (PEA) for Vermelho
February 2018	Completion of trial excavation programme at Araguaia

David J Hall
Chairman

Dear Shareholders

I am pleased to report on a transformational year for Horizonte, as we continued to make excellent progress at our tier 1 Araguaia Nickel Project in Brazil whilst in addition acquiring a second major new asset with the acquisition of the nearby Vermelho nickel-cobalt project..

The agreement to purchase Vermelho from Vale SA, will allow the Company to fully take advantage of the electric vehicle (EV) market by potentially supplying key battery ingredients into the industry at a time when they are expected to be most in demand.

Nickel prices have continued to show recovery from the 13-year low of US$7,750/t in early 2016, touching US$14,000/t in a recent rally before settling back to approximately US$13,000/t at the date of this statement.

Sentiment towards nickel demand continues to be positive, according to consultants Wood Mackenzie. This not only reflects expected demand from the batteries/EV sector but also from the current robust demand areas such as stainless steel, nickel alloys and chemicals, especially from China.

Horizonte, with the advanced Araguaia ferro-nickel project moving to development phase and Vermelho's potential to produce nickel sulphate and cobalt, is uniquely positioned to take advantage of the current demand forecast, in a space with little competition.

Araguaia

Throughout 2017, a number of key milestones were achieved at Araguaia, positioning the Company well for the upcoming completion of a Feasibility Study ("FS") for the project.

The aim has always been to consolidate within the Araguaia nickel belt and we have announced that we added to our land position with the awarding of three new concessions totalling 1,748 ha, located in prospective locations containing ultramafic intrusion of a similar type to those hosting the high grade nickel resource at Araguaia's Vale dos Sonhos deposit.

We also submitted the Mine Plan to Brazil's National Mining Agency as part of the process towards receipt of the principal permits necessary to commence mine construction. Alongside the Mine Plan was our submission of the Mine Construction Licence.

In September 2017, we announced a nickel-cobalt limonite resource at Araguaia with the potential to supply the Electric Vehicle ("EV") battery market. Limonite resources are treated to produce products, such as nickel and cobalt hydroxides; suitable for supplying the EV battery market. We are therefore mindful of the future potential value of this resource in relation to the current mine plan so that it will be mined and stockpiled separately, with a view to extracting maximum value from the resource in the future.

Community and social relationships remain a vital part of Horizonte's social licence as the communities close to the project are some of the Company's most important stakeholder groups. A number of social investment activities were initiated, including providing new libraries, education equipment and furniture for selected schools within the project area. Araguaia has the potential to create a number of jobs in a rural area where the average family income ranges between US$2 - US$4 per day. As a result, the Pará Government considers Araguaia to be a key economic driver for the southern part of the State and we look forward to working closely with the local and regional governments on developing the project. We are focussed on building and maintaining these strong partnerships as we progress Araguaia into Brazil's next major nickel producing mine.

Post the year end, we announced the completion of the trial excavation programme with all our technical objectives being met. This programme will allow us to confirm a number of key variables within the FS, to be published in 2018.

Vermelho

In December 2017, we announced a major deal for Horizonte with the acquisition of the nearby Vermelho nickel-cobalt project from Vale, which completed post year end. This acquisition has transformed Horizonte into a multi-asset company bringing together two large, advanced nickel assets located in the established mining region in the Para State in northern Brazil.

In becoming a multi-asset company, we have started to de-risk our business fundamentals. The acquisition of a project that benefits from extensive and costly previous development will allow us to fast track to resource definition and economic assessment.

The Vermelho nickel project is located in the Carajas mining district, within trucking distance from the northern part of Horizonte's Araguaia project. The Carajas district is an established mining region with well-developed infrastructure in place, including rail, roads and hydro-electric power. An exciting aspect of this acquisition is that the project also contains a large cobalt resource which Vale planned to process alongside the nickel. This gives us exposure to an additional commodity stream, for which there is growing interest for use in the EV battery market.

Alongside the acquisition, we successfully raised £9.2m, which means the Company is fully funded for the next two years, for the completion of the FS at Araguaia and a Preliminary Economic Assessment for Vermelho.

Conclusion

We believe that with our continued progress at Araguaia and becoming a multi-asset nickel and cobalt company we are currently well placed to benefit from the improving nickel market fundamentals, driven by the robust market for stainless steel combined with the fast growing EV market.

On behalf of the Board, we would like to again thank all our stakeholders for their continued hard work and support as we build an exciting future for our Company.

David J Hall
Chairman
26 March 2018

Operations Review - Jeremy Martin

Araguaia Nickel Project Bankable Feasibility Study (FS)

In March 2017, Horizonte Minerals announced the completion of a competitive tender process and awarded the contracts for the Feasibility Study ('FS') at Araguaia. Araguaia is 100% owned by Horizonte and is located on the eastern margin of the State of Pará, North-Eastern Brazil, to the north of the town of Conceição do Araguaia (population of 46,206), south of the main Carajás Mining District. The Project has good regional infrastructure including a network of Federal highways and roads, with access to hydro-electric power.

The Carajás Mining District (Carajas) is situated approximately 200km northwest of the Project and is host to a number of world class mines operated by Vale. Carajás is the centre of mining activity in the Pará State and hosts the major industrial city of Marabá, (population 262,000) serving Carajás, and a strategic position being crossed by five major highways, as well as having a significant logistics and infrastructure with a port on the Tocantins River.

The aim of the FS is to deliver a low capital intensity project that operates at the lower end of the cost curve based on a production rate of 14,500 tonnes per annum ('tpa') of nickel, using the proven Rotary Kiln Electric Furnace technology ('RKEF'). The Company's strategy is to position itself as one of the lowest cost new nickel producers globally.

Contracts awarded for the Araguaia FS to leading consulting groups included:

- Worley Parsons Group ('WorleyParsons') to undertake the process engineering
- Snowden Mining Industry Consultants ('Snowden') to undertake the mine planning, Mineral Resource Estimate ('MRE') and the Reserve Estimate
- Environmental Resources Management ('ERM') to undertake the hydrogeology and the environmental and social permitting
- Specialised consulting groups such as Prime/RSA for geotechnical aspects and national Brazilian groups like Steinweg for logistics have been appointed for additional sections of the FS

The FS officially commenced with a kick off meeting held on site during the first week of March 2017. The FS is targeted for completion in mid 2018 and the Company is fully funded through to completion of the Araguaia FS. A comprehensive field work program started shortly after March 2017 and consisted of trial excavation, trial mining grade control drilling, geotechnical drilling and pitting as well as a range of geotechnical tests.

During late Q2 running through Q3, 2017, the Company excavated a test pit at the Pequizeiro deposit ('PQZ') at Araguaia. The final trial excavation at Araguaia comprised approximately 27,000 tonnes of material. The exercise was part of the field work completed for the ongoing FS and met the recommendations set out by Snowden mining engineers, in the Pre-Feasibility Study, announced in October 2016.

The exercise was undertaken by mining contractors under the direct supervision of Snowden, with the support of the Company's geological team on site.

The objectives of this Trial Excavation programme included:

- Assessment of short scale variability to optimise grade control;
- Assessment of grade control sampling using the channel sampling method;
- Reconciliation of mined blocks with estimated grades and tonnes using two borehole spacings (5m and 10m);
- Reconciliation of contact surfaces as predicted by the resource model;
- Assessment of the presence or not of core stones;
- Samples to measure the granulometry of the ore;
- Confirmation of dilution factors;
- Large scale measurement of bulk density factors;
- In situ confirmation of groundwater and concept of dewatering required;
- Technical support for the mining cost and input assumptions; and,
- Testing the effectiveness of pisolitic ferricrete as sheeting.

The Company collected 'typical ore' samples for large scale granulometry and crushing test work, which was completed at the University of São Paulo. Horizonte also conducted detailed mapping and sampling of individual Selective Mining Units ('SMUs'), measuring 5m x 5m x 2m. All analytical work was undertaken at the ALS laboratories in Brazil and Peru with full QA/QC protocols applied.

Prior to the excavation, a 30-hole (600m) diamond drilling programme was completed on a 5m x 5m grid over the excavation site. The data from this programme has been used for estimation of tonnage and grade for reconciliation with the SMUs excavated during the trial mining.

A conditional simulation exercise on three of the principal deposits, that will be mined in the first 10 years has been successfully completed. This gives quantitative support to the resource classification. Mine planning and detailed design is at an advanced stage. A mine-to-mill strategy has been developed to ensure appropriate operational procedures to ensure the plant feed meets the chemical and physical requirements. Preparation of detailed documentation for potential mine contractor quotations have been completed. The estimation of the quantities of ferricrete suitable for use at sheeting in the mining areas has been completed.

Mining

Nine shallow open pits were designed for HZM through a process of pit optimisation using costs and process recoveries. All nine pits are designed using smoothed pit shells with the removal of small satellite pits through a standard process of pit optimisation, waste dump design and pit design. The pits were optimised to target the highest-grade material possible with a mine life of approximately 28 years. This resulted in a cut-off grade of 1.4% Ni being applied. The pits were then optimised using Whittle 4X to determine a shell to use for design.

Mining at Araguaia is to be completed with conventional truck and shovel mining methods. No blasting is expected to be be necessary.

The process throughput is 900dktpa. First metal production is scheduled for March 2021 with a cold commissioning in December 2020. The ramp-up profile to full production is calculated over a period of 12 months. During this period, the nickel feed grade is scheduled tobe moderated so that the best grades would not processed and overall recovery increased.

A number of processing constraints were applied to the schedule:

- Fe grade between 17.0% and 18.0%
- Al2O3 grade between 5.3% and 5.5%
- SiO2/MgO ratio between 2.5 and 2.6
- FeNi ratio approx. 7.64-7.68

To mitigate production risk and initial capital burden, the mining operations will be outsourced to an experienced mining contractor. Budget proposals for the project mining work were received from various contractors. Those contractors have been recently involved in other mining operations in Brazil on similar or larger scale operations. HZM will employ a small mining team comprising of senior management and technical services. The mining team will oversee and coordinate the execution of the work and manage the performance contractor on a daily basis.

Operations Review Continued

Processing

Previous laboratory scale test work carried out was reported in the 2014 PFS and was based on use of the RKEF process. Thus, during the period from late 2011 through 2013, HZM developed a laboratory test plan and contracted a number of organisations and metallurgical laboratories to conduct the test work which was incorporated into the design criteria for the RKEF process for the PFS. The results of these studies were reported in the 2014 Pre-Feasibility Study.

A number of test samples of ANS ore were obtained which were considered by HZM to be representative for processing of this ore. Two sets of samples were used in the metallurgical test work program which was carried out at XPS, FLS, KPM and Feeco.

Based on this test work, including a full scale pilot plant campaign, the RKEF process is considered suitable for the treatment of the ANP laterite ore; the FeNi product will have a nickel content of 30% Ni.

The metallurgical plant, which is based on the RKEF process, will have a single processing line from ore receipts through to shotting of the FeNi product, having a capacity of 0.9Mt of ore per annum (dry), producing approximately 15kt/a of nickel. The plant will include one primary and one secondary crushing station, one ore homogenization facility and one RKEF production line comprising the following: one rotary dryer, a tertiary crushing station handling dryer overflow after screening, dried ore storage, a rotary reduction kiln, a smelting electric furnace and a ladle refining process, coupled to a metal shotting system, a metal shot dryer and a bulk storage area. Also included is a small facility for metal recovery from refining slag.

The FS and Project Implementation Plan for the Project have been developed to meet the requirements of the mine plan. This plan includes phase 1 with site preparation such as earthworks, site access, temporary power supply and other site facilities as well as phase 2, the plant implementation with the construction of the Process Plant.

A detailed logistics study analysed different possible route alternatives to determine the most cost efficient method for transporting coal, and consumables to and from site.

Drilling

High grade drilling results from the trial excavation site at the Araguaia nickel project were announced in 2017. These high grade nickel intersections included, 4.97 metres grading 2.44% Ni, 8.69 metres grading 2.31% Ni, 8.62 metres grading 2.19% Ni, 11.14 metres grading 2.07% Ni and 11.05 metres grading 2.02% Ni. The aim of this work was to define an area with near surface transition and saprolite mineralisation, that would be representative of the first five to eight years mine life. The drill results demonstrated this and additionally confirmed the high grade nature of the nickel mineralisation that has been defined across the project.

