

Horizonte Minerals plc
Condensed Consolidated Interim Financial Statements
for the three months ended 31 March 2018

Condensed consolidated statement of comprehensive income

		3 months ended	
		March 31	
		2018	2017
		Unaudited	Unaudited
	Notes	£	£
Continuing operations			
Revenue		-	-
Cost of sales		-	-
Gross profit		-	-
Administrative expenses		(291,193)	(278,061)
Charge for stock options granted		(133,675)	(50,386)
Change in fair value of contingent consideration	5	100,075	32,210
Gain/(loss) on foreign exchange		(45,174)	(103,940)
Other losses – impairment of available for sale asset		-	-
Profit / (Loss) from operations		(349,967)	(400,177)
Finance income		5,626	623
Finance costs		(71,619)	(58,186)
Profit / (Loss) before taxation		(415,960)	(457,740)
Taxation		-	-
Profit / (Loss) for the period from continuing operations		(415,960)	(457,740)
Other comprehensive income			
Items that may be reclassified to profit or loss			
Change in value of available for sale financial assets		-	-
Exchange differences on translating foreign operations		<u>(1,107,013)</u>	<u>302,765</u>

Other comprehensive income for the period, net of tax		(1,107,013)	302,765
Total comprehensive income for the period attributable to equity holders of the Company		(1,522,973)	(154,975)
Earnings per share from continuing operations attributable to the equity holders of the Company			
Basic and diluted profit/(loss) pence per share	9	(0.029)	(0.038)

Condensed consolidated statement of financial position

		31 March 2018 Unaudited	31 December 2017 Audited
	Notes	£	£
Assets			
Non-current assets			
Intangible assets	6	34,701,491	34,308,278
Property, plant & equipment		1,803	2,051
		34,703,294	34,310,329
Current assets			
Trade and other receivables		200,677	153,105
Cash and cash equivalents		9,971,253	9,403,825
		10,171,930	9,556,930
Total assets		44,875,224	43,867,259
Equity and liabilities			
Equity attributable to owners of the parent			
Issued capital	7	14,325,218	13,719,343
Share premium	7	41,664,018	40,422,258
Other reserves		(118,998)	988,015
Accumulated losses		(16,190,086)	(15,887,801)
Total equity		39,680,152	39,241,815
Liabilities			
Non-current liabilities			
Contingent consideration	5	3,573,991	3,635,955
Deferred Consideration		1,178,129	-
Deferred taxation		244,570	253,205
		4,996,690	3,889,160
Current liabilities			
Trade and other payables		198,382	736,284

	198,382	736,284
Total liabilities	5,195,072	4,625,444
Total equity and liabilities	44,875,224	43,867,259

Condensed statement of changes in shareholders' equity

	Attributable to the owners of the parent				Total £
	Share capital £	Share premium £	Accumulated losses £	Other reserves £	
As at 1 January 2017	11,719,343	35,767,344	(14,899,297)	4,467,064	37,054,454
Profit/(Loss) for the period	-	-	(457,740)	-	(457,740)
Other comprehensive income					
Currency translation differences	-	-	-	302,765	302,765
Total comprehensive income	-	-	(457,740)	302,765	(154,975)
Share based payments	-	-	50,386	-	50,386
Issue costs	-	(19,432)	-	-	(19,432)
Total contributions by and distributions to owners of the Company	-	(19,432)	50,386	-	30,954
As at 31 March 2017 (unaudited)	11,719,343	35,747,912	(15,306,651)	4,769,829	36,930,433

	Attributable to the owners of the parent				Total £
	Share capital £	Share premium £	Accumulated losses £	Other reserves £	
As at 1 January 2018	13,719,343	40,422,258	(15,887,801)	988,015	39,241,815
Profit/(Loss) for the period	-	-	(415,960)	-	(415,960)
Other comprehensive income					
Currency translation differences	-	-	-	(1,107,013)	(1,107,013)
Total comprehensive income	-	-	(415,960)	(1,107,013)	(1,522,973)
Share based payments	-	-	-	113,675	113,675
Issue of Shares	605,875	1,451,724	-	-	2,057,599
Issue costs	-	(209,964)	-	-	(209,964)

Total contributions by and distributions to owners of the Company	605,875	1,241,760	113,675	-	1,961,310
As at 31 March 2018 (unaudited)	14,325,218	41,664,018	(16,190,086)	(118,998)	39,680,152

