HORIZONTE MINERALS PLC
MANAGEMENT'S DISCUSSION AND ANALYSIS
SIX MONTHS ENDED 30 JUNE 2018

Background

This Management's Discussion and Analysis of the financial position and results of operations is prepared as at 31 July 2018 and should be read in conjunction with the Condensed Consolidated Financial Statements of Horizonte Minerals plc as at 30 June 2018 and which have been prepared in accordance with International Financial Reporting Standards and International Accounting Standards.

Horizonte Minerals plc (the 'Company') is a publicly listed company, the shares of which are listed on the London Stock Exchange on the AIM market ('AIM') and on the Toronto Stock Exchange (the 'TSX'), in both instances under the symbol 'HZM'.

Company Overview

Horizonte has two advanced 100% owned projects located around the Carajás mining district in northern Brazil.

Araguaia

- Araguaia is an advanced nickel project being developed by Horizonte as the next ferronickel operation in Brazil. Araguaia has the following key characteristics:
    - 100% owned by Horizonte
    - Located south of the Carajás Mining district in northern Brazil, with good access to infrastructure
    - Transaction with Glencore completed in 2016 to acquire the adjacent Vale dos Sonhos deposit places the enlarged project among the largest high-grade undeveloped nickel saprolite projects globally
- Updated NI 43-101 compliant Pre-Feasibility Study ('PFS') issued during 2016, has demonstrated:
    - Robust economics based on a 28-year life of mine ('LOM') producing ~14,500 tonnes per annum ('tpa') nickel in ferro-nickel from a single line Rotary Kiln Electric Furnace ('RKEF')

- The project is expected to generate over US$1 billion in free cash flow over LOM using a nickel price of $12,000/t
- High grade ore with average nickel grade of 1.96% for the first 10 years of production
- Aim to be on the lower range of the global cost curve
- 43-101 Proven and Probable Mineral Reserve Estimate of 24.6 Mt grading 1.77% Ni
- Established permitting pathway with Preliminary Licence successfully obtained
- Feasibility Study ('FS') underway for delivery in mid-2018

Vermelho

The Vermelho nickel cobalt project was acquired from Vale in late 2017. It is located in the eastern part of the Carajás Mining district and approximately 80 kilometres north west of the Company's Araguaia North ferronickel project. Vermelho has the following key characteristics:

- 100% owned by Horizonte
- Situated in the Carajas mining district with well-developed infrastructure in place, including rail, roads and hydro-electric power.
- The Vermelho Nickel-Cobalt Mineral Resources, in the Measured and Indicated category, are estimated to be 167.8 million tonnes grading 1.01% Nickel and 0.06% Cobalt (at 0.9% nickel equivalent cut off[1])
- The Measured and Indicated categories of the Mineral Resource are estimated to contain 1.68 million tonnes of nickel and 94,000 tonnes of cobalt.

Highlights for Q2 2018

- Received water permit approval for commercial mining and processing operations at Araguaia
- Reported an initial NI 43-101 Mineral Resource Estimate for the Vermelho nickel-cobalt project
- Completed Aero survey for the powerline to site
- Appointment of key consultants to advance installation environment permits and topographic aerial laser survey

Events after the Reporting Date

- None

[1] The basis of the nickel equivalent calculation is the equation NiEq% = Ni% + (6 x Co%), based upon the relative average cash prices for nickel and cobalt metals, as reported on the LME for the six-month period 2nd November 2017 to 3rd April 2018. The nickel equivalent calculation assumes similar nickel and cobalt recoveries as obtained by the test work carried by Vale in the Feasibility Study.

Objectives

In the short to medium term the Company's objectives are to:

- Publish a Feasibility Study on the Araguaia Project, highlighting robust economics
- Following receipt of the Preliminary Licence ('LP'), to continue to advance the permitting status of the Araguaia Project through on-going environmental and social evaluations directed towards receipt in due course of the Installation Licence ('LI').
- Advance the newly acquired Vermelho project towards a Preliminary Economic Assessment.

Review of Operations

Introduction

Horizonte is currently engaged in the execution of a Feasibility Study on its 100% owned Araguaia Nickel Project ('Araguaia' or 'the Project'), which it is developing as the next tier-one ferronickel operation in Brazil. This follows Horizonte's acquisition of the adjacent Glencore Araguaia Project ('GAP') for consideration of US$2 million in equity with a total purchase price of US$8 million in a transaction which completed in 2016. GAP is an advanced project, with a significant amount of high quality work completed initially by Falconbridge and subsequently Xstrata / Glencore. Total historic spend on GAP is in the order of US$75 million, demonstrating the significant discount of Horizonte's acquisition to the money previously expended.

