HORIZONTE MINERALS PLC

NEWS RELEASE

29 March 2019

FINAL RESULTS FOR YEAR ENDED 31 DECEMBER 2018

Horizonte Minerals Plc, (AIM: HZM, TSX: HZM) ('Horizonte' or 'the Company') the nickel development company focused in Brazil, announces its final results for the year ended 31 December 2018.

Highlights

- Successful completion of Araguaia Feasibility Study demonstrating robust economics; Initial 28-year mine life generates cash flows after taxation of US$1.6 billion with sufficient Mineral Resources to extend beyond 28 years;
- Base Case post-tax Net Present Value[1] ('NPV') of US$401 million[2] and Internal Rate of Return ('IRR') of 20.1% using. Using the consensus mid-term nickel price of US$16,800/t, the post-tax NPV increases to US$740 million with an IRR of 28.1%;
- Award of the Construction Licence for Araguaia Nickel Project in January 2019 for the construction of the Project, including mine, associated infrastructure and pyro-metallurgical processing plant;
- Cash position of £6.5 Million;
- Endeavour Financial appointed to lead the project financing for the Araguaia Nickel Project. Endeavour have a proven track record, recent success includes the financing of the US$750 million Fruta Del Norte Gold Project in Ecuador for Lundin Gold;
- Compelling nickel market fundamentals, continued reduction of nickel inventories on the LME, with levels now at 6 year lows, robust demand from stainless steel and the EV battery market; and
- Pre-Feasibility study underway for the Vermelho Nickel Cobalt Project, completion planned for mid-year 2019.

Chairman's Statement

Dear Shareholders

It is with pride that I share with you the notable achievements made by Horizonte throughout 2018. 2018 was the year that set the Company on the pathway for growth. The Company has taken the 100% Araguaia Project from initial discovery, through to a NI 43-101 compliant Feasibility Study ("FS"), with a Construction Licence.

Nickel like most metals experienced a lull both in price and market interest in the back end of 2018. However, Horizonte is well placed to benefit from the widely anticipated upwards trend in nickel demand from both the traditional stainless-steel markets as well as the new demand from Electric Vehicles (EVs).

The agreement to purchase Vermelho from Vale SA completed in early 2018 will allow the Company to take advantage of the EV market by potentially supplying nickel sulphate and cobalt, key battery ingredients into the industry at a time when they are expected to be most in demand.

Araguaia which as at the date of this report is construction ready, subject to financing, will target the more established stainless-steel market by the production of ferronickel.

[1] NPV calculated using 8% discount rate

[2] USD/BRL 1/3.5 exchange rate applied for life-of-mine

Having fallen from 470,000 tonnes to approximately 200,000 tonnes at present, nickel inventories on the LME have continued to drop and are now at their lowest level in five years. Significant new supply is required for the stainless-steel market which is growing at around 5% annually, with further additional new demand driven from the EV battery sector. Whilst the physical number of EVs on the roads throughout the world remains relatively low at 3 million cars today, forecasts for the acceleration of adoptions of EV's vary from 20 to 40 million cars on the road by 2030, representing an estimated 10-fold increase. At present it is difficult to see where significant new supply to meet this demand is going to materialise making it a driving force behind the widely held views from industry professionals that Nickel prices are anticipated to rise. The current consensus short term forecast for the Nickel price stands at $16,500/t Ni compared with a price of US$13,000/t at the date of this report.

Horizonte, with the construction ready Araguaia ferronickel project and Vermelho's potential to produce nickel sulphate and cobalt, is uniquely positioned to take advantage of the current demand forecast. Araguaia is well positioned as one of only a few construction ready ferro nickel projects in the world. With the average time to get from initial discovery to first production estimated at approximately 8 to 10 years for most mining projects, Horizonte through Araguaia represents a unique opportunity to capitalise on the fundamentals of the nickel market as highlighted above.

Araguaia

The Company has made significant advances and has delivered a number of key milestones during 2018 as we work towards developing the Araguaia ferronickel project and move towards becoming a nickel producer. The major milestone was the release of the FS demonstrating robust economics on the single line RKEF process plant. The FS has also been designed to allow for a second production line. In December last year we filed the NI 43-101 technical report for Araguaia including the FS results and the potential upside which could be realised from doubling production by adding a second line. At 29,000/t per annum production of nickel, the expanded project would become globally significant production unit.

If one applies the FS base case nickel price of US$14,000/t, the Stage-2 expansion demonstrates a step-change in the economics of Araguaia: increasing cash flows after taxation from US$1.6 billion to US$2.6 billion; and NPV from US$401 million up to US$741 million. The economics at this nickel price are outstanding. The expansion would require no additional upfront capital as the second line would be funded through reinvestment of free cash flows generated from the existing operation.

Most importantly, post the year end, we announced the granting of the Construction Licence ("LI") which provides Horizonte with the permits required to construct the Araguaia RKEF processing plant and associated infrastructure. The LI approval represents a major de-risking step for Araguaia, which is now fully permitted to commence construction, subject to financing. This is something the Company will prioritise in 2019, as well as working out how to optimise the structure for maximum shareholder value.

Vermelho

In January 2018, we completed the acquisition of the nearby Vermelho nickel-cobalt project from Vale, which represents a significant development for the Company. This acquisition has transformed Horizonte into a multi-asset company bringing together two large, advanced nickel deposits located in the established mining region in the Pará State in northern Brazil.

The combined resources of Araguaia and Vermelho positions the Company with one of the largest undeveloped nickel resource bases in the world.

A full Feasibility Study on Vermelho had been completed by Vale and it was scheduled for construction in 2006. The project appealed to Horizonte because, as well as a large nickel resource it also contains a large cobalt resource which Vale planned to process alongside the nickel. The Company is in the process of undertaking a Pre-Feasibility Study for processing both the nickel and cobalt which is due to be released later in 2019. This acquisition gives Horizonte exposure to the additional commodity stream of cobalt, for which there is growing interest for use in the EV battery market.

Conclusion

We believe that Horizonte is currently uniquely placed to benefit from the improving nickel market fundamentals, driven by the robust market for stainless steel combined with the fast growing EV market. The

multi-asset approach covering both sections of the nickel market along with the cobalt market means that the potential revenue streams are more diversified and de-risked compared to a single asset company.

On behalf of the Board, I would like to thank the entire Horizonte team for their contributions to a successful 2018. I would like to say thank you to the shareholders for your continued support in what has been a difficult year for the market. We now look forward to updating the market on positive developments as we prepare Araguaia for construction and complete the PFS on Vermelho that should see significant success during 2019.

David J Hall

Chairman
28 March 2019

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HORIZONTE MINERALS PLC

Opinion

We have audited the financial statements of Horizonte Minerals plc (the 'parent company') and its subsidiaries ('the group') for the year ended 31 December 2018 which comprise the consolidated statement of comprehensive income, the consolidated and company statements of financial position, the consolidated and company statements of changes in equity, the consolidated and company statements of cash flows and notes to the financial statements including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2018 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Separate opinion in relation to IFRSs as issued by the IASB

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

In our opinion the group financial statements give a true and fair view of the consolidated financial position of the group as at 31 December 2018 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRSs as issued by the IASB.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements

in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty relating to going concern

We draw attention to the disclosures made in note 2.4 to the financial statements concerning the group and parent company's ability to continue as a going concern. The note explains that the group will need to raise further funds in the next twelve months in order to continue to operate and meet its liabilities as they fall due. These conditions indicate that a material uncertainty exists that may cast significant doubt on the group and parent company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Given the conditions and uncertainties noted above we considered going concern to be a Key Audit Matter. We have performed the following work as part of our audit:

We critically challenged the directors' forecasts to assess the group and parent company's ability to meet their financial obligations as they fall due for a period of at least 12 months from the date of approval of the financial statements and assessed and corroborated the key underlying assumptions, Including:

- Assessing the reasonableness of forecast expenditure by reference to actual expenditures in 2018, the directors' planned activities and the requirement to make a contractual payment of $1,850,000 in December 2019 for deferred consideration relating to the acquisition of the Vermelho asset.
- Discussing with directors' whether there are any other matters that may adversely impact upon their assessment of going concern.
- Understanding the directors' expectations regarding further fund raisings.

We reviewed the adequacy of the disclosures in the financial statements in respect of the material uncertainty.

Key audit matters

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

Carrying value of intangible assets and loans to subsidiaries

Key Audit Matter	See notes 4.1,10 and 25 for disclosures in respect of intangible assets and loans to subsidiaries. As detailed in note 2.5b, the group's intangible assets represent the legal rights to explore for minerals together with the expenditure incurred in its exploration and evaluation of the mineral assets. As detailed in note 25 the loans to subsidiary companies represent the funding provided by the parent company to its Brazilian subsidiaries to use over the course of the exploration stage and is the main source of funding for the costs capitalised under intangible assets. Each year the directors are required to assess whether there has been any indication that the intangible assets may be impaired. The directors have carried out a review for indicators of impairment and have not identified any such indicators. The introduction of IFRS 9 – Financial Instruments, for the year ended 31 December 2018 has required Management to make judgements in terms of the expected credit

	losses (impairment) attached to the loans to subsidiaries of £48.6m (2017:£48.9m) as well as their classification in the financial statements. Reviewing indicators of impairment and assessment of carrying values often require significant estimates and judgements and therefore we identified this as a key audit matter.
Audit Response	Our audit work included, but was not restricted to the following: We considered the directors' assessment of the indicators of impairment (in accordance with accounting standards) and we confirmed that there is an ongoing plan to develop the licence areas. For Araguaia, which is carried on the balance sheet at 31 December 2018 at £34.2m this assessment is supported by the externally prepared feasibility study published in October 2018, which indicates a post-tax net present value of £401m at a discount rate of 8%, and an internal rate of return (IRR) of approximately 20.1%. We have assessed the reasonableness of the 8% discount rate against third party comparators and re performed the calculation of the discount rate using source data. For the Vermelho project, which is carried on the balance sheet at 31 December 2018 at £1.3m we reviewed the updated resource statement for the project that has been prepared by the Group and obtained an understanding of the directors' intentions to progress exploration and evaluation work on the project during 2019. We reviewed the correspondence, contracts and other documents regarding the licenses to confirm that the group has the relevant contractual rights for exploration in the stated areas for Araguaia and Vermelho. We also agreed the validity of licences held by the group to the Brazilian Government's DNPM website. We considered whether there were any additional matters requiring consideration when assessing the carrying value of the parent company's loan to subsidiaries, in light of our knowledge and understanding of the business. We reviewed the director's assessment of the carrying value of intercompany loans and the terms of all intercompany loans, to check that they have been accounted for in accordance with those terms. We assessed the key judgements made relating to the expected credit loss adjustment and the evidence available to support these judgements. This included assessments of both value through development and sale. We evaluated the adequacy of the disclosures in respect of the assessment of impairment indicators for the recorded intangible assets and the expected credit loss adjustment for the loans to subsidiary companies.

