Horizonte Minerals Plc

Restated Unaudited Condensed Consolidated Interim Financial Statements for the six months ended 30 September 2022

Restated Condensed Consolidated Statement of Comprehensive Income

		9 months ended 30 September		3 months ended 30 September	
		2022	**2021 Restated (Note 2.1)**	**2022**	**2021 Restated (Note 2.1)**
		Unaudited	**Unaudited**	**Unaudited**	**Unaudited**
	Notes	**US$**	**US$**	**US$**	**US$**
Administrative expenses		(9,504,757)	(5,593,102)	(2,841,133)	(1,921,621)
Share based payments expense	17	(508,529)	-	(508,529)	-
Change in fair value of special warrant liability		-	(1,616,120)	-	-
Change in fair value of derivatives	11	4,360,500	-	-	-
Gain/(loss) on foreign exchange		8,586,024	483,286	(797,045)	(1,721,587)
Profit/(Loss) before interest and tax		**2,933,238**	**(6,725,936)**	**(4,146,707)**	**(3,643,208)**
Net finance (costs)/income	5	(5,665,339)	(214,689)	(2,433,333)	(73,566)
(Loss)/Profit before taxation		**(2,732,101)**	**(6,940,625)**	**(6,580,040)**	**(3,716,774)**
Taxation		-	-	**-**	**-**
(Loss)/Profit for the year		**(2,732,101)**	**(6,940,625)**	**(6,580,040)**	**(3,716,774)**
Other comprehensive income Items that may be reclassified subsequently to profit or loss					
Cash flow hedges – foreign forward contracts	13	(7,845,763)	-	(3,208,230)	-
Currency translation differences on translating foreign operations		(17,549,770)	(2,685,045)	(7,760,495)	(4,754,646)
Other comprehensive income for the period, net of tax		**(25,395,533)**	**(2,685,045)**	**(10,968,725)**	**(4,754,646)**
Total comprehensive income for the period attributable to equity holders of the Company		**(28,127,634)**	**(9,625,670)**	**(17,548,765)**	**(8,471,420)**
Earnings per share attributable to the equity holders of the Group					
Basic & Diluted earnings per share (pence per share)	16	**(1.435)**	**(8.488)**	**(3.455)**	**(4.372)**

Restated Condensed Consolidated Statement of Financial Position

	Notes	30 September 2022 Unaudited US$	31 December 2021 Restated (Note 2.1) Audited US$
Assets			
Non-current assets			
Intangible assets	6	9,997,895	8,309,485
Property, plant & equipment	7	218,583,242	70,594,090
Right of use assets		689,720	380,482
		229,270,857	79,284,057
Current assets			
Trade and other receivables		30,551,781	13,796,628
Derivative financial asset	10 b	9,540,000	4,950,000
Cash and cash equivalents		131,203,868	210,492,280
		171,295,649	229,238,908
Total assets		**400,566,506**	**308,522,965**
Equity and liabilities			
Equity attributable to owners of the parent			
Issued capital	8	52,305,376	52,215,236
Share premium	8	245,672,686	245,388,102
Other reserves		(48,668,257)	(23,272,724)
Accumulated losses		(47,109,682)	(45,077,646)
Total equity		**202,200,123**	**229,252,968**
Liabilities			
Non-current liabilities			
Contingent consideration	9	6,779,135	6,734,132
Royalty Finance	10 a	88,600,396	44,496,504
Deferred consideration	9	4,727,125	4,526,425
Convertible loan notes liability	11	59,056,362	-
Environmental rehabilitation provision	12	98,036	-
Lease liabilities		587,863	321,717
Derivative financial liabilities	13	644,098	-
Trade payables		694,292	608,976
		161,187,307	56,687,754
Current liabilities			
Trade and other payables		28,905,680	21,574,365
Deferred consideration	9	950,000	949,113
Lease liabilities		121,732	58,765
Derivative financial liabilities	13	7,201,664	-
		37,179,076	22,582,243
Total liabilities		**198,366,383**	**79,269,997**
Total equity and liabilities		**400,566,506**	**308,522,965**

Restated Condensed Statement of Changes in Shareholders' Equity

	Attributable to the owners of the parent				
	Share capital US$	Share premium US$	Accumulated losses US$	Other reserves US$	Total US$
As at 1 January 2021 Restated (Note 2.1)	**20,666,053**	**65,355,677**	**(33,304,178)**	**(23,519,096)**	**29,198,456**
Comprehensive income					
Loss for the period	-	-	(6,940,625)	-	(6,940,625)
Other comprehensive income					
Currency translation differences	-	-	-	(2,685,045)	(2,685,045)
Total comprehensive income	-	-	**(6,940,625)**	**(2,685,045)**	**(9,625,670)**
Transactions with owners					
Issue of ordinary shares	2,281,637	14,830,639	-	-	17,112,276
Issue costs	-	(1,037,822)	-	-	(1,037,822)
Conversion of special warrants into shares	1,213,556	7,986,413	1,616,120	-	10,816,089
Issue costs	-	(819,935)	-	-	(819,935)
Total transactions with owners	**3,495,193**	**20,959,295**	**1,616,120**	**-**	**26,070,608**
As at 30 September 2021 Restated (Note 2.1) (unaudited)	**24,161,246**	**86,314,972**	**(38,628,683)**	**(26,204,141)**	**45,643,394**

	Attributable to the owners of the parent				
	Share capital US$	Share premium US$	Accumulated losses US$	Other reserves US$	Total US$
As at 1 January 2022 Restated (Note 2.1)	**52,215,236**	**245,388,102**	**(45,077,646)**	**(23,272,724)**	**229,252,968**
Comprehensive income					
Loss for the period	-	-	(2,732,101)	-	(2,732,101)
Other comprehensive income					
Cash flow hedges – foreign forward contracts	-	-	-	(7,845,763)	(7,845,763)
Currency translation differences	-	-	-	(17,549,770)	(17,549,770)
Total comprehensive income	**-**	**-**	**(2,732,101)**	**(25,395,533)**	**(28,127,634)**
Transactions with owners					
Issue of ordinary shares	90,140	284,584	191,536	-	566,260
Share based payments	-	-	508,529	-	508,529
Total transactions with owners	**90,140**	**284,584**	**700,065**	**-**	**1,074,789**
As at 30 September 2022 (unaudited)	**52,305,376**	**245,672,686**	**(47,109,682)**	**(48,668,257)**	**202,200,123**

Restated Condensed Consolidated Statement of Cash Flows

		9 months ended 30 September		3 months ended 30 September	
		2022	2021 Restated (Note 2.1)	2022	2021 Restated (Note 2.1)
		Unaudited	Unaudited	Unaudited	Unaudited
		US$	US$	US$	US$
Cash flows from operating activities					
Profit/(Loss) before taxation		(2,732,101)	(6,940,625)	(6,580,040)	(3,716,775)
Share based payments expense	17	508,529	-	508,529	-
Net finance costs/(income)	5	5,665,339	214,689	2,433,333	73,566
Fair value adjustments of derivative assets	11	(4,360,500)	-	-	-
Change in fair value of special warrant liability		-	1,616,120	-	-
Exchange differences		(8,586,024)	(483,286)	797,045	1,721,587
Operating loss before changes in working capital		**(9,504,757)**	**(5,593,102)**	**(2,841,133)**	**(1,921,622)**
Decrease/(increase) in trade and other receivables		(13,560,173)	(453,748)	(10,502,914)	(134,965)
(Decrease)/increase in trade and other payables		7,416,636	1,160,587	19,257,493	(3,299,040)
Net cash (outflow)/inflow from operating activities		**(15,648,294)**	**(4,886,263)**	**5,913,446**	**(5,355,627)**
Cash flows from investing activities					
Purchase of intangible assets	6	(1,409,985)	(248,014)	(1,192,638)	(119,694)
Purchase of property, plant and equipment	7	(131,481,417)	(9,957,265)	(64,434,117)	843,509
Interest received	5	4,460,729	311,920	2,066,435	159,974
Net cash outflow from investing activities		**(128,430,673)**	**(9,893,359)**	**(63,560,320)**	**883,789**
Cash flows from financing activities					
Net proceeds from issue of ordinary shares	8	566,260	16,074,454	29,534	-
Proceeds from issue of convertible loan notes	11	61,262,500	-	-	-
Issue costs	11	(2,347,041)	-	-	-
Proceeds from royalty finance arrangement	10a	25,000,000	-	-	-
Issue costs	10a	(847,939)	-	-	-
Net proceeds from issue of share warrants		-	8,448,140	-	-
Net cash inflow from financing activities		**83,633,780**	**24,522,594**	**29,534**	**-**
Net (decrease)/increase in cash and cash equivalents		**(60,445,187)**	**9,742,972**	**(57,617,340)**	**(4,471,838)**
Cash and cash equivalents at beginning of period		210,492,280	14,925,021	198,956,061	30,655,023
Exchange gain/(loss) on cash and cash equivalents		(18,843,225)	(49,047)	(10,134,853)	(1,564,239)
Cash and cash equivalents at end of the period		**131,203,868**	**24,618,946**	**131,203,868**	**24,618,946**

