

Horizonte Minerals plc

Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2019

Condensed consolidated statement of comprehensive income

| | Notes | 6 months ended 30 June | | 3 months ended 30 June | |
|--|-------|---------------------------|--------------------|---------------------------|--------------------|
| | | 2019 | 2018 | 2019 | 2018 |
| | | Unaudited | Unaudited | Unaudited | Unaudited |
| | | £ | £ | £ | £ |
| Continuing operations | | | | | |
| Revenue | | - | - | - | - |
| Cost of sales | | - | - | - | - |
| Gross profit | | - | - | - | - |
| Administrative expenses | | (968,917) | (785,348) | (450,930) | (494,155) |
| Charge for share options granted | | (237,171) | (294,706) | (107,178) | (181,031) |
| Change in value of contingent consideration | | 192,201 | (194,474) | (118,847) | (294,549) |
| Gain/(Loss) on foreign exchange | | (4,049) | 92,798 | 52,192 | 137,972 |
| Loss from operations | | (1,017,936) | (1,181,730) | (624,763) | (831,763) |
| Finance income | | 33,791 | 21,875 | 20,840 | 16,249 |
| Finance costs | | (146,837) | (140,322) | (73,589) | (68,703) |
| Loss before taxation | | (1,130,982) | (1,300,177) | (677,512) | (884,217) |
| Taxation | | - | - | - | - |
| Loss for the year from continuing operations | | (1,130,982) | (1,300,177) | (677,512) | (884,217) |
| Other comprehensive income | | | | | |
| Items that may be reclassified subsequently to profit or loss | | | | | |
| Change in value of available for sale financial assets | | | | | |
| Currency translation differences on translating foreign operations | | 465,523 | (4,055,213) | 1,560,085 | (2,948,200) |
| Other comprehensive income for the period, net of tax | | 465,523 | (4,055,213) | 1,560,085 | (2,948,200) |
| Total comprehensive income for the period attributable to equity holders of the Company | | (665,459) | (5,355,390) | 882,573 | (3,832,417) |
| Earnings per share from continuing operations attributable to the equity holders of the Company | | | | | |
| Basic and diluted (pence per share) | 9 | (0.078) | (0.091) | (0.047) | (0.062) |

Condensed consolidated statement of financial position

| | | 30 June 2019 Unaudited £ | 31 December 2018 Audited £ |
|--|-------|-----------------------------------|-------------------------------------|
| | Notes | | |
| Assets | | | |
| Non-current assets | | | |
| Intangible assets | 6 | 37,484,232 | 35,737,901 |
| Property, plant & equipment | | 865 | 1,186 |
| | | 37,485,097 | 35,739,087 |
| Current assets | | | |
| Trade and other receivables | | 27,518 | 24,244 |
| Cash and cash equivalents | | 4,322,699 | 6,527,115 |
| | | 4,350,217 | 6,551,359 |
| Total assets | | 41,835,314 | 42,290,446 |
| Equity and liabilities | | | |
| Equity attributable to owners of the parent | | | |
| Issued capital | 7 | 14,463,773 | 14,325,218 |
| Share premium | 7 | 41,785,306 | 41,664,018 |
| Other reserves | | (1,574,468) | (2,039,991) |
| Accumulated losses | | (17,884,102) | (16,990,290) |
| Total equity | | 36,790,509 | 36,958,955 |
| Liabilities | | | |
| Non-current liabilities | | | |
| Contingent consideration | | 3,106,152 | 3,461,833 |
| Deferred tax liabilities | | 231,786 | 228,691 |
| | | 3,337,938 | 3,690,524 |
| Current liabilities | | | |
| Trade and other payables | | 294,764 | 280,175 |
| Deferred consideration | | 1,412,100 | 1,360,792 |
| | | 1,706,864 | 1,640,967 |
| Total liabilities | | 5,044,805 | 5,331,491 |
| Total equity and liabilities | | 41,835,314 | 42,290,446 |