Limonite

The Company was also pleased to announce a maiden limonite resource at Araguaia. The limonite mineral resource, in the Measured and Indicated category, are 20.7 million tonnes grading 1.13% nickel and 0.12% cobalt (0.9% nickel cut off). The processing of the resource is not part of the current mine plan in the FS, however, in other operations globally limonite is treated to produce products, such as nickel and cobalt hydroxides; suitable for supplying the electric vehicle battery market. With this future growth market in mind and downstream value, the limonite will be mined and stockpiled separately based on mineralogy and nickel / cobalt grades.

Infrastructure

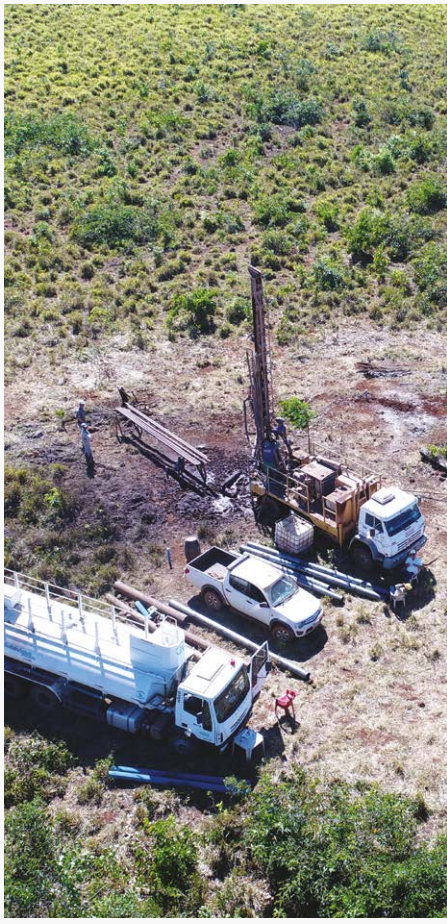
Elsewhere on the ground, Prime Resources ('Prime') have completed the geotechnical drilling programme over the process plant site to allow the design of foundations and heavy load structures. Additionally, Prime have completed the design for the cooling water dam, slag depository and the water pipeline to serve the RKEF facility. The work around the process design and engineering sections of the FS which are being undertaken by Worley Parsons Canada Services Ltd. ('Worley Parsons') are at an advanced stage. Recent work has focused on the power line to ensure the best route into the project is selected and once frozen the capital costs can be calculated. The team is currently undertaking final plant layout, capital equipment tenders and flow sheet optimisation work to ensure that the RKEF plant delivers from an operational and capital cost perspective.

Financial

Operating ('OPEX') and capital cost ('CAPEX') work for the FS is ongoing. The OPEX and CAPEX are being updated from the Araguaia Pre-Feasibility Study ('PFS') announced in Q4 2016. Horizonte remains focused on its objective of becoming a low-cost nickel producer. Due to the recovery in a broad range of commodity prices over the past 18 months, the Araguaia project economics will need to factor in higher OPEX inputs, such as thermal coal and oil – both key inputs to the RKEF process. This theme is common across the entire mining industry. Local infrastructure, plant layout and design continue to be a focus as we look to optimise the CAPEX element of the project. Simultaneously, the nickel price environment has changed significantly over the period since the PFS from around $9,000/t to $13,000/t today and the positive effects of this will be factored into the economic model.

New Concessions

The Company announced in April 2017, that it had been awarded three new concessions, totalling 1,748 ha. The concessions are located in prospective locations containing ultramafic intrusion of a similar type to those hosting the high-grade nickel resource at Araguaia's, Vale dos Sonhos deposit. Alongside this, further applications totalling an area of 6,186 hectares were also filed with the Mines Department for two additional concessions also adjacent to the Araguaia North deposits.



Acquisition of Vermelho Project

Transaction Overview Vermelho Project

In December 2017 HZM reached an agreement with Vale S.A. (Vale) to acquire 100% of the advanced Vermelho nickel-cobalt project in Brazil.

The Vermelho nickel project is located in the Carajas mining district approximately 85km from the northern part of Horizonte's Araguaia project, Brazil. The Carajas district is an established mining region with well-developed infrastructure in place, including rail, roads and hydro-electric power.

The Vermelho project was developed by Vale with the objective of becoming its principal nickel-cobalt operation. Extensive work was undertaken on the project, which included drilling programmes totalling 152,000 metres, full scale pilot test work and detailed engineering studies. The project was subsequently taken through a feasibility programme with Vale announcing a positive development decision in 2005. The project was designed around the construction of a high pressure acid leaching plant (HPAL) to process the nickel/cobalt laterite ore. The Feasibility Study included a five-year metallurgical test work and pilot plant programme which delivered 96% average leaching extraction rates of nickel and cobalt, in addition LME grade nickel – cathode was produced.

The Feasibility Study showed production capacity of 46,000 tons/annum ("tpa") of metallic nickel, and 2,500 tpa of metallic cobalt, with an expected commercial life of 40 years. Vermelho was subsequently placed on hold by Vale after the delivery of the FS due to the acquisition of Inco Limited.

A historical Mineral Resource estimate for Vermelho is presented in the table below:

Resource Category	Tonnage (Mt)	Contained Ni metal (kT)	Contained Co metal (kT)	Ni (%)	Co (%)	MgO (%)	SiO_2 (%)
Measured	246.8	2,171	116.7	0.88	0.05	8.75	46.07
Indicated	11.3	95	4.8	0.84	0.04	11.2	44.85
Measured + Indicated	**258.1**	**2,266**	**121.5**	**0.88**	**0.05**	**8.86**	**46.02**
Inferred	14.03	113	4.5	0.8	0.03	19.28	40.65

Source: Extracted from SRK (2007), shown at a 0.40% nickel cut off grade.

Next Phase of Project Development

During the course of 2018 Horizonte plans to undertake the following work on the project:

- Commencing a 43-101 Mineral Resource Estimate looking at the higher-grade nickel-cobalt portions of the deposit;
- Review the historic metallurgical test work and new work to test the high grade saprolite parts of the deposit to confirm its suitability for use in the RKEF flow sheet developed for Araguaia; and, confirm that the mixed hydroxide product developed by Vale can be upgraded to produce nickel and cobalt sulphate for potential use in EV battery products;
- Subject to successful results from these initial work steams and identification of suitable process routes the Company will release a Preliminary Economic Assessment ('PEA') in H2 to demonstrate the potential value of the project.

Operations Review Continued

Social and Environmental

The areas within the Project are located 100% within the Pará State, therefore the Project will continue to be permitted by the State Environmental Agency for the majority of environmental permits. The Brazilian mine permitting process with environmental agencies generally has three key stages:

- The preliminary licence ('LP'), obtained by the Company in 2016;
- The installation licence ('LI'), which permits the start of construction;
- Finally, the licence to operate once construction is complete ('LO').

The granting of the LP is often regarded as the most important licence as it outlines the parameters of the Project as agreed upon by all stakeholders and is the only environmental licensing process that requires approval of the State Government Environmental Council. The Council awarded the LP to Horizonte Minerals in May 2016 with unanimous approval by all present councilors.

In partnership with ERM consultants across Brazil, UK and Canada, as well as local Brazilian consulting groups; the Company has conducted a range of studies in 2017 to align with international banking standards, such as, the International Finance Corporation (IFC) Environmental and Social Performance Standards and Equator Principles. The results of these studies will be published in the Araguaia Feasibility Study in 2018.

Permitting

The Company took significant strides in de-risking the Araguaia Project in 2017 through licence approvals and construction permit requests.

A number of permits were progressed in 2017, including:

- Renewal of Operational Licence for exploration activities in Araguaia South for 5 years;
- Approval of Operational Licence for exploration activities in Araguaia North;
- Approval of fauna study licence;
- Approval of the Final Exploration Report with Federal Mining Agency (ANM) for mine and infrastructure areas;
- Submission of Installation Licence (construction permit) request for Araguaia South mine & plant;
- Submission of Installation Licence (construction permit) request for the Araguaia South water pipeline;
- Submission of water-use permit requests for Araguaia South;
- Submission of vegetation suppression approval request for Araguaia South;
- Submission of the Economic Mine Plan and Mining Servitude to ANM;
- Request for Terms of Reference for Transmission Line Installation Licence (construction permit);
- Request for Terms of Reference for Araguaia North environmental impact assessment.

In 2018 the sustainability team will prioritise the progress of Araguaia South's construction licences and will also progress environmental studies and baseline data collections for the energy Transmission Line and Araguaia North deposit.

In addition to the Araguaia Project permits, the Sustainability team will commence work on the Vermelho Project. Vermelho permits for 2018 are likely to include:

- Transfer of mineral rights from Vale to the Company's nominated Brazilian entity;
- Submission of new Mine Plan to ANM;
- Submission of Operational Licence request for exploration activities at Vermelho Project.

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 2017.

Review of the Business

The Group is focussed on the development of the enlarged Araguaia nickel project, in Brazil. See the Chairman's Statement on page 4 and Operations review on page 6 for detailed reviews of the business during the year.

Aims, Strategy & Business Plan

The Group's **aim** is to create value for shareholders through the development of the Araguaia Project through to feasibility stage and into development.

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 of 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 advance the combined and newly integrated Glencore Araguaia Project ('GAP') and Araguaia projects (together the 'Enlarged Project') and enhance shareholder value. The first step is to undertake a Feasibility Study, which will be a further milestone in progressive development and de-risking of the Araguaia project and has been the core focus of the Group since the acquisition of Araguaia in August 2010.

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 Group. 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, both 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. The Group closely monitors on an ongoing basis its commitments and the expiry terms of all licenses in order to ensure good title is maintained. 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 and reserves estimates

The Group's reported resources and reserves 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.

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 is the current focus of the Group's activity and offers stable political frameworks and actively supports foreign investment. It has a well-developed exploration and mining code with proactive support for foreign companies.

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.

Whilst the outlook and forecasts for nickel prices are generally positive, any 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 through the issue of additional equity capital. The Group's ability to raise further funds will depend on the success of its investment strategy and acquired operations. The Group successfully raised capital recently, which places it in a strong position, however, the Group may not be successful in procuring the requisite funds on terms which are acceptable to take the project forwards and, if such funding is unavailable, the Group may be required to reduce the scope of its investments or anticipated expansion. As the Group is currently in the exploration stage it does not generate revenues and is therefore reliant on its cash resources and obtaining additional financing to funds its operations, should the cash resources deplete and should there be a lack of available financing alternatives the Group may find it difficult to fund its working capital.

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, as well as a long-term incentive plan comprising options, 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 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.

Title risk

The Group's current and future operations will require approvals and permits from various federal, state and local governmental authorities, and such operations are and will be governed by laws and regulations governing prospecting, development, mining, production, taxes, labour standards, health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters. There is no assurance that delays will not occur in connection with obtaining all necessary renewals of such approvals and permits for the existing operations or additional approvals or permits for any possible future changes to operations. Prior to any development on any of its properties, the Group must receive permits from appropriate governmental authorities. There can be no assurance that the Group will continue to hold all permits necessary to develop or continue operating at any particular property or obtain all required permits on reasonable terms or on a timely basis.

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 of these risks on the financial performance of the Group.

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

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 key performance indicators ('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:

	2017	2016
Cash and cash equivalents	**£9,403,825**	£9,317,781
Administrative expenses as a percentage of Total assets	**2.4%**	2.4%
Exploration costs capitalised as intangible assets during the year	**£5,857,891**	£2,265,831

KPI's are not GAAP measurements and are not intended to be a substitute for these measures. The KPI's used by the Group may not be the same as those used by other companies and so should not be used as such.

Administrative expenses as a percentage of total assets have remained constant, in light of significant increase in overall activity as a direct result of the work undertaken on the FS.

Exploration costs capitalised as intangible assets relate to expenditure on the Araguaia project during 2017 and have increased significantly compared to the prior year due to the overall increase in work on the FS and associated work programmes.