Restated 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 cyclicality 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 financial statements for the year ended 31 December 2021 were prepared in accordance with UK adopted International Financial Reporting Standards and International Accounting Standards as issued by the International Accounting Standards Board (IASB) and Interpretations (collectively IFRSs).

The condensed consolidated interim financial statements for the nine-month reporting period ended 30 September 2022 have been prepared in accordance with IAS 34 as issued by the IASB and the UK-adopted International Accounting Standard 34, 'Interim Financial Reporting'.

The interim report does not include all of the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2021, and any public announcements made by the Group during the interim reporting period.

The financial information for the year ended 31 December 2021 contained in these interim financial statements does not constitute the company's statutory accounts for that period. Statutory accounts for the year ended 31 December 2021 have been delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006. The auditor's report drew attention to a material uncertainty related to the Group's ability to continue as a going concern (refer to the going concern note below), however the auditor's opinion was not modified in respect of this matter.

2.1 Change in presentation currency

Horizonte Minerals Plc has decided to change its presentation currency from Pounds Sterling to US Dollars effective 1 January 2022.

The presentation currency has been revised as the financing package concluded by the Group to construct the Araguaia project is denominated in US Dollars and future revenues will also be in US Dollars. The board therefore believes that US Dollar financial reporting provides more relevant presentation of the group's financial position, funding and treasury functions, financial performance and its cash flows.

A change in presentation currency represents a change in an accounting policy in terms of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors requiring the restatement of comparative information. IAS 34 does not require additional retrospective disclosure of the statement of financial position. In accordance with IAS 21 The Effects of Changes in Foreign Exchange Rates, the following methodology was followed in restating historical financial information from Pounds Sterling to US Dollar:

- Assets and liabilities were translated at the relevant closing exchange rate at the end of the reporting period. Items of income and expenditure and cash flows were translated at average rates of exchange for the period;
- The foreign currency translation reserve was reset to nil as at 1 January 2006, the date on which the group adopted IFRS. Share capital and premium and other reserves, as appropriate, were translated at the historic rates prevailing at the dates of underlying transactions; and
- The effects of translating the group's financial results and financial position into US Dollar were recognised in the foreign currency translation reserve.

The exchange rates used were as follows:

GBP/USD	31 December 2021	30 September 2021
Closing rate	1.3477	1.3484

Average rate	1.3774	1.3866
USD/BRL		
Closing rate	5.5710	5.4490
Average rate	5.3810	5.3181

2.2a Going concern

The condensed consolidated interim financial statements have been prepared on a going concern basis. Although the Group's assets are not generating revenues, the Directors consider that the Group has access to 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 development and exploration projects. The Group has cash reserves and access to liquidity which are considered sufficient by the Directors to fund the Group's committed expenditure both operationally and on its exploration project for the foreseeable future.

The Group concluded a comprehensive funding package of US$633 million in December 2021. The net proceeds of the fundraising will be used towards the construction of the Araguaia project as well as for general working capital purposes. In addition, the Group has also concluded a US$25million royalty on the Vermelho Project, the net proceeds from the sale of this royalty will be used to advance a feasibility study and permitting work streams on the Vermelho project. The equity fundraise (US$197million of the US$633 million) was finalized and funds received in December 2021 with a further equity fund raise being completed in November 2022 for a gross US$80 million. The debt elements of the funding package include Convertible Loan Notes (US$65 million), a Cost Overrun Facility (US$25 million) and a Senior Debt Facility (US$346.2 million).

Funds from the convertible loan notes and the royalty were received in March 2022. The first drawdown under the Senior Debt Facility is expected to occur in the fourth quarter of 2022 following the satisfaction of certain conditions precedent customary to a financing of this nature. Subsequent drawdowns under the Senior Debt Facility are expected to follow monthly during the remainder of the construction period, again following the satisfaction of certain conditions precedent customary to a financing of this nature. As the senior debt is conditional, there is no guarantee that the conditions of this element of the debt package will be satisfied.

The funds held at the end of the period along with those to be raised post period end following the satisfaction of any condition's precedent for the successful draw down of the Senior Debt Facility (Including access to any of the funds secured as part of the Cost Overrun Facility), means the Group has cash reserves which are considered sufficient by the Directors to execute the construction of the Araguaia Project and fund its general working capital requirements for the foreseeable future. The drawdown of the Senior Debt Facility is conditional upon the expenditure of a certain level of equity amongst other conditions precedent, by which time the Group is expected to have made significant financial commitments. There exists a risk that the Senior Debt Facility is not able to be drawn due to unforeseen circumstances or noncompliance with any conditions precedent which may or may not be within the control of the Group. Should the Senior Debt not be drawn then the Group might require alternative sources of funding to meet its commitments.

These events are outside of the Group's control, and as such, a material uncertainty exists which may cast significant doubt about the Group's continued ability to operate as a going concern and its ability to realise its assets and discharge its liabilities in the normal course of business.

If additional projects are identified and the Vermelho project advances, additional funding may be required.

These factors indicate the existence of a material uncertainty which may cast significant doubt over the Group's ability to continue as a going concern and therefore they may be unable to realise its assets and discharge their liabilities in the normal course of business. The financial statements do not include any adjustments that would result if the Group were unable to continue as a going concern.

2.2b Assessment of the impact of COVID-19

During the period of these financial statements there has been an ongoing significant global pandemic which has had significant knock-on effects for the majority of the world's population, by way of the measure's governments are taking to tackle the issue. This represents a risk to the Group's operations by restricting travel, the potential to detriment the health and wellbeing of its employees, as well as the effects that this might have on the ability of the Group to finance and advance its operations in the timeframes envisaged. The Group has taken steps to try and ensure the safety of its employees and operate under the current circumstances and feels the outlook for its operations remains positive, however risk remain should the pandemic worsen or changes its impact on the Group. The assessment of the possible impact on the going concern position of the Group is set out in the going concern note above. In addition, because of the long-term nature of the Group's nickel projects and their strong project economics management do not consider that COVID has given rise to any impairment indicators. The Group has not received any government assistance.

The uncertainty as to the future impact of the Covid-19 pandemic has been considered as part of the Group's adoption of the going concern basis. In response to the easing of Covid-19 restrictions, employees are working from the Group's offices in London and Brazil and will continue to adhere to government guidelines. International travel has resumed and site work for the two projects has been resumed.

To date, the Group has not been materially adversely affected by the COVID-19 pandemic. However, the ongoing nature and uncertainty of the pandemic in many countries including the measures and restrictions put in place (travel bans and quarantining in particular) continue to have the ability to impact the Group's business continuity, workforce, supply-chain, business development and, consequently, future revenues.