Condensed Consolidated Statement of Cash Flows

	3 months ended	
	31 March	
	2018	2017
	Unaudited	Unaudited
	£	£
Cash flows from operating activities		
Profit / (Loss) before taxation	(415,960)	(457,740)
Interest income	(5,626)	(623)
Finance costs	71,619	58,186
Exchange differences	45,175	103,940
Employee share options charge	113,675	50,386
Change in fair value of contingent consideration	(100,075)	(32,210)
Depreciation	-	159
Operating loss before changes in working capital	(291,192)	(277,902)
Decrease / (Increase) in trade and other receivables	(51,504)	(13,593)
(Decrease) / Increase in trade and other payables	(277,994)	(276,961)
Net cash outflow from operating activities	(620,690)	(568,456)
Cash flows from investing activities		
Net purchase of intangible assets	(623,900)	(833,652)
Purchase of property, plant and equipment		-
Interest received	5,626	623
Net cash used in investing activities	(618,274)	(833,029)
Cash flows from financing activities		
Proceeds from issue of ordinary shares (net of issue costs)	2,057,599	-
Issue costs	(209,965)	(19,432)
Net cash inflow from financing activities	1,847,634	(19,432)
Net (decrease)/increase in cash and cash equivalents	608,670	(1,420,917)
Cash and cash equivalents at beginning of period	9,403,825	9,317,781
Exchange on cash and cash equivalents	(41,242)	(103,940)
Cash and cash equivalents at end of the period	9,971,253	7,792,924

Major non-cash transactions

There were no major non-cash transactions during the three months ended 31 March 2018.

Notes to the Financial Statements

1. General information

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

The Company's shares are listed on the Alternative Investment Market of the London Stock Exchange (AIM) and on the Toronto Stock Exchange (TSX). The Company is incorporated and domiciled in the United Kingdom. The address of its registered office is Rex House, 4-12 Regents Street, London SW1Y 4RG.

2. Basis of preparation

The condensed consolidated interim financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards and in accordance with International Accounting Standard 34 *Interim Financial Reporting*. The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2017, which have been prepared in accordance with International Financial Reporting Standards (IFRS).

The condensed interim financial statements set out above do not constitute statutory accounts within the meaning of the Companies Act 2006. They have been prepared on a going concern basis in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRS) as adopted by the European Union. Statutory financial statements for the year ended 31 December 2017 were approved by the Board of Directors on 26 March 2018 and delivered to the Registrar of Companies. The report of the auditors on those financial statements was unqualified.

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

Going concern

The Directors, having made appropriate enquiries, consider that adequate resources exist for the Group to continue in operational existence for the foreseeable future and that, therefore, it is appropriate to adopt the going concern basis in preparing the condensed interim financial statements for the period ended 31 March 2018.

Risks and uncertainties

The Board continuously assesses and monitors the key risks of the business. The key risks that could affect the Group's medium term performance and the factors that mitigate those risks have not substantially changed from those set out in the Group's 2017 Annual Report and Financial Statements, a copy of which is available on the Group's website: www.horizonteminerals.com and on Sedar: www.sedar.com The key financial risks are liquidity risk, foreign exchange risk, credit risk, price risk and interest rate risk.

Critical accounting estimates

The preparation of condensed consolidated interim financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the end of the reporting period. Significant items subject to such estimates are set out in note 4 of the Group's 2017 Annual Report and Financial Statements. The nature and amounts of such estimates have not changed significantly during the interim period.

3. Significant accounting policies

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

The same accounting policies, presentation and methods of computation have been followed in these condensed interim financial statements as were applied in the preparation of the Group's Financial Statements for the year ended 31 December 2017, except for the impact of the adoption of the Standards and interpretations described below.

The preparation of condensed interim 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 condensed interim financial statements, are disclosed in Note 4 of the Group's 2017 Annual Report and Financial Statements.

4. Segmental reporting

The Group operates principally in the UK and Brazil, with operations managed on a project by project basis within each geographical area. Activities in the UK are mainly administrative in nature whilst the activities in Brazil relate to exploration and evaluation work. The reports used by the chief operating decision maker are based on these geographical segments.