Having completed a PFS in 2016 on the combined Araguaia project, the Company is currently undertaking a Feasibility Study ('FS') which is due for completion mid 2018, with a view to developing Araguaia through to production (subject to funding) around 2021.

The Company has a strong institutional shareholder structure, which includes Teck Resources Limited, Lombard Odier Asset Management, JP Morgan, Canaccord Genuity Group, City Financial and Glencore.

Araguaia Project

Araguaia 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 low tariff hydro-electric power. The Carajás Mining District, situated approximately 200km northwest of the Project, is host to a number of major iron and copper mines operated by mining major Vale SA.

The Araguaia Project areas comprise 27 exploration licences totalling 123,611 ha and the landholdings which comprise the Araguaia Projects do not form part of any native reserves.

Feasibility Study

Following successful fundraising in both 2016 and 2017 which saw the Company add further institutional investors to its share register, in 2017 Horizonte commenced a FS on the Araguaia project.

Contracts have been awarded for the FS to leading consultants including:
Worley Parsons Group to undertake the process engineering; Snowden Mining Industry Consultants to undertake the mine planning, Mineral Resource Estimate and the reserve estimate; Environmental Resources Management (ERM) to undertake the hydrogeology and the environmental and social permitting; and other local specialised consulting groups have been appointed for additional sections of the FS.

The FS is at an advanced state and the Company is targeting completion midway through 2018.

Pre-Feasibility Study (2016)

In October 2016 Horizonte issued a PFS prepared in accordance with Canadian National Instrument 43-101 ('NI 43-101'), for the combined Araguaia project. This PFS demonstrated robust economics based on a 28 year LOM producing ~14,500 tonnes per annum ('tpa') nickel in ferro-nickel from a single line Rotary Kiln Electric Furnace ('RKEF') plant with a post-tax NPV_8 of US$328 million and IRR of 19.3% at US$12,000/t Ni.

The report considers open pit mining for the exploitation of nickel laterite to establish the production of run of mine ('ROM') from eight open pits to supply a targeted 0.9 million tonnes per annum ('Mt/a') of ore to a processing and smelter facility. This facility will use the proven RKEF process with the product being sold at free on board ('FOB') at the selected port of export. A Base Case of 0.9 Mt/a production throughput was selected because of the Company's objective to minimise the capital expenditure and overall capital intensity, and to optimise overall cash flow, payback, and the economics of the Project. Opportunity exists to increase production subject to further engineering and there is potential to increase the mineral reserve base.

Mineral Resources

Mineral Resources reported for the Project deposits, which are included in the PFS, were prepared under the supervision of Mr. Andrew F. Ross BSc (Hons), MSc, FAusIMM, an Independent Qualified Person as defined in NI 43-101, and are presented in Table 1, below.

Table 1 Mineral Resources for the Araguaia Project effective as at 30 September 2016 by material type (0.90% Ni cut-off grade)

Araguaia	**Category**	**Material type**	**Tonnage (kT)**	**Bulk density (t/m^3)**	**Contained Ni metal (kT)**	**Ni (%)**	**Fe (%)**	**MgO (%)**	**SiO_2 (%)**
Subtotal	Measured	Limonite	1,232	1.39	15	1.2	37.43	2	17.15
Subtotal	Measured	Transition	6,645	1.26	116	1.75	18.89	10.2	42.06
Subtotal	Measured	Saprolite	10,291	1.4	130	1.27	12.03	24.08	41.24
Total	**Measured**	**All**	**18,168**	**1.35**	**261**	**1.44**	**16.26**	**17.51**	**39.91**

Subtotal	Indicated	Limonite	19,472	1.4	218	1.12	36.2	2.39	20.53
Subtotal	Indicated	Transition	31,143	1.2	444	1.43	21.39	11.24	38.92
Subtotal	Indicated	Saprolite	51,279	1.32	610	1.19	11.82	25.79	40.58
Total	**Indicated**	**All**	**101,893**	**1.3**	**1,272**	**1.25**	**19.4**	**16.87**	**36.24**
Total	**Measured + Indicated**	**All**	**120,061**	**1.3**	**1,533**	**1.28**	**18.93**	**16.97**	**36.8**
Subtotal	Inferred	Limonite	2,837	1.37	31	1.08	34.8	2.97	23.05
Subtotal	Inferred	Transition	4,955	1.2	65	1.31	21.2	11.11	39.05
Subtotal	Inferred	Saprolite	5,643	1.35	65	1.16	11.8	24.31	41.8
Total	**Inferred**	**All**	**13,435**	**1.3**	**161**	**1.2**	**20.12**	**14.94**	**36.83**

Note: Totals may not add due to rounding. Mineral Resources are inclusive of Mineral Reserves. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.