In addition, any infections occurring on the Group's premises could result in the Group's operations being suspended, which may have an adverse impact on the Group's operations as well as adverse implications on the Group's future cash flows, profitability and financial condition. Supply chain disruptions resulting from the COVID-19 pandemic and measures implemented by governmental authorities around the world to limit the transmission of the virus (such as travel bans and quarantining) may, in addition to the general level of economic uncertainty caused by the COVID-19 pandemic, also adversely impact the Group's operations, financial position and prospects.

As a result of considerations noted above, the Directors consider the impact of COVID-19 could delay the drawdown of the senior debt facility.

2.3 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 2021 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 . In addition to the key risks, the key financial risks are liquidity risk, foreign exchange risk, credit risk, price risk and interest rate risk.

2.4 Use of estimates and judgements

The preparation of condensed consolidated interim financial statements requires management to make estimates and judgements 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 2021 Annual Report and Financial Statements. The nature and amounts of such estimates and judgements have not changed significantly during the interim period. Estimates and judgements relating to the Vermelho Royalty and the convertible loan notes are not covered in the Group's 2021 Annual Report and Financial Statements and are detailed below.

2.4a Accounting for the Vermelho Royalty Financing Arrangement

The Group has a $25m royalty funding arrangement which was secured in order to advance a feasibility study and permitting work streams on the Vermelho project. The royalty pays a fixed percentage of revenue to the holder for production on the nickel and cobalt tonnes produced from the Vermelho project over the life of mine. The treatment of this financing arrangement as a financial liability, calculated using the effective interest rate methodology is a key judgement that was made by the Company in prior years on the Araguaia Royalty and which was taken following obtaining independent expert advice. The carrying value of the financing liability is driven by the expected future cashflows payable to the holder on the basis of the production profile of the mine property. It is also sensitive to assumptions regarding the royalty rate, which can vary based upon the start date for construction of the project and future nickel and cobalt prices. The contract includes certain embedded derivatives, including the Buy Back Option which has been separated and carried at fair value through profit and loss.

The future prices of nickel and cobalt and the date of commencement of commercial production are key estimates that are critical in the determination of the carrying value of the royalty liability.

The future expected nickel and cobalt prices and volatility of such prices are key estimates that are critical in the determination of the fair value of the Buy Back Option associated with the Royalty financing.

Further information relating to the accounting for this liability, the embedded derivative and the sensitivity of the carrying value to these estimates is provided in note 10b.1) and 10b.2).

2.4b Accounting for the Convertible Loan Notes

The Group issued $65m convertible loan notes which was secured to finance the construction of the Araguaia project. The convertible loan is a hybrid financial instrument, whereby a debt host liability component and an embedded derivative liability component was determined at initial recognition. The conversion option did not satisfy the fixed for fixed equity criterion (fixed number of shares and fixed amount of cash) as the currency of the convertible loan notes is US Dollar and the functional currency of Horizonte Minerals Plc and its share price is GBP.

For convertible notes with embedded derivative liabilities, the fair value of the embedded derivative liability is determined first and the residual amount is assigned to the debt host liability.

The future expected market share price of the Company and the volatility of the share price are the key estimates that are critical in the determination of the fair value of the embedded derivative and subsequently the debt host liability of the Convertible Loan Notes.

Further information relating to the accounting for this liability, the embedded derivative and the sensitivity of the carrying value to these estimates is provided in note 11.

3. Significant accounting policies

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 audited Financial Statements for the year ended 31 December 2021 except for the new accounting policy applied for the convertible loan notes, hedge accounting and the environmental rehabilitation provision which is detailed below.

3.1 Capitalisation of borrowing costs

Borrowing costs are expensed except where they relate to the financing of construction or development of qualifying assets. Borrowing costs directly related to financing of qualifying assets in the course of construction are capitalised to the carrying value of the Araguaia mine development property. Where funds have been borrowed specifically to the finance the Project, the amount capitalised represents the actual borrowing costs incurred net of all interest income earned on the temporary re-investment of these borrowings prior to utilisation. Borrowing costs capitalised include:

- Interest charge on the Araguaia royalty finance
- Adjustments to the carrying value of the Araguaia royalty finance
- Unwinding of discount on contingent consideration payable for Araguaia
- Unwinding of discount on the convertible loan notes
- Commitment fees payable on the senior debt facility

All other borrowing costs are recognized as part of interest expense in the year which they are incurred.

3.2 Derivative financial instruments

Derivatives are initially measured at fair value, and changes therein are recognised in profit or loss, except when hedge accounting is adopted and changes in fair value are recognised in equity. All directly attributable transaction costs are recognised in profit or loss as incurred.

3.3 Convertible loan notes

The convertible loan issued by the Group is a hybrid financial instrument, whereby a debt host liability component and an embedded derivative liability component was determined at initial recognition. The conversion option did not satisfy the fixed for fixed equity criterion (fixed number of shares and fixed amount of cash) as the currency of the convertible loan notes is US Dollar and the functional currency of Horizonte Minerals Plc and its share price is GBP. Conversion features that are derivative liabilities are accounted for separately from the host instrument. The embedded derivative is accounted for as a financial instrument through profit or loss and is initially measured at fair value, and changes therein are recognised in profit or loss. The debt host liability is accounted for at amortised cost. In the case of a hybrid financial instrument, IFRS 9 requires that the fair value of the embedded derivative is calculated first and the residual value (residual proceeds) is assigned to the host financial liability.

Transaction costs are apportioned to the debt host liability and the embedded derivative in proportion to the allocation proceeds. The portion attributed to the conversion feature is expensed immediately, because transaction costs are expensed immediately for all financial instruments measured at fair value through profit or loss. The portion of transaction costs that are attributed to the loan (measured at amortised cost), are subtracted from the carrying amount of the financial liability and amortised as part of the effective interest rate.

3.4 Hedge accounting

The Group has elected to adopt the hedge accounting requirements of IFRS 9 Financial Instruments, in respect of its foreign exchange hedging strategy. The Group enters into hedge relationships where the critical terms of the hedging instrument and the hedged item match, therefore, for the prospective assessment of effectiveness a qualitative assessment is performed. Hedge effectiveness is determined at the origination of the hedging relationship. Quantitative effectiveness tests are performed at each period end to determine the continuing effectiveness of the relationship. In instances where changes occur to the hedged item which result in the critical terms no longer matching, the hypothetical derivative method is used to assess effectiveness.

Foreign exchange risk arises when the Group enters into transactions denominated in a currency other than their functional currency. Where the risk to the Group is considered to be significant, the Group will enter into a matching non-deliverable forward foreign exchange contracts with a reputable bank.

The hedged forecast transactions denominated in foreign currency are expected to occur between 14 May 2022 and 31 March 2025. Gains and losses recognised in the hedging reserve in equity on non-deliverable forward foreign exchange contracts are recognised in the consolidated statement of comprehensive income in the period during which the hedged forecast transaction affects the consolidated statement of comprehensive income, unless the gain or loss is included in the initial carrying value of non-current assets through a basis adjustment (immediate transfer from cash flow hedging reserve to cost of asset) in which case recognition is over the lifetime of the asset as it is depreciated. The ineffective portion of the cash flow hedge is recognised immediately in the profit or loss.

3.5 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 functional currency of the project financing subsidiary incorporated in the Netherlands is US Dollars. The Consolidated Financial Statements as at 31 December 2021 were presented in Pounds Sterling, rounded to the nearest pound, which is the Company's functional and Group's presentation currency. As disclosed in note 2 Basis of Preparation, for the financial year commencing 1 January 2022 and future financial years the Group's presentation currency will be US Dollars, rounded to the nearest dollar.

(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.

The major exchange rates used for the revaluation of the statement of financial position at 30 September 2022 were £1:US$1.12 (31 December 2021: £1:US$1.35), Brazilian Real (R$):US$0.18 (31 December 2021: R$:US$0.18).

Foreign currency translation reserve includes movements that relate to the retranslation of the subsidiaries whose functional currencies are not US Dollars.