Valuation of contingent consideration

Key Audit Matter	In prior years, the group acquired assets and licences relating to the Araguaia Nickel and Glencore Araguaia projects and the acquisition gave rise to contingent consideration. In early 2018 the group also completed its acquisition of the Vermelho project from Vale S.A. which included mineral rights for a new area separate from its current holdings. Details of this contingent consideration and the related critical judgements and estimates are disclosed in notes 17 and 4.2 The assessment of the contingent consideration payable requires management to make judgements and estimates in respect of a significant number of factors which influence the anticipated timing and value of cash flows arising from the Araguaia and Vermelho nickel projects, which in turn impact on the assessment of the estimated consideration payable. The directors are also required to reassess and adjust the contingent consideration payable for any changes in the accounting estimates as new information and events arises.
Audit Response	Our audit work included, but was not restricted to the following:

	We have reviewed the terms and conditions of the acquisition agreements relating to the contingent consideration amounts payable and checked that the calculation of contingent considerations is in accordance with them. We have reviewed the contingent consideration calculations and key judgements and estimates made by management supporting these calculations. We have challenged the judgements and estimates, referring to supporting documentation and considered the sensitivity of the calculations to changes in the judgements and estimates. We have also checked the accounting adjustments for any change in estimates, foreign exchange retranslation and the unwinding of the discount factor. We have evaluated the adequacy of the disclosures of contingent consideration to ensure that they have adequately explain the key judgements and estimates made by the directors.

Our application of materiality

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

Our basis for the determination of materiality has remained unchanged from prior year. We consider total assets to be the most significant determinant of the group's financial performance as the group is engaged in mineral exploration and evaluation activities and the principal focus of the users is likely to be the gross assets of the group. The benchmark percentage for calculating materiality has also remained unchanged from the prior year at 1.5%.

Whilst materiality for the financial statements as a whole was £630,000 (2017:£570,000), each significant component of the group was audited to a lower level of materiality. The Parent Company's materiality was set at £488,000 (2017:£456,000) and the materialities of the subsidiary components ranged from £488,000 to £61,000 (2017:£456,000 to £57,000).These materiality levels were used to determine the financial statement areas that are included within the scope of our audit work and the extent of sample sizes during the audit.

Performance materiality is the application of materiality at the individual account or balance level set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality. Performance materiality was set at 75% (2017: 75%) of the above materiality levels.

We agreed with the audit committee that we would report to the committee all individual audit differences identified during the course of our audit in excess of £30,500 (2016: £28,500). We also agreed to report differences below these thresholds that, in our view warranted reporting on qualitative grounds.

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

An overview of the scope of our audit

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

Whilst Horizonte Minerals Plc is a company registered in England & Wales and its head office is located in the UK the group's principal operations are located in Brazil. In approaching the audit, we considered how the group is

organised and managed. We assessed the activities of the group as being two nickel projects, Araguaia and Vermehlo and primarily comprising a number of Brazilian subsidiary entities each holding capitalised exploration and evaluation costs and exploration licences and permits. The parent company was subject to a full scope audit.

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

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

Other information

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

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

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such

internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Stuart Barnsdall (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK
28 March 2019

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2018

	Notes	**Year ended 31 December 2018 £**	Year ended 31 December 2017 £
Administrative expenses		**(1,336,093)**	(1,093,132)

Charge for share options granted		**(837,172)**	(678,652)
Changes in estimate for contingent and deferred consideration	17	**139,392**	621,545
Gain/(Loss) on foreign exchange		**186,206**	(299,834)
Operating loss	6	**(1,847,667)**	(1,450,073)
Finance income	8	**89,446**	15,854
Finance costs	8	**(181,442)**	(232,937)
Loss before taxation		**(1,939,663)**	(1,667,156)
Income tax	9	—	—
Loss for the year from continuing operations attributable to owners of the parent		**(1,939,663)**	(1,667,156)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Currency translation differences on translating foreign operations	16	**(3,028,006)**	(3,479,050)
Other comprehensive income for the year, net of tax		**(3,028,006)**	(3,479,050)
Total comprehensive income for the year attributable to owners of the parent		**(4,967,669)**	(5,146,206)
Profit/(Loss) per share from continuing operations attributable to owners of the parent			
Basic and diluted (pence per share)	19	**(0.136)**	(0.142)

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

Consolidated Statement of Financial Position
Company number: 05676866
As at 31 December 2018

	Notes	**31 December 2018 £**	31 December 2017 £
Assets			
Non-current assets			
Intangible assets	10	**35,737,902**	34,308,278
Property, plant & equipment		**1,186**	2,051
		35,739,088	34,310,329
Current assets			
Trade and other receivables		**24,243**	153,105
Cash and cash equivalents	12	**6,527,115**	9,403,825
		6,551,358	9,556,930
Total assets		**42,290,446**	43,867,259
Equity and liabilities			
Equity attributable to owners of the parent			
Share capital	13	**14,325,218**	13,719,343
Share premium	14	**41,664,018**	40,422,258
Other reserves	16	**(2,039,991)**	988,015
Retained losses		**(16,990,290)**	(15,887,801)
Total equity		**36,958,955**	39,241,815
Liabilities			
Non-current liabilities			
Contingent consideration	17	**3,461,833**	3,635,955
Deferred tax liabilities	9	**228,691**	253,205
		3,690,524	3,889,160
Current liabilities			
Trade and other payables	17	**280,175**	736,284
Deferred Consideration	17	**1,360,792**	-
		1,640,967	736,284
Total liabilities		**5,331,491**	4,625,444
Total equity and liabilities		**42,290,446**	43,867,259

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

The Financial Statements were authorised for issue by the Board of Directors on 28 March 2019 and were signed on its behalf.

David J Hall
Chairman

Jeremy J Martin
Chief Executive Officer

Company Statement of Financial Position
Company number: 05676866
As at 31 December 2018

	Notes	**31 December 2018 £**	31 December 2017 £
Non-Current Assets			
Property, plant & equipment	11	**-**	-
Investment in subsidiaries	24	**2,348,042**	2,348,042
Loans to Subsidiaries	25	**49,478,251**	48,890,013
		51,826,293	51,238,055
Current assets			
Trade and other receivables		**19,388**	41,773
Cash and cash equivalents	12	**5,487,339**	9,238,827
		5,506,725	9,280,600
Total assets		**57,333,020**	60,518,655
Equity and liabilities			
Equity attributable to equity shareholders			
Share capital	13	**14,325,218**	13,719,343
Share premium	14	**41,664,018**	40,422,258
Merger reserve	16	**10,888,760**	10,888,760
Retained losses		**(14,852,732)**	(8,960,902)
Total equity		**52,025,264**	56,069,459
Liabilities			
Non-current liabilities			
Contingent consideration	17	**3,461,833**	3,635,955

		3,461,833	3,635,955
Current liabilities			
Trade and other payables	17	**485,131**	813,241
Deferred Consideration	17	**1,360,792**	-
		1,845,923	813,241
Total liabilities		**5,307,756**	4,449,196
Total equity and liabilities		**57,333,020**	60,518,655

The above Company Statement of Financial Position should be read in conjunction with the accompanying notes, loss for the period was £1,782,260 (2017:£ 275,945). As permitted by section 408 of the Companies Act 2006, the statement of comprehensive income of the Parent Company is not presented as part of these Financial Statements.

The Financial Statements were authorised for issue by the Board of Directors on 28 March 2019 and were signed on its behalf.

David J Hall
Chairman

Jeremy J Martin
Chief Executive Officer

Statement of Changes in Equity
For the year ended 31 December 2018

	Attributable to owners of the parent				
	Share capital	Share premium	Retained losses	Other reserves	Total
Consolidated	£	£	£	£	£
As at 1 January 2017	**11,719,343**	**35,767,344**	**(14,899,297)**	**4,467,064**	**37,054,454**
Loss for the year	-	-	(1,667,156)	-	(1,667,156)
Other comprehensive income:					
Currency translation differences on translating foreign operations	-	-	-	(3,479,050)	(3,479,050)
Total comprehensive income for the year	**-**	**-**	**(1,667,156)**	**(3,479,050)**	**(5,146,206)**
Issue of ordinary shares	2,000,000	5,000,000	-	-	7,000,000
Issue costs	-	(345,086)	-	-	(345,086)
Share-based payments	-	-	678,652	-	678,652
Total transactions with owners, recognised directly in equity	**2,000,000**	**4,654,914**	**678,652**	**-**	**7,333,566**
As at 31 December 2017	**13,719,343**	**40,422,258**	**(15,887,801)**	**988,015**	**39,241,815**

Loss for the year	-	-	(1,939,663)	-	(1,939,663)
Other comprehensive income:					
Currency translation differences on translating foreign operations	-	-	-	(3,028,006)	(3,028,006)
Total comprehensive income for the year	**-**	**-**	**(1,939,663)**	**(3,028,006)**	**(4,967,669)**
Issue of ordinary shares	605,875	1,451,724	-	-	2,057,599
Issue costs	-	(209,964)	-	-	(209,964)
Share-based payments	-	-	837,172	-	837,172
Total transactions with owners, recognised directly in equity	**605,875**	**1,241,760**	**837,172**	**-**	**2,684,807**
As at 31 December 2018	**14,325,218**	**41,664,018**	**(16,990,290)**	**(2,039,991)**	**36,958,955**

A breakdown of other reserves is provided in note 16.

Statement of Changes in Equity (continued)

	Attributable to equity shareholders				
	Share capital	Share premium	Retained losses	Merger reserves	Total
Company	£	£	£	£	£
As at 1 January 2017	11,719,343	35,767,344	(9,915,498)	10,888,760	48,459,949
Profit and total comprehensive income for the year	—	—	275,945	—	275,945
Issue of ordinary shares	2,000,000	5,000,000	—	—	7,000,000
Issue costs	—	(345,086)	—	—	(345,086)
Share-based payments	—	—	678,652	—	678,652
Total transactions with owners, recognised directly in equity	2,000,000	4,654,914	678,652	—	7,333,566
As at 31 December 2017 (previously stated)	**13,719,343**	**40,422,258**	**(8,960,901)**	**10,888,760**	**56,069,460**
Changes in Accounting policy-IFRS 9	—	—	(4,946,743)	—	(4,946,743)
As at 1 January 2018	**13,719,343**	**40,422,258**	**(13,907,644)**	**10,888,760**	**(51,122,717)**
Loss and total comprehensive loss for the year	—	—	(1,782,260)	—	(1,782,260)
Issue of ordinary shares	605,875	1,451,724	—	—	2,057,599
Issue costs	—	(209,964)	—	—	(209,964)

Share-based payments	—	—	837,172	—	837,172
Total transactions with owners, recognised directly in equity	**605,875**	**1,241,760**	**837,172**	—	**2,684,807**
As at 31 December 2018	**14,325,218**	**41,664,018**	**(14,852,732)**	**10,888,760**	**52,025,264**

A breakdown of the Changes in Accounting policy-IFRS 9 adjustment is provided in note 25.