Mineral Reserves

Mineral Reserves reported for the Project deposits, which are included in the PFS were established by Snowden in accordance with the CIM Definition Standards using only Indicated and Measured Resources, under the supervision of Mr. Frank Blanchfield B.Eng, FAusIMM, an Independent Qualified Person as defined in NI 43-101.

A Mineral Reserve estimate of 24,646.6 kt (dry) at an average grade of 1.77% Ni was estimated. The detailed breakdown of the Mineral Reserve allocated by deposit is presented in table 2, below:

Table 2 Mineral Reserves for the Araguaia Project effective as at September 30, 2016

Class	**Deposit**	**Ore dry mass (kt)**	**Ni (%)**	**Fe (%)**	**Al_2O_3 (%)**	**SiO_2/MgO**
Probable	Baião	2,381	1.8	18.7	4.93	2.52
Probable	Pequizeiro	11,828	1.73	16.8	5.91	2.83
Probable	Pequizeiro West	165	1.67	19.7	4.47	3.58
Probable	Jacutinga	1,198	1.82	16.7	3.16	2.16
Probable	Vila Oito East	1,190	1.64	15	3.74	1.99
Probable	Vila Oito	2,449	1.79	14.2	3.62	2.05
Probable	Vila Oito West	549	1.73	20.3	5.04	3.65
Probable	VDS	4,886	1.85	22.7	6.28	2.72
Total Probable		**24,646**	**1.77**	**17.9**	**5.39**	**2.58**
Proven		-	-	-	-	-
Total Proven and Probable		**24,646**	**1.77**	**17.9**	**5.39**	**2.58**

A nickel spot price of US$12,000/tonne was used in the Mineral Reserve estimate. The Mineral Reserve estimate resulted in a marginal cut-off grade of 1.28% Ni.

Mining

Seven shallow open pits were designed for Araguaia and one for GAP through a process of pit optimisation using costs and process recoveries. All eight 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. To minimise capital, the Base Case also assumes contractor mining using typical truck and excavator fleet which includes ore haulage to the plant. This fleet is supported by the usual array of support and ancillary equipment. Grade and mineralogy will be closely monitored in the mining process using close spaced grade control drilling ahead of mining.

High grade nickel feed is targeted in the early years of production. The average nickel grade of the feed to the plants is as follows:

- Years 1 to 5 – average grade 2.0% Ni
- Years 6 to 10 – average grade 1.9% Ni
- Years 11 to 28 – average grade 1.7% Ni

A number of processing constraints were applied to the schedule. These included a 13-month processing feed quantity ramp-up period, and specific process feed grade constraints throughout the life of the Project:

- Fe grade between 15.0% and 18.0%
- Al_2O_3 grade between 4.0% and 5.5%
- SiO_2/MgO ratio between 2.2 and 2.6

Environmental and Social Baseline Studies

The Araguaia Project is planned as a long-life operation expected to create approximately 450 direct jobs in the operational phase of the mine. The Company seeks to be a partner-of-choice with the local community in the development of the Project to ensure long-term sustainable benefits are received by local stakeholders. Key socio-economic programmes planned for the region include initiatives for public health, environmental education, local government capacity building and economic development. The economic development programme will focus on maximising local employment as well as the development of local suppliers and small regional enterprises. With this in mind a public hearing (‘Hearing’) was held in January 2015 in Conceiçao do Araguaia, the municipality where the Araguaia Project is located. The primary aim of the Hearing was to inform, clarify and encourage further community participation in project planning and it was attended by over 1,000 people including representatives of the local and State authorities. The outcome was positive. The Hearing is a part of the environmental licence process and necessary for the awarding of the LP.