At 31 December 2017, the Group's intangible assets had a carrying value of £34,308,278.

Non-Financial Key Performance Indicators ('KPIs')

The Board monitors the following non-financial KPIs on a regular basis.

Health and Safety – number of reported incidents

There were no significant reportable incidents in the current or prior year.

Operational performance

Good progress was made during the year on the completion of a FS on the Company's flagship Araguaia nickel project. This included drilling, trail excavation as well as engineering and environmental work.

Fundraising

On 22 December 2017, a total of 200,000,000 new ordinary shares were issued through a private placement in the United Kingdom at a price of £0.035 per share to raise £7,000,000 before expenses. This was followed by a simultaneous raise of £2.2 million in Canada by way of issuing 60,587,500 shares raising gross proceeds of CAD$3,635,250, which closed in January 2018.

By order of the Board

Simon Retter
Company Secretary
26 March 2018

Financial Review

Loss for the year

The loss for the year decreased slightly to £1,667,156 from £1,746,334 in 2016 primarily due to changes in the fair value of contingent consideration and a greater portion of overheads being capitalised during the year. This was offset by an increase in the share based payment charge as a result of the fair value of options vesting during the period.

The Group has continued to keep a tight control on its administrative costs, which increased in the year by £83,509 to £1,093,132, as a direct result of the increased activity undertaken during 2017 in Brazil as part of the FS.

Furthermore, total comprehensive loss attributable to equity holders of £5,146,206 included loss on currency translation differences of £3,479,050. This was due to the strengthening of Sterling against both USD and BRL as at 31 December 2017, as compared to 31 December 2016.

	Year ended 31 December 2017 £	Year ended 31 December 2016 £
Loss before taxation	**(1,667,156)**	(1,746,334)
Cash and cash equivalents	**9,403,825**	9,317,781
Exploration assets	**34,308,278**	32,017,796
Net assets	**39,241,815**	37,054,455
Loss per share (pence)	**0.142p**	0.240p

Cash and Cash Equivalents

The closing cash balance for the Group of £9,403,825 which is slightly higher than £9,317,781 in the prior year, following the fund raise of £7,000,000 before expenses by way of issuing 200,000,000 new shares at a price of 3.5 pence per share during the year. Direct exploration expenditure was £5,740,740 in the year, as compared to £2,265,831 in 2016. Expenditure in 2017 was significantly higher than in 2016 due to the focus of the current year being on the publication of an updated FS compared to field work undertaken in the prior year.

Exploration Assets

Exploration assets, which comprise the Araguaia project, have increased to £34,308,278 as at 31 December 2017 as compared to £32,017,796 as at 31 December 2016: The Group incurred addition expenditure in the year, which included £5,740,740 in relation to work undertaken on the feasibility study as well as a significant foreign exchange revaluation loss of £3,479,050 as Sterling appreciated against the Brazilian Real. The exploration assets of the business are recorded in the functional currency of Brazil, the country in which they are located.

The strategic report was approved by the board on 26 and is signed on its behalf by Simon Retter.

Simon Retter
Company Secretary
26 March 2018

Board of Directors and Key Management

A wealth of experience

The Group is focussed on the development of the enlarged Araguaia nickel project, in Brazil.

David J. Hall
BA (Hons), MSc, Fellow SEG, P.Geo, Non-Executive Chairman

Mr. Hall is a graduate in geology from Trinity College Dublin and holds a Master's Degree in Mineral Exploration from Queen's University, Kingston, Ontario. He has over 30 years of experience in the exploration and mining sector and has worked on and assessed exploration projects and mines in over 40 countries. From 1992, Mr. Hall 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 a Consultant geologist for Minorco South America and subsequently became exploration manager for AngloGold South America in 1999, where he was responsible for exploration around the Cerro Vanguardia gold mine in Argentina, around the Morro Velho and Crixas mines in Brazil and establishing the exploration programme that resulted in the discovery of the La Recantada gold deposit in Peru as well as certain joint ventures in Ecuador and Colombia. In April 2002, Mr. Hall became an executive director of Minmet and operations director in September 2002. Mr. Hall led the divestment of Minmet's exploration assets in the Dominican Republic into GoldQuest Mining Corporation, which is listed on the TSX Venture Exchange. Mr. Hall is also founder of Stratex International Plc, an AIM traded company with exploration assets in Turkey and in which Teck is an equity shareholder. Mr. Hall is a fellow of the Society of Economic Geologists and EuroGeol.

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 a Master's Degree 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.

Simon J Retter
BSc (Hons), ACA Chief Financial Officer and Company Secretary

Mr Retter has a degree in Accounting and Finance from the University of Bristol and is a Chartered Accountant with over 10 years of experience in the mining industry. He has undertaken numerous corporate finance transactions across a broad range of industries including initial public offerings, reverse take overs and secondary fund raisings. He has served as finance director of Paragon Diamonds Ltd and currently holds the role of Finance Director of Vale International Group Ltd a listed special purpose acquisition vehicle targeting the technology sector. Mr Retter is a member of the Institute of Chartered Accountants in England and Wales.

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

Dr. Bavinton graduated from the University of Queensland in Geology in 1969, holds a Master's 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 minerals 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, 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 and speaks French and Portuguese.

Allan M. Walker
MA, Non-Executive Director
Mr. Walker has over 30 years of experience in investment banking and funds management, primarily focused on energy sector project finance and private equity, particularly in emerging markets. He has extensive contacts in the renewable energy sector worldwide, as well as with governments, multilateral agencies and regional development banks. Mr. Walker is currently a consultant with UK Trade and Investment, where he is Head of Project Finance on the Institutional Investment and Infrastructure team, focusing on attracting foreign direct investment into UK energy and infrastructure projects. Previously he was with Masdar Capital in Abu Dhabi, 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. Prior to that he founded (in 2005) and ran a similar private equity fund for Black River Asset Management (UK) Limited, an indirectly held subsidiary of Cargill Inc. Prior to Black River, Mr. Walker was head of power and infrastructure in London for Standard Bank Plc, a world leader in emerging markets resource banking. Mr. Walker was also previously a director in the Global Energy and Project Finance Group of Credit Suisse First Boston in London and ran the energy group at CSFB Garantia in Sao Paulo, Brazil from 1998 to 2001, where he spent seven years covering Latin America. He also spent three years in the energy group of ING Barings in New York. Mr. Walker graduated with an MA in economic geography from Cambridge University in 1982 and received his financial training on a one year residential training programme with JP Morgan in New York in 1983. He speaks Portuguese and Spanish.

William Fisher
P.Geo, Non-Executive Director
Mr. 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 sulphide deposits in Brazil. From 1997 to 2001 Mr. Fisher was Vice President, Exploration for Boliden AB, a major European mining and smelting company where he was responsible for thirty five 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 operated the Cerro de Maimon mine until it was sold to Perilya for USD 186 million. Mr. Fisher was also Chairman of Aurelian Resources which was acquired by Kinross in 2008 for USD 1.2 Billion after the discovery of the Fruta del Norte gold deposit in Ecuador. Mr. Fisher currently serves as Executive Chairman of Goldquest Mining Corp. (TSX: GCQ), independent director of Treasury Metals Inc. (TSX: TML) and Chairman of Rame Energy (AIM: RAME).

Alexander N. Christopher
BSc (Hons), P.Geo, Non-Executive Director
Mr. Christopher, a professional geologist, has over 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 Senior Vice President, Exploration, Projects & Technical Services at Teck. Mr. Christopher has been with Teck since the mid-1980's holding a number of positions within the company. He is also currently a member of the Board of Directors of the Prospectors and Developers Association of Canada where he holds the position of Second Vice President.

Key Advisers

Dr Philip Mackey P.Eng, PhD, FCIM Senior Metallurgical Adviser
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.

Dr Nic Barcza P.Eng, PhD – Senior Pyrometallurgical Adviser
Dr. Nic Barcza, has a PhD in Metallurgical Engineering and is a registered Professional Engineer. Nic is an Executive Consultant to Mintek in South Africa. He was the Chairman of Mintek's wholly-owned subsidiary Mindev Pty (Ltd), until the end of 2005 and has served on a number of Boards such as Mogale Alloys (Pty) Ltd, a ferroalloy and stainless steel dust/alloy recycling operation near Johannesburg. He is a past-President and Honorary Life Fellow of the South African Institute of Mining and Metallurgy (SAIMM), chairman of the International Committee of INFACON, a Fellow of the South African Academy of Engineering and has served on several academic advisory Boards and the Council of Wits University. Nic has worked on several titaniferous magnetite projects and also advises and consults for several other companies in South Africa and abroad including Anfield Nickel Corp. (Canada) and Oriel Resources Ltd (UK) on nickel and chrome projects.

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 2017.

Principal activities

The principal activity of the Group and Company 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 £1,667,156 (2016: £1,746,334). The Group is currently involved in exploration and evaluation activities and not actively mining. As a result, the Group is not revenue generative.

On 22 December 2017 the Group issued 200,000,000 shares at a price of 3.5p per share raising gross cash proceeds of £7,000,000.

At 31 December 2017, the Group had cash and cash equivalents of £9,403,825 (2016: £9,317,781). 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 judgement 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 (2016: £Nil).

Sustainability

Safety: Safety cross-discipline workshop (HAZID) for future Araguaia mine facilitated by ERM consultants was conducted in 2017.

People: Strong and diverse owners team, including a good presence of local and female employees. In 2017, over 60% of our direct employees originated from the Pará State.

Social: The Company spent approximately R$67,000 on social investment projects in the region throughout 2017 and additionally provided in-kind support through employee volunteering.

Rehabilitation: Horizonte has a strong record of rehabilitation. The 2017 trial excavation area has been entirely recovered with new topsoil and seeds planted prior to the wet season.

Fauna & Flora: New fauna and flora inventories were conducted throughout 2017 with over 20 biologists participating, including specialists from the Pará State Museum & Universities.

Permits: Construction Licence and Mine Licence developed and submitted to agencies in 2017. The Company is aiming to be "construction-ready" by end of 2018.

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

Social
Horizonte currently conducts exploration in Brazil and recognises that there is a vital social dimension to all exploration and mining activities. We are fortunate to maintain excellent relationships with communities and landholders located close to, or on, our projects. This is largely as a result of our policy to prioritise local labour and regularly consult community members about the Araguaia Project. The Company implemented a "Talk With Us" engagement process in 2017, including suggestion boxes and a phone line giving locals access to raise or discuss any queries about the Araguaia project.

Wherever possible, the Group supports local economic development by using local suppliers and over 60% of the Group's workforce originate from the Brazilian state of Parà, where the project is located.

As Horizonte prepares the Araguaia Project to become "construction-ready", the Company is gradually increasing its social presence. Social activities in 2017 included:
- Sexual health education and disease prevention campaign;
- Furniture and books for two school libraries in direct area of influence of the future Araguaia mine;
- Training courses in rural towns in partnership with SENAI (Brazilian training institution);
- Support for cultural activities in the region;
- Environmental education;
- Rural road rehabilitation.

Environmental
Horizonte undertakes its exploration activities in a manner that aims to minimise or eliminate negative environmental impacts and strives wherever possible to seek opportunities for positive impacts. To ensure proper environmental stewardship on its projects, Horizonte conducts baseline studies prior to all drill/ excavation programmes and ensures that areas explored are properly maintained and conserved in accordance with Brazilian environmental legislation. After drilling or excavation activities, sites and access routes are rehabilitated. The Company rigorously records and audits rehabilitation efforts to ensure that they meet standards.

The Group also provides in-kind support through our employees to assist locals partake in good environmental stewardship practices, for example, environmental education, donations of shrubs and clean-up of waterways.

SEIA
As the project moves towards completing the Feasibility Study, the focus has been on creating one integrated Social and Environmental Impact Assessment based on International Finance Corporation / World Bank standards. Significant new data collections took place in 2017, including:
- New flora inventory for Araguaia Mine and water pipeline;
- Two new fauna campaigns conducted in dry and rainy seasons;
- Air and gas baseline;
- Meteorology;
- River flow monitoring of the Arraias River;
- Water levels and spring flows;
- Pump tests.