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

Consolidated Statement of Cash Flows
For the year ended 31 December 2018

	Notes	**31 December 2018 £**	31 December 2017 £
Cash flows from operating activities			
Loss before taxation		**(1,939,663)**	(1,667,156)
Finance income		**(89,446)**	(15,854)
Finance costs		**181,442**	232,937
Charge for share options granted		**837,172**	678,652
Exchange differences		**(313,049)**	(117,606)
Change in fair value of contingent consideration		**(139,392)**	(621,545)
Depreciation		**-**	283
Operating loss before changes in working capital		**(1,462,136)**	(1,510,298)
Decrease/(increase) in trade and other receivables		**128,862**	(117,612)
Increase/(decrease) in trade and other payables		**(456,109)**	344,298
Net cash used in operating activities		**(1,790,183)**	(1,283,612)
Cash flows from investing activities			
Purchase of exploration and evaluation assets		**(3,221,062)**	(5,102,852)
Purchase of property, plant and equipment		**-**	(2,236)
Interest received		**89,446**	15,854
Net cash used in investing activities		**(3,131,616)**	(5,089,234)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		**2,057,599**	7,000,000
Issue costs		**(209,965)**	(241,276)

Net cash generated from financing activities		**1,847,634**	6,758,724
Net increase/(decrease) in cash and cash equivalents		**(3,074,164)**	385,878
Cash and cash equivalents at beginning of year		**9,403,825**	9,317,781
Exchange gain/(loss) on cash and cash equivalents		**197,454**	(299,834)
Cash and cash equivalents at end of the year	12	**6,527,115**	9,403,825

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

Company Statement of Cash Flows
For year ended 31 December 2018

	Notes	**31 December 2018 £**	31 December 2017 £
Cash flows from operating activities			
Loss before taxation		**(1,782,260)**	275,945
IFRS 9 Expected credit loss		**1,939,745**	
Finance income		**(74,909)**	(13,882)
Finance costs		**181,442**	232,937
Charge for share options granted		**837,172**	678,652
Exchange differences		**(40,661)**	(255,717)
Change in fair value of contingent consideration		**(139,392)**	(621,545)
Depreciation		**-**	283
Operating profit before changes in working capital		**921,137**	296,673
Decrease/(increase) in trade and other receivables		**22,446**	(6,351)
Decrease/(increase) in trade and other payables		**(328,111)**	66,186
Net cash flows generated from operating activities		**(615,472)**	356,508
Cash flows from investing activities			
Loans to subsidiary undertakings		**(6,475,397)**	(6,821,063)
Interest received		**74,909**	13,881
Net cash used in investing activities		**(6,400,488)**	(6,807,182)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		**2,057,599**	7,000,000
Issue costs		**(209,965)**	(241,276)

Net cash generated from financing activities		**1,847,634**	6,758,724
Net increase/(decrease) in cash and cash equivalents		**(3,937,382)**	308,050
Exchange gain/(loss) on cash and cash equivalents		**185,954**	(213,215)
Cash and cash equivalents at beginning of year		**9,238,827**	9,143,993
Cash and cash equivalents at end of the year	12	**5,487,399**	9,238,827

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

Notes to the Financial Statements

1 General information

The principal activity of Horizonte Minerals Plc ('the Company') and its subsidiaries (together 'the Group') is the exploration and development of base metals. The Company's shares are listed on the AIM market of the London Stock Exchange and on the Toronto Stock Exchange. The Company is incorporated and domiciled in England and Wales. The address of its registered office is Rex House, 4-12 Regents Street, London, SW1Y 4RG.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these Financial Statements are set out below. These policies have been consistently applied to all the years presented.

2.1 Basis of preparation

These Financial Statements have been prepared in accordance with International Financial Reporting Standards ('IFRSs') and IFRS interpretations Committee ('IFRS IC') interpretations as adopted by the European Union ('EU') and with IFRS and their Interpretations issued by the IASB. The consolidated financial statements have also been prepared in accordance with and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The Financial Statements have been prepared under the historical cost convention as modified by the revaluation of share based payment charges which are assessed annually.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's Accounting Policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Statements, are disclosed in Note 4.

2.2 Changes in accounting policy and disclosures

a) New and amended standards adopted by the Group

IFRS 9 'Financial Instruments' has replaced IAS 39 'Financial Instruments: Recognition and Measurement' (IAS 39), and has had a significant effect on the Group in the following areas:

The group applied the expected credit loss model when calculating impairment losses on its financial assets measured at amortised costs (trade receivables and loans due from related parties). This resulted in increased impairment provisions and greater judgement due to the need to factor in forward looking information when estimating the appropriate amount of provisions. In applying IFRS 9 the group considered the probability of a default occurring over the life of its loans and asset balances on initial recognition of those assets. Under the existing incurred loss model, no historical loss rate has typically been recognised. Under the new model an impairment loss of £7,746,012 has been recognised in the Company in respect of intercompany loans. See note 25 for a discussion on the adjustment passed concerning the impairment loss.

The group has chosen not to restate comparatives on adoption of IFRS 9 and, therefore, these changes have been processed at the date of initial application (i.e. 1 January 2018), and presented in the statement of changes in equity.

IFRS 15 'Revenue from Contracts with Customers' does not have a material impact on the Group at this stage of the Group's operations as the group is not generating any revenue.

b) New and amended standards, and interpretations issued but not yet effective for the financial year beginning 1 January 2018 and not early adopted

Standards effective in future periods

Certain new standards, amendments and interpretations to existing standards have been published that are relevant to the group's activities and are mandatory for the group is accounting periods beginning after 1 January 2019 or later periods and which the group has decided not to adopt early. These include:

New Standards		Effective period commencing on or after
IFRS 16	Leases	1 Jan 2019
IFRS 17	Insurance contracts	1 Jan 2021
Amendments to existing standards		
IFRIC 23	IFRIC 23 Uncertainty over Income Tax Treatments	1 Jan 2019
IFRS 9	Amendments to IFRS 9: Prepayment Features with Negative Compensation	1 Jan 2019
IAS 28	Amendments to IAS 28: Long-term interests in Associates and Joint Ventures1	1 Jan 2019
	Annual Improvements to IFRSs (2015-2017 Cycle)	1 Jan 2019
IAS 19	Amendments to IAS 19: Plan Amendment, Curtailment or Settlement	1 Jan 2019
	Amendments to References to the Conceptual Framework in IFRS Standards	1 Jan 2020
IFRS 3	Amendments to IFRS 3 Business Combinations – Definition of a Business	1 Jan 2020
	Definition of Material - Amendments to IAS 1 and IAS 8	1 Jan 2020

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods.

IFRS 16 'Leases' does not have a material impact on the Group at this stage of the Group's operations. The only leases that it holds relate to a short-term lease held for office space in both the United Kingdom and its office in Brazil. These total approximately £80,000 per year and are renewed for a maximum of 12 months at a time.

2.3 Basis of consolidation and business acquisitions

Horizonte Minerals Plc was incorporated on 16 January 2006. On 23 March 2006 Horizonte Minerals Plc acquired the entire issued share capital of Horizonte Exploration Limited (HEL) by way of a share for share

exchange. The transaction was treated as a group reconstruction and was accounted for using the merger accounting method as the entities were under common control before and after the acquisition.

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

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

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

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

Other than for the acquisition of HEL as noted above, the Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are expensed as incurred unless they result from the issuance of shares, in which case they are offset against the premium on those shares within equity.

If an acquisition is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or a liability is recognised in accordance with IFRS9 either in profit or loss or as a change in other comprehensive income. The unwinding of the discount on contingent consideration liabilities is recognised as a finance charge within profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with policies adopted by the Group.

Investments in subsidiaries are accounted for at cost less impairment.

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

Subsidiary undertaking	Held	Registered Address	Country of incorporation	Nature of business
Horizonte Exploration Ltd	Directly	Rex House, 4-12 Regents Street, London SW1Y 4RG	England	Mineral Exploration
Horizonte Minerals (IOM) Ltd	Indirectly	Devonshire House, 15 St Georges St, Douglas, Ilse of Man,	Isle of Man	Holding company

HM Brazil (IOM) Ltd	Indirectly	Devonshire House, 15 St Georges St, Douglas, Ilse of Man, Isle of Man		Holding company
Cluny (IOM) Ltd	Indirectly	Devonshire House, 15 St Georges St, Douglas, Ilse of Man, Isle of Man		Holding company
Champol (IOM) ltd	Indirectly	Devonshire House, 15 St Georges St, Douglas, Ilse of Man, Isle of Man		Holding company
Horizonte Nickel (IOM) Ltd	Indirectly	Devonshire House, 15 St Georges St, Douglas, Ilse of Man, Isle of Man		Holding company
HM do Brasil Ltda	Indirectly	CNPJ 07.819.038/0001-30 com sede na Avenida Amazonas, 2904, loja 511, Bairro Prado, Belo Horizonte – MG. CEP: 30.411-186	Brazil	Mineral Exploration
Araguaia Niquel Metias Ltda	Indirectly	CNPJ 97.515.035/0001-03 com sede na Avenida Amazonas, 2904, loja 511, Bairro Prado, Belo Horizonte – MG. CEP: 30.411-186	Brazil	Mineral Exploration
Lontra Empreendimentos e Participações Ltda	Indirectly	CNPJ 11.928.960/0001-32 com sede na Avenida Amazonas, 2904, loja 511, Bairro Prado, Belo Horizonte – MG. CEP: 30.411-186	Brazil	Mineral Exploration
Typhon Brasil Mineração Ltda	Indirectly	CNPJ 23.282.640/0001-37 com sede Alameda Ezequiel Dias, n. 427, 2º andar, bairro Funcionários, Município de Belo Horizonte, Estado de Minas Gerais, CEP 30.130-110.	Brazil	Mineral Exploration
Trias Brasil Mineração Ltda	Indirectly	CNPJ 23.282.280/0001-73 com sede na Alameda Ezequiel Dias, n. 427, 2º andar, bairro Funcionários, Município de Belo Horizonte, Estado de Minas Gerais, CEP 30.130-110	Brazil	Mineral Exploration

2.3 (b) Subsidiaries and Acquisitions

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is recognised where an investor is expected, or has rights, to variable returns from its investment with the investee, and has the ability to affect these returns through its power over the investee. Based on the circumstances of the acquisition an assessment will be made as to whether the acquisition represents an acquisition of an asset or the acquisition of asset. In the event of a business acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair value at the date of acquisition. Any excess of the cost of the acquisition over the fair values of the identifiable net assets acquired is recognised as a “fair value” adjustment.