Condensed statement of changes in shareholders' equity

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

| | Attributable to the owners of the parent | | | | |
|---------------------------------------|--|--------------------|-------------------------|---------------------|-------------------|
| | Share capital £ | Share premium £ | Accumulated losses £ | Other reserves £ | Total £ |
| As at 1 January 2019 | 14,325,218 | 41,664,018 | (16,990,291) | (2,039,991) | 36,958,954 |
| Comprehensive income | | | | | |
| Loss for the period | - | - | (1,130,982) | - | (1,130,982) |
| Other comprehensive income | | | | | |
| Currency translation differences | - | - | - | 465,523 | 465,523 |
| Total comprehensive income | - | - | (1,130,982) | 465,523 | (665,459) |
| Transactions with owners | | | | | |
| Issue of ordinary shares | 138,555 | 121,288 | - | - | 259,843 |
| Issue costs | - | - | - | - | - |
| Share based payments | - | - | 237,171 | - | 237,171 |
| Total transactions with owners | 138,555 | 121,288 | 237,171 | - | 497,014 |
| As at 30 June 2019 (unaudited) | 14,463,773 | 41,785,306 | (17,884,102) | (1,574,468) | 36,790,509 |

Condensed Consolidated Statement of Cash Flows

| | 6 months ended 30 June | | 3 months ended 30 June | |
|---|---------------------------|--------------------|---------------------------|--------------------|
| | 2019 | 2018 | 2019 | 2018 |
| | Unaudited £ | Unaudited £ | Unaudited £ | Unaudited £ |
| Cash flows from operating activities | | | | |
| Loss before taxation | (1,130,982) | (1,300,177) | (677,512) | (884,217) |
| Interest income | (33,791) | (21,875) | (20,840) | (16,249) |
| Finance costs | 146,837 | 140,322 | 72,589 | 68,703 |
| Exchange differences | 4,049 | (92,798) | (52,192) | (137,972) |
| Employee share options charge | 237,171 | 294,706 | 107,178 | 181,031 |
| Change in fair value of contingent consideration | (192,201) | 194,474 | 118,847 | 294,549 |
| Depreciation | - | - | - | - |
| Operating loss before changes in working capital | (968,918) | (785,348) | (450,931) | (494,155) |
| Decrease/(increase) in trade and other receivables | (3,275) | (42,799) | 10,840 | 8,706 |
| (Decrease)/increase in trade and other payables | 26,406 | (297,071) | 23,616 | (19,078) |
| Net cash outflow from operating activities | (945,787) | (1,125,218) | (416,475) | (504,527) |
| Cash flows from investing activities | | | | |
| Purchase of intangible assets | (1,289,208) | (1,285,340) | (621,873) | (661,440) |
| Proceeds from sale of property, plant and equipment | - | - | - | - |
| Interest received | 33,791 | 21,875 | 20,840 | 16,249 |
| Net cash used in investing activities | (1,255,417) | (1,263,465) | (601,033) | (645,191) |
| Cash flows from financing activities | | | | |
| Proceeds from issue of ordinary shares | - | 2,057,599 | - | - |
| Issue costs | - | (209,965) | - | - |
| Net cash used in financing activities | - | 1,847,634 | - | - |
| Net decrease in cash and cash equivalents | (2,201,204) | (541,049) | (1,017,508) | (1,149,719) |
| Cash and cash equivalents at beginning of period | 6,527,115 | 9,403,825 | 5,288,014 | 9,971,253 |
| Exchange gain/(loss) on cash and cash equivalents | (3,212) | 106,896 | 52,192 | 148,138 |
| Cash and cash equivalents at end of the period | 4,322,699 | 8,969,672 | 4,322,699 | 8,969,672 |

Notes to the Financial Statements

1. General information

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

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

2. Basis of preparation

The condensed consolidated interim financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards and in accordance with International Accounting Standard 34 *Interim Financial Reporting*. The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2018, which have been prepared in accordance with International Financial Reporting Standards (IFRS).

The condensed consolidated interim financial statements set out above do not constitute statutory accounts within the meaning of the Companies Act 2006. They have been prepared on a going concern basis in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRS). Statutory financial statements for the year ended 31 December 2018 were approved by the Board of Directors on 28 March 2019 and delivered to the Registrar of Companies. The report of the auditors on those financial statements was unqualified.

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

Going concern

The audited financial statements prepared as at 31 December 2018 include certain disclosures in note 2.4 regarding a material uncertainty of the Group's ability to continue as a going concern. These disclosures remain pertinent and due to the current operations on the Group not generating any revenues access to additional funding sources may be required within the next 12 months in order to continue operations.