In partnership with ERM consultants across Brazil, UK and Canada; the Company has conducted a range of studies to align with banking standards. Studies include, but are not limited to: Critical Habitat Study, Resettlement Action Plan and Air/GHG plan. Ongoing data collection will continue to be undertaken in 2018, including new collections on water and air quality as well as the set-up of a permanent river flow monitoring station.

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 dedicated team effort involving the active participation of all employees. A comprehensive health and safety programme is the primary means for delivering best practices. This programme is regularly updated to incorporate employee feedback, lessons learned from past incidents and new guidelines related to new projects. Through this we aim to identify areas for further improvement of health and safety management. Employee involvement is seen as fundamental in recognising and reporting unsafe conditions and avoiding events that may result in injuries and accidents.

The Group operates with 6 'golden rules' aimed at mitigating the majority of health and safety risks. Annually, Horizonte management provides a detailed in-house review of the Company's health and safety programme hand in hand with all members of the Brazil exploration team.

Additionally, in 2017, ERM consultants facilitated a HAZID workshop, with participation from multiple disciplines including Worley Parsons engineers to list and analyse potential risks for the future Araguaia mine. Results will form part of the Araguaia Feasibility Study in 2018.

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 26 March 2018.

Major shareholders	Number of shares	% of issued capital
Teck Resources Limited	210,207,179	14.7%
Canaccord Genuity Group	150,000,000	10.5%
JP Morgan	118,394,838	8,3%
Lombard Odier Asset Management	116,126,242	8.1%
City Financial	108,190,476	7.6%
Richard Griffiths	96,550,000	6.7%
Glencore	74,507,195	5.2%

Share capital

Changes in the share capital of the Company are set out in note 13 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. Refer to notes 22 and 23 for further details.

The Directors who served during the year, together with their directly beneficial interests in the shares of the Company as at 31 December 2017 are as follows:

	31 December 2017		31 December 2016	
Director	Shares	Options	Shares	Options
David Hall	**1,039,955**	**12,000,000**	1,039,955	6,500,000
Jeremy Martin	**1,083,908**	**20,500,000**	1,083,908	13,500,000
Owen Bavinton	**2,000,000**	**9,500,000**	2,000,000	5,000,000
Allan Walker	**500,000**	**10,400,000**	–	5,900,000
William Fisher	**1,036,000**	**9,500,000**	820,000	5,000,000
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 2017 and 26 March 2018.

Directors' statement as to disclosure of information to auditor

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 auditor is 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 auditor is aware of the information.

Matters covered in the Strategic Report

The business review and review of KPIs are included in the Operations Review and Strategic Report.

Financial risk management

The Company is exposed through its operations to the following financial risks:

- Commodity price risk
- Foreign currency risk
- Credit risk
- Interest rate risk
- Liquidity risk

In common with all other businesses, the Group is exposed to risks that arise from its area of operation, these along with managements policies surrounding risk management are included in note 3.

Events after the reporting date

The events after the reporting date are set out in note 27 to the Financial Statements.

Future developments

In 2018 the Group will be working on publishing a Feasibility Study on the enlarged Araguaia project. Furthermore, the permitting for the Araguaia project will continue to be advanced. The completion of the transfer of title for Vermelho is expected and following this initial work towards a preliminary economic study will be undertaken.

Directors and Officers Insurance

The Group provided Directors and Officers insurance for both the current and prior periods.

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 2017 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.

Independent auditor

The auditor, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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

By Order of the Board

Simon Retter
Company Secretary
26 March 2018

Statement of Directors' Responsibilities

The directors are responsible for preparing the strategic report, 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 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 company and of the profit or loss of the group and company for that period. The directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market and in accordance with the rules of the Toronto Stock Exchange.

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 they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the 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 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

By Order of the Board

Simon James Retter
Company Secretary
26 March 2018

Corporate Governance Report

The Board of Directors

As at 31 December 2017, 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. Mr Owen Bavinton, Mr William Fisher and Mr Allan Walker are classified as Independent by the Toronto Stock Exchange.

Board meetings

The Board ordinarily meets approximately 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 aspects 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 in line with 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 recommends the allocation of share options for the Board to approve 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 MEMBERS OF HORIZONTE MINERALS PLC

Opinion

We have audited the financial statements of Horizonte Minerals plc (the 'parent company') for the year ended 31 December 2017 which comprise the consolidated statements of comprehensive income, the consolidated and company statements of financial position, the consolidated and company statements of changes in equity, the consolidated and company statements of cash flows and notes to the financial statements including a summary of significant accounting policies. 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.

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 2017 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.

Separate opinion in relation to IFRSs as issued by the IASB

As explained in note 2.1 to the group financial statements, the group in addition to complying with its legal obligation to apply IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the group financial statements give a true and fair view of the consolidated financial position of the group as at 31 December 2017 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRSs as issued by the IASB.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Carrying Value of Intangible Assets and Investments held by Parent Company	
Key Audit Matter	As detailed in notes 10 and 25, the Group holds intangible assets of £34.4m and £51.2m of investments held by the parent company in subsidiaries. As detailed in note 2.5b, the Group's intangible assets represent the legal rights to explore for minerals together with the expenditure incurred in its exploration and evaluation of the mineral assets. The investments represent the funding provided by the Parent Company to its Brazilian subsidiaries to use over the course of the exploration stage and is the main source of funding for the costs capitalised under intangible assets. Each year management are required to assess whether there has been any indication that the intangible assets may be impaired. This is in accordance with the requirements of IFRS 6 - Exploration for and evaluation of mineral resources. Management have carried out a review for indicators of impairment and have not identified any such indicators. Management have also concluded that no impairment provision is required against the carrying value of investments in subsidiaries. Reviewing indicators of impairment and assessment of carrying values often require significant estimates and judgements and therefore we identified this as a key audit matter.
Audit Response	Our audit work included, but was not restricted to the following: We reviewed Management's assessment of the impairment indicators against IFRS 6. The indicators in IFRS 6 include but are not limited to: ▪ The period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed. ▪ Substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned. ▪ Exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area. ▪ Sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale. We considered Management's assessment of the indicators of impairment (as stated above) and we confirmed that there is an ongoing plan to develop the licence areas. This assessment is supported by a pre-feasibility study published in October 2016 and a feasibility study which is currently in progress. We reviewed the correspondence, contracts and other documents regarding the licenses to confirm that the Group has the relevant contractual rights for exploration in the stated areas such as Araguaia. We agreed the validity of licences held by Horizonte Minerals Plc to the Brazilian Government's DNPM website. We considered whether there were any additional matters requiring consideration when assessing the carrying value of the parent company's investment in subsidiaries.

Valuation of Contingent Consideration	
Key Audit Matter	In prior years, the Group acquired assets and licences relating to the Araguaia nickel project gave rise to contingent consideration. As at 31 December 2017, the contingent consideration was £3.9m and details of this consideration and the related critical judgements and estimates are disclosed in notes 17 and 4.3. The assessment of the contingent consideration payable requires management to make judgements and estimates in respect of a significant number of factors which influence the anticipated timing and value of cash flows arising from the Araguaia nickel project, which in turn impact on the assessment of the estimated consideration payable. Management are also required to reassess and adjust the contingent consideration payable for any changes in the accounting estimates as new information and events arises.
Audit Response	Our audit work included, but was not restricted to the following: We have reviewed the terms and conditions of the acquisition agreements relating to the contingent consideration amounts payable and ensured that the calculation of contingent considerations is in accordance with them. We have reviewed the contingent consideration calculations and key judgements and estimates made by management supporting these calculations. We have challenged the judgements and estimates, referring to supporting documentation and considered the sensitivity of the calculations to changes in the judgements and estimates. We have checked the accounting adjustments for any change in estimates, foreign exchange retranslation and the unwinding of the discount factor. We have considered the adequacy of the disclosures.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Our basis for the determination of materiality has remained unchanged from prior year. We consider total assets to be the most significant determinant of the group's financial performance used by shareholders. The benchmark percentage for calculating materiality has remained unchanged from the prior year at 1.5%. We consider this to be one of the principal considerations for members of the parent company in assessing the financial performance of this asset based group.

Whilst materiality for the financial statements as a whole was £570,000 (based on 30 September 2017 total asset figure of £38.1m) (2016:£470,000), each significant component of the group was audited to a lower level of materiality. These materiality levels were used to determine the financial statement areas that are included within the scope of our audit work and the extent of sample sizes during the audit.

Performance materiality is the application of materiality at the individual account or balance level set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality. Performance materiality was set at 75% (2016: 75%) of the above materiality levels.

We agreed with the audit committee that we would report to the committee all individual audit differences identified during the course of our audit in excess of £28,500 (2016: £10,000). We also agreed to report differences below these thresholds that, in our view warranted reporting on qualitative grounds.

Materiality levels are not significantly different from those applied in the previous year.

No revisions were made to materiality levels during the course of the audit.

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the group's system of internal control, and assessing the risks of material misstatement in the financial statements at the group level.

Whilst Horizonte Minerals plc is a Company registered in England & Wales and its head office is located in the UK the Group's principal operations are located in Brazil. In approaching the audit, we considered how the Group is organised and managed. We assessed the activities of the group as being principally a single project (the Araguaia Nickel project) and primarily comprising a number of Brazilian subsidiary entities each holding capitalised exploration and evaluation costs and exploration licences and permits.

The Group audit team performed audit work in respect of the assessed risks. One subsidiary was assessed as significant due to size and risk and three subsidiaries were classified as significant due to specific risks. The group audit engagement team also engaged BDO's network firm in Brazil to carry out certain specific audit procedures.

The remaining non-significant subsidiaries of the group were principally subject to analytical review procedures.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in which 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Stuart Barnsdall (Senior Statutory Auditor)
For and on behalf of BDO LLP,
London, UK

INDEPENDENT AUDITOR'S REPORT
For Canadian filing purposes

Opinion

We have audited the financial statements of Horizonte Minerals plc (the 'parent company') for the year ended 31 December 2017 which comprise the consolidated statements of comprehensive income, the consolidated and company statements of financial position, the consolidated and company statements of changes in equity, the consolidated and company statements of cash flows and notes to the financial statements including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs).

In our opinion:

- the consolidated financial statements present fairly, in all material aspects, the financial position of Horizonte Minerals Plc as at 31 December 2017 and 31 December 2016 and its financial performance and its cash flows for the years then ended; and
- the consolidated financial statements have been properly prepared in accordance with IFRSs.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as issued by IAASB and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Audit Response	Our audit work included, but was not restricted to the following: We reviewed Management's assessment of the impairment indicators against IFRS 6. The indicators in IFRS 6 include but are not limited to: ▪ The period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed. ▪ Substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned. ▪ Exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area. ▪ Sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale. We considered Management's assessment of the indicators of impairment (as stated above) and we confirmed that there is an ongoing plan to develop the licence areas. This assessment is supported by a pre-feasibility study published in October 2016 and a feasibility study which is currently in progress. We reviewed the correspondence, contracts and other documents regarding the licenses to confirm that the Group has the relevant contractual rights for exploration in the stated areas such as Araguaia. We agreed the validity of licences held by Horizonte Minerals Plc to the Brazilian Government's DNPM website. We considered whether there were any additional matters requiring consideration when assessing the carrying value of the parent company's investment in subsidiaries.