If the cost of the acquisition is less than the fair value of net assets of the subsidiary acquired, the difference is recognised directly in profit or loss. In the event of an asset acquisition assets and liabilities are assigned a carrying amount based on relative fair value.

The results of subsidiaries acquired or disposed of during the year are included in the statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies into line with those used by the Group.

Contingent consideration as a result of business acquisitions is included in cost at its acquisition date assessed value and, in the case of contingent consideration classified as a financial liability, remeasured subsequently through the profit and loss.

2.4 Going concern

The Group's business activities together with the factors likely to affect its future development, performance and position are set out in the Chairman's Statement on pages 4 and 5; in addition note 3 to the Financial Statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and its exposure to credit and liquidity risk.

The Group's assets are not generating revenues and an operating loss has been reported for the year. The Group is expected to remain loss making until it enters into production, which is conditional upon sufficient funding being obtained by the company in order to enter into commercial production at one of its projects. The Directors have reviewed cash flow forecasts for the period to the end of 2020 and believe that the Group will need to raise further funds in the next twelve months for corporate overheads and committed project acquisition costs, which include consideration of $1,850,000 payable in December 2019 for the acquisition of Vermelho.

The Directors have a reasonable expectation that the Group has the ability to raise additional funds required in order to continue in operational existence for the foreseeable future and they therefore continue to adopt the going concern basis of accounting in preparing these Financial Statements. However, given the uncertainty surrounding the ability and likely timing of securing such investment finance the Directors are of the opinion that there exists a material uncertainty exists that may cast significant doubt on the Group and Parent Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group and Parent Company were unable to continue as a going concern.

2.5 Intangible Assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets, liabilities and contingent liabilities of the acquired subsidiary at the date of acquisition. Goodwill arising on the acquisition of subsidiaries is included in 'intangible assets'. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segment.

(b) Exploration and evaluation assets

The Group capitalises expenditure in relation to exploration and evaluation of mineral assets when the legal rights are obtained and are initially valued and subsequently carried at cost less any subsequent impairment. Expenditure included in the initial measurement of exploration and evaluation assets and which are classified as intangible assets relate to the acquisition of rights to explore, topographical, geological, geochemical and geophysical studies, exploratory drilling, trenching, sampling and activities to evaluate the technical feasibility and commercial viability of extracting a mineral resource.

Exploration and evaluation assets arising on business combinations are included at their acquisition-date fair value in accordance with IFRS 3 (revised) 'Business combinations'. Other exploration and evaluation assets and all subsequent expenditure on assets acquired as part of a business combination are recorded and held at cost.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount. The assessment is carried out by allocating exploration and evaluation assets to cash generating units, which are based on specific projects or geographical areas.

Impairment reviews for deferred exploration and evaluation expenditure are carried out on a project by project basis, with each project representing a potential single cash generating unit. In accordance with the requirements of IFRS 6, an impairment review is undertaken when indicators of impairment arise such as:

(i) unexpected geological occurrences that render the resource uneconomic;
(ii) title to the asset is compromised;
(iii) variations in mineral prices that render the project uneconomic;
(iv) substantive expenditure on further exploration and evaluation of mineral resources is neither budgeted nor planned; and
(v) the period for which the Group has the right to explore has expired and is not expected to be renewed.

See note 2.7 for impairment review process if impairment indicators are identified.

Whenever the exploration for and evaluation of mineral resources does not lead to the discovery of commercially viable quantities of mineral resources or the Group has decided to discontinue such activities of that unit, the associated expenditures are written off to profit or loss. Whenever a commercial discovery is the direct result of the exploration and evaluation assets, upon the decision to proceed with development of the asset and initial funding arrangements are in place the costs shall be transferred to tangible assets.

(c) Acquisitions of Mineral Exploration Licences

Acquisitions of Mineral Exploration Licences through acquisition of non-operational corporate structures that do not represent a business, and therefore do not meet the definition of a business combination, are accounted for as the acquisition of an asset and recognised at the fair value of the consideration. Related future consideration if contingent is recognised if it is considered that it is probable that it will be paid.

(d) Restoration, Rehabilitation and Environmental Provisions

Management uses its judgement and experience to provide for and amortise the estimated mine closure and site rehabilitation over the life of the mine. Provisions are discounted at a risk-free rate and cost base inflated at an appropriate rate. The ultimate closure and site rehabilitation costs are uncertain and cost estimates can vary in response to many factors including changes to relevant legal requirements or the emergence of new restoration techniques. The expected timing and extent of expenditure can also change, for example in response to changes in ore reserves or processing levels. As a result, there could be significant adjustments to the provisions established which could affect future financial results. Currently there is no provision as all restoration and rehabilitation for exploration activities undertaken to date in line with the agreements for access to land. Once construction and mining operations commence however this is anticipated to become more significant.

2.6 Property, plant and equipment

All property, plant and equipment is stated at historic cost less accumulated depreciation. Historic cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred.

Depreciation is charged on a straight-line basis so as to write off the cost of assets, over their estimated useful lives, using the straight-line method, on the following bases:

Office equipment	25%

Vehicles and other field equipment	25% – 33%

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

An asset's carrying amount is written down immediately to its recoverable amount if the assets carrying amount is greater than its estimated recoverable amount.

2.7 Impairment of non-financial assets

Assets that have an indefinite useful life, such as goodwill are not subject to amortisation and are tested annually for impairment. Exploration assets and property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 Foreign currency translation

(a) Functional and presentation currency

Items included in the Financial Statements of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The functional currency of the UK and Isle of Man entities is Pounds Sterling and the functional currency of the Brazilian entities is Brazilian Real. The Consolidated Financial Statements are presented in Pounds Sterling, rounded to the nearest pound, which is the Company's functional and Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where such items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

(c) Group companies

The results and financial position of all the Group's entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(1) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(2) each component of profit or loss is translated at average exchange rates during the accounting period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(3) all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of monetary items receivable from foreign subsidiaries for which settlement is neither planned nor likely to occur in the foreseeable future are taken to other comprehensive income. When a foreign operation is sold, such exchange differences are recognised in profit or loss as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and retranslated at the end of each reporting period.

2.9 Financial instruments

Financial instruments are measured as set out below. Financial instruments carried on the statement of financial position include cash and cash equivalents, trade and other receivables, trade and other payables and loans to group companies.

Financial instruments are initially recognised at fair value when the group becomes a party to their contractual arrangements. Transaction costs directly attributable to the instrument's acquisition or issue are included in the initial measurement of financial assets and financial liabilities, except financial instruments classified as at fair value through profit or loss (FVTPL). The subsequent measurement of financial instruments is dealt with below.

Financial assets

On initial recognition, a financial asset is classified as:

- Amortised cost;
- Fair value through other comprehensive income (FVTOCI) - equity instruments; or
- FVTPL.

The group does not currently have any financial assets classified as FVTOCI or FVTPL.

Amortised cost

Financial assets that arise principally from assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains or losses, together with foreign exchange gains or losses. Impairment losses are presented as separate line item in the statement of profit or loss. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within other gains or losses in the period in which it arises. On derecognition of a financial asset, the difference between the proceeds received or receivable and the carrying amount of the asset is included in profit or loss.

Financial assets at amortised cost consist of trade receivables and other receivables (excluding taxes), cash and cash equivalents, and related party intercompany loans

Impairment provisions for receivables and loans to related parties are recognised based on a forward looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short term highly liquid investments with a maturity of three months or less at the date of purchase and bank overdrafts. In the statement of financial position, bank overdrafts are included in borrowings in current liabilities.

Financial liabilities

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

Fair value through profit or loss

The group does not currently have any financial liabilities carried at Fair value through Profit and loss.

Other financial liabilities
Accounts payable and other short term monetary liabilities, are initially recognised at fair value, which equates to the transaction price, and subsequently carried at amortised cost using the effective interest method.

2.10 Taxation

The tax credit or expense for the period comprises current and deferred tax. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The charge for current tax is calculated on the basis of the tax laws enacted or substantively enacted by the end of the reporting period in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is accounted for using the liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax assets are recognised on tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Deferred tax is calculated at the tax rates (and laws) that have been enacted or substantively enacted by the Statement of Financial Position date and are expected to apply to the period when the asset is realised or the liability is settled.

Deferred tax assets and liabilities are not discounted.

2.11 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.12 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

2.13 Operating leases

Leases of assets under which a significant amount of the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Operating lease payments are charged to the Income Statement on a straight-line basis over the period of the respective leases.

2.14 Share-based payments and incentives

The Group operates equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of employee services received in exchange for the grant of share options are recognised as an expense. The total expense to be apportioned over the vesting period is determined by reference to the fair value of the options granted:

> including any market performance conditions;

> excluding the impact of any service and non-market performance vesting conditions; and

> including the impact of any non-vesting conditions.

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period the Group revises its estimate of the number of options that are expected to vest.

It recognises the impact of the revision of original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

When options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

The fair value of goods or services received in exchange for shares is recognised as an expense.

2.15 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Executive Officer, the Company's chief operating decision-maker ("CODM").

2.16 Finance income

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

2.17 Provisions and Contingent Liabilities

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

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

Contingent liabilities are potential obligations that arise from past events and whose existence will only be confirmed by the occurrence of one or more uncertain future events that, however, are beyond the control of the Group. Furthermore, present obligations may constitute contingent liabilities if it is not probable that an

outflow of resources will be required to settle the obligation, or a sufficiently reliable estimate of the amount of the obligation cannot be made.

The company has contingent consideration arising in respect of mineral asset acquisitions.

Trade and other payables
Accounts payable and other short term monetary liabilities, are initially recognised at fair value, which equates to the transaction price, and subsequently carried at amortised cost using the effective interest method.

3 Financial risk management

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

- Credit risk
- Interest rate risk
- Foreign exchange risk
- Other market price risk, and
- Liquidity risk.

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements. There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

(i) Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

- Trade and other receivables
- Cash and cash equivalents
- Trade and other payables

3.1 Financial risk factors

The main financial risks to which the Group’s activities are exposed are liquidity and fluctuations on foreign currency. The Group’s overall risk management programme focusses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group’s financial performance.

Risk management is carried out by the Board of Directors under policies approved at the quarterly Board meetings. The Board frequently discusses principles for overall risk management including policies for specific areas such as foreign exchange.