The Social & Environmental Impact Assessment (‘SEIA’) was finalised and the report submitted to the Brazilian State licensing authority (‘SEMA’) in June 2014 for the Araguaia Project’s LP evaluation. In

September 2015, the Brazilian State licensing authority (SEMA) technical team visited the Araguaia Project to assess the social and environmental impact assessment. In June 2016 the Company announced that its wholly-owned subsidiary Araguaia Niquel Minerção Ltda had been awarded the LP for the mining and beneficiation plant to produce ferro-nickel at Araguaia. The LP was approved with consideration of the terms set out in the Company's SEIA, and conditions outlined by the Pará State Environmental Agency. This follows the unanimous approval of the licence in a meeting held in the Pará capital of Belém on 23 May 2016, by the Pará State Committee of Environment ('COEMA'), which consisted of State Government ministers, NGOs and representatives from civil society groups.

Araguaia Permitting

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. The Brazilian mine permitting process with environmental agencies has three key stages:

- The recently obtained LP;
- Recently applied for installation licence ("LI"), which permits the start of construction; and
- 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 LP was awarded to Horizonte Minerals for Araguaia in 2016.

The Company is now focused on obtaining the LI, which once awarded, in parallel with the mining concession, allows construction to start. Horizonte will also work in partnership with the Federal University of Pará to undertake studies identifying possibilities for use of the slag product from Araguaia and potential local industries, which could benefit from the final ferro-nickel product.

Vermelho Project

Horizonte's 100% owned Vermelho nickel–cobalt project was acquired from Vale in late 2017, it is located in the eastern part of the Carajás mining district and approximately 80 kilometres north west of the Company's Araguaia North ferronickel project. The Carajás 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% and 95% average leaching extraction rates of nickel and cobalt respectively, in addition LME grade nickel – cathode was produced. The Feasibility Study showed production capacity of 46,000 tpa of metallic nickel, and 2,500 tpa of metallic cobalt, with an expected commercial life of 40 years.

- The Vermelho Nickel-Cobalt Mineral Resources, in the Measured and Indicated category, are estimated to be 167.8 million tonnes grading 1.01% Nickel and 0.06% Cobalt (at 0.9% nickel equivalent cut off[1])
- The Measured and Indicated categories of the Mineral Resource are estimated to contain 1.68 million tonnes of nickel and 94,000 tonnes of cobalt.

Vermelho Mineral Resources

The Mineral Resources at Vermelho (Table 3) were originally prepared by Vale (CVRD) in 2004 and reviewed / amended by Snowden Mining Industry Consultants for Vale's feasibility study in 2005. Mr. Andrew F. Ross MSc, FAusIMM, an Independent Qualified Person as defined in NI 43-101, employed by Snowden, has completed a review of this estimate and has recommended to Horizonte that this estimate is suitable for reporting by Horizonte as the current NI 43-101 Mineral Resource Estimate.

Table 3 Vermelho Mineral Resources effective as at 9 May 2018

Cut-off NiEq[2]%	Million Tonnes	NiEq%	Ni %	Ni metal ktonnes	Co %	Co metal ktonnes	Fe_2O_3 %	SiO_2 %	MgO %
				Measured					
0.8	185.4	1.28	0.96	1,781	0.05	99	31.53	43.14	9.58
0.9	**161.4**	**1.34**	**1.01**	**1,629**	**0.06**	**90**	**31.46**	**42.58**	**9.95**
1.0	138.5	1.41	1.06	1,469	0.06	81	31.42	42.05	10.24
1.2	92.7	1.56	1.19	1,098	0.06	59	31.33	40.86	10.92
				Indicated					
0.8	7.7	1.22	0.88	68	0.06	4	27.15	50.56	7.21
0.9	**6.4**	**1.29**	**0.93**	**59**	**0.06**	**4**	**27.52**	**50.32**	**6.85**
1.0	5.2	1.37	0.99	51	0.06	3	27.91	49.89	6.61
1.2	3.3	1.54	1.11	36	0.07	2	28.06	49.04	6.73
				Measured and Indicated					
0.8	193.1	1.28	0.96	1,848	0.05	103	31.36	43.43	9.49
0.9	**167.8**	**1.34**	**1.01**	**1,688**	**0.06**	**94**	**31.31**	**42.87**	**9.83**
1.0	143.7	1.41	1.06	1,520	0.06	84	31.29	42.33	10.11
1.2	96.0	1.56	1.18	1,135	0.06	61	31.22	41.14	10.77

[2] The basis of the nickel equivalent calculation is the equation NiEq% = Ni% + (6 x Co%), based upon the relative average cash prices for nickel and cobalt metals, as reported on the LME for the six-month period 2nd November 2017 to 3rd April 2018. The nickel equivalent calculation assumes similar nickel and cobalt recoveries as obtained by the test work carried by Vale in the Feasibility Study.