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Audit Response	Our audit work included, but was not restricted to the following: We have reviewed the terms and conditions of the acquisition agreements relating to the contingent consideration amounts payable and ensured that the calculation of contingent considerations is in accordance with them. We have reviewed the contingent consideration calculations and key judgements and estimates made by management supporting these calculations. We have challenged the judgements and estimates, referring to supporting documentation and considered the sensitivity of the calculations to changes in the judgements and estimates. We have checked the accounting adjustments for any change in estimates, foreign exchange retranslation and the unwinding of the discount factor. We have considered the adequacy of the disclosures.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of management

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISAs) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the group's and the parent company's financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and the parent company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the group and the parent company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation (i.e gives a true and fair view).
- Are required to report on consolidated financial statements, obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for the audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO LLP
London, United Kingdom
26 March 2018

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2017

	Notes	Year ended 31 December 2017 £	Year ended 31 December 2016 £
Administrative expenses		**(1,093,132)**	(1,009,623)
Charge for share options granted		**(678,652)**	(324,890)
Changes in fair value of contingent consideration	17	**621,545**	(260,632)
(Loss)/Gain on foreign exchange		**(299,834)**	65,241
Operating loss	6	**(1,450,073)**	(1,529,904)
Finance income	8	**15,854**	4,387
Finance costs	8	**(232,937)**	(220,817)
Loss before taxation		**(1,667,156)**	(1,746,334)
Income tax	9	**–**	–
Loss for the year from continuing operations attributable to owners of the parent		**(1,667,156)**	(1,746,334)
Other comprehensive income Items that may be reclassified subsequently to profit or loss			
Currency translation differences on translating foreign operations	16	**(3,479,050)**	9,315,180
Other comprehensive income for the year, net of tax		**(3,479,050)**	9,315,180
Total comprehensive income for the year attributable to owners of the parent		**(5,146,206)**	7,568,846
Profit/(Loss) per share from continuing operations attributable to owners of the parent			
Basic and diluted (pence per share)	19	**(0.142)**	(0.240)

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

Company number: 05676866
As at 31 December 2017

	Notes	31 December 2017 £	31 December 2016 £
Assets			
Non-current assets			
Intangible assets	10	**34,308,278**	32,017,796
Property, plant & equipment	11	**2,051**	862
		34,310,329	32,018,658
Current assets			
Trade and other receivables		**153,105**	35,493
Cash and cash equivalents	12	**9,403,825**	9,317,781
		9,556,930	9,353,274
Total assets		**43,867,259**	41,371,932
Equity and liabilities			
Equity attributable to owners of the parent			
Share capital	13	**13,719,343**	11,719,343
Share premium	14	**40,422,258**	35,767,344
Other reserves	16	**988,015**	4,467,064
Retained losses		**(15,887,801)**	(14,899,297)
Total equity		**39,241,815**	37,054,454
Liabilities			
Non-current liabilities			
Contingent consideration	17	**3,635,955**	3,643,042
Deferred tax liabilities	9	**253,205**	282,450
		3,889,160	3,925,492
Current liabilities			
Trade and other payables	17	**736,284**	391,986
		736,284	391,986
Total liabilities		**4,625,444**	4,317,478
Total equity and liabilities		**43,867,259**	41,371,932

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

The Financial Statements were authorised for issue by the Board of Directors on 26 March 2018 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 2017

	Notes	31 December 2017 £	31 December 2016 £
Assets			
Non-current assets			
Property, plant & equipment	11	–	283
Investment in subsidiaries	24	**51,238,055**	43,670,347
		51,238,055	43,670,630
Current assets			
Trade and other receivables		**41,773**	35,423
Cash and cash equivalents	12	**9,238,827**	9,143,993
		9,280,600	9,179,416
Total assets		**60,518,655**	52,850,046
Equity and liabilities			
Equity attributable to equity shareholders			
Share capital	13	**13,719,343**	11,719,343
Share premium	14	**40,422,258**	35,767,344
Other reserves	16	**10,888,760**	10,888,760
Retained losses		**(8,960,902)**	(9,915,498)
Total equity		**56,069,459**	48,459,949
Liabilities			
Non-current liabilities			
Contingent consideration	17	**3,635,955**	3,643,042
		3,635,955	3,643,042
Current liabilities			
Trade and other payables	17	**813,241**	747,055
		813,241	747,055
Total liabilities		**4,449,196**	4,390,097
Total equity and liabilities		**60,518,655**	52,850,046

The above Company Statement of Financial Position should be read in conjunction with the accompanying notes, profit for the period was £275,945 (2016:£602,827 loss). 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 Financial Statements were authorised for issue by the Board of Directors on 26 March 2018 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 2017

	Attributable to owners of the parent				
Consolidated	Share capital £	Share premium £	Retained losses £	Other reserves £	Total £
As at 1 January 2016	**6,712,044**	**31,252,708**	**(13,477,853)**	**(4,848,116)**	**19,638,783**
Loss for the year	–	–	(1,746,334)	–	(1,746,334)
Other comprehensive income:					
Currency translation differences on translating foreign operations	–	–	–	9,315,180	9,315,180
Total comprehensive income for the year	–	–	(1,746,334)	9,315,180	9,315,180
Issue of ordinary shares	5,007,299	5,005,321	–	–	10,012,620
Trade and other receivables	–	(490,685)	–	–	(490,685)
Cash and cash equivalents	–	–	324,890	–	324,890
Total transactions with owners, recognised directly in equity	5,007,299	4,514,636	324,890	–	9,846,825
As at 31 December 2016	**11,719,343**	**35,767,344**	**(14,899,297)**	**4,467,064**	**37,054,454**
Loss for the year	**–**	**–**	**(1,667,156)**	**–**	**(1,667,156)**
Other comprehensive income:					
Currency translation differences on translating foreign operations	**–**	**–**	**–**	**(3,479,050)**	**(3,479,050)**
Total comprehensive income for the year	**–**	**–**	**(1,667,156)**	**(3,479,050)**	**(5,146,206)**
Issue of ordinary shares	**2,000,000**	**5,000,000**	**–**	**–**	**7,000,000**
Issue costs	**–**	**(345,086)**	**–**	**–**	**(345,086)**
Share-based payments	**–**	**–**	**678,652**	**–**	**678,652**
Total transactions with owners, recognised directly in equity	**2,000,000**	**4,654,914**	**678,652**	**–**	**7,333,566**
As at 31 December 2017	**13,719,343**	**40,422,258**	**(15,887,801)**	**988,015**	**39,241,815**

A breakdown of other reserves is provided in note 16.

	Attributable to equity shareholders				
Company	Share capital £	Share premium £	Retained losses £	Other reserves £	Total £
As at 1 January 2016	**6,712,044**	**31,252,708**	**(9,637,561)**	**10,888,760**	**39,215,951**
Loss and total comprehensive income for the year	–	–	(602,827)	–	(602,827)
Issue of ordinary shares	5,007,299	5,005,321	–	–	10,012,620
Issue costs	–	(490,685)	–	–	(490,685)
Share-based payments	–	–	324,890	–	324,890
Total transactions with owners, recognised directly in equity	5,007,299	4,514,636	324,890	–	9,846,825
As at 31 December 2016	**11,719,343**	**35,767,344**	**(9,915,498)**	**10,888,760**	**48,459,949**
Loss and total comprehensive income for the year	**–**	**–**	**275,945**	**–**	**275,945**
Total transactions with owners, recognised directly in equity	5,007,299	4,514,636	324,890	–	9,846,825
As at 31 December 2016	**11,719,343**	**35,767,344**	**(14,899,297)**	**4,467,064**	**37,054,454**
Issue of ordinary shares	**2,000,000**	**5,000,000**	**–**	**–**	**7,000,000**
Issue costs	**–**	**(345,086)**	**–**	**–**	**(345,086)**
Share-based payments	**–**	**–**	**678,652**	**–**	**678,652**
Total transactions with owners, recognised directly in equity	**2,000,000**	**4,654,914**	**678,652**	**–**	**7,333,566**
As at 31 December 2017	**13,719,343**	**40,422,258**	**(8,960,902)**	**10,888,760**	**56,069,459**

The above Statements of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the year ended 31 December 2017.

	Notes	31 December 2017 £	31 December 2016 £
Cash flows from operating activities			
Loss before taxation		**(1,667,156)**	(1,746,334)
Finance income		**(15,854)**	(4,387)
Finance costs		**232,937**	220,817
Charge for share options granted		**678,652**	324,890
Exchange differences		**(117,606)**	(177,940)
Change in fair value of contingent consideration		**(621,545)**	260,632
Depreciation		**283**	1,084
Operating loss before changes in working capital		**(1,510,298)**	(1,121,238)
Decrease/(increase) in trade and other receivables		**(117,612)**	22,588
Increase/(decrease) in trade and other payables		**344,298**	242,965
Net cash used in operating activities		**(1,283,612)**	(855,685)
Cash flows from investing activities			
Purchase of intangible assets		**(5,102,852)**	(1,253,212)
Purchase of property, plant and equipment		**(2,236)**	–
Interest received		**15,854**	4,387
Net cash used in investing activities		**(5,089,234)**	(1,248,825)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		**7,000,000**	9,000,000
Issue costs		**(241,276)**	(380,685)
Net cash generated from financing activities		**6,758,724**	8,619,315
Net increase/(decrease) in cash and cash equivalents		**385,878**	6,514,805
Cash and cash equivalents at beginning of year		**9,317,781**	2,738,905
Exchange gain/(loss) on cash and cash equivalents		**(299,834)**	64,071
Cash and cash equivalents at end of the year	12	**9,403,825**	9,317,781

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Company Statement of Cash Flows

For year ended 31 December 2017.

	Notes	31 December 2017 £	31 December 2016 £
Cash flows from operating activities			
(Loss)/profit before taxation		**275,945**	(602,827)
Finance costs		**232,937**	220,817
Finance income		**(13,882)**	(1,668)
Charge for share options granted		**678,652**	324,890
Exchange differences		**(255,717)**	283,555
Change in fair value of contingent consideration		**(621,545)**	260,632
Depreciation		**283**	971
Operating loss before changes in working capital		**296,673**	486,370
Increase in trade and other receivables		**(6,351)**	(16,683)
Increase in trade and other payables		**66,186**	244,182
Net cash used in operating activities		**356,508**	713,869
Cash flows from investing activities			
Loans to subsidiary undertakings		**(6,821,063)**	(2,793,905)
Interest received		**13,881**	1,668
Net cash used in investing activities		**(6,807,182)**	(2,792,237)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		**7,000,000**	9,000,000
Issue costs		**(241,276)**	(380,685)
Net cash generated from financing activities		**6,758,724**	8,619,315
Net increase/(decrease) in cash and cash equivalents		**308,050**	6,540,947
Exchange gain/(loss) on cash and cash equivalents		**(213,215)**	34,779
Cash and cash equivalents at beginning of year		**9,143,993**	2,568,266
Cash and cash equivalents at end of the year	12	**9,238,827**	9,143,993

The above Company Statement of Cash Flows should be read in conjunction with the accompanying notes.

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 base metals. The Company's shares are listed on the AIM market of the London Stock Exchange and on the Toronto Stock Exchange. The Company is incorporated and domiciled in England and Wales. The address of its registered office is Rex House, 4-12 Regents Street, London, SW1Y 4RG.

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') and IFRS interpretations Committee ('IFRS IC') interpretations as adopted by the European Union ('EU') and with IFRS and their Interpretations issued by the IASB. The consolidated financial statements have also been prepared in accordance with 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 contingent consideration and share based payment charges which are measured at fair value.

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

There are no IFRSs or IFRIC interpretations that were effective for the first time for the financial year beginning 1 January 2017 that have had a material impact on the Group or Company.

b) New and amended standards, and interpretations issued but not yet effective for the financial year beginning 1 January 2017 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 listed below. The Group intends to adopt these standards, if applicable, when they become effective. Unless stated below, there are no IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

Standard	Effective Date
IFRS 9 Financial Instruments	1 January 2018
IFRS 16 Leases	1 January 2019
IFRS 15 Revenue from contracts with Customers	1 January 2018

All endorsed by the EU.

The only standard which is anticipated to be significant or relevant to the Group is IFRS 9 "Financial Instruments", the Group is in the process of assessing the quantitative implications of the standards on the Financial Statements. It is expected that the contingent consideration payable to both Glencore and following completion of the transfer of legal title, Vermelho will be effected as well as the intercompany loan receivable balance for the Company only.

Both IFRS 15 'Revenue from Contracts with Customers' and IFRS 16 'Leases' are not expected to have a material impact on the Group at this stage of the Group's operations. The Group presently has no revenue and the only leases that it holds relates to a short term lease held for office space in both the United Kingdom and its office in Brazil. These total approximately £80,000 per year and are renewed for a maximum of 12 months at a time.

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 entities controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee.
- Rights arising from other contractual arrangements.
- The Group's voting rights and potential voting rights.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

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.