During the first quarter of 2022, the Brazilian Real strengthened by approximately 15% from R$5.57 to R$4.74 against the US Dollar since 31 December 2021 (31 March 2021: depreciated approximately by 10% from R$5.20 at 31 December 2020 to R$5.70). During the second quarter of 2022, the Brazilian Real depreciated further by approximately 11% to R$5.24 against the US Dollar since 31 March 2022 (30 June 2021: strengthened approximately by 12% to R$5.01). During the third quarter of 2022, the Brazilian Real depreciated by approximately 3% to R$5.41 against the US Dollar since 30 June 2022 (30 September 2021: depreciated approximately by 9% to R$5.45). Currency translation differences for the nine-month period of $17.5 million loss (2021: $2.7 million loss) included in the consolidated statement of comprehensive income arose on the translation of property plant and equipment, intangible assets and cash and cash equivalents denominated in Brazilian Real and Pounds Sterling.

The foreign exchange gain for the nine-month period of $9million included in the statement of comprehensive income relates to the translation differences of foreign currency cash and cash equivalents balances and intercompany balances denominated in currencies other than the functional currency of the entity.

3.6 Environmental rehabilitation provision

The Group has recognised provisions for liabilities of uncertain timing or amount including the environmental rehabilitation provision. The provision is measured at the best estimate of the expenditure required to settle the obligation at the period end date, discounted at a pre-tax rate reflecting current market assessments of the time value of money and risks specific to the liability.

3.7 Share-based payments

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.

3.6 Impact of accounting standards to be applied in future periods

There are a number of standards and interpretations which have been issued by the International Accounting Standards Board that are effective for periods beginning subsequent to 31 December 2022 that the Group has decided not to adopt early. The Group does not believe these standards and interpretations will have a material impact on the financial statements once adopted.

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 separate subsidiary responsible for the project finance for the Araguaia Project is domiciled in the

Netherlands. The operations of this entity are reported separately and so it is recognised as a new segment. The reports used by the chief operating decision-maker are based on these geographical segments.

2022	**UK 9 months ended 30 September 2022 US$**	**Brazil 9 months ended 30 September 2022 US$**	**Netherlands 9 months ended 30 September 2022 US$**	**Total 9 months ended 30 September 2022 US$**
Administrative expenses	(7,465,840)	(1,902,253)	(136,664)	(9,504,757)
Share based payments expense	(508,529)	-	-	(508,529)
Change in fair value of derivative	4,360,500	-	-	4,360,500
Profit/(Loss) on foreign exchange	8,627,415	-	(41,391)	8,586,024
Profit/(Loss) before interest and tax per reportable segment	**5,013,546**	**(1,902,253)**	**(178,055)**	**2,933,238**
Net finance costs	74,831	(201,197)	(5,538,973)	(5,665,339)
Profit/(Loss) before taxation	5,088,377	(2,103,450)	(5,717,028)	(2,732,101)
Depreciation charges	-	35,186	-	35,186
Additions to non-current assets	-	132,891,403	-	132,891,403
Capitalisation of borrowing costs	-	13,260,561	-	13,260,561
Foreign exchange movements to non-current assets	-	3,484,915	-	3,484,915
Reportable segment assets	105,005,050	285,664,136	9,897,320	400,566,506
Reportable segment liabilities	72,910,728	36,846,304	88,609,350	198,366,382

2021	**UK 9 months ended 30 September 2021 US$**	**Brazil 9 months ended 30 September 2021 US$**	**Netherlands 9 months ended 30 September 2021 US$**	**Total 9 months ended 30 September 2021 US$**
Administrative expenses	(4,946,681)	(553,789)	(92,632)	(5,593,102)
Change in fair value of special warrant liability	(1,616,120)	-	-	(1,616,120)
Profit/(Loss) on foreign exchange	(58,992)	-	542,278	483,286
Loss before interest and tax per reportable segment	(6,621,793)	(553,789)	449,646	(6,725,936)
Net finance costs	(214,689)	-	-	(214,689)
Loss before taxation	(6,836,482)	(553,789)	449,646	(6,940,625)
Depreciation charges	-	13,646	-	13,646
Additions to non-current assets	-	14,442,749	-	14,442,749
Capitalisation of borrowing costs	-	7,486,579	-	7,486,579
Foreign exchange movements to non-current assets	-	(1,606,193)	-	(1,606,193)
Reportable segment assets	13,327,460	82,190,208	2,603,805	98,121,473
Reportable segment liabilities	9,935,239	4,806,571	37,736,269	52,478,079

2022	**UK 3 months ended 30 September 2022 US$**	**Brazil 3 months ended 30 September 2022 US$**	**Netherlands 3 months ended 30 September 2022 US$**	**Total 3 months ended 30 September 2022 US$**
Administrative expenses	(2,185,371)	(613,198)	(42,564)	(2,841,133)
Share based payments expense	(508,529)	-	-	(508,529)
Change in fair value of derivative	-	-	-	-
Profit/(Loss) on foreign exchange	554,012	(335,535)	(1,015,522)	(797,045)
Profit/(Loss) before interest and tax per reportable segment	**(2,139,888)**	**(948,733)**	**(1,058,086)**	**(4,146,707)**
Net finance costs	(73,566)	66,130	(2,425,897)	(2,433,333)
Profit/(Loss) before taxation	(2,213,454)	(882,603)	(3,483,983)	(6,580,040)

	UK	Brazil	Netherlands	Total
Depreciation charges	-	13,009	-	13,009
Additions to non-current assets	-	60,720,658	-	60,720,658
Capitalisation of borrowing costs	-	4,840,344	-	4,840,344
Foreign exchange movements to non-current assets	-	(1,898,279)	-	(1,898,279)

2021	**UK 3 months ended 30 September 2021 US$**	**Brazil 3 months ended 30 September 2021 US$**	**Netherlands 3 months ended 30 September 2021 US$**	**Total 3 months ended 30 September 2021 US$**
Administrative expenses	(1,635,123)	(243,862)	(42,636)	(1,921,621)
Change in fair value of special warrant liability	-	-	-	-
Profit/(Loss) on foreign exchange	(467,189)	-	(1,254,398)	(1,721,587)
Loss before interest and tax per reportable segment	(2,102,312)	(243,862)	(1,297,034)	(3,643,208)
Net finance costs	(73,566)	-	-	(73,566)
Loss before taxation	(2,175,878)	(243,862)	(1,297,034)	(3,716,774)
Depreciation charges	-	5,355	-	5,355
Additions to non-current assets	-	3,657,467	-	3,657,467
Capitalisation of borrowing costs	-	3,114,898	-	3,114,898
Foreign exchange movements to non-current assets	-	(3,750,293)	-	(3,750,293)

5 Finance income and costs

	9 months ended 30 September 2022 US$	**9 months ended 30 September 2021 US$**	**3 months ended 30 September 2022 US$**	**3 months ended 30 September 2021 US$**
Finance income				
– Interest income on cash and short-term deposits	4,460,729	311,920	2,066,435	159,974
Finance costs				
– Interest on land purchases	(169,382)	-	78,156	-
– Interest on lease liability	(38,410)	-	(13,945)	-
– Commitment fees on senior debt	(3,794,151)	-	(1,527,649)	-
– Other	(8,960)	-	(5,114)	-
– Contingent and deferred consideration: unwinding of discount	(577,665)	(419,519)	(120,110)	(143,755)
– Contingent and deferred consideration: Fair value adjustment	31,677	-	(74,449)	-
– Contingent and deferred consideration: change in estimate	299,399	-	-	-
– Convertible loan note: unwinding of discount	(3,767,306)	-	(1,914,701)	-
– Amortisation of Royalty Finance	(6,608,422)	(3,405,152)	(2,740,264)	(1,188,256)
– Royalty finance carrying value adjustment	(8,753,409)	(4,188,517)	(3,022,036)	(2,016,427)
Total finance costs pre-capitalisation	(18,925,900)	(7,701,268)	(7,273,677)	(3,188,464)
Finance costs capitalised to the Araguaia mine development project	13,260,561	7,486,579	4,840,344	3,114,898
Net finance costs	(5,665,339)	(214,689)	(2,433,333)	(73,566)