Cut-off NiEq[2]%	Million Tonnes	NiEq%	Ni %	Ni metal ktonnes	Co %	Co metal ktonnes	Fe_2O_3 %	SiO_2 %	MgO %
				Inferred					
0.8	3.8	1.13	0.87	33	0.04	2	24.23	41.75	15.27
0.9	**2.8**	**1.23**	**0.94**	**27**	**0.05**	**1**	**25.86**	**41.83**	**13.47**
1.0	2.1	1.33	1.01	21	0.05	1	27.25	41.84	11.92
1.2	1.2	1.51	1.13	13	0.06	1	28.65	41.49	10.66

Technical Disclosure

All scientific and technical information contained in this Management's Discussion and Analysis has been prepared by or under the supervision of Mr Anthony Finch BEng(Min), B Econ, P.Eng (APEGBC), MAusIMM(CP), a ''qualified person' within the meaning of NI 43-101. For further details on the Araguaia Project, please refer to ''Prefeasibility Study (PFS) for the Araguaia Nickel Project Federative Republic of Brazil NI 43-101 Technical Report', dated 30 September 2016 available on the Company's website at www.horizonteminerals.com and on SEDAR at www.sedar.com.

Summary of Financial and Operating Performance

Summary of Cashflows

>> 6 months ended	**30 June 2018**	30 June 2017
	£	£
>> Net cash flows used in operating activities	**(1,125,218)**	**(907,256)**
>> Net cash used in investing activities	**(1,263,465)**	**(2,490,476)**
>> Net cash flow generated from financing activities	**1,847,634**	**(19,432)**
>> Net increase/(decrease) in cash and cash equivalents	**(541,049)**	**(3,417,164)**

The net cash flows used in operating activities for the six months ended 30 June 2018 and 30 June 2017 are driven by activities in the management of the Araguaia project. These management activities increased in the six months to 30 June 2018 compared to the same period in 2017, due to an increase in activity as a result of the advancement of the Araguaia project as well as the newly acquired Vermelho project. See 'Results from Operations' for further analysis.

Cash used in investing activities has decreased significantly to £1,263,465 from £2,490,476 in 2017 as a result of a continued albeit slightly lower level of exploration expenditure undertaken on the Araguaia FS. This was higher in H1 2017 as more of the higher cost areas of work such as drilling were completed early on in the FS process.

Cashflows from financing activities in 2018 were due to the split closing of the £9.2 million of new equity that was issued during the year end. The Canadian portion of the placing closed in January 2018 for circa £2.1 million, which was off set by fees incurred as a result of both the UK and Canadian placing. The cashflows from financing activities in 2017 were as a result of some residual fees associated with the issue of equity for the £9m placing undertaken in the final quarter of 2016.

Quarterly Financial Information

Quarter Ended	30 June 2018 £	31 March 2018 £	31 December 2017 £	30 September 2017 £	30 June 2017 £	31 March 2017 £	31 December 2016 £	30 September 2016 (Restated) £	30 June 2016 (Restated) £
Revenue	—	—	—	—	—	—	—	—	—
Profit/(Loss) from continuing operations	(884,217)	(415,960)	(424,027)	(307,817)	(477,572)	(457,740)	(813,308)	(353,963)	(337,345)
Total comprehensive income attributable to owners of the parent	(5,355,390)	(1,107,013)	(439,779)	92,638	(2,976,934)	(154,975)	370,401	(241,229)	4,566,593
Basic earnings/(loss) pence per share	(0.062)	(0.029)	(0.036)	(0.026)	(0.041)	(0.038)	(0.09)	(0.05)	(0.05)

Refer to restatement of prior year numbers note in the annual report and MD&A for December 2016 for details of the adjustments made in respect of the 2016 numbers as a result of restating the deferred tax assets, deferred tax liabilities and contingent consideration payable to Teck.

Profit/(loss) from continuing operations in each of the periods disclosed is driven on an on-going basis by administrative expenses, including exploration costs expensed, together with stock option charges, (loss)/gain on foreign exchange and finance income and costs.

The loss from continuing operations in the second quarter of 2018 of (£884,217) was after administrative expenses of (£494,155), and a loss on fair value of contingent consideration of £294,549 due to a weakening of Sterling against the United States Dollar, in which the contingent consideration is denominated. There was also a share based payment charge of £181,031 and a gain on foreign exchange translation of £137,972.

