

Horizonte Minerals plc

Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2018

Condensed consolidated statement of comprehensive income

	Notes	6 months ended 30 June		3 months ended 30 June	
		2018	2017	2018	2017
		Unaudited	Unaudited	Unaudited	Unaudited
		£	£	£	£
Continuing operations					
Revenue		-	-	-	-
Cost of sales		-	-	-	-
Gross profit		-	-	-	-
Administrative expenses		(785,348)	(654,548)	(494,155)	(376,487)
Charge for share options granted		(294,706)	(78,810)	(181,031)	(28,424)
Change in value of contingent consideration		(194,474)	153,095	(294,549)	120,885
Gain/(Loss) on foreign exchange		92,798	(245,553)	137,972	(141,613)
Loss from operations		(1,181,730)	(825,816)	(831,763)	(425,639)
Finance income		21,875	7,448	16,249	6,825
Finance costs		(140,322)	(116,944)	(68,703)	(58,758)
Loss before taxation		(1,300,177)	(935,312)	(884,217)	(477,572)
Taxation		-	-	-	-
Loss for the year from continuing operations		(1,300,177)	(935,312)	(884,217)	(477,572)
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss					
Change in value of available for sale financial assets					
Currency translation differences on translating foreign operations		(4,055,213)	(2,196,597)	(2,948,200)	(2,499,362)
Other comprehensive income for the period, net of tax		(4,055,213)	(2,196,597)	(2,948,200)	(2,499,362)
Total comprehensive income for the period attributable to equity holders of the Company		(5,355,390)	(3,131,909)	(3,832,417)	(2,976,934)
Earnings per share from continuing operations attributable to the equity holders of the Company					

Basic and diluted (pence per share)	9	(0.091)	(0.080)	(0.062)	(0.041)
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Condensed consolidated statement of financial position

		30 June 2018 Unaudited £	31 December 2017 Audited £
	Notes		
Assets			
Non-current assets			
Intangible assets	6	32,647,918	34,308,278
Property, plant & equipment		1,471	2,051
		32,649,390	34,310,329
Current assets			
Trade and other receivables		181,805	153,105
Cash and cash equivalents		8,969,672	9,403,825
		9,151,477	9,556,930
Total assets		41,800,867	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		(3,067,198)	988,015
Accumulated losses		(16,893,272)	(15,887,801)
Total equity		36,028,766	39,241,815
Liabilities			
Non-current liabilities			
Contingent consideration		5,115,371	3,635,955
Deferred tax liabilities		221,435	253,205
		5,336,806	3,889,160
Current liabilities			
Trade and other payables		435,295	736,284
Total liabilities		5,772,101	4,625,444
Total equity and liabilities		41,800,867	43,867,259

Condensed statement of changes in shareholders' equity

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

	Attributable to the owners of the parent				
	Share capital £	Share premium £	Accumulated losses £	Other reserves £	Total £
As at 1 January 2018	13,719,343	40,422,258	(15,887,801)	988,015	39,241,815
Comprehensive income					
Loss for the period	-	-	(1,300,177)	-	(1,300,177)
Other comprehensive income					
Currency translation differences	-	-	-	(4,055,213)	(4,055,213)
Total comprehensive income	-	-	(1,300,177)	(4,055,213)	(5,355,390)
Transactions with owners					
Share based payments	-	-	294,706	-	294,706
Issue of Shares	605,875	1,451,724	-	-	2,057,599
Share issue costs	-	(209,964)	-	-	(209,964)
Total transactions with owners	605,875	1,241,760	294,706	-	2,142,341
As at 30 June 2018 (unaudited)	14,325,218	41,664,018	(16,893,272)	(3,067,198)	36,028,766