2017

UK

Brazil

Total

	3 months ended 31 March 2017	3 months ended 31 March 2017	3 months ended 31 March 2017
	£	£	£
Revenue	-	-	-
Administrative expenses	(152,691)	(125,370)	(278,061)
Profit / (loss) on foreign exchange	(103,528)	(412)	(103,940)
Loss from operations per reportable segment	(256,219)	(125,782)	(382,001)
Inter segment revenues	-	-	-
Depreciation charges	(159)	-	(159)
Additions to non-current assets	-	1,167,851	1,167,851
Reportable segment assets	7,762,047	33,268,658	41,030,705
Reportable segment liabilities	3,693,518	406,754	4,100,272

2018	UK	Brazil	Total
	3 months ended 31 March 2018	3 months ended 31 March 2018	3 months ended 31 March 2018
	£	£	£
Revenue	-	-	-
Administrative expenses	(176,097)	(115,096)	(291,193)
Profit / (loss) on foreign exchange	(36,162)	(9,012)	(45,174)
Loss from operations per reportable segment	(212,259)	(124,108)	(336,367)
Inter segment revenues	-	-	-
Depreciation charges	-	-	-
Additions to non-current assets	-	1,167,581	1,167,581
Reportable segment assets	9,967,412	34,907,811	44,875,223
Reportable segment liabilities	4,844,870	350,194	5,195,064

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

	3 months ended 31 March 2018 £	3 months ended 31 March 2017 £
Loss from operations per reportable segment	(336,367)	(382,001)
Change in fair value of contingent consideration	100,075	32,210
Charge for stock options	(133,675)	(50,386)
Finance income	5,626	623
Finance costs	(71,619)	(58,186)
Profit/(Loss) for the period from continuing operations	(415,960)	(457,740)

5. Change in fair value of contingent consideration

Contingent Consideration payable to Xstrata Brasil Mineração Ltda

The contingent consideration payable to Xstrata Brasil Mineração Ltda has a carrying value of £3,573,991 at 31 March 2018 (31 March 2017: £3,305,576). It comprises two elements: US\$1,000,000 due after the date of issuance of a joint feasibility study for the combined Enlarged Project areas and to be satisfied by shares or cash, together with US\$5,000,000 consideration in cash as at the date of first commercial production from any of the resource areas within the Enlarged Project area. The key assumptions underlying the treatment of the contingent consideration the US\$5,000,000 are 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

As at 31 March 2018, there was a finance expense of £49,122 (2017: £55,660) recognised in finance costs within the Statement of Comprehensive Income in respect of this contingent consideration arrangement, as the discount applied to the contingent consideration at the date of acquisition was unwound.

The change in the fair value of contingent consideration payable to Xstrata Brasil Mineração Ltda generated a credit to profit or loss of £108,569 for the three months ended 31 March 2018 (31 March 2017: £58,683) due to changes in the functional currency in which the liability is payable.

6. Intangible assets

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

the Vale dos Sonhos exploration licence acquired from a subsidiary of Glencore in November 2015.

Group	Goodwill	Exploration licences	Exploration and evaluation costs	Total
	£	£	£	£
Cost				
At 1 January 2018	251,063	5,165,529	28,891,686	34,308,278
Additions	-	1,144,621	364,169	1,508,790
Exchange rate movements	(8,561)	(132,989)	(974,027)	(1,115,577)
Net book amount at 31 March 2018	242,502	6,177,161	28,281,828	34,701,491

7. Share Capital

Issued and fully paid	Number of shares	Ordinary shares £	Share premium £	Total £
At 1 January 2018	1,371,934,300	13,719,343	40,422,258	54,141,601
Issue of ordinary shares	60,587,500	605,875	1,451,724	2,057,599
Issue costs	-	-	(209,964)	(209,964)
At 31 March 2018	1,432,521,800	14,325,218	41,664,018	55,989,236

8. Dividends

No dividend has been declared or paid by the Company during the three months ended 31 March 2018 (2017: nil).

9. Profit / (loss) per share

The calculation of the basic and diluted loss per share of (0.029) pence for the 3 months ended 31 March 2018 (31 March 2017 loss per share: (0.038) pence) is based on the loss from continuing operations attributable to the equity holders of the Company of £ (415,960) for the three month period ended 31 March 2018 (31 March 2017: Loss £457,740) divided by the weighted average number of shares in issue during the period of 1,426,463,050 (weighted average number of shares for the 3 months ended 31 March 2017: 1,171,934,300).

Details of share options that could potentially dilute earnings per share in future periods are disclosed in the notes to the Group's Annual Report and Financial Statements for the year ended 31 December 2017.

10. Ultimate controlling party

The Directors believe there to be no ultimate controlling party.

11. Related party transactions

The nature of related party transactions of the Group has not changed from those described in the Group's Annual Report and Financial Statements for the year ended 31 December 2017.

12. Commitments

The Group had capital expenditure contracted for at the end of the reporting period but not yet incurred of £140,221 relating to intangible exploration assets. All other commitments remain as stated in the Group's Annual Financial Statements for the year ended 31 December 2017.

13. Events after the reporting period

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

14. Approval of interim financial statements

The Condensed interim financial statements were approved by the Board of Directors on 8 May 2018.

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