6 Intangible assets

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

	Goodwill US$	Exploration licences US$	Exploration and evaluation costs US$	Software US$	Total US$
Cost					
At 1 January 2021	215,979	6,831,692	1,442,670	-	8,490,341

Additions	-	103,461	209,246	92,515	405,222
Amortisation for the year	-	-	-	(2,509)	(2,509)
Exchange rate movements	(14,844)	(480,024)	(88,701)	-	(583,569)
Net book amount at 31 December 2021	**201,135**	**6,455,129**	**1,563,215**	**90,006**	**8,309,485**
Additions	-	223,768	1,095,394	90,823	1,409,985
Amortisation for the year	-	-	-	(20,431)	(20,431)
Exchange rate movements	7,234	270,232	18,154	3,237	298,856
Net book amount at 30 September 2022	**208,369**	**6,949,129**	**2,676,762**	**163,635**	**9,997,895**

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

7 Property, plant and equipment

	Mine Development Property US$	Vehicles and other field equipment US$	Office equipment US$	Land acquisition US$	Building improvements US$	Total US$
Cost						
At 1 January 2021	41,909,101	105,074	78,287	119,090	-	42,211,552
Additions	13,328,811	759,475	69,980	10,199,425	-	24,357,691
Transfers	-	648	(648)	-	-	-
Disposals	-	-	(1,385)	-	-	(1,385)
Capitalised interest	7,073,241	-	-	-	-	7,073,241
Exchange rate movements	(2,893,576)	(7,206)	(5,368)	(8,185)	-	(2,914,335)
At 31 December 2021	**59,417,577**	**857,991**	**140,866**	**10,310,330**	**-**	**70,726,764**
Additions	128,783,919	-	162,086	2,499,087	36,325	131,481,417
Environmental rehabilitation additions	98,036	-	-	-	-	98,036
Transfers	756,217	(787,730)	31,306	-	207	-
Capitalised interest	13,260,561	-	-	-	-	13,260,561
Disposals	-	-	(1,885)	-	-	(1,885)
Exchange rate movements	2,784,084	30,858	5,066	370,819	-	3,190,828
At 30 September 2022	**205,100,394**	**101,121**	**337,439**	**13,180,235**	**36,532**	**218,755,721**
Accumulated depreciation						
At 1 January 2021	-	78,036	42,719	-	-	120,755
Charge for the year	-	7,526	12,840	-	-	20,366
Transfer	-	222	(222)	-	-	-
Disposals	-	-	(168)	-	-	(168)
Exchange rate movements	-	(5,350)	(2,929)	-	-	(8,279)
At 31 December 2021	**-**	**80,434**	**52,240**	**-**	**-**	**132,674**
Charge for the period	-	5,720	29,072	-	393	35,185
Transfer	-	(720)	703	-	17	-
Disposals	-	-	(151)	-	-	(151)
Exchange rate movements	-	2,893	1,879	-	-	4,771
At 30 September 2022	**-**	**88,327**	**83,742**	**-**	**410**	**172,479**
Net book amount as at 30 September 2022	**205,100,394**	**12,794**	**253,697**	**13,180,235**	**36,122**	**218,583,242**
Net book amount as at 31 December 2021	**59,417,577**	**777,557**	**88,626**	**10,310,330**	**-**	**70,594,090**

In December 2018, a Canadian NI 43-101 compliant Feasibility Study ("FS') was published by the Company regarding the enlarged Araguaia Project which included the Vale dos Sonhos deposit acquired from Glencore.

The financial results and conclusions of the FS clearly indicate the economic viability of the Araguaia Project with an NPV of \$401M using a nickel price of \$14,000/t Ni. Nothing material had changed with the economics of the FS between the publication date and the date of this report and the Directors undertook an assessment of impairment for the 2021 audited financial statements through evaluating the results of the FS along with recent market information relating to capital markets and nickel prices and judged that there are no impairment indicators with regards to the Araguaia Project. Since then, no impairment indicators have been identified.

8 Share Capital and Share Premium

On 11 April 2022 the Group issued 6,000,000 new ordinary shares (after share consolidation 300,000 shares) at a price of 4.33 pence per share in relation to the exercise of options by an employee of the Company.

On 31 May 2022 the Group completed a share consolidation on the basis of 1 new share for every 20 existing shares. As a result of the share consolidation, the Company's issued share capital consists of 190,418,279 ordinary shares of £0.20 each.

Issued and fully paid	Number of shares (before share consolidation)	Number of shares (after share consolidation)	Ordinary shares US$	Share premium US$	Total US$
At 1 January 2022 Restated	**3,802,365,590**	**190,118,279**	**52,215,236**	**245,388,102**	**297,603,338**
Issue of equity	7,000,000	350,000	90,140	284,584	374,724
At 30 September 2022	**3,809,365,590**	**190,468,279**	**52,305,376**	**245,672,686**	**297,978,062**

The share premium as at 1 January 2022 was restated by US$2,549,459 due to issue costs relating to the December equity raise that was invoiced after the year end date.

9 Contingent and Deferred Consideration

Contingent Consideration payable to Xstrata Brasil Mineração Ltda.

The contingent consideration payable to Xstrata Brasil Mineração Ltda for the acquisition of the Araguaia project has a carrying value of US$2,428,446 at 30 September 2022 (31 December 2021: US$2,308,612). It comprises US$5,000,000 consideration in cash as at the date of first commercial production from the 'Vale dos Sonhos' resource areas within the Enlarged Project area. The key assumptions underlying the treatment of the contingent consideration the US$5,000,000 and a discount factor of 7.0% along with the estimated date of first commercial production.

During 2020 the Araguaia project entered the development phase and as a result borrowing costs including unwinding of discount on contingent consideration for qualifying assets have been capitalised to the mine development asset. The borrowing costs capitalised for the nine months to 30 September 2022 is US$119,834 (30 September 2021: US$204,831).

Contingent Consideration payable to Vale Metais Basicos S.A.

The contingent consideration payable to *Vale Metais Basicos S.A.* for the acquisition of the Vermelho project has a carrying value of US$4,350,690 at 30 September 2022 (31 December 2021: US$4,425,522). It comprises US$6,000,000 consideration in cash as at the date of first commercial production from the Vermelho project and was recognised for the first time in December 2019, following the publication of a PFS on the project. The key assumptions underlying the treatment of the contingent consideration of US$6,000,000 is a discount factor of 7.0% along with the estimated date of first commercial production.

As at 30 September 2022, there was a net finance income of US$74,831 (30 September 2021: US$214,689) 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 net finance income includes a change in estimate due to the change in the estimated date of first commercial production from 30 June 2026 to 30 June 2027. The finance costs in respect of this contingent consideration are expensed as the Vermelho project has not entered the construction phase.

Deferred Consideration payable to Companhia Brasileira de Alumínio

The deferred consideration payable to Companhia Brasileira de Aluminio has a carrying value of US$5,677,125 at 30 September 2022 (31 December 2021: US$5,475,538). It comprises US$7,000,000 consideration in cash for ferronickel processing equipment which payable on the completion of certain milestones in the Araguaia project and was recognised for the first time in December 2021. The milestones are as follows:

a) US$600,000 payable on execution of the Agreement, this was paid on 9 December 2021;
b) US$950,000 upon the removal of 80% of the Processing Equipment from CBA's Niquelândia operations;
c) US$950,000 upon reaching 50% completion of Araguaia plant construction;
d) d) US$1,150,000 upon production at Araguaia reaching 90% of nameplate capacity for a period of 60 days, on average, and with up to 50% of such amount payable in Horizonte shares, at Horizonte's election; and
e) e) US$3,350,000 payable by Horizonte in three equal annual instalments with the first instalment due within 45 days of the first sale of ferronickel to a third party. Horizonte may choose to pay the outstanding balance of this amount at any time of it's choosing with up to 50% of the total able to be paid in Horizonte's shares, at Horizonte's election.