Total comprehensive income attributable to equity holders of the company is driven by results from continuing operations, combined with finance income and costs and exchange differences arising on translating foreign operations.

Exchange differences arising on translating foreign operations arise as the values of the exploration assets of the Company are denominated in the currency of the country in which they are located.

During the second quarter of 2018 the total comprehensive income attributable to equity holders of the company was (£3,832,417) after exchange differences arising on translating foreign operations of (£2,948,200) as the Brazilian Real weakened against Sterling in the quarter.

Results from Operations

		6 months ended 30 June 2018	6 months ended 30 June 2017	3 months ended 30 June 2018	3 months ended 30 June 2017
>>			£	£	£
>>	**Analysis of Operating Loss:**				
>>	**General and Administration Costs**				
>>	Compensation	**(212,890)**	**(137,659)**	**(138,271)**	**(87,838)**
>>	Travel/Expenses	**(147,991)**	**(118,320)**	**(107,223)**	**(58,078)**
>>	Exploration Costs Expensed	**(190,248)**	**(179,634)**	**(75,152)**	**(104,264)**
>>	Professional Fees	**(51,720)**	**(124,675)**	**(60,352)**	**(69,080)**
>>	Investor Relations	**(138,585)**	**(69,340)**	**(85,822)**	**(41,007)**
>>	TSX fees and associated costs	**(30,628)**	**(20,614)**	**(15,846)**	**(14,704)**
>>	Overheads/Other	**(13,286)**	**(4,306)**	**(11,489)**	**(1,516)**
>>	**Total General and Administration Costs**	**(785,348)**	**(654,548)**	**(494,155)**	**(376,487)**
>>	Charge for share options granted (non-cash)	**(294,706)**	**(78,810)**	**(181,031)**	**(28,424)**
>>	Changes in fair 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)**
>>	**Operating Loss**	**(1,181,730)**	**(825,816)**	**(831,763)**	**(425,639)**

General and Administration costs have increased slightly during the six month period to 30 June 2018 compared to the same period in the prior year. This has been driven by an increase in exploration activity in Brazil as a result of the continuation of the Feasibility Study as well as investor relations activities due to the capital raising exercise undertaken around the year end.

Within General and Administration costs:

> Compensation of £212,890 was higher in 2018 versus 2017, when it amounted to £137,659 due to the increase in head count across the company due to increased exploration and corporate activity.

> Exploration costs expensed amounted to £190,248 in 2018 as compared to £179,634 in 2017. The increase in costs in this area is due to an increase in the level of activity around the Feasibility Study which commenced part way through the first quarter of 2017.

> The level of professional fees has decreased significantly to £51,720 for H1 2018 compared to £124,675 in 2017 due to over accruals at the end of 2017 relating to the capital raising exercise. Professional fees include legal fees and fees from technical and specialist advisors as well as corporate advisory, accounting, audit and secretarial charges.

> Investor relations charges were higher in 2018 at £138,585, compared to £69,340 in 2017 as a result of increase in expenditure as a result of the growing profile of the company in both Canada and the UK combined with the capital raising exercise that was undertaken in Q4 2017 and Q1 2018.

> The charge for stock options has increased to £294,706 during 2018, as compared to £78,810 during 2017 as new options issued in 2017, were done so later in the year and so the full charge for these is not included in the prior period. New options were also issued in May 2018 with associate charges occurring in 1H 2018. These are non-cash charges.

There have also been a number of non-cash cost items which impacted Profit / (Loss) from operations and which arose in H1 2018 and 2017, as follows:

> The change in fair value of contingent consideration in the first six months of 2018 resulted in a loss of £194,474 primarily as a result of the movement in the USD foreign exchange rate during the period. The contingent consideration is priced in USD and so has decreased in value when denominated in GBP. In the prior year the gain of £153,095 was also due to exchange rate changes in the functional currency in which the Glencore Contingent Consideration liability is denominated. See 'Contingent consideration' in 'Critical Accounting Policies and Estimates' for further analysis and explanation.

Additional movements:

> The (loss)/gain on foreign exchange is associated with movements arising on cash deposits held by the Company in currencies other than Sterling.