Condensed Consolidated Statement of Cash Flows

	6 months ended 30 June		3 months ended 30 June	
	2018	2017	2018	2017
	Unaudited	Unaudited	Unaudited	Unaudited
	£	£	£	£
Cash flows from operating activities				
Loss before taxation	(1,300,177)	(935,312)	(884,217)	(477,572)
Interest income	(21,875)	(7,448)	(16,249)	(6,825)
Finance costs	140,322	116,944	68,703	58,758
Exchange differences	(92,798)	245,553	(137,972)	141,613
Employee share options charge	294,706	78,810	181,031	28,424
Change in fair value of contingent consideration	194,474	(153,095)	294,549	(120,885)
Depreciation	-	234	-	75
Operating loss before changes in working capital	(785,348)	(654,314)	(494,155)	(376,412)
Decrease/(increase) in trade and other receivables	(42,799)	(793)	8,706	12,800
(Decrease)/increase in trade and other payables	(297,071)	(252,149)	(19,078)	24,812
Net cash outflow from operating activities	(1,125,218)	(907,256)	(504,527)	(338,800)
Cash flows from investing activities				
Purchase of intangible assets	(1,285,340)	(2,497,924)	(661,440)	(1,664,272)
Proceeds from sale of property, plant and equipment	-	-	-	-
Interest received	21,875	7,448	16,249	6,825
Net cash used in investing activities	(1,263,465)	(2,490,476)	(645,191)	(1,657,447)
Cash flows from financing activities				
Issue of shares	2,057,599	-	-	-
Share issue costs	(209,965)	(19,432)	-	-
Net cash used in financing activities	1,847,634	(19,432)	-	-
Net decrease in cash and cash equivalents	(541,049)	(3,417,164)	(1,149,719)	(1,996,247)
Cash and cash equivalents at beginning of period	9,403,825	9,317,781	9,971,253	7,792,924
Exchange gain/(loss) on cash and cash equivalents	106,896	(245,553)	148,138	(141,613)
Cash and cash equivalents at end of the period	8,969,672	5,655,064	8,969,672	5,655,064

Notes to the Financial Statements

1. General information

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

The Company's shares are listed on the Alternative Investment Market of the London Stock Exchange (AIM) and on the Toronto Stock Exchange (TSX). The Company is incorporated and domiciled in the United Kingdom. The address of its registered office is Rex House, 4-12 Regent 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) as adopted by the European Union.

The condensed consolidated interim financial statements set out above do not constitute statutory accounts within the meaning of the Companies Act 2006. They have been prepared on a going concern basis in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRS) as adopted by the European Union. Statutory financial statements for the year ended 31 December 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 consolidated interim financial statements of the Company have not been audited or reviewed by the Company's auditor, BDO LLP.

Going concern

The Directors, having made appropriate enquiries, consider that adequate resources exist for the Group to continue in operational existence for the foreseeable future and that, therefore, it is appropriate to adopt the going concern basis in preparing the condensed consolidated interim financial statements for the period ended 30 June 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 2016 Annual Report and Financial Statements, a copy of which is available on the Group's website: www.horizonteminerals.com and on Sedar: www.sedar.com. The key financial risks are liquidity risk, foreign exchange risk, credit risk, price risk and interest rate risk.

Critical accounting estimates

The preparation of condensed consolidated interim financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the end of the reporting period. Significant items subject to such estimates are set out in note 4 of the Group's 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 consolidated interim financial statements have been prepared under the historical cost convention as modified by the revaluation of certain of the subsidiaries' assets and liabilities to fair value for consolidation purposes.

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

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.

2018	UK	Brazil	Total
	6 months ended 30 June 2018	6 months ended 30 June 2018	6 months ended 30 June 2018
	£	£	£
Revenue	-	-	-
Administrative expenses	(585,100)	(190,248)	(785,348)
Profit on foreign exchange	134,070	(41,272)	92,798
(Loss) from operations per reportable segment	(461,030)	(231,520)	(692,550)
Inter segment revenues	-	-	-
Depreciation charges	-	-	-
Additions and foreign exchange movements to non-current assets	-	(1,319,706)	(1,319,706)
Reportable segment assets	8,933,086	32,867,781	41,800,867
Reportable segment liabilities	5,209,572	562,529	5,772,101

2017	UK	Brazil	Total
	6 months ended 30 June 2017	6 months ended 30 June 2017	6 months ended 30 June 2017
	£ (Restated)	£ (Restated)	£ (Restated)
Revenue	-	-	-
Administrative expenses	(424,914)	(229,634)	(654,548)
(Loss) on foreign exchange	(224,641)	(20,912)	(245,553)
(Loss) from operations per reportable segment	(649,555)	(250,546)	(906,101)
Inter segment revenues	-	-	-
Depreciation charges	(234)	-	(234)
Additions and foreign exchange movements to non-current assets	-	519,276	519,276
Reportable segment assets	5,631,052	32,578,490	38,209,543
Reportable segment liabilities	3,623,391	604,229	4,227,620

2018	UK	Brazil	Total
	3 months ended 30 June 2018	3 months ended 30 June 2018	3 months ended 30 June 2018
	£	£	£
Revenue	-	-	-
Administrative expenses	(419,003)	(75,152)	(494,155)
Profit on foreign exchange	170,232	(32,260)	137,972
(Loss) from operations per reportable segment	(248,771)	(107,412)	(356,183)
Inter segment revenues	-	-	-
Depreciation charges	-	-	-
Additions and foreign exchange movements to non-current assets	-	(1,712,480)	(1,712,480)