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 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.

Risks and uncertainties

The Board continuously assesses and monitors the key risks of the business. The key risks that could affect the Group's medium term performance and the factors that mitigate those risks have not substantially changed from those set out in the Group's 2018 Annual Report and Financial Statements, a copy of which is available on the Group's website: www.horizonteminerals.com and on Sedar: www.sedar.com The key financial risks are liquidity risk, foreign exchange risk, credit risk, price risk and interest rate risk.

Critical accounting estimates

The preparation of condensed consolidated interim financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the end of the reporting period. Significant items subject to such estimates are set out in note 4 of the Group's 2018 Annual Report and Financial Statements. The nature and amounts of such estimates have not changed significantly during the interim period.

3. Significant accounting policies

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

The same accounting policies, presentation and methods of computation have been followed in these condensed consolidated interim financial statements as were applied in the preparation of the Group's Financial Statements for the year ended 31 December 2018.

4 Segmental reporting

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

| 2019 | UK | Brazil | Total |
|--|--------------------------------|--------------------------------|--------------------------------|
| | 6 months ended 30 June 2019 | 6 months ended 30 June 2019 | 6 months ended 30 June 2019 |
| | £ | £ | £ |
| Revenue | - | - | - |
| Administrative expenses | (639,106) | (329,811) | (968,917) |
| Profit on foreign exchange | (12,344) | 8,295 | (4,049) |
| (Loss) from operations per reportable segment | (651,450) | (321,516) | (972,966) |
| Inter segment revenues | - | - | - |
| Depreciation charges | - | - | - |
| Additions and foreign exchange movements to non-current assets | - | 1,734,262 | 1,734,262 |
| Reportable segment assets | 3,435,042 | 38,400,272 | 41,835,314 |
| Reportable segment liabilities | 4,595,902 | 448,902 | 5,044,804 |

| 2018 | UK | Brazil | Total |
|--|--------------------------------|--------------------------------|--------------------------------|
| | 6 months ended 30 June 2018 | 6 months ended 30 June 2018 | 6 months ended 30 June 2018 |
| | £ (Restated) | £ (Restated) | £ (Restated) |
| Revenue | - | - | - |
| Administrative expenses | (595,100) | (190,248) | (785,348) |
| Profit/(Loss) on foreign exchange | 134,070 | (41,272) | 92,798 |
| (Loss) from operations per reportable segment | (461,030) | (231,520) | (692,550) |
| Inter segment revenues | - | - | - |
| Depreciation charges | - | - | - |
| Additions and foreign exchange movements to non-current assets | - | (1,319,706) | (1,319,706) |
| Reportable segment assets | 8,933,086 | 32,867,781 | 41,800,867 |
| Reportable segment liabilities | 5,209,572 | 562,529 | 5,772,101 |

| 2019 | UK | Brazil | Total |
|---|--------------------------------|--------------------------------|--------------------------------|
| | 3 months ended 30 June 2019 | 3 months ended 30 June 2019 | 3 months ended 30 June 2019 |
| | £ | £ | £ |
| Revenue | - | - | - |
| Administrative expenses | (310,048) | (140,882) | (450,930) |
| Profit on foreign exchange | 8,249 | 43,943 | 52,192 |
| (Loss) from operations per reportable segment | (301,799) | (96,939) | (398,738) |
| Inter segment revenues | - | - | - |
| Depreciation charges | - | - | - |

| | | | |
|--|---|-----------|-----------|
| Additions and foreign exchange movements to non-current assets | - | 2,195,257 | 2,195,257 |
|--|---|-----------|-----------|

2018

| | UK 3 months ended 30 June 2018 £ (Restated) | Brazil 3 months ended 30 June 2018 £ (Restated) | Total 3 months ended 30 June 2018 £ (Restated) |
|--|---|---|--|
| Revenue | - | - | - |
| Administrative expenses | (419,003) | (75,152) | (494,155) |
| Profit/(Loss) on foreign exchange | 170,232 | (32,260) | 137,972 |
| (Loss) from operations per reportable segment | (248,771) | (107,412) | (356,183) |
| Inter segment revenues | - | - | - |
| Depreciation charges | - | - | - |
| Additions and foreign exchange movements to non-current assets | - | (1,721,480) | (1,721,480) |