The key assumptions underlying the treatment of the deferred consideration is a discount factor of 7.0% and the estimated timing of the milestones as outlined previously.

As at 30 September 2022, there was a finance expense of US$201,587 (30 September 2021: $nil) recognised in finance costs within the Statement of Comprehensive Income in respect of this deferred consideration arrangement, as the discount applied to the deferred consideration at the date of acquisition was unwound.

	Companhia Brasileira de Aluminio (in respect of Araguaia project)	Xstrata Brasil Mineração Ltda (in respect of Araguaia project)	Vale Metais Basicos S.A. (in respect of Vermelho project)	Total
	US$	US$	US$	US$
At 1 January 2021				
Initial recognition	5,450,087	3,946,090	4,136,002	13,532,179
Unwinding of discount	19,256	276,226	289,520	585,002
Change in estimate	-	(1,913,705)	-	(1,913,705)
Change in carrying value and foreign exchange	6,195	-	(1)	6,194
At 31 December 2021	5,475,538	2,308,611	4,425,521	12,209,670
Unwinding of discount	233,264	119,834	224,567	577,665
Change in estimate	-	-	(299,399)	(299,399)
Change in carrying value and foreign exchange	(31,677)	-	1	(31,676)
At 30 September 2022	5,677,125	2,428,445	4,350,690	12,456,260

10 a) Royalty Financing liability

10 a.1) Araguaia royalty financing liability

On 29 August 2019 the Group entered into a royalty funding arrangement with Orion Mine Finance ("OMF") securing a gross upfront payment of US$25,000,000 before fees in exchange for a royalty, the rate being in a range from 2.25% to 3.00% and determined by the date of funding and commencement of major construction. The rate has been confirmed to be 2.95%. The royalty is paid over the first 426k tonnes of nickel produced from the Araguaia Ferronickel project. The royalty is linked to production and therefore does not become payable until the project is constructed and commences commercial production; more detail is contained within the audited financial statements for the year ended 31 December 2021.

The Royalty liability has initially been recognised using the amortised cost basis with an effective interest rate of 14.5%. When circumstances arise that lead to payments due under the agreement being revised, the group adjusts the carrying amount of the financial liability to reflect the revised estimated cash flows. This is achieved by recalculating the present value of estimated cash flows using the original effective interest rate of 14.5%. Any adjustment to the carrying value is recognised in the income statement.

The carrying value of the royalty reflects assumptions on expected long term nickel price, update headline royalty rate as well as the timing of payments related to expected date of commencement of production and hence payment to be made under the royalty agreement. The assumption influencing the increase in the carrying value of the royalty since year end is the long-term nickel price which has increased from US$16,945 t/Ni to US$18,629 t/Ni. The royalty rate is 2.95%.

Management have sensitised the carrying value of the royalty liability for a US$1,000/t Ni increase/decrease in future nickel price the carrying value would change by US$3,007,914.

10 a.2) Vermelho royalty financing liability

On 23 November 2021 the Group entered into a royalty funding arrangement with Orion Mine Finance ("OMF") securing a gross upfront payment of US$25,000,000 before fees in exchange for a royalty, at a rate of 2.1%. The royalty rate will increase to 2.25% if substantial construction of the Vermelho Project has not commenced within 5 years of the closing date, 30 March 2022. The royalty will be paid over the life of mine of Vermelho. The Royalty agreement has certain provisions to revise the headline royalty rate should there be change in the mine schedule and production profile prior to construction or if the resource covered in the Vermelho Feasibility Study is depleted. The royalty is linked to production and therefore does not become payable until the project is constructed and commences commercial production. The agreement contains certain embedded derivatives which as per IFRS9 have been separately valued and included in the fair value of the financial instrument in note 10 b). The royalty funds were received on 30 March 2022.

The Royalty liability has initially been recognised using the amortised cost basis with an effective interest rate of 19.34%. When circumstances arise that lead to payments due under the agreement being revised, the group adjusts the carrying amount of the financial liability to reflect the revised estimated cash flows. This is achieved by recalculating the present value of estimated cash flows using the original effective interest rate of 19.34%. Any adjustment to the carrying value is recognised in the income statement.

The carrying value of the royalty reflects assumptions on expected long term nickel and cobalt prices, headline royalty rate as well as the timing of payments related to expected date of commencement of production and hence payment to be made under the royalty agreement. The assumption influencing the initial valuation of the carrying value of the Vermelho royalty is the long-term nickel price of US$17,756 t/Ni (as at the initial recognition date 30 March 2022), the long-term cobalt price of US$53,355t/Co (as at the initial recognition date 30 March 2022), and the royalty rate of 2.1%. The assumptions influencing the valuation at the period end date is the long-term nickel price of US$18,629 t/Ni, the long-term cobalt price of US$58,182 t/Co. The royalty rate has remained at 2.1%.

Management have sensitised the carrying value of the royalty liability by a change in the royalty rate to 2.25% and it would be US$2,448,645 higher/lower and for a US$1,000/t Ni increase/decrease in future nickel price and future cobalt price the carrying value would change by US$1,575,763.

	Araguaia Royalty valuation US$	Vermelho Royalty valuation US$	Total US$
Net book amount at 1 January 2021	30,131,755	-	30,131,755
Unwinding of discount	4,637,057	-	4,637,057
Change in carrying value	9,727,692	-	9,727,692
Effects of foreign exchange	-	-	-
Net book amount at 31 December 2021	44,496,504	-	44,496,504
Initial recognition	-	25,000,000	25,000,000
Embedded derivative – initial valuation	-	4,590,000	4,590,000
Transaction costs	-	(847,939)	(847,939)
Unwinding of discount	3,929,180	2,679,242	6,608,422
Change in carrying value	5,893,677	2,859,732	8,753,409
Effects of foreign exchange	-	-	-
Net book amount at 30 September 2022	54,319,361	34,281,035	88,600,396

10 b) Derivative financial assets

10 b.1) Araguaia derivative financial assets
The aforementioned Araguaia royalty agreement includes several options embedded within the agreement as follows:

- If there is a change of control of the Group and the start of major construction works (as defined by the expenditure of in excess of US$30m above the expenditure envisaged by the royalty funding) is delayed beyond a certain pre agreed timeframe the following options exist:
    - Call Option – which grants Horizonte the option to buy back between 50 – 100% of the royalty at a valuation that meets certain minimum economic returns for OMF;

    - Make Whole Option – which grants Horizonte the option to make payment as if the project had started commercial production and the royalty payment were due; and
    - Put Option – should Horizonte not elect for either of the above options, this put option grants OMF the right to sell between 50 – 100% of the Royalty back to Horizonte at a valuation that meets certain minimum economic returns for OMF.

- Buy Back Option - At any time from the date of commercial production, provided that neither the Call Option, Make Whole Option or the Put Option have been actioned, Horizonte has the right to buy back up to 50% of the Royalty at a valuation that meets certain minimum economic returns for OMF.

The directors have undertaken a review of the fair value of all of the embedded derivatives and are of the opinion that the Call Option, Make Whole Option and Put Option currently have immaterial values as the probability of both a change of control and project delay are currently considered to be remote. There is considered to be a higher probability that the Group could in the future exercise the Buy Back Option and therefore has undertaken a fair value exercise on this option.

The initial recognition of the Buy Back Option has been recognised as an asset on the balance sheet with any changes to the fair value of the derivative recognised in the income statement. It has been fair valued using a Monte Carlo simulation which runs a high number of scenarios in order to derive an estimated valuation. The Monte Carlo simulation was performed at the 31 December 2021 year end. The Monte Carlo simulation is performed annually at the year-end date. The assumptions driving the buy-back option valuation were assessed as at 30 September 2022 and it was concluded that the change in the valuation would not be material.