(a) Liquidity risks

In keeping with similar sized mineral exploration groups, the Group’s continued future operations depend on the ability to raise sufficient working capital through the issue of equity share capital. The Group monitors its cash and future funding requirements through the use of cash flow forecasts.

All cash, with the exception of that required for immediate working capital requirements, is held on short-term deposit.

(b) Foreign currency risks

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Brazilian Real, US Dollar and the Pound Sterling.

Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations that are denominated in a foreign currency. The Group holds a proportion of its cash in US Dollars and Brazilian Reals to hedge its exposure to foreign currency fluctuations and recognises the profits and losses resulting from currency fluctuations as and when they arise. The volume of transactions is not deemed sufficient to enter into forward contracts.

At 31 December 2018, if the Brazilian Real had weakened/strengthened by 20% against Pound Sterling with all other variables held constant, post tax loss for the year would have been approximately £45,059 lower/higher mainly as a result of foreign exchange losses/gains on translation of Brazilian Real expenditure and denominated bank balances. If the USD:GBP rate had increased by 5% the effect would be £34,024.

As of 31 December 2018 the Group's net exposure to foreign exchange risk was as follows:

			Functional Currency			
	GBP 2018	**GBP 2017**	**BRL 2018**	**BRL 2017**	**Total 2018**	**Total 2017**
Currency of net	£	£	£	£	£	£
Financial assets/liabilities						
GBP	**5,345,884**	8,026,182	**-**	-	**5,345,884**	8,026,182
USD	**(4,928,732)**	(3,426,561)	**-**	111,261	**(4,928,732)**	(3,315,299)
BRL	**-**	-	**768,958**	(58,367)	**768,958**	(58,367)
CAD	**88,326**	706,298	**-**	-	**88,326**	706,298
Total net exposure	**505,478**	**5,305,919**	**768,958**	**52,894**	**1,274,435**	**5,358,814**

(c) Interest rate risk

As the Group has no borrowings, it is not exposed to interest rate risk on financial liabilities. The Group's interest rate risk arises from its cash held on short-term deposit for which the Directors use a mixture of fixed and variable rate deposits. As a result, fluctuations in interest rates are not expected to have a significant impact on profit or loss or equity.

(d) Price risk

Given the size and stage of the Group's operations, the costs of managing exposure to commodity price risk exceed any potential benefits. The Directors will revisit the appropriateness of this policy should the Group's operations change in size or nature.

(e) Credit risk

Credit risk arises from cash and cash equivalents and outstanding receivables. The Group maintains cash and short-term deposits with a variety of credit worthy financial institutions and considers the credit ratings of these institutions before investing in order to mitigate against the associated credit risk.

The Company's exposure to credit risk amounted to £54,106,065 (2017: £58,128,840). Of this amount £48,618,726 (2017: £48,890,013) is due from subsidiary companies, £5,487,339 represents cash holdings (2017: £9,238,827). See note 25 for adjustments for provisions for expected credit losses.

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, in order to provide returns for shareholders and to enable the Group to continue its exploration and evaluation activities. The Group has no debt at 31 December 2018 and defines capital based on the total equity of the Group. The Group monitors its level of cash resources available against future planned exploration and evaluation activities and may issue new shares in order to raise further funds from time to time.

As indicated above, the Group holds cash reserves on deposit at several banks and in different currencies until they are required and in order to match where possible with the corresponding liabilities in that currency.

3.3 Fair value estimation

The carrying values of trade receivables and payables are assumed to be approximate to their fair values, due to their short-term nature. The value of contingent consideration is estimated by discounting the future expected contractual cash flows at the Group's current cost of capital of 7% based on the interest rate available to the Group for a similar financial instrument.

4 Critical accounting estimates and judgements

The preparation of the Financial Statements in conformity with IFRSs requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the end of the reporting period and the reported amount of expenses during the year. Actual results may vary from the estimates used to produce these Financial Statements.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant items subject to such judgements and estimates include, but are not limited to:

Estimates

Company – Application of the expected credit loss model prescribed by IFRS 9

The new standard IFRS 9 requires the Parent company to make assumptions when implementing the forward-looking expected credit loss model. This model is required to be used to assess the intercompany loan receivables from the company's Brazilian subsidiaries for impairment.

Arriving at the expected credit loss allowance involved considering different scenarios for the recovery of the intercompany loan receivables, the possible credit losses that could arise and the probabilities for these scenarios. The following was considered; the exploration project risk for Vermelho, positive NPV of the Araguaia projects as demonstrated by the Feasibility Study, ability to raise the finance to develop the projects, ability to sell the projects, market and technical risks relating to the project, participation of the subsidiaries in the Araguaia projects. See note 25 for a discussion on the adjustment passed concerning the impairment loss.

Judgements

4.1 Impairment of exploration and evaluation costs

Exploration and evaluation costs have a carrying value at 31 December 2018 of £35,511,145 (2017: £34,057,215). Each exploration project is subject to an annual review by either a consultant or senior company geologist to determine if the exploration results returned to date warrant further exploration expenditure and have the potential to result in an economic discovery. This review takes into consideration long-term metal prices, anticipated resource volumes and grades, permitting and infrastructure. In the event that a project does not represent an economic exploration target and results indicate there is no additional upside, a decision will be made to discontinue exploration. The judgement exercised by management relates to whether there is perceived to be an indicator of impairment and that management have concluded that there is not, due to the recovery in the Nickel prices, favourable economics of the Feasibility Study as well as ongoing

support from the equity markets to advance the project by way of closing a fund raise at the beginning of 2018.

4.2 Contingent and deferred consideration

Contingent consideration has a carrying value of £3,461,833, at 31 December 2018 (2017: £3,635,955). Deferred consideration has a carrying value of £1,360,792 at 31 December 2018 (2017: Nil). There are two contingent and deferred consideration arrangements in place as at 31 December 2018:

Xstrata – Araguaia

- A contingent consideration arrangement that requires the Group to pay Xstrata Brasil Mineração Ltda consideration after the date of issuance of a Feasibility Study ('FS') comprising the Araguaia project and the Vale dos Sonhos ('VdS') (US$330,000) and Serra do Tapa ('SdT') (US$670,000) 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. The VdS project area was included in the FS published in October 2018 and this deferred consideration was satisfied by the issue of shares in the Company in January 2019, the SdT deposit is not currently included in the Araguaia project development plan as so contingent consideration has been derecognized in respect of this amount; 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. Given the recent publication of the Feasibility Study which includes an area purchased from Glencore, this continues to be recognised as contingent consideration as it will become payable should the project enter commercial production.

Vale - Vermelho

- On 19 December 2017 the Company announced that it had reached agreement with Vale S.A ("Vale") to indirectly acquire through wholly owned subsidiaries in Brazil, 100% of the advanced Vermelho nickel-cobalt project in Brazil ("Vermelho").
- The terms of the Acquisition require Horizonte to pay an initial cash payment of US$150,000 with a further US$1,850,000 in cash payable on the second anniversary of the signing of the asset purchase agreement. This is due to be paid in December 2019 and is included in deferred consideration within current liabilities.
- A final payment of US$6,000,000 in cash is payable by Horizonte within 30 days of first commercial sale of product from Vermelho. Management have assessed that the Vermelho project has not yet progressed to a stage where this final payment can be considered probable and have therefore not recognised this contingent consideration within liabilities.

Management have sensitized the fair value calculation to reasonable changes in the unobservable inputs and note that if the discount rate were to increase from 7% to 10% then the FV would decrease by £221,263 (2017: £269,255) to £3,240,600 (2017: £3,366,700).

There has been no change in valuation technique during the period. Please refer to Note 17 for an analysis of the contingent and deferred consideration.

4.3 Current and deferred taxation

The Group is subject to income taxes in numerous jurisdictions. Judgment is required in determining the worldwide provision for such taxes. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will affect the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred tax liabilities have been recognised on the fair value gains in exploration assets arising on the acquisitions of Araguaia Niquel Mineração Ltda (formerly Teck Cominco Brasil S.A) and Lontra Empreendimentos e Participações Ltda in 2010. A deferred tax asset in respect of the losses has been recognised on acquisition of Araguaia Niquel Mineração Ltda to the extent that it can be set against the deferred tax liability arising on the fair value gains. In determining whether a deferred tax asset in excess of this amount should be recognized management must make an assessment of the probability that the tax losses will be utilized and a deferred tax asset is only recognised if it is considered probable that the tax losses will be utilized.

Other estimates include but are not limited to future cash flows associated with assets, useful lives for depreciation and fair value of financial instruments.

5 Segmental reporting

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

2018	**UK 2018 £**	**Brazil 2018 £**	**Total 2018 £**
Revenue	-	-	-
Administrative expenses	(1,336,093)	-	(1,336,093)
Loss on foreign exchange	186,209	(3)	186,206
Loss from operations per reportable segment	**(1,149,884)**	(3)	**(1,149,887)**
Depreciation charges	**-**	**-**	**-**
Additions to non-current assets	**-**	**1,353,439**	**1,353,439**
Reportable segment assets	**5,627,373**	**36,663,073**	**42,290,446**
Reportable segment non-current assets	**-**	**35,739,088**	**35,739,088**
Reportable segment liabilities	**4,998,760**	**443,866**	**5,442,626**

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

Intra-group sales are calculated and recorded in accordance with the underlying intra group service agreements. In 2018 the parent company charged the Brazilian subsidiaries £1,416,698 (2017:£2,243,832) for service provided.

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

	2018 £	2017 £

Loss from operations per reportable segment	**(1,149,885)**	(1,392,966)
Changes in estimate for contingent and deferred consideration (refer note 17)	**139,392**	621,545
Charge for share options granted	**(837,172)**	(678,652)
Finance income	**89,446**	15,854
Finance costs	**(181,442)**	(232,938)
Loss for the year from continuing operations	**(1,939,663)**	(1,667,156)

6 Expenses by nature

Group	**2018 £**	2017 £
Charge for share options granted*	**837,172**	678,652
Depreciation (note 11)	—	283
Operating lease charges	**131,949**	55,421

***please see note 15 for movements in the share options and their related share price.

7 Auditor remuneration

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

Group	**2018 £**	2017 £
Fees payable to the Company's auditor and its associates for the audit of the parent company and consolidated financial statements	**38,000**	**35,350**
Fees payable to the Company's auditor and its associates for other services:		
– Audit related assurance services	**-**	**11,250**
–Tax compliance services	**4,850**	**4,850**

8 Finance income and costs

Group	**2018 £**	2017 £
Finance income:		
– Interest income on cash and short-term bank deposits	**89,446**	15,854
Finance costs:		
– Contingent and deferred consideration: unwinding of discount	**(181,442)**	(232,938)
Net finance costs	**(91,996)**	(217,084)

9 Income Tax

Group	**2018 £**	2017 **£**
Tax charge:		
Current tax charge for the year	**—**	**—**
Deferred tax charge for the year	**—**	**—**
Tax on loss for the year	**—**	**—**

Reconciliation of current tax

Group	2018 £	2017 £
Loss before income tax	**(1,939,663)**	(1,667,156)
Current tax at 19% (2017: 19.25%)	**(368,536)**	(320,928)
Effects of:		
Expenses not deducted for tax purposes	**174,095**	66,411
Utilisation of tax losses brought forward	—	—
Tax losses carried forward for which no deferred income tax asset was recognised	**194,441**	254,517
Total tax	—	—

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

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

Deferred income tax

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

Group	2018 £	2017 £
Deferred tax assets	**4,678,544**	5,426,717
Deferred tax liabilities		
– Deferred tax liability to be settled after more than 12 months	**(4,907,235)**	(5,679,922)
Deferred tax liabilities (net)	**(228,691)**	(253,205)

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

Group	2018 £	2017 £
At 1 January	**(253,205)**	(282,450)
Exchange differences	**24,514**	29,245
At 31 December	**(228,691)**	(253,205)

Deferred tax assets are recognised on tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable.