2017	UK	Brazil	Total
	3 months ended	3 months ended	3 months ended

	30 June 2017 £ (Restated)	30 June 2017 £ (Restated)	30 June 2017 £ (Restated)
Revenue	-	-	-
Administrative expenses	(272,223)	(104,264)	(376,487)
(Loss) on foreign exchange	(121,113)	(20,501)	(141,613)
(Loss) from operations per reportable segment	(393,336)	(124,765)	(518,100)
Inter segment revenues	-	-	-
Depreciation charges	(75)	-	(75)
Additions and foreign exchange movements to non-current assets	-	(648,305)	(648,305)

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

	6 months ended 30 June 2018 £	6 months ended 30 June 2017 £	3 months ended 30 June 2018 £	3 months ended 30 June 2017 £
Loss from operations per reportable segment	(692,550)	(900,101)	(356,183)	(518,100)
– Change in fair value of contingent consideration	(194,474)	153,095	(294,549)	120,885
– Charge for share options granted	(294,706)	(78,810)	(181,031)	(28,424)
– Finance income	21,875	7,448	16,249	6,825
– Finance costs	(140,322)	(116,944)	(68,703)	(58,758)
Loss for the period from continuing operations	(1,300,177)	(955,312)	(884,217)	(477,572)

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 £3,844,193 at 30 June 2018 (30 June 2017: £3,246,242). It comprises two elements: US\$1,000,000 due after the date of issuance of a joint feasibility study for the combined Enlarged Project areas and to be satisfied by shares or cash, together with US\$5,000,000 consideration in cash as at the date of first commercial production from any of the resource areas within the Enlarged Project area. The key assumptions underlying the treatment of the contingent consideration the US\$5,000,000 are as per those applied to the contingent consideration payable to the former owners of Teck Cominco Brasil S.A.

As at 30 June 2018, there was a finance expense of £97,826 (2017: £112,464) 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 £112,928 for the six months ended 30 June 2018 (30 June 2017: £174,259) due to changes in the functional currency in which the liability is payable.

6 Intangible assets

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

Group

Exploration
and

	Goodwill £	Exploration licences £	evaluation costs £	Total £
Cost				
At 1 January 2018	251,063	5,165,529	28,891,686	34,308,278
Additions	-	1,441,621	1,281,761	2,426,382
Exchange rate movements	(31,501)	(442,142)	(3,613,099)	(4,086,742)
Net book amount at 30 June 2018	219,562	5,868,008	26,560,348	32,647,918

7 Share Capital and Share Premium

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
At 30 June 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 six months ended 30 June 2018 (2017: nil).

9 Earnings per share

The calculation of the basic loss per share of 0.091 pence for the 6 months ended 30 June 2018 (30 June 2017 loss per share: 0.080 pence) is based on the loss attributable to the equity holders of the Company of £ (1,300,177) for the six month period ended 30 June 2018 (30 June 2017: (£935,312)) divided by the weighted average number of shares in issue during the period of 1,429,509,162 (weighted average number of shares for the 6 months ended 30 June 2017: 1,171,934,300).

The calculation of the basic loss per share of 0.062 pence for the 3 months ended 30 June 2018 (30 June 2017 loss per share: 0.041 pence) is based on the loss attributable to the equity holders of the Company of £ (884,217) for the three month period ended 30 June 2018 (3 months ended 30 June 2017: (£477,572)) divided by the weighted average number of shares in issue during the period of 1,432,521,800 (weighted average number of shares for the 3 months ended 30 June 2017: 1,171,934,300).

The basic and diluted loss per share is the same, as the effect of the exercise of share options would be to decrease the loss per share.

Details of share options that could potentially dilute earnings per share in future periods are disclosed in the notes to the Group's Annual Report and Financial Statements for the year ended 31 December 2017 and in note 10 below.

10 Issue of Share Options

On 30 May 2018, the Company awarded 38,150,000 share options to Directors and senior management. All of these share options have an exercise price of 4.80 pence. One third of the options are exercisable from 30 November 2018, one third from 31 May 2019 and one third from 30 November 2019.

On 30 May 2018, the Company awarded 1,500,000 share options to a consultant to the Company under the terms of the prior year's scheme. These options are exercisable immediately.

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

11 Ultimate controlling party

The Directors believe there to be no ultimate controlling party.

12 Related party transactions

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

Approval of interim financial statements

These Condensed Consolidated Interim Financial Statements were approved by the Board of Directors on 27 July 2018.