Analysis of Intangible Assets

	Goodwill	Exploration licences	Exploration and evaluation costs	Total
	£	£	£	£
Cost				
At 1 January 2017	280,060	5,645,185	26,092,551	32,017,796
Additions	-	-	2,716,012	2,716,012
Exchange rate movements	(19,144)	(316,663)	(1,880,073)	(2,196,735)
Net book amount at 30 June 2017	**260,916**	**5,328,522**	**26,928,491**	**32,257,013**
At 1 January 2018	251,063	5,165,529	28,891,686	34,308,278
Additions	-	1,144,621	1,281,761	2,426,382
Exchange rate movements	(31,501)	(442,142)	(3,613,099)	(4,086,742)
Net book amount at 31 March 2018	**219,562**	**5,868,008**	**26,560,348**	**32,647,918**

Exploration and evaluation costs comprise the Araguaia project. Exploration licences comprise the Vale dos Sonhos licence acquired from a subsidiary of Glencore in November 2015 and the further licences that were acquired when the Glencore transaction completed during 2016. In 2018 the Vermelho licences were acquired. Impairment reviews for exploration and evaluation assets are carried out either on a project by project basis or by geographical area. The Group's sole intangible asset as at 30 June 2018 comprises the Araguaia/GAP Project.

The accounting policies of the Group specify that intangible assets are to be denominated in the functional currency of the country in which the asset is located. The accounting policies of the Group specify that intangible assets are to be denominated in the functional currency of the country in which the asset is located. The Araguaia / GAP Projects are thus denominated in Brazilian Reais.

Other Information

Outstanding Share Data

>> Group and Company	**2018 Number**	**2018 £**	2017 Number	2017 £
>> **Issued and fully paid**				
>> Ordinary shares of 1p each				
>> At 1 January	**1,371,934,300**	**13,719,343**	1,171,934,300	11,719,343
>> Issue of ordinary shares	**60,587,500**	**605,875**	-	-
>> At 30 June 2018	**1,432,521,800**	**14,325,218**	1,171,934,300	11,719,343

Stock Options in the Company

Total options outstanding as at the date of this document amount to 135,800,000 with exercise prices ranging from 3.00 pence to 15.5 pence, which will be fully vested by 30 November 2019. There is no other share-based compensation paid by the Company.

The Company recognises as an expense the cost of stock based compensation based upon the estimated fair value of new stock options granted. The fair value of each stock option is estimated on the date of grant using the Black-Scholes option pricing model and is expensed over the vesting period.

Liquidity, Capital Reserves and Financing Activities

The Company is not in commercial production on any of its properties and accordingly it does not generate cash from operations and finances its activities by raising capital through equity issues.

As at 30 June 2018 the Company had £8,969,672 in cash at bank and on deposit meaning the Company is fully funded to the end of the Feasibility Study and beyond. As at 30 June 2017 cash at bank and on deposit amounted to £9,403,825.

All of the Company's cash and cash equivalents as at 30 June 2018 are held in interest bearing accounts. The Company has not invested in any short-term commercial paper, asset backed securities or other financial instruments.

In management's view the Company has sufficient financial resources to fund currently planned exploration programmes and ongoing operating expenditures over the next 12 months, which are reviewed and adjusted on a regular basis as appropriate and in line with the financial resources of the Company. The Company will continue to be dependent on raising equity capital as required until and unless it reaches the production stage and generates cash flow from operations.

Restatement of quarterly financial statements for 2016

These financial statements reflect prior year adjustments in respect of a deferred tax asset, contingent consideration and associated exchange differences and finance costs. Both the deferred tax asset and contingent consideration arose from the acquisition of Teck Cominco Brasil S.A. in 2010, which was accounted for as a business combination. The initial recognition of both of these items required management to make an assessment of the probabilities of the tax losses being utilised and the fair value of the contingent consideration to be paid.

Following the recent review undertaken of the relevant recognition criteria, and conditions relating to both items it has been concluded that the level of deferred tax recognised at the time of the acquisition requires re-calculation. The recognition of the deferred tax asset at an early stage in the

Araguaia project did not meet the criteria prescribed by IAS 12 - Income Taxes, of it being probable that they could be utilised.

It has also been concluded that the fair value of the contingent consideration applied at time of acquisition similarly requires re calculation. This liability relates to payments due to the vendors upon utilisation of brought forward tax losses of Teck Cominco. The payments would be 50% of the tax effect of the losses utilised from the date of acquisition up to August 2020. The fair value originally calculated assumed 100% utilisation of the brought forward tax losses and was not a probability weighted to reflect the underlying risks of the project and the requirement to utilise the losses within a set timeframe.