Deferred tax liabilities are recognised in respect of fair value adjustments to the carrying value of intangible assets as a result of the acquisition of such assets.

The Group has tax losses of approximately £21,728,566 (2017: £22,282,173) in Brazil and excess management charges of approximately £140,000 (2017: £835,000) in the UK available to carry forward against future taxable profits. Deferred tax assets have been recognised up to the amount of the deferred tax liability arising on the fair value adjustments. Potential deferred tax assets of £2,274,335 (2017: £2,530,454) have not been recognised.

Tax losses are available indefinitely.

10 Intangible assets

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

Group	Goodwill £	Exploration Licenses £	Exploration and evaluation costs £	Total £
Cost				
At 1 January 2017	280,060	5,645,185	26,092,551	32,017,796
Additions	-	-	5,740,740	5,740,740
Exchange rate movements	(28,997)	(479,656)	(2,941,605)	(3,450,258)
Net book amount at 31 December 2017	**251,063**	**5,165,529**	**28,891,686**	**34,308,278**
Additions	-	1,245,111	3,236,829	4,481,940
Exchange rate movements	(24,306)	(280,344)	(2,747,666)	(3,052,316)
Net book amount at 31 December 2018	**226,757**	**6,130,296**	**29,380,849**	**35,737,902**

(a) Exploration and evaluation assets

The exploration and evaluation costs are split between Araguaia and Vermelho as follows:

	Exploration licences £	Exploration and evaluation costs £	Total £
Araguaia	4,863,968	29,380,849	34,244,817
Vermelho	1,266,328	-	1,266,328
Net book amount at 31 December 2018	**6,130,296**	**29,380,849**	**35,511,145**

In 2017 all costs related to Araguaia. No indicators of impairment were identified during the year for the Araguaia and Vermelho projects.

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 De Sohnos 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 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.

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

The adjacent Araguaia/Lontra/Vila Oito and Floresta exploration sites ('the Araguaia Project'), together with the Vale dos Sonhos deposit acquired from Xstrata Brasil Mineração Ltda comprise a resource of a sufficient size and scale to allow the Company to create a significant single nickel project. For this reason, at the current stage of development, these two projects are viewed and assessed for impairment by management as a single cash generating unit.

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

The NPV has been determined by reference to the FS undertaken during the year on the Araguaia Project. The key inputs and assumptions in deriving the value in use were, the discount rate of 8%, which is based upon an estimate of the risk adjusted cost of capital for the jurisdiction, capital costs of $443 million, operating costs of $8,194/t Nickel, a Nickel price of US$14,000/t and a life of mine of 28 years.

Sensitivity to changes in assumptions

For the base case NPV_8 of the Araguaia Project of US$401 million using a nickel price of US$14,000/t and US$740 million using US$16,800/t as per the FS to be reduced to the book value of the Araguaia Project as at 31 December 2018, the discount rate applied to the cash flow model would need to be increased from 8% to 17%.

Vermelho

In January 2018, the acquisition of the Vermelho project was completed, which resulted in a deferred consideration of $1,850,000 being recognised and accordingly an amount of £1,245,111 was capitalised to the exploration licences held within intangible assets shown above.

(b) Goodwill

Goodwill arose on the acquisition of Lontra Empreendimentos e Participações Ltda in 2010. The Directors have determined the recoverable amount of goodwill based on the same assumptions used for the assessment of the Lontra exploration project detailed above. As a result of this assessment, the Directors have concluded that no impairment charge is necessary against the carrying value of goodwill.

11 Property, plant and equipment

Group	Vehicles and other field equipment £	Office equipment £	Total £
Cost			
At 1 January 2016	74,647	12,596	87,243
Foreign exchange movements	31,657	1,802	33,459
At 31 December 2016	**106,304**	**14,398**	**120,702**
Foreign exchange movements	**(10,630)**	**(796)**	**(11,426)**
Additions	**2,236**	**—**	**2,236**
At 31 December 2017	**97,910**	**13,602**	**111,512**
Foreign exchange movements	**8,812**	**822**	**9,634**
Additions	**—**	**—**	**—**
At 31 December 2018	**106,722**	**14,424**	**121,146**
Accumulated depreciation			
At 1 January 2017	105,725	14,115	119,840
Charge for the year	358	283	641
Foreign exchange movements	(10,224)	(796)	(11,020)
At 31 December 2017	**95,859**	**13,602**	**109,461**
Charge for the year	**436**	—	**436**
Foreign exchange movements	**9,241**	**822**	**10,063**
At 31 December 2018	**105,536**	**14,424**	**119,960**
Net book amount as at 31 December 2018	**1,186**	—	**1,186**
Net book amount as at 31 December 2017	2,051	—	2,051
Net book amount as at 1 January 2017	579	283	862

Depreciation charges of £436 (2017: £358) have been capitalised and included within intangible exploration and evaluation asset additions for the year. The remaining depreciation expense for the year ended 31 December 2018 of £nil (2017: £283) has been charged in 'administrative expenses' under 'Depreciation.'

Company	Field equipment £	Office equipment £	Total £
Cost			

At 1 January 2017	4,208	7,403	11,611
Additions	—	—	—
At 31 December 2017 and 2018	**4,208**	**7,403**	**11,611**
Accumulated depreciation			
At 1 January 2017	**4,208**	**7,120**	**11,328**
Charge for the year	—	283	283
At 31 December 2017	**4,208**	**7,403**	**11,611**
Charge for the year	—	—	—
At 31 December 2018	**4,208**	**7,403**	**11,611**
Net book amount as at 31 December 2018	—	—	—
Net book amount as at 31 December 2017	—	—	—
Net book amount as at 31 January 2017	—	**283**	**283**

12 Cash and cash equivalents

	Group		**Company**	
	2018	2017	**2018**	2017
	£	£	**£**	£
Cash at bank and on hand	**422,501**	7,903,861	**194,149**	7,738,863
Short-term deposits	**6,104,614**	1,499,964	**5,293,190**	1,499,964
	6,527,115	9,403,825	**5,487,339**	9,238,827

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

	Group		**Company**	
	2018	2017	**2018**	2017
	£	£	**£**	£
A	**5,551,299**	9,267,418	**5,431,914**	9,188,864
BBB-	**975,816**	136,407	**55,425**	49,963
	6,527,115	9,403,825	**5,487,339**	9,238,827

The cash deposited with the institution with a BBB rating is only held short term and the expected credit loss is not assessed as material.

13 Share capital

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**	200,000,000	2,000,000
At 31 December	**1,432,521,800**	**14,325,218**	1,371,934,300	13,719,343

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

2018

On 11 January 2018, the Company issued 60,587,500 new ordinary shares through a private placement in Canada at a price of C$0.06 per share raising gross cash proceeds of CAD$3,635,250 before expenses.

2017

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

14 Share premium

Group and Company	**2018 £**	2017 £
At 1 January	40,422,258	35,767,344
Premium arising on issue of ordinary shares	**1,451,723**	5,000,000
Issue costs	**(209,964)**	(345,086)
At 31 December	**41,664,018**	40,422,258

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

15 Share-based payments

The Directors have discretion to grant options to the Group employees to subscribe for Ordinary shares up to a maximum of 10% of the Company's issued share capital. One third of options are exercisable at each six months anniversary from the date of grant, such that all options are exercisable 18 months after the date of grant and all lapse on the tenth anniversary of the date of grant or the holder ceasing to be an employee of the Group. Should holders cease employment then the options remain valid for a period of 3 months after cessation of employment, following which they will lapse. Neither the Company nor the Group has any legal or constructive obligation to settle or repurchase the options in cash.

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

	Number options 2018 £	**Weighted average ofexercise price 2018 £**	Number options 2017 £	Weighted average ofexercise price 2017 £
Outstanding at 1 January	94,650,000	0.059	55,310,000	0.079
Forfeited	**-**	**-**	(1,660,000)	0.065
Granted	**39,650,000**	**0.048**	41,000,000	0.03
Outstanding at 31 December	**134,300,000**	**0.056**	94,650,000	0.059
Exercisable at 31 December	**109,026,667**	**0.058**	62,483,333	0.072

The options outstanding at 31 December 2018 had a weighted average remaining contractual life of 7.37 years (2017: 7.56 years).

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

The parameters used are detailed below.

Group and Company	**2018 options**	2017 options
Date of grant	**30/05/2018**	31/03/2017
Weighted average share price	**4.30 pence**	3.07 pence
Weighted average exercise price	**4.80 pence**	3.20 pence
Weighted average fair value at the measurement date	**2.51 pence**	2.02 pence

Expiry date	**30/5/2028**	31/3/2027
Options granted	**39,650,000**	41,000,000
Volatility	51%	68%
Dividend yield	Nil	Nil
Option life	10 years	10 years
Annual risk free interest rate	1.22%	1.19%

The expected volatility is based on historical volatility for the six months prior to the date of grant. The risk free rate of return is based on zero yield government bonds for a term consistent with the option life.