The assumptions for the valuation of the Buy Back Option (per the Monte Carlo simulation) are the future nickel price (US$16,941/t Ni), the production start date (May 2023), the prevailing royalty rate (2.95%), the inflation rate (1.76%) and volatility of nickel prices (22.1%).

Sensitivity analysis

The valuation of the Buyback option is most sensitive to estimates for nickel price and nickel price volatility.

An increase in the estimated future nickel price by US$1,000 would give rise to a US$1,338,000 increase in the value of the option.

The nickel price volatilities based on both 5- and 10-year historic prices are in close proximity and this is the period in which management consider that the option would be exercised. Therefore, management have concluded that currently no reasonably possible alternative assumption for this estimate would give rise to a material impact on the valuation.

10 b.2) Vermelho derivative financial assets

Horizonte has the right to buy back 50% of the royalty on the first four anniversaries of closing (or on any direct or indirect change of control in respect of Vermelho up until the fourth anniversary of closing).

After the 4th anniversary, Horizonte has the right to buy back 50% of the royalty on any direct or indirect change of control in respect of Vermelho at a valuation that meets certain minimum economic returns for OMF.

The initial recognition of the Buy Back Option has been recognised as an asset on the balance sheet with any changes to the fair value of the derivative recognised in the income statement. It has been fair valued using a Monte Carlo simulation which runs a high number of scenarios in order to derive an estimated valuation. The Monte Carlo simulation was performed at the agreement date of 23 November 2021.

The assumptions for the valuation of the Buy Back Option (per the Monte Carlo simulation) are the future nickel price (US$16,602/t Ni), the future cobalt price (US$45,387/t Co), the production profile from 2027 to 2065, the expected royalty rate (2.1%), the inflation rate (1.76%), volatility of nickel prices (22.1%) and volatility of cobalt prices (28.0%).

Sensitivity analysis

The valuation of the Buyback option is sensitive to estimates for nickel and cobalt prices and their respective volatilities, the change in royalty rate and the production profile.

An increase in the volatility of the nickel (28%) and cobalt (35%) would give rise to a US$270,000 increase in the value of the option. An increase in the royalty rate to 2.25% (assuming the original volatilities 22%Ni, 28%Co) would increase the option valuation by US$830,000.

If the production profile decreased by 20% (assuming the original volatilities) the option valuation would decrease by U$1.9million.

The nickel and cobalt price volatilities based on both 5- and 10-year historic prices are in close proximity and this is the period in which management consider that the option would be exercised. Therefore, management have concluded that currently no reasonably possible alternative assumption for this estimate would give rise to a material impact on the valuation.

	Araguaia Royalty	Vermelho Royalty	Total
	US$	US$	US$
Value as at 1 January 2021	2,400,000	-	2,400,000
Change in fair value	2,550,000	-	2,550,000
Value as at 31 December 2021	4,950,000	-	4,950,000
Initial recognition	-	4,590,000	4,590,000
Value as at 30 September 2022	4,950,000	4,590,000	9,540,000

11 Convertible loan notes liability

On 29 March 2022 the Company issued convertible loan notes to the value of US$65 million at an interest rate of 11.75% with interest accruing quarterly in arrears. The convertible loan notes were issued at a discount of 5.75%. The maturity date of the instruments is 15 October 2032.
The convertible loan notes are unsecured and the noteholders will be repaid as follows:

- Interest shall be capitalised until the Araguaia Project Completion date, estimated to be 31 December 2025 (subject to various technical operating tests being passed)
- After Project Completion Date, interest shall be paid quarterly only if there is available cash (after the company meets its senior debt and other senior obligations)
- After Project Completion Date, principal repayments (including accrued capitalized interest) shall be paid quarterly subject to available cash for distribution. In addition, a cash sweep of 85% of excess cash will apply on each interest payment date
- Any amount outstanding on the CLN on the maturity date 15 October 2032, Horizonte is obliged to settle in full on the maturity date.

At any time until the Maturity Date, the Noteholder may, at its option, convert the notes, partially or wholly, into a number of ordinary shares up to the total amount outstanding under the Convertible Note divided by the Conversion Price. The Conversion Price is 125% of the Subscription Price of 0.07 pence (after share consolidation 1.40 pence converted to US$ at a rate of 1.3493). The Conversion Price is therefore US$1.89.

The convertible loan is a hybrid financial instrument, whereby a debt host liability component and an embedded derivative liability component was determined at initial recognition. The conversion option did not satisfy the fixed for fixed equity criterion (fixed number of shares and fixed amount of cash) as the currency of the convertible loan notes is US Dollar and the functional currency of Horizonte Minerals Plc and its share price is GBP.

For convertible notes with embedded derivative liabilities, the fair value of the embedded derivative liability is determined first and the residual amount is assigned to the debt host liability.

The initial recognition of the embedded derivative conversion feature has been recognised as a liability on the balance sheet with any changes to the fair value of the derivative recognised in the income statement. It has been fair valued using a Monte Carlo simulation which runs a high number of scenarios in order to derive an estimated valuation. The Monte Carlo simulation was performed at the transaction date 29 March 2022 and 30 June 2022.

The assumptions for the valuation of the conversion feature (per the Monte Carlo simulation) are the Horizonte Minerals Plc future share price volatility (60%), GBP: USD exchange rate volatility (9%) on the conversion price, risk-free rates (2.41% at 29 March and 2.98% at 30 June).

At 29 March 2022 the fair value of the conversion feature was calculated (per the Monte Carlo simulation) as US$19,161,400. The proceeds received was US$ 61,262,500 and thus the residual allocated to the debt host liability was US$42,101,100.

The debt host liability will be accounted for using the amortised cost basis with an effective interest rate of 19%. The effective interest rate is recalculated after adjusting for the transaction costs. The Group will recognise the unwinding of the discount at the effective interest rate, until the maturity date, the carrying amount at the maturity date will equal the cash payment required to be made.

The directly attributable transaction costs amounted to US$2,347,041 which was allocated proportionately to the embedded derivative (US$734,096) and the convertible loan notes liability (US$ 1,612,945). The embedded derivative transaction costs were recognised in profit and loss, whereas the convertible loan liability transaction costs were deducted from the financial liability carrying amount.

After the fifth anniversary of the closing date, Horizonte shall have a one-time right to redeem the Convertible Notes, in whole, at 105% of the par value plus accrued and unpaid interest in cash if:

1. The thirty-business day VWAP of Horizonte shares exceeds 200% of the Conversion Price and the average daily liquidity of the Company's shares (across all relevant exchanges) exceeds US$2.5 million per trading day over the prior 30 trading days; or
2. There is a change of control.

Management have assessed the likelihood of the above events occurring is highly improbable and thus the value of the redemption right is immaterial and was thus not considered in the valuation of the instrument.

Sensitivity analysis – Conversion feature derivative

The valuation of the conversion feature derivative is sensitive to the Horizonte Minerals Plc future share price volatility (60%). If the share price volatility increased to 80% the option valuation would increase by $3.5million. If the volatility decreased to 40% the option valuation would decrease by $1.9million.

	Embedded derivative US$	Convertible loan notes liability US$	Total US$
Initial recognition (after discount on issue)	19,161,400	42,101,100	61,262,500
Transaction costs	-	(1,612,944)	(1,612,944)
Unwinding of discount	-	3,767,306	3,767,306
Change in fair value	(4,360,500)	-	(4,360,500)
Value as at 30 September 2022	14,800,900	44,255,462	59,056,362

12 Environmental rehabilitation provision

Environmental rehabilitation provision relates to the estimated cost of returning the Araguaia Project mining property to its original state at the end of the life of mine in accordance with the Brazilian legislation. The cost is recognised as part of the Mine Development Asset and will be depreciated over the life of the mine. The main uncertainty relates to estimating the cost that will be incurred at the end of the life of mine.