The following 100% owned subsidiaries have been included within the consolidated Financial Statements:

Subsidiary undertaking	Held	Registered Addess	Country of incorporation	Nature of business
Horizonte Exploration Ltd	Directly	Rex House, 4-12 Regents Street, London SW1Y 4RG	England	Mineral Exploration Holding company
Horizonte Minerals (IOM) Ltd	Indirectly	Devonshire House, 15 St Georges St, Douglas, Isle of Man,	Isle of Man	Mineral Exploration Holding company
HM Brazil (IOM) Ltd	Indirectly	Devonshire House, 15 St Georges St, Douglas, Isle of Man,	Isle of Man	Mineral Exploration Holding company
Cluny (IOM) Ltd	Indirectly	Devonshire House, 15 St Georges St, Douglas, Isle of Man,	Isle of Man	Mineral Exploration Holding company
Champol (IOM) ltd	Indirectly	Devonshire House, 15 St Georges St, Douglas, Isle of Man,	Isle of Man	Mineral Exploration Holding company
Horizonte Nickel (IOM) Ltd	Indirectly	CNPJ 07.819.038/0001-30 com sede na Avenida Amazonas, 2904, loja 511, Bairro Prado, Belo Horizonte – MG. CEP: 30.411-186	Brazil	Mineral Exploration
HM do Brasil Ltda	Indirectly	CNPJ 07.819.038/0001-30 com sede na Avenida Amazonas, 2904, loja 511, Bairro Prado, Belo Horizonte – MG. CEP: 30.411-186	Brazil	Mineral Exploration
Araguaia Niquel Metias Ltda	Indirectly	CNPJ 07.819.038/0001-30 com sede na Avenida Amazonas, 2904, loja 511, Bairro Prado, Belo Horizonte – MG. CEP: 30.411-186	Brazil	Mineral Exploration
Lontra Empreendimentos e Participações Ltda	Indirectly	CNPJ 07.819.038/0001-30 com sede na Avenida Amazonas, 2904, loja 511, Bairro Prado, Belo Horizonte – MG. CEP: 30.411-186	Brazil	Mineral Exploration
Typhon Brasil Mineração Ltda	Indirectly	CNPJ 23.282.640/0001-37 com sede Alameda Ezequiel Dias, n. 427, 2° andar, bairro Funcionários, Município de Belo Horizonte, Estado de Minas Gerais, CEP 30.130-110.	Brazil	Mineral Exploration
Trias Brasil Mineração Ltda	Indirectly	CNPJ 23.282.280/0001-73 com sede na Alameda Ezequiel Dias, n. 427, 2° andar, bairro Funcionários, Município de Belo Horizonte, Estado de Minas Gerais, CEP 30.130-110	Brazil	Mineral Exploration

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 expenditure required in relation to its current exploration projects. The Group has cash reserves which are considered sufficient by the Directors 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.

As a result of considerations noted above, 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 capitalises expenditure in relation to exploration and evaluation of mineral assets when the legal rights are obtained. 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.

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 does not lead to the discovery of commercially viable quantities of mineral resources or the Group 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.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. 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%

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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.

2.7 Impairment of non-financial assets

Assets that have an indefinite useful life, such as 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 property, plant and equipment 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 Pounds Sterling and the functional currency of the Brazilian entities is Brazilian Real. 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 retranslated at the end of each reporting period.

2.9 Financial assets

The Group classifies its financial assets as loans and receivables.

(a) 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' and 'cash and cash equivalents' in the Consolidated Statement of Financial Position and loans to group undertakings in the Company Statement of Financial Position.

Derecognition

A financial asset is derecognised when the rights to receive cash flows from the asset have expired.

2.10 Cash and cash equivalents

In the Statement of Financial Position and Statement of Cash Flows, 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 Impairment of financial assets

(a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the Consolidated Income Statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the Consolidated Income Statement.

2.12 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.

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 Statement of Financial Position 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.

2.13 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.

2.14 Financial liabilities

The Group classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired.

Fair value through profit or loss

This category comprises the contingent consideration which are carried in the consolidated statement of financial position at fair value with changes in fair value recognised in the consolidated statement of comprehensive income.

Other financial liabilities

Trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

2.15 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.

2.16 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.

2.17 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.

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.

2.18 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 ("CODM").

2.19 Finance income

Interest income is recognised using the effective interest method, taking into account the principal amounts outstanding and the interest rates applicable.

2.20 Provisions and Contingent Liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance cost.

Contingent liabilities are potential obligations that arise from past events and whose existence will only be confirmed by the occurrence of one or more uncertain future events that, however, are beyond the control of the Group. Furthermore, present obligations may constitute contingent liabilities if it is not probable that an outflow of resources will be required to settle the obligation, or a sufficiently reliable estimate of the amount of the obligation cannot be made.

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 focusses 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 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 Pound Sterling.

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 2017, if the Brazilian Real had weakened/strengthened by 20% against Pound Sterling and US Dollar with all other variables held constant, post tax loss for the year would have been approximately £17,287 lower/higher mainly as a result of foreign exchange losses/gains on translation of Brazilian Real expenditure and 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

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.

(e) Credit risk

Credit risk arises from cash and cash equivalents and 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.

The Company's exposure to credit risk amounted to £58,128,840 (2016: £50,476,298). Of this amount £48,890,013 (2016: £41,332,305) is due from subsidiary companies, £9,238,827 represents cash holdings (2016: £9,143,993)

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 2017 and defines capital based on the total equity of the Group. 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 expected 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.

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 judgements 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 2017 of £34,057,215 (2016: £31,737,737). 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 judgement exercised by management relates to whether there is perceived to be an indicator of impairment and that management have concluded that there is not, due to the recovery in the Nickel prices, favourable economics of the PFS as well as ongoing support from the equity markets to advance the project by way of closing a fund raise at the end of 2017.

4.2 Estimated impairment of goodwill

Goodwill has a carrying value at 31 December 2017 of £251,063 (2016: £280,059) which is included in intangible assets. The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2.7.

Management has concluded that there is no impairment charge necessary to the carrying value of goodwill. The judgements exercised in arriving at this decision are the same as described in 4.1 above. See also note 10 to the Financial Statements.

Estimates and assumptions include, but are not limited to:

4.3 Contingent consideration

Contingent consideration has a carrying value of £3,635,955, at 31 December 2017 (2016: £3,643,042). there are two contingent consideration arrangements in place as at 31 December 2017:

- A contingent consideration arrangement that requires the Group to pay the former owners of Teck Cominco Brasil S.A (subsequently renamed Araguaia Niquel Mineração Ltda) 50% of the tax saving upon 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.

  This acquisition was accounted for as a business combination and an assessment of the fair value of the contingent consideration was made at the date of acquisition. This fair value is reassessed in each subsequent accounting period. In arriving at an estimate of the fair value management make an assessment of the probability of utilisation of all or part of the tax losses by the end of the 10 year period which is August 2020. 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 movements in a number of factors including the timing of the development and commissioning of the project, commodity prices, operating costs, capital expenditure, production levels, grades, recoveries and interest rates. Because of the condition of the acquisition agreement to utilise tax losses prior to August 2020 a critical assumption in the assessment of value of the contingent consideration is the timing of commencement of profitable production, which for the financial year ending 31 December 2017 has been re-assessed as taking place after August 2020.

- A contingent consideration arrangement that requires the Group to pay Xstrata Brasil Mineração Ltda US$1,000,000 after the date of issuance of a Feasibility Study comprising the Araguaia project and the Vale dos Sonhos ('VdS') and Serra do Tapa ('SdT') project areas ('GAP') (together the 'Enlarged Project'), to be satisfied in shares in the Company (at the 5 day volume weighted average price taken on the tenth business day after the date of such issuance) or cash, at the election of the Company; and remaining consideration of US$5,000,000 to be paid in cash, as at the date of first commercial production from any of the resource areas within the Enlarged Project area. Although a number of the critical assumptions relating to the assessment of the contingent consideration of US$5,000,000 are similar to those described above for the contingent consideration payable to the former owners of Teck Cominco Brasil S.A there is no linkage to utilisation of tax losses by a fixed date.

The Contingent consideration is considered to be a level 3 hierarchy valuation, the following are unobservable inputs for the valuation model: Discount rate and probability factor. In addition, the model includes the foreign exchange rate.

Management have sensitized the fair value calculation to reasonable changes in the unobservable inputs and note that if the discount rate were to increase from 7% to 10% then the FV would decrease by £269,255 to £3,366,700.

There has been no change in valuation technique during the period.

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 in respect of the losses has been recognised on acquisition of Araguaia Niquel Mineração Ltda to the extent that it can be set against the deferred tax liability arising on the fair value gains. In determining whether a deferred tax asset in excess of this amount should be recognized management must make an assessment of the probability that the tax losses will be utilized and a deferred tax asset is only recognised if it is considered probable that the tax losses will be utilized.

Other estimates include but are not limited to 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.

2017	UK 2017 £	Brazil 2017 £	Other 2017 £	Total 2017 £
Administrative expenses	**(1,093,132)**	**–**	**–**	**(1,093,132)**
Loss on foreign exchange	**(261,218)**	**(38,616)**	**–**	**(299,834)**
Loss from operations per reportable segment	**(1,354,350)**	**(38,616)**	**–**	**(1,392,966)**
Depreciation charges	**(283)**	**–**	**–**	**(283)**
Additions to non-current assets	**–**	**2,319,479**	**–**	**2,319,479**
Reportable segment assets	**9,359,155**	**34,508,104**	**–**	**43,867,259**
Reportable segment non-current assets	**–**	**34,308,278**	**–**	**34,308,278**
Reportable segment liabilities	**4,029,066**	**596,378**	**–**	**4,625,444**

2016	UK 2017 £	Brazil 2016 £	Other 2016 £	Total 2016 £
Administrative expenses	(802,409)	(207,214)	–	(1,009,623)
Loss on foreign exchange	46,454	18,787	–	65,241
Loss from operations per reportable segment	(755,955)	(188,427)	–	(944,382)
Depreciation charges	(970)	(114)	–	(1,084)
Additions to non-current assets	–	11,578,410	–	11,578,410
Reportable segment assets	9,309,132	32,062,800	–	41,371,932
Reportable segment non-current assets	–	32,018,658	–	32,018,658
Reportable segment liabilities	3,969,966	347,511	–	4,317,477

Inter segment revenues are calculated and recorded in accordance with the underlying intra group service agreements.

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

	2017 £	2016 £
Loss from operations per reportable segment	**(1,392,966)**	(944,382)
Changes in fair value of contingent consideration (refer note 17)	**621,545**	(260,632)
Charge for share options granted	**(678,652)**	(324,890)
Finance income	**15,854**	4,387
Finance costs	**(232,938)**	(220,817)
Loss for the year from continuing operations	**(1,667,156)**	(1,746,334)

6 Expenses by nature

Group	2017 £	2016 £
Charge for share options granted	**678,652**	324,890
Depreciation (note 11)	**283**	1,084
Operating lease charges	**55,421**	36,053
Profit on disposal of property, plant and equipment	**–**	–

7 Auditor remuneration

During the year the Group (including its overseas subsidiaries) obtained the following services from the Company's auditor and its associates:

Group	2017 £	2016 £
Fees payable to the Company's auditor and its associates for the audit of the parent company and consolidated financial statements	**35,350**	32,000
Fees payable to the Company's auditor and its associates for other services:		
– Audit related assurance services	**11,250**	5,000
– Tax compliance services	**4,850**	2,000

8 Finance income and costs

Group	2017 £	2016 £
Finance income:		
– Interest income on cash and short-term bank deposits	**15,854**	4,387
Finance costs:		
– Contingent consideration: unwinding of discount	**(232,937)**	(220,817)
Net finance costs	**(217,083)**	(216,430)

9 Income Tax

Group	2017 £	2016 £
Tax charge:		
Current tax charge for the year	–	–
Deferred tax charge for the year	–	–
Tax on loss for the year	–	–

Reconciliation of current tax

Group	2017 £	2016 £
Loss before income tax	**(1,667,156)**	(1,746,334)
Current tax at 19.25% (2016: 22.87%)	**(320,928)**	(399,387)
Effects of:		
Expenses not deducted for tax purposes	–	9,080
Utilisation of tax losses brought forward	–	–
Tax losses carried forward for which no deferred income tax asset was recognised	**320,928**	408,466
Total tax	–	–

No tax charge or credit arises on the loss for the year.