The range of option exercise prices is as follows:

Range of exercise prices (£)	**2018 Weighted average exercise price (£)**	**2018 Number shares**	**2018 Weighted average remaining life of expected (years)**	**2018 Weighted average remaining life contracted (years)**	2017 Weighted average exercise price (£)	2017 Number shares	2017 Weighted average remaining life of expected (years)	2017 Weighted average remaining life contracted (years)
0–0.1	**0.04**	**119,150,000**	**8.02**	**8.02**	0.04	79,500,000	8.32	8.32
0.1–0.2	**0.16**	**15.150,000**	**2.55**	**2.55**	0.16	15,150,000	3.55	3.55

16 Other reserves

Group	Merger reserve £	Translation reserve £	Other reserve £	Total £
At 1 January 2017	10,888,760	(5,373,596)	(1,048,100)	4,467,064
Other comprehensive income	—	—	—	—
Currency translation differences	—	(3,479,050)	—	(3,479,050)
At 31 December 2017	**10,888,760**	**(8,852,646)**	**(1,048,100)**	**998,014**
Other comprehensive income	—	—	—	—
Currency translation differences	—	**(3,028,006)**	—	**(3,208,006)**
At 31 December 2018	**10,888,760**	**(11,880,652)**	**(1,048,100)**	**(2,039,991)**

Company	Merger reserve £	Total £
At 1 January 2017 and 31 December 2017	10,888,760	10,888,760
At 1 January 2018 and 31 December 2018	**10,888,760**	**10,888,760**

The merger and other reserve as at 31 December 2018 arose on consolidation as a result of merger accounting for the acquisition of the entire issued share capital of Horizonte Exploration Limited during 2006 and represents the difference between the value of the share capital and premium issued for the acquisition and that of the acquired share capital and premium of Horizonte Exploration Limited.

Currency translation differences relate to the translation of Group entities that have a functional currency different from the presentation currency (refer note 2.8). Movements in the translation reserve are linked to the changes in the value of the Brazilian Real against the Pound Sterling: the intangible assets of the Group are

located in Brazil, and their functional currency is the Brazilian Real, which decreased in value against Sterling during the year.

17 Trade and other payables

	Group		Company	
	2018	2017	**2018**	2017
	£	£	**£**	£
Non-current				
Contingent consideration payable to Xstrata Brasil Mineração Ltda (refer note 4)	**3,461,833**	3,635,955	**3,461,833**	3,635,955
Total contingent consideration	**3,461,833**	3,635,955	**3,461,833**	3,635,955
Current				
Deferred consideration payable to former owners of Vermelho.	**1,360,792**	—	**1,360,792**	—
Trade and other payables	**215,175**	271,967	**6,201**	99,486
Amounts due to related parties (refer note 20)	**-**	—	**413,930**	413,930
Social security and other taxes	**20,000**	15,804	**20,000**	15,804
Accrued expenses	**45,000**	448,513	**45,000**	284,021
	1,640,967	736,284	**1,845,923**	813,241
Total trade and other payables	**5,102,800**	4,372,239	**5,307,756**	4,449,196

Trade and other payables include amounts due of £111,815 (2017: £222,925) in relation to exploration and evaluation activities. Contingent and deferred consideration also relate to exploration and evaluation activities.

Consideration payable to Xstrata Brasil Mineração Ltda

On 28 September 2015 the Company announced that it had reached agreement to indirectly acquire through wholly owned subsidiaries in Brazil the advanced high-grade Glencore Araguaia nickel project (**'GAP'**) in north central Brazil. GAP is located in the vicinity of the Company's Araguaia Project.

Pursuant to a conditional asset purchase agreement ('**Asset Purchase Agreement**') between, amongst others, the Company and Xstrata Brasil Exploraçâo Mineral Ltda ('**Xstrata**'), a wholly-owned subsidiary of Glencore Canada Corporation ('**Glencore**'), the Company has agreed to pay a total consideration of US$8 million to Xstrata, which holds the title to GAP. The consideration is to be paid according the following schedule;

- US$2,000,000 in ordinary shares in the capital of the Company which was settled by way of issuing new shares in the Company as follows: US$660,000 was paid in shares to a subsidiary of Glencore during 2015 and the transfer of the Serra do Tapa and Pau Preto deposit areas (together: 'SdT') during 2016 initiated the final completion of the transaction with a further US$1,340,000 shares in the Company issued.

- US$1,000,000 after the date of issuance of a joint Feasibility Study for the combined Araguaia & GAP project areas, to be satisfied in HZM Shares (at the 5 day volume weighted average price taken on the tenth business day after the date of such issuance) or cash, at the election of the Company. Of this $330,000 is due upon the inclusion of Vale De Sohnos in a Feasibility Study and $670,000 for Sierre do Tappa, as at 31 December a Feasibility Study including Vale do Sohnos has published, with Sierra do Tappa not included in the current project plans, therefore management have concluded that it's not currently probable that the consideration for Sierre do Tappa will be paid and it is not included in contingent consideration; and

- The remaining US$5,000,000 consideration will be paid in cash, as at the date of first commercial production from any of the resource areas within the Enlarged Project area. Following transfer of the concession for the VdS deposit area to a subsidiary of the Company, this has been included in contingent consideration payable.

Consideration payable to Vale S.A

- On 19 December 2017 the Company announced that it had reached agreement with Vale S.A ("Vale") to indirectly acquire through wholly owned subsidiaries in Brazil, 100% of the advanced Vermelho nickel-cobalt project in Brazil ("Vermelho").
- The terms of the Acquisition require Horizonte to pay an initial cash payment of US$150,000 with a further US$1,850,000 in cash payable on the second anniversary of the signing of the asset purchase agreement. This is due to be paid in December 2019 and is included in deferred consideration above.
- A final payment of US$6,000,000 in cash is payable by Horizonte within 30 days of first commercial sale of product from Vermelho. Management have assessed that the Vermelho project has not yet progressed to a stage where this final payment can be considered probable and have therefore not recognised this contingent consideration within liabilities.

The critical assumptions underlying the treatment of the contingent consideration are set out in note 4.3.

As at 31 December 2018, there was a finance expense of £181,441 (2017: £222,836) recognised in finance costs within the Statement of Comprehensive Income in respect of the contingent consideration arrangement, as the discount applied to the contingent consideration at the date of acquisition was unwound.

	Contingent consideration £	**Deferred consideration £**	**Total £**
At 1 January 2017	3,643,042	—	3,643,042
Unwinding of discount	222,836	—	222,836
Change in estimate	(229,923)	—	(229,923)
31 December 2017	3,635,955	—	3,635,955
Initial recognition	—	1,144,621	1,144,621
Unwinding of discount	94,625	86,816	181,441
Change in estimate	(268,747)	129,355	139,391
At 31 December 2018	**3,461,833**	**1,360,792**	**4,822,626**

18 Dividends

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

19 Earnings per share

(a) Basic

The basic loss per share of 0.136p loss per share (2017 loss per share: 0.142p) is calculated by dividing the loss attributable to owners of the parent by the weighted average number of ordinary shares in issue during the year.

Group	**2018 £**	2017 £
Loss attributable to owners of the parent	**(1,939,662)**	(1,667,156)
Weighted average number of ordinary shares in issue	**1,431,027,862**	1,177,413,752

(b) Diluted

The basic and diluted loss per share for the years ended 31 December 2018 and 31 December 2017 are the same as the effect of the exercise of share options would be anti-dilutive.

In January 2019 the Group issued a further 13,855,487 new ordinary shares at a price of 1.875 pence per share in settlement for deferred contingent consideration due to Glencore, had this occurred prior to the end of the year this would have impacted the basic and diluted earnings per share figures.

Details of share options that could potentially dilute earnings per share in future periods are set out in note 15.

20 Related party transactions

The following transactions took place with subsidiaries in the year:

A fee totalling £399,762 (2017: £350,652) was charged to HM do Brazil Ltda, £961,042 (2017: £980,108) to Araguaia Niquel Mineração Ltda and £55,894 (2017: £55,894) to Typhon Brasil Mineração Ltda by Horizonte Minerals Plc in respect of consultancy services provided and funding costs.

Amounts totalling £1,416,698 (2017: £2,243,832) were lent to HM Brazil (IOM) Ltd, HM do Brasil Ltda, Araguaia Niquel Mineraçao Ltda and Typhon Brasil Mineração Ltda to finance exploration work during 2018, by Horizonte Minerals Plc. Interest is charged at an annual rate of 6% on balances outstanding during the year. The amounts are repayable on demand.

See note 25 for balances with subsidiaries at the year end.

All Group transactions were eliminated on consolidation.

21 Ultimate controlling party

The Directors believe there to be no ultimate controlling party.

22 Directors' remuneration (including Key Management)

	Short term benefits		Post employment benefits		Cost to Company	Non-Cash	
Group 2018	Aggregate emoluments £	Other emoluments £	Pension costs £	Total £	Social Security costs £	Share Based Payment Charge £	Grand Total £
Non-Executive Directors							
Alexander Christopher	—	—	—	**—**	—	—	**—**
David Hall	26,400	32,500[1]	—	**58,900**	2,415	93,323	154,138
William Fisher	26,400	32,500[1]	—	**58,900**	—	80,261	154,138
Allan Walker	26,400	34,500[1]	—	**60,900**	7,242	80,261	148,403
Owen Bavinton	—	—	79,848	**79,848**	—	80,261	160,109
Executive Directors							
Jeremy Martin	216,157	150,000[1]	21,186	**387,343**	49,367	167,415	604,125
Key Management							
Simon Retter	92,362	73,320[2]	23,380	**189,062**	15,713	80,749	285,524
	387,719	**322,820**	**124,414**	**834,953**	74,737	582,270	1,506,437

[1] Denotes bonuses paid to senior staff regarding a long term incentive plan upon publication of a bankable feasibility study on the Araguaia FeNi project.

[2] Includes £30,000 bonus paid to Mr Retter regarding the successful completion of the feasibility study on the Araguaia FeNi project.
[3] During the year the group entered into a long term incentive plan with certain key members of management, including the CEO, CFO and certain Non-Executive Directors. Awards are due to be made following the successful completion of milestones deemed to be significant for the long term value creation of the Group including completion of project financing, commencement of commercial production and in the event there is an offer for the asset or for the entire issued share capital of the Group.

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

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

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

23 Employee benefit expense (including Directors and Key Management)

	Group		Company	
	2018	2017	**2018**	2017
Group	**£**	£	**£**	£
Wages and salaries	**1,450,771**	1,144,253	**856,288**	588,498
Social security costs	**244,590**	216,242	**105,337**	63,979
Indemnity for loss of office	**10,472**	49,817	**-**	-
Share options granted to Directors and employees (note 15)	**873,757**	678,652	**873,757**	678,652
	2,579,590	2,088,964	**1,835,382**	1,331,129
Management	**11**	10	**6**	6
Field staff	**16**	15	-	—

Average number of employees including Directors and Key Management	**27**	25	6	6

Employee benefit expenses includes £685,477 (2017: £1,062,396) of costs capitalised and included within intangible non-current assets.

Share options granted include costs of £501,523 (2017: £437,445) relating to Directors.

24 Investments in subsidiaries

Company	**2018** **£**	2017 £
Shares in Group undertakings	**2,348,042**	2,348,042
	2,348,042	2,348,042

Investments in Group undertakings are stated at cost.