Management have restated the appropriate figures for the quarters ended 2016 in line with the adjustments made in the 2016 annual report and accounts and MD&A. Please refer to the Annual Report and MD&A for further details.

Critical Accounting Policies and Estimates

The financial information disclosed within this document was prepared on a going concern basis using accounting policies consistent with International Financial Reporting Standards (IFRS).

The preparation of 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 each reporting period.

Significant items subject to such estimates include:

Impairment of exploration and evaluation costs

Exploration and evaluation costs have a carrying value at 30 June 2018 of £32,428,356 (2017: £32,257,017). Management tests annually whether exploration projects have future economic value in accordance with the accounting policy. 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 Directors have reviewed the estimated value of each project prepared by management and do not consider any impairment is necessary.

Estimated impairment of goodwill

Goodwill has a carrying value at 30 June 2018 of £219,562 (2017: £260,916). The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy.

Management has concluded that there is no impairment charge necessary to the carrying value of goodwill.

Contingent consideration

Contingent consideration has a carrying value of £3,844,193 at 30 June 2018 (2017: £3,246,242). There remains one contingent consideration arrangement in place as at 30 June 2018 as the contingent consideration present in prior periods payable to Teck Cominco Brazil S.A is now carried at £nil value as payment is unlikely.

- 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. The critical assumptions relating to the assessment of the contingent consideration of $5,000,000 are presented in further detail in the 2017 audited annual report and MD&A as at 31 December 2017.

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 acquisition of Lontra Empreendimentos e Participações Ltda but no longer on the acquisition of Araguaia Niquel Mineração Ltda (formerly Teck Cominco Brasil S.A). A deferred tax asset was historically recognised on acquisition of Araguaia Niquel Mineração Ltda to the extent that it could 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 recognised 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 utilised.

As explained in this MD&A and in the Audited Annual Report for 2016, following a reassessment of the IFRS accounting requirements, management determined based on information available at the time of preparation of the 2010 financial statements, the utilisation of these losses had a lower probability at the time of the acquisition in 2010 and a restatement derecognising the deferred tax asset has been made. Management review the position each financial period and this assessment remains. As such these unaudited condensed quarterly financial statements reflect these adjustments.

Forward Looking Statements

Except for statements of historical fact relating to the Company, certain information contained in this management's discussion and analysis constitutes 'forward-looking information' under Canadian securities legislation. Forward-looking information includes, but is not limited to, statements with respect to the potential of the Company's properties; the future price of minerals; grant of key permits; success of exploration activities; cost and timing of future exploration and development; the estimation of mineral resources; requirements for additional capital and other statements relating to the financial and business prospects of the Company. Generally, forward-looking information can be identified by the use of forward-looking terminology such as 'plans', 'expects' or 'does not expect', 'is expected', 'budget', 'scheduled', 'estimates', 'forecasts', 'intends', 'anticipates' or 'does not anticipate', or 'believes', or variations of such words and phrases or statements that certain actions, events or results 'may', 'could', 'would', 'might' or 'will be taken', 'occur' or 'be achieved'. Forward-looking information is inherently subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information, including but not limited to risks related to:

The Company's goal of creating shareholder value by concentrating on the acquisition and development of properties that have the potential to contain economic mineral deposits;

- *future plans for the Araguaia Project and other property interests held by the Company or which may be acquired on a going forward basis, if at all;*
- *management's outlook regarding future trends;*
- *the Company's ability to meet its working capital needs at the current level in the short term; and*
- *governmental regulation and environmental liability.*

Forward-looking information is based on the reasonable assumptions, estimates, analysis and opinions of management made in light of its experience and its perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances at the date that such statements are made, and are inherently subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information, including but not limited to risks related to: unexpected events and delays during permitting; the possibility that future exploration results will not be consistent with the Company's expectations; timing and availability of external financing on acceptable terms and in light of the current decline in global liquidity and credit availability; uncertainty of mineral resources; future prices of minerals; currency exchange rates; government regulation of mining operations; failure of equipment or processes to operate as anticipated; risks inherent in mineral exploration and development including environmental hazards, industrial accidents, unusual or unexpected geological formations; and uncertain political and economic environments. Although management of the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking information. The Company does not undertake to update any forward-looking information, except in accordance with applicable securities laws.

Additional Information

Additional information relating to the Company, including its annual financial statements for its most recently completed fiscal year as well as its annual information form are available on the Company's website at www.horizonteminerals.com and are also available on SEDAR at www.sedar.com.