The weighted average applicable tax rate of 19.25% used is the effective standard rate of corporation tax in the UK, where all of the current year losses originated. The corporation tax rate in Brazil is 34%. The weighted average applicable tax rate has decreased from 22.87% to 19.25% as all of the losses arose in the UK.

Deferred income tax

An analysis of deferred tax assets and liabilities is set out below.

Group	2017 £	2016 £
Deferred tax assets	**4,255,615**	4,744,885
Deferred tax liabilities		
– Deferred tax liability to be settled after more than 12 months	**(4,508,820)**	(5,027,335)
Deferred tax liabilities (net)	**(253,205)**	(282,450)

The movement on the net deferred tax liabilities is as follows:

Group	2017 £	2016 £
At 1 January	**(282,450)**	(193,665)
Exchange differences	**29,245**	(88,785)
At 31 December	**(253,205)**	(282,450)

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 in respect of fair value adjustments to the carrying value of intangible assets as a result of the acquisition of such assets.

The Group has tax losses of approximately £19,707,869 (2016: £18,132,502) in Brazil and excess management charges of approximately £3,779,062 (2016: £2,492,408) in the UK available to carry forward against future taxable profits. Deferred tax asset have been recognised up to the amount of the deferred tax liability arising on the fair value adjustments potential deferred tax assets of £6,700,675 have not been recognised.

10 Intangible assets

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

Group	Goodwill £	Exploration Licenses £	Exploration and evaluation costs £	Total £
Cost				
At 1 January 2016	192,028	3,174,275	16,985,052	20,351,355
Additions	–	1,012,620	1,253,212	2,265,831
Exchange rate movements	88,032	1,458,290	7,854,288	9,400,610
Net book amount at 31 December 2016	280,060	5,645,185	26,092,551	32,017,796
Additions	–	–	5,740,740	5,740,740
Exchange rate movements	28,997	(479,656)	(2,941,605)	(3,450,258)
Net book amount at 31 December 2017	**251,063**	**5,165,529**	**28,891,686**	**34,308,278**

(a) Exploration and evaluation assets

No indicators of impairment were identified during the year.

In October 2016, a Canadian NI 43-101 compliant Pre-Feasibility Study ('PFS') was published by the Company regarding the enlarged Araguaia Project which included the areas recently acquired from Glencore Xstrata. The financial results and conclusions of the PFS clearly indicate the economic viability of the Araguaia Project. Nothing material had changed with the economics of the PFS as at the end of 2017 and the Directors undertook an assessment of impairment through evaluating the results of the PFS along with recent market information relating to capital markets and nickel prices and judged that no impairment was required with regards to the Araguaia Project.

(b) Goodwill

Goodwill arose on the acquisition of Lontra Empreendimentos e Participações Ltda in 2010. 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.

Impairment reviews for exploration and evaluation assets are carried out either on a project by project basis or by geographical area.

The adjacent Araguaia/Lontra/Vila Oito and Floresta exploration sites ('the Araguaia Project'), together with the Vale dos Sonhos deposit acquired from Xstrata Brasil Mineração Ltda 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.

The mineral concession for the Vale dos Sonhos deposit was acquired from Xstrata Brasil Mineração Ltda, a subsidiary of Glencore Canada Corporation, in November 2015.

The recoverable amount has been determined by reference to the PFS undertaken during the year on the Araguaia Project. The key inputs and assumptions in deriving the value in use were, the discount rate of 8%, Nickel price of US$12,000/t and a life of mine of 28 years.

Sensitivity to changes in assumptions

For the base case NPV8 of the Araguaia Project of US$581 million using a nickel price of US$14,000/t and US$328 million using US$12,000/t as per the PFS to be reduced to the book value of the Araguaia Project as at 31 December 2017, the discount rate applied to the cash flow model would need to be increased from 8% to 21%.

11 Property, plant and equipment

Group	Vehicles and other field equipment £	Office equipment £	Total £
Cost			
At 1 January 2016	74,647	12,596	87,243
Foreign exchange movements	31,657	1,802	33,459
At 31 December 2016	**106,304**	**14,398**	**120,702**
Foreign exchange movements	(10,630)	(796)	(11,426)
Additions	2,236	–	2,236
At 31 December 2017	**97,910**	**13,602**	**111,512**
Accumulated depreciation			
At 1 January 2016	65,639	9,716	75,355
Charge for the year	11,766	2,614	14,380
Foreign exchange movements	28,320	1,785	30,105
At 31 December 2016	**105,725**	**14,115**	**119,840**
Charge for the year	358	283	641
Foreign exchange movements	(10,224)	(796)	(11,020)
At 31 December 2017	**95,859**	**13,602**	**109,461**
Net book amount as at 31 December 2017	**2,051**	**–**	**2,051**
Net book amount as at 31 December 2016	579	283	862
Net book amount as at 1 January 2016	9,008	2,880	11,888

Depreciation charges of £358 (2016: £13,296) have been capitalised and included within intangible exploration and evaluation asset additions for the year. The remaining depreciation expense for the year ended 31 December 2017 of £283 (2016: £1,084) has been charged in 'administrative expenses' under 'Depreciation.'

Company	Field equipment £	Office equipment £	Total £
Cost			
At 1 January 2016	4,208	7,403	11,611
Additions	–	–	–
At 31 December 2016 and 2017	**4,208**	**7,403**	**11,611**
Accumulated depreciation			
At 1 January 2016	4,208	6,149	10,357
Charge for the year	–	971	971
At 31 December 2016	**4,208**	**7,120**	**11,328**
Charge for the year	–	283	283
At 31 December 2017	**4,208**	**7,403**	**11,611**
Net book amount as at 31 December 2017	**–**	**–**	**–**
Net book amount as at 31 December 2016	–	283	283
Net book amount as at 1 January 2016	–	1,254	1,254

12 Cash and cash equivalents

	Group		Company	
	2017 £	2016 £	2017 £	2016 £
Cash at bank and on hand	**7,903,861**	9,250,281	**7,738,863**	9,094,308
Short-term deposits	**1,499,964**	67,500	**1,499,964**	49,685
	9,403,825	9,317,781	**9,238,827**	9,143,993

The Group's cash at bank and short-term deposits are held with institutions with the following credit ratings (Fitch):

	Group		Company	
	2017 £	2016 £	2017 £	2016 £
A	**9,267,418**	9,217,380	**9,188,864**	9,094,308
BBB-	**136,407**	100,401	**49,963**	49,685
	9,403,825	9,317,781	**9,238,827**	9,143,993

13 Share capital

Group and Company	2017 Number	2017 £	2016 Number	2016 £
Issued and fully paid				
Ordinary shares of 1p each				
At 1 January	**1,171,934,300**	**11,719,343**	671,204,378	6,712,044
Issue of ordinary shares	**200,000,000**	**2,000,000**	500,729,922	5,007,299
At 31 December	**1,371,934,300**	**13,719,343**	1,171,934,300	11,719,343

Share capital comprises amount subscribed for shares at the nominal value.

2017
On 22 December 2017, a total of 200,000,000 shares were issued through a private placement at a price of £0.035 per share to raise £7,000,000 before expenses.

2016
On 8 August 2016, a total of 50,729,922 new ordinary shares were issued at the prevailing market price of £0.0199 per share in consideration for the purchase of the Vale dos Sonhos mineral concession from Xstrata Brasil Mineração Ltda.

On 30 November 2016, a total of 374,000,000 shares were issued through a private placement at a price of £0.02 per share to raise £7,480,000 before expenses.

On 2 December 2016, a total of 76,000,000 shares were issued through a private placement at a price of £0.02 per share to raise £1,520,000 before expenses.

14 Share premium

Group and Company	2017 £	2016 £
At 1 January	**35,767,344**	31,252,708
Premium arising on issue of ordinary shares	**5,000,000**	5,005,662
Issue costs	**(345,086)**	(490,685)
At 31 December	**40,422,258**	35,767,344

Share premium comprises the amount subscribed for share capital in excess of nominal value.

15 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. One third of options are exercisable at each six months anniversary from the date of grant, such that all options are exercisable 18 months after the date of grant and all lapse on the tenth anniversary of the date of grant or the holder ceasing to be an employee of the Group. Should holders cease employment then the options remain valid for a period of 3 months after cessation of employment, following which they will lapse. 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 2017 £	Weighted average exercise price 2017 £	Number of options 2016 £	Weighted average exercise price 2016 £
Outstanding at 1 January	55,310,000	0.079	48,760,000	0.124
Forfeited	**(1,660,000)**	**0.065**	(8,450,000)	0.092
Granted	**41,000,000**	**0.03**	15,000,000	0.030
Outstanding at 31 December	**94,650,000**	**0.059**	55,310,000	0.079
Exercisable at 31 December	**62,483,333**	**0.072**	36,760,000	0.102

The options outstanding at 31 December 2017 had a weighted average remaining contractual life of 7.56 years (2016: 7.28 years).

The fair value of the share options was determined using the Black-Scholes valuation model.

The parameters used are detailed below.

Group and Company	2017 Options	2016 Options
Date of grant or reissue	**31/03/2017**	01/09/2016
Weighted average share price	**3.07 pence**	2.03 pence
Weighted average exercise price	**3.20 pence**	3.00 pence
Weighted average fair value at the measurement date	**2.02 pence**	1.36 pence
Expiry date	**31/3/2027**	31/08/2026
Options granted	**41,000,000**	15,000,000
Volatility	68%	64%
Dividend yield	Nil	Nil
Option life	10 years	10 years
Annual risk free interest rate	1.19%	2.83%

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.

The range of option exercise prices is as follows:

Range of exercise prices (£)	2017 Weighted average exercise price (£)	2017 Number of shares	2017 Weighted average remaining life expected (years)	2017 Weighted average remaining life contracted (years)	2016 Weighted average exercise price (£)	2016 Number of shares	2016 Weighted average remaining life expected (years)	2016 Weighted average remaining life contracted (years)
0–0.1	**0.04**	**79,500,000**	**8.32**	**8.32**	0.049	39,850,000	8.34	8.34
0.1–0.2	**0.16**	**15,150,000**	**3.55**	**3.55**	0.154	15,460,000	4.57	4.57

16 Other reserves

Group	Merger reserve £	Translation reserve £	Other reserve £	Total £
At 1 January 2016	10,888,760	(14,688,776)	(1,048,100)	(4,848,116)
Other comprehensive income	–	–	–	–
Currency translation differences	–	9,315,180	–	9,315,180
At 31 December 2016	**10,888,760**	**(5,373,596)**	**(1,048,100)**	**4,467,064**
Other comprehensive income	–	–	–	–
Currency translation differences	–	**(3,479,049)**	–	**(3,479,049)**
At 31 December 2017	**10,888,760**	**(8,852,645)**	**(1,048,100)**	**998,015**

Company	Merger reserve £	Total £
At 1 January 2016 and 31 December 2016	10,888,760	10,888,760
At 1 January 2017 and 31 December 2017	**10,888,760**	**10,888,760**

The merger and other reserve as at 31 December 2017 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). Movements in the translation reserve are linked to the changes in the value of the Brazilian Real against the Pound Sterling: the intangible assets of the Group are located in Brazil, and their functional currency is the Brazilian Real, which decreased in value against Sterling during the year.

The available for sale reserve represents changes in the fair value of assets that are held available for sale.