	Total US$
Additions	98,036
Value as at 30 September 2022	98,036

13 Derivative financial liability

Cash flow forward foreign exchange contracts

	Total US$
Derivatives designated as hedging instruments	
Non-deliverable forward contracts	7,845,762
Value as at 30 September 2022	7,845,762

Current and non-current	
Current	7,201,664
Non-current	644,098
	7,845,762

In January 2022 the Group's Board approved the budget for the development of the Araguaia Ferronickel Project (Project). With the funding base being primarily US Dollars, the Project budget includes a significant portion of spend in local currency, the Brazilian Real (BRL). The Group and its senior lenders agreed to implement a foreign exchange hedging strategy that ensures that at least 70% of its BRL denominated capital expenditure to be incurred between 14 May 2022 and 31 March 2024 is hedged to reduce the exposure of future BRL foreign exchange risk.
The Group has therefore entered into a series of monthly non-deliverable forward transactions ("NDFs") which will lock in a series of future USD: BRL rates based on the Group's projected spend profile at the time of entering into those transactions. NDFs by definition are non-deliverable and so the Group would either pay or receive an amount of BRL to ensure that it ultimately achieves the hedged rate.

The effects of the cash flow non-deliverable forward contract hedging relationship are as follows:

	US$
Carrying amount of the derivatives	(7,845,763)
Change in fair value of designated hedging instruments	(7,845,763)
Change in fair value of designated hedged item	7,845,763
Notional amount	278,032,760
Maturity date	31/10/2022 – 28/03/2024
Hedge ratio	1:1

14 Fair value

Carrying Amount versus Fair Value
The following table compares the carrying amounts versus the fair values of the group's financial assets and financial liabilities as at 30 September 2022.

The group considers that the carrying amount of the following financial assets and financial liabilities are a reasonable approximation of their fair value:

- Trade receivables
- Trade payables
- Cash and cash equivalents

	As at 30 September 2022			As at 31 December 2021		
	Carrying amount	**Amortised Cost**	**Fair Value**	**Carrying amount**	**Amortised cost**	**Fair Value**
	US$	US$	US$	US$	US$	US$
Financial Assets						
Derivative financial assets	9,540,000	-	9,540,000	4,950,000	-	4,950,000
Total Assets	**9,540,000**		**9,540,000**	**4,950,000**		**4,950,000**
Financial Liabilities						
Contingent consideration	6,779,135	6,779,135	-	6,734,132	6,734,132	
Deferred consideration	5,677,125	5,677,125	-	5,475,538	5,475,538	
Royalty Finance	88,600,396	88,600,396	-	44,496,504	44,496,504	
Convertible Loan Note – host debt liability	44,255,462	44,255,462	-	-	-	-
Convertible Loan Note – embedded derivative	14,800,900	-	14,800,900	-	-	-
Derivative financial liability	7,845,763	-	7,845,763	-	-	-
Total Liabilities	**167,958,780**	**145,312,118**	**22,646,663**	**56,706,174**	**56,706,174**	**-**

Fair value Hierarchy
The level in the fair value hierarchy within which the financial asset or financial liability is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement. Financial assets and financial liabilities are classified in their entirety into only one of the three levels. The fair value hierarchy has the following levels:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly, (i.e., as prices) or indirectly (i.e., derived from prices)
Level 3- inputs for the asset or liability that are not based on observable market data (unobservable inputs)
The derivative financial asset has been deemed to be a level three fair value. Information related to the valuation method and sensitivities analysis for the derivative financial asset are included in note 10 b.

The derivative liability on the convertible loan note has been deemed to be a level three fair value. Information related to the valuation method and sensitivities analysis are included in note 11.

The derivative liability on the forward exchange contracts has been deemed to be a level one fair value. Information related to the hedging instrument are included in note 13.

15 Dividends

No dividend has been declared or paid by the Company during the nine months ended 30 September 2022 (2021: nil).

16 Earnings per share

The calculation of the loss per share of 1.435 cents for the nine months ended 30 September 2022 (30 September 2021 loss per share: 8.488 cents) is based on the loss attributable to the equity holders of the Company of US$2,732,101 for the nine month period 30 September 2022 (30 September 2021: US$6,940,625 loss) divided by the weighted average number of shares in issue during the period of 190,324,323 (weighted average number of shares for the nine months ended 30 September 2021: 81,767,079). The comparative earnings per share (30 September 2021) have been restated to reflect the share consolidation (note 8). The conversion option on the convertible loan notes was considered when assessing the diluted earnings per share. However, when comparing the exercise price of £1.75 and the market price per share of £0.97 as at the quarter end date 30 September 2022, the conversion option was out of the money and therefore it is not dilutive.

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 2021 and in note 17 below.

17 Share based payment

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, other than the options issued on 12 July 2022. Options issued on 12 July 2022 will vest in three tranches on the 12-month, 18-month and 28-month anniversaries after the date of grant (refer below for further information). All share options 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 not the Group has any legal or constructive obligation to settle or repurchase the options in cash.

Two employees exercised their share options on 11 April 2022 and 6 July 2022 respectively. There were no other movements for the nine months ended 30 September 2022.

On 31 May 2022 the Group completed a share consolidation on the basis of 1 new share for every 20 existing shares. The number of share options and the exercise prices have been revised following the share consolidation.

The Group awarded new share options on 12 July 2022 (the "Award Date") over 9,736,250 ordinary shares of £0.20 each in the capital of the Company to executives (PDMRs) and key personnel in the UK and Brazil. Each share option is exercisable in return for one ordinary share in the Company and will vest in three tranches on the 12-month, 18-month and 28-month anniversaries of the Award Date at a ratio of 25%, 25% and 50%, with exercise prices of £1.68, £1.72 and £1.76 for each one third of the Awards.

Movements on number of share options and their related exercise price are as follows:

	Number of options (before share consolidation)	Weighted average exercise price (before share consolidation) £	Number of options (after share consolidation)	Weighted average exercise price (after share consolidation) £
Outstanding at 1 January 2022	114,300,000	0.0425	5,715,000	0.85
Exercised	(7,000,000)	0.0433	(350,000)	0.83
Issued but not vested	194,725,000	0.086	9,736,250	1.72
Expired	(7,700,000)	0.064	(385,000)	1.28
Outstanding at 30 September 2022	294,325,000	0.071	14,716,250	1.41
Exercisable at 30 September 2022	**101,400,000**	**0.042**	**5,070,000**	**0.833**

The fair value of the share options issued during the current financial year was determined using the Black-Scholes valuation model.

The parameters used are detailed below:

	2022 options
Date of grant	12/07/2022
Weighted average share price	98.5 pence
Weighted average exercise price	172 pence
Weighted average fair value at the measurement date	41.69 pence
Expiry date	11/07/2032
Options granted	9,736,250
Volatility	45.1%
Dividend yield	Nil
Option life	10 years
Annual risk-free interest rate	2.14%

18 Ultimate controlling party

The Directors believe there to be no ultimate controlling party.

19 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 2021. There were no significant related party transactions during the nine-month period ended 30 September 2022.

20 Commitments

The Company has conditional capital commitments totaling $397 million relating to equipment purchase and service contracts which are key to the commencement of the Araguaia project construction. These commitments remain subject to a number of conditions precedent which have not been met at the date of this report.

21 Events after the reporting period

The Company announced a placing and subscription raising (together the "Fundraise") on 4 October 2022. Gross proceeds of approximately £70.5million (approximately US$80million) was raised at a placing price of 90.5 pence per share from existing and new investors. The Company issued a total of 77,945,627 new ordinary shares, with existing shareholders La

Mancha Investments S.A.R.L. and Glencore International AG participating for approximately £23.8million (approximately US$27million) and approximately £26.4million (approximately US$30million) respectively.

In connection with the Fundraise, Jeremy Martin, a director and Chief Executive Officer of the Company, and Simon Retter, Chief Financial Officer of the Company, each agreed to subscribe for 27,624 shares at the placing price.

The Fundraise was completed on the 8th November 2022.

22 Approval of interim financial statements

These Condensed Consolidated Interim Financial Statements have been approved for issue by the Board of Directors on 8 November 2022.