On 23 March 2006 the Company acquired the entire issued share capital of Horizonte Exploration Limited by means of a share for share exchange; the consideration for the acquisition was 21,841,000 ordinary shares of 1 penny each, issued at a premium of 9 pence per share. The difference between the total consideration and the assets acquired has been credited to other reserves.

25 Loans to subsidiaries

Balances with subsidiaries at the year end were:

Company	**2018** **Assets** **£**	2017 Assets £
HM do Brasil Ltda	**883,909**	1,263,644
HM Brazil (IOM) Ltd	**3,021,173**	5,405,662
Horizonte Nickel (IOM) Ltd	**33,145,934**	31,136,784
Araguaia Niquel Mineração Ltda	**9,747,741**	6,594,120
Horizonte Minerals (IOM) Ltd	**253,004**	253,004
Typhon Brasil Mineração Ltda	**1,625,088**	3,224,179
Trias Brasil Mineração Ltda	**801,402**	1,012,620
Total	**49,478,251**	48,890,013

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

On 1 January 2018, the Group:

- Identified the business model used to manage its financial assets and classified its financial instruments into the appropriate IFRS 9 category;
- Applied the 'expected credit loss' ('ECL') model to financial assets classified as measured at amortised cost.

Management's assessment of the impact of IFRS 9 has focused on the change in IFRS 9 around expected credit losses on intercompany balances.

The adoption of IFRS 9 has impacted the Company as a result of the existing incurred loss approach under IAS 39 being replaced by the forward looking expected credit loss model approach of IFRS 9. The expected credit loss model is required to be applied to the intercompany loan receivable, which are classified as held at amortised cost.

The transition method requires a retrospective application for the first time adoption of IFRS 9, however the standard has allowed an exemption to not restate the comparative information with differences being recorded in opening retained earnings. These changes have been processed at the date of initial application (1 January 2018), and presented in the statement of changes in equity for the year ended 31 December 2018.

The increase in credit loss allowance resulted in a reduction to opening reserves, at 1 January 2018, as follows:

Accounts affected

	£
Intercompany loan receivable (opening balance as presented under IAS39)	48,890,013
Cumulative transition adjustment	(4,946,743)
Retained earnings as at 31 December 2017	(8,960,902)
Restated Retained Earnings (in accordance with IFRS 9) as at 1 January 2018	(13,907,644)

Movements during the year were as follows:

			Expected credit loss		
Company	2017 £	Amounts advanced during year £	For balances at 1 January 2018 £	For balances advanced in 2018 £	2018 £
HM do Brasil Ltda	1,263,644	504,174	(631,822)	(252,087)	**883,909**
HM Brazil (IOM) Ltd	5,405,662	636,683	(2,702,831)	(318,342)	**3,021,172**
Horizonte Nickel (IOM) Ltd	31,136,784	2,009,153	—	—	**33,145,937**
Araguaia Niquel Mineração Ltda	6,594,120	3,153,621	—	—	**9,747,741**
Horizonte Minerals (IOM) Ltd	253,004	—	—	—	**253,004**
Typhon Brasil Mineração Ltda	3,224,179	25,994	(1,612,090)	(12,998)	**1,625,085**
Trias Brasil Mineração Ltda	1,012,620	—	—	(1,012,620)	—
Champol (IOM) Ltd	—	240	—	(240)	—
Cluny (IOM) Ltd	—	1,144,861	—	(343,458)	**801,403**
Total	**48,890,013**	**7,474,726**	**(4,946,743)**	**(1,939,745)**	**49,478,251**

The increase in the credit loss allowance is a result of the application of the expected credit loss model. This is a result of the existing incurred loss approach under IAS 39 being replaced by the forward-looking expected credit loss model approach of IFRS 9 which requires the parent to make an allowance for lifetime expected credit losses. No loss allowance had previously been recognised, as no loss event had previously occurred.

The loan to the subsidiary companies, are classified as repayable on demand. IFRS 9 requires consideration of the expected credit risk associated with the loans. As the subsidiary companies do not have any liquid assets to sell to repay the loan, should it be recalled, the conclusion reached was that the loan should be categorised as credit impaired.

As part of the assessment of expected credit losses of the intercompany loan receivable, the Directors have assessed the cash flows associated with a number of different recovery scenarios. This included consideration of the:

- exploration project risk,
- positive NPV of the Araguaia project as demonstrated buy the Feasibility Study
- ability to raise the finance to develop the project
- ability to sell the project
- market and technical risks relating to the project
- participation of the subsidiaries in the Araguaia project

The directors have concluded that certain amounts may not be fully recovered giving rise to the expected credit loss adjustment. The provision in respect of Cluny (IOM) Ltd relates to exploration project risk. The provision in respect of the other subsidiaries relates to an assessment of their ability to participate in the Araguaia project.

The credit loss allowance was assessed at the date of initial application of IFRS 9, being 1 January 2018, and again at 31 December 2018. There was no change in the expected credit loss allowance at the year end.

26 Commitments

Operating lease commitments

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

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

	2018	2017
Group	**£**	£
Not later than one year	**26,694**	54,444
Between 1 – 5 years	**6,985**	-
Greater than 5 years	-	-
Total	**33,680**	54,444

Capital Commitments

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

	2017	2016
Group	**£**	£
Intangible assets	**—**	**—**

Capital commitments relate to contractual commitments for metallurgical, economic and environmental evaluations by third parties. Once incurred these costs will be capitalised as intangible exploration asset additions.

27 Contingent Liabilities

Other Contingencies

The Group has received a claim from various trade union organisations in Brazil regarding outstanding membership fees due in relation to various subsidiaries within the Group. Some of these claims relate to periods prior to the acquisition of the relevant subsidiary and would be covered by warranties granted by the previous owners at the date of sale. The Directors are confident that no amounts are due in relation to these proposed membership fees and that the claims will be unsuccessful. No subsequent actions, claims or communications from the various trade union organisations have been received subsequent to the requests for payment. As a result, no provision has been made in the Financial Statements for the year ended 31 December 2018 for

amounts claimed. Should the claim be successful, the maximum amount payable in relation to fees not subject to the warranty agreement would be approximately £64,000.

In 2013 the Group received an infraction notice from the Brazilian Environmental Agency's ('IBAMA') district office in Conceição do Araguaia in connection with carrying out drilling activities in 2011 without the relevant permits. Drilling equipment was furthermore impounded. The Group strongly believes that it operated with all necessary permits and has initiated legal proceedings to overturn the infraction notice. The Group has secured cancellation of the injunction and has appealed the associated fine and infraction notices of approximately £68,000 which has not been recognised in these financial statements.

In December 2014, the Group received a writ from the State Attorney in Conceiçao do Araguaia regarding alleged environmental damages caused by drilling activities in 2011. To ensure proper environmental stewardship, the Group conducts certified baseline studies prior to all drill programmes and ensures that areas explored are properly maintained and conserved in accordance with local environmental legislation. After drilling has occurred, drill sites and access routes are rehabilitated to equal or better conditions and evidence is retained to demonstrate that such rehabilitation work has been completed. In January 2015 the Group filed a robust defence against the writ. A court hearing was held in May 2015 at which documents were requested to confirm that valid environmental authorisations were in place. These were subsequently submitted as requested. No substantive financial claim continues to be made against the Group under the terms of the writ. The Group continues to believe that the writ is flawed and is working towards having it withdrawn in due course. As a result, no provision has been made in the Financial Statements for the year ended 31 December 2018.

28 Financial Instruments

Financial Assets

	Amortised cost	
	2018	2017
Group	**£**	£
Cash and cash equivalents	**6,527,115**	9,403,825
Trade and other receivables	**24,243**	153,105
Total	**6,551,358**	9,556,930

	Amortised cost	
	2018	2017
Company	**£**	£
Cash and cash equivalents	**5,487,339**	9,238,827
Trade and other receivables	**19,388**	41,773
Total	**5,506,727**	9,280,600

Financial Liabilities

	Amortised cost	
	2018	2017
Group	**£**	£
Trade and other payables	**260,175**	720,480
Deferred Consideration	**1,360,792**	-
Total	**1,620,967**	720,480

Amortised cost

	2018	2017
Company	**£**	£
Trade and other payables	**465,131**	797,437
Deferred Consideration	**1,360,792**	-
Total	**1,825,923**	797,437

Financial instruments not measured at fair value includes cash and cash equivalents, trade and other receivables, trade and other payables, and, contingent and deferred consideration which are discounted.

30 Events after the reporting date

On 22 January 2019, the Company issued 13,855,487 new ordinary shares at a price of 1.875 pence per share as settlement of $330,000 due to Xstrata Brasil Exploracao Mineral Ltda a subsidiary of Glencore plc as per the asset purchase agreement signed in 2015. The contingent consideration became due following the publication of a definitive Feasibility Study on the Araguaia project which included the Vale De Sonhos deposit originally acquired.

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About Horizonte Minerals:

Horizonte Minerals plc is an AIM and TSX-listed nickel development company focused in Brazil. The Company is developing the Araguaia project, as the next major ferronickel mine in Brazil, and the Vermelho nickel-cobalt project, with the aim of being able to supply nickel and cobalt to the EV battery market. Both projects are 100% owned.

CAUTIONARY STATEMENT REGARDING FORWARD LOOKING INFORMATION

Except for statements of historical fact relating to the Company, certain information contained in this press release constitutes "forward-looking information" under Canadian securities legislation. Forward-looking information includes, but is not limited to, the ability of the Company to complete the Acquisition as described herein, statements with respect to the potential of the Company's current or future property mineral projects; the success of exploration and mining activities; cost and timing of future exploration,

production and development; the estimation of mineral resources and reserves and the ability of the Company to achieve its goals in respect of growing its mineral resources; the ability of the Company to complete the Placing as described herein, and the realization of mineral resource and reserve estimates. 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 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: the inability of the Company to complete the Acquisition as described herein, exploration and mining risks, competition from competitors with greater capital; the Company's lack of experience with respect to development-stage mining operations; fluctuations in metal prices; uninsured risks; environmental and other regulatory requirements; exploration, mining and other licences; the Company's future payment obligations; potential disputes with respect to the Company's title to, and the area of, its mining concessions; the Company's dependence on its ability to obtain sufficient financing in the future; the Company's dependence on its relationships with third parties; the Company's joint ventures; the potential of currency fluctuations and political or economic instability in countries in which the Company operates; currency exchange fluctuations; the Company's ability to manage its growth effectively; the trading market for the ordinary shares of the Company; uncertainty with respect to the Company's plans to continue to develop its operations and new projects; the Company's dependence on key personnel; possible conflicts of interest of directors and officers of the Company, the inability of the Company to complete the Placing on the terms as described herein, and various risks associated with the legal and regulatory framework within which the Company operates. 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.