17 Trade and other payables

	Group		Company	
	2017 £	2016 £	2017 £	2016 £
Non-current				
Contingent consideration payable to former owners of Teck Cominco Brasil S.A.	**–**	115,100	**–**	115,100
Contingent consideration payable to Xstrata Brasil Mineração Ltda (refer note 26)	**3,635,955**	3,527,942	**3,635,955**	3,527,942
Total contingent consideration	**3,635,955**	3,643,042	**3,635,955**	3,643,042
Current				
Trade and other payables	**271,967**	229,046	**99,486**	148,985
Amounts due to related parties (refer note 20)	**–**	–	**413,930**	413,930
Social security and other taxes	**15,804**	19,088	**15,804**	19,088
Accrued expenses	**448,513**	143,852	**284,021**	165,052
	736,284	391,986	**813,241**	747,055
Total trade and other payables	**4,372,239**	4,035,028	**4,449,196**	4,390,097

Trade and other payables include amounts due of £222,925 (2016: £65,053) in relation to exploration and evaluation activities.

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

The estimate of fair value has been restated and is now assessed to be £nil (2016 £115,100). 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.

Contingent Consideration payable to Xstrata Brasil Mineração Ltda
On 28 September 2015 the Company announced that it had reached agreement to indirectly acquire through wholly owned subsidiaries in Brazil the advanced high-grade Glencore Araguaia nickel project ('GAP') in north central Brazil. GAP is located in the vicinity of the Company's Araguaia Project. Pursuant to a conditional asset purchase agreement ('Asset Purchase Agreement') between, amongst others, the Company and Xstrata Brasil Exploraçâo Mineral Ltda ('Xstrata'), a wholly-owned subsidiary of Glencore Canada Corporation ('Glencore'), the Company has agreed to pay a total consideration of US$8 million to Xstrata, which holds the title to GAP. The consideration is to be paid according the following schedule;

- US$2,000,000 in ordinary shares in the capital of the Company which as at 31 December 2017 had been settled by way of issuing new shares in the Company.
- US$1,000,000 after the date of issuance of a joint Feasibility Study for the combined Araguaia & GAP project areas, to be satisfied in HZM Shares (at the 5 day volume weighted average price taken on the tenth business day after the date of such issuance) or cash, at the election of the Company; and
- The remaining US$5,000,000 consideration will be paid in cash, as at the date of first commercial production from any of the resource areas within the Enlarged Project area. Following transfer of the concession for the VdS deposit area to a subsidiary of the Company, this has been included in contingent consideration payable.

As at 31 December 2017, there was a finance expense of £222,836 (2016: £193,868) 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.

18 Dividends

No dividend has been declared or paid by the Company during the year ended 31 December 2017 (2016: nil).

19 Earnings per share

(a) Basic
The basic loss per share of 0.142p loss per share (2016 loss per share: 0.240p) is calculated by dividing the loss attributable to owners of the parent by the weighted average number of ordinary shares in issue during the year.

Group	2017 £	2016 £
Loss attributable to owners of the parent	**(1,667,156)**	(1,746,334)
Weighted average number of ordinary shares in issue	**1,177,413,752**	727,096,642

(b) Diluted
The basic and diluted loss per share for the years ended 31 December 2017 and 31 December 2016 are the same as the effect of the exercise of share options would be anti-dilutive.

In January 2018 the Group issued a further 60,587,500 new ordinary shares raising gross cash proceeds of £2.2 million, had this occurred prior to the end of the year this would have impacted the basic and diluted earnings per share figures. Details of share options that could potentially dilute earnings per share in future periods are set out in note 15.

20 Related party transactions

The following transactions took place with subsidiaries in the year:

A fee totaling £350,652 (2016: £312,043) was charged to HM do Brazil Ltda, £980,108 (2016: £872,784) to Araguaia Niquel Mineração Ltda and £55,894 (2016:£58,806) to Typhon Brasil Mineração Ltda by Horizonte Minerals Plc in respect of consultancy services provided and funding costs.

Amounts totaling £2,243,832 (2016: £782,926) were lent to HM Brazil (IOM) Ltd, HM do Brasil Ltda, Araguaia Niquel Mineraçao Ltda and Typhon Brasil Mineração Ltda to finance exploration work during 2017, by Horizonte Minerals Plc. Interest is charged at an annual rate of 6% on balances outstanding during the year. The amounts are repayable on demand.

Balances with subsidiaries at the year end were:

Company	2017 Assets £	2017 Liabilities £	2016 Assets £	2016 Liabilities £
HM do Brasil Ltda	**1,263,644**	**–**	792,301	–
HM Brazil (IOM) Ltd	**5,405,662**	**–**	4,933,377	–
Horizonte Nickel (IOM) Ltd	**31,021,684**	**–**	26,070,923	–
Araguaia Niquel Mineração Ltda	**6,594,120**	**–**	6,074,517	–
Horizonte Minerals (IOM) Ltd	**253,004**	**–**	253,004	–
Horizonte Exploration Ltd	**–**	**413,930**	–	413,930
Typhon Brasil Mineração Ltda	**3,224,179**	**–**	3,198,183	–
Trias Brasil Mineração Ltda	**1,012,620**	**–**	–	–
Total	**48,890,013**	**413,930**	41,322,305	413,930

All Group transactions were eliminated on consolidation.

21 Ultimate controlling party

The Directors believe there to be no ultimate controlling party.

22 Directors' remuneration (including Key Management)

Group 2017	Short term benefits		Post employment benefits				
	Aggregate emoluments £	Other emoluments £	Pension costs £	Total £	Cost to Company Social Security costs £	Non-Cash Share Based Payment Charge £	Grand Total £
Non-Executive Directors							
Alexander Christopher	–	–	–	**–**	–	–	**–**
David Hall	31,200	–	–	**31,200**	3,203	90,395	**124,798**
William Fisher	26,400	–	–	**26,400**	–	75,919	**102,319**
Allan Walker	26,400	–	–	**26,400**	3,163	75,919	**105,482**
Owen Bavinton	–	–	29,332	**29,332**	–	75,919	**105,251**
Executive Directors							
Jeremy Martin	190,400	68,876	–	**259,276**	34,055	119,293	**412,624**
Key Management							
Simon Retter	39,997	54,250	23,999	**118,246**	5,290	43,428	**166,964**
	314,397	**123,126**	**53,331**	**490,854**	**45,711**	**480,873**	**1,017,438**

There are no other long term or termination benefits granted to key management.

Group 2016	Aggregate emoluments £	Other emoluments £	Pension costs £	Total £	Social Security costs £	Share Based Payment Charge £	Grand Total £
Non-Executive Directors							
Alexander Christopher	–	–	–	**–**	–	–	**–**
David Hall	29,000	–	–	**29,000**	3,312	24,520	**56,832**
William Fisher	29,000	–	–	**29,000**	–	24,520	**53.520**
Allan Walker	29,000	–	–	**29,000**	4,002	24,520	**57,522**
Owen Bavinton	–	–	32,167	**32,167**	–	24,520	**56,687**
Executive Directors							
Jeremy Martin	170,000	59,236	17,000	**246,236**	31,326	67,430	**344,992**
Key Management							
Jeffrey Karoly	128,000	9,600	15,553	**153,153**	13,524	61,300	**227,977**
Simon Retter	39,997	54,250	–	**23,541**	2,154	–	**25,695**
	400,541	**76,836**	**64,720**	**542,097**	**54,309**	**226,810**	**823,216**

The Company does not operate a pension scheme. Pension costs comprise contributions to Defined Contribution pension plans held by the relevant Director or Key Management.

23 Employee benefit expense (including Directors and Key Management)

Group	Group 2017 £	2016 £	Company 2017 £	2016 £
Wages and salaries	**1,144,253**	809,954	**588,498**	627,155
Social security costs	**216,242**	134,096	**63,979**	49,463
Indemnity for loss of office	**49,817**	50,519	**–**	30,000
Share options granted to Directors and employees (note 15)	**678,652**	324,890	**678,652**	324,890
	2,088,964	**1,319,459**	**1,331,129**	**1,031,508**
Management	**10**	6	**6**	6
Field staff	**15**	12	**–**	–
Average number of employees including Directors and Key Management	**25**	18	**6**	6

Employee benefit expenses includes £1,062,396 (2016: £393,712) of costs capitalised and included within intangible non-current assets.

Share options granted include costs of £437,445 (2016: £165,510) relating to Directors.

24 Investment in subsidiaries

Company	2017 £	2016 £
Shares in Group undertakings	**2,348,042**	2,348,042
Loans to Group undertakings	**48,890,013**	41,332,305
	51,238,055	43,670,347

Investments in Group undertakings are stated at cost. The loans to Group undertakings are repayable on demand and currently carry interest at 6%, however there is currently no expectation of repayment within the next twelve months and therefore loans are treated as non-current.

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.

25 Commitments

Operating lease commitments

The Group leases office premises under cancellable and non-cancellable operating lease agreements. The cancellable lease terms are up to one year and are renewable at the end of the lease period at market rate. The leases can be cancelled by payment of up to one month's rental as a cancellation fee. The lease payments charged to profit or loss during the year are disclosed in note 6.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

Group	2017 £	2016 £
No later than one year	**54,444**	11,996
Between 1 – 5 years	**–**	–
Greater than 5 years	**–**	–
Total	**54,444**	11,996

Capital Commitments

Capital expenditure contracted for at the end of the reporting period but not yet incurred is as follows:

Group	2017 £	2016 £
Intangible assets	**–**	–

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.

26 Contingent Liabilities

(a) Glencore Araguaia Project

The SdT deposit area concessions are subject to on-going litigation with a Brazilian third party. Glencore has disputed these claims. The parties have agreed certain protections including the receipt by HZM from Glencore of certain indemnities in respect of such litigation.

The Asset Purchase Agreement contains customary warranties regarding the GAP project and the parties' ability to enter into the Proposed Transaction and is subject to customary termination rights and confidentiality obligations.

(b) Other 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 warranties 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 claims will be unsuccessful. No subsequent actions, claims or communications from the various trade union organisations have been received subsequent to the requests for payment. As a result, no provision has been made in the Financial Statements for the year ended 31 December 2017 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 £64,000.

In 2013 the Group 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 2011 without the relevant permits. Drilling equipment was furthermore impounded. The Group strongly believes that it operated with all necessary permits and has initiated legal proceedings to overturn the infraction notice. The Group has secured cancellation of the injunction and has appealed the associated fine and infraction notices of approximately £68,000 which has not been recognised in these financial statements.

In December 2014, the Group received a writ from the State Attorney in Conceiçao do Araguaia regarding alleged environmental damages caused by drilling activities in 2011. To ensure proper environmental stewardship, the Group 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 rehabilitated to equal or better conditions and evidence is retained to demonstrate that such rehabilitation work has been completed. In January 2015 the Group filed a robust defence against the writ. A court hearing was held in May 2015 at which documents were requested to confirm that valid environmental authorisations were in place. These were subsequently submitted as requested. No substantive financial claim continues to be made against the Group under the terms of the writ. The Group continues to believe that the writ is flawed and is working towards having it withdrawn in due course. As a result no provision has been made in the Financial Statements for the year ended 31 December 2017.

27 Events after the reporting date

On 11 January 2018, the Company issued 60,587,500 new ordinary shares at a price of CAD$0.06 raising gross cash proceeds of $3,635,250 (£2,163,839).

Agreement to acquire the Vermelho project

On 19 December 2017 the Company announced that it had reached agreement with Vale S.A ("Vale") to indirectly acquire through wholly owned subsidiaries in Brazil, 100% of the advanced Vermelho nickel-cobalt project in Brazil ("Vermelho").

The terms of the Acquisition require Horizonte to pay an initial cash payment of US$150,000 with a further US$1,850,000 in cash payable on the second anniversary of the signing of the asset purchase agreement.

A final payment of US$6,000,000 in cash is payable by Horizonte within 30 days of first commercial sale of product from Vermelho.

In addition to the purchase price, the Company has granted a 1% Net Smelter Royalty ("NSR") to Vale on any nickel produced during the first 10 years of commercial production up to a maximum of 15,000 t/a, which then reduces to a 0.5% NSR thereafter.

As part of the acquisition of the Vermelho project, the Company will acquire Vale's rights under a mining licence application in respect of the project comprising an area covering 2,000 hectares. Further development of the Vermelho project will be subject, amongst other things, to the Company being granted the required mining licence and other customary licences and permits.

As at the date of this report the transfer of legal title had been completed and the agreement is therefore unconditional.

Statutory Information

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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
Simon James Retter

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