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

| | 6 months ended 30 June 2019 £ | 6 months ended 30 June 2018 £ | 3 months ended 30 June 2019 £ | 3 months ended 30 June 2018 £ |
|--|--|--|--|--|
| Loss from operations per reportable segment | (972,966) | (692,550) | (398,738) | (356,183) |
| – Change in fair value of contingent consideration | 192,201 | (194,474) | (118,847) | (294,549) |
| – Charge for share options granted | (237,171) | (294,706) | (107,178) | (181,031) |
| – Finance income | 33,791 | 21,875 | 20,840 | 16,249 |
| – Finance costs | (146,837) | (140,322) | (73,589) | (68,703) |
| Loss for the period from continuing operations | (1,130,982) | (1,300,177) | (677,512) | (884,217) |

5 Change in Fair Value of Contingent Consideration

Contingent Consideration payable to Xstrata Brasil Mineração Ltda.

The contingent consideration payable to Xstrata Brasil Mineração Ltda has a carrying value of £3,106,152 at 30 June 2019 (30 June 2018: £3,461,833). It comprises US\$5,000,000 consideration in cash as at the date of first commercial production from any of the resource areas within the Enlarged Project area. The key assumptions underlying the treatment of the contingent consideration the US\$5,000,000 are based on the current rates of tax on profits in Brazil of 34% and a discount factor of 7.0% along with the estimated date of first commercial production.

As at 30 June 2019, there was a finance expense of £100,946 (2018: £97,826) recognised in finance costs within the Statement of Comprehensive Income in respect of this contingent consideration arrangement, as the discount applied to the contingent consideration at the date of acquisition was unwound.

The change in the fair value of contingent consideration payable to Xstrata Brasil Mineração Ltda generated a credit to profit or loss of £197,617 for the six months ended 30 June 2019 (30 June 2018: £112,928) due to changes in the exchange rate of the functional currency in which the liability is payable.

6 Intangible assets

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

| | Goodwill | Exploration licences | Exploration and evaluation costs | Total |
|---------------------------------|----------|----------------------|----------------------------------|------------|
| | £ | £ | £ | £ |
| Cost | | | | |
| At 1 January 2019 | 226,757 | 6,130,295 | 29,380,849 | 35,737,901 |
| Additions | - | - | 1,277,722 | 1,277,722 |
| Exchange rate movements | 3,069 | 58,201 | 407,339 | 468,609 |
| Net book amount at 30 June 2019 | 229,826 | 6,188,496 | 31,065,910 | 37,484,232 |

7 Share Capital and Share Premium

| Issued and fully paid | Number of shares | Ordinary shares | Share premium | Total |
|-----------------------|------------------|-----------------|---------------|------------|
| | | £ | £ | £ |
| At 1 January 2019 | 1,432,521,800 | 14,325,218 | 41,664,018 | 55,989,236 |
| At 30 June 2019 | 1,446,377,287 | 14,463,773 | 41,785,306 | 56,249,079 |

8 Dividends

No dividend has been declared or paid by the Company during the six months ended 30 June 2019 (2018: nil).

9 Earnings per share

The calculation of the basic loss per share of 0.078 pence for the 6 months ended 30 June 2019 (30 June 2018 loss per share: 0.091 pence) is based on the loss attributable to the equity holders of the Company of £ (1,130,982) for the six month period ended 30 June 2019 (30 June 2018: (£1,300,177)) divided by the weighted average number of shares in issue during the period of 1,444,616,645 (weighted average number of shares for the 6 months ended 30 June 2018: 1,429,509,162).

The calculation of the basic loss per share of 0.047 pence for the 3 months ended 30 June 2019 (30 June 2018 loss per share: 0.062 pence) is based on the loss attributable to the equity holders of the Company of £ (677,512) for the three month period ended 30 June 2019 (3 months ended 30 June 2018: (£884,217) divided by the weighted average number of shares in issue during the period of 1,432,521,800 (weighted average number of shares for the 3 months ended 30 June 2018: 1,432,521,800).

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

Details of share options that could potentially dilute earnings per share in future periods are disclosed in the notes to the Group's Annual Report and Financial Statements for the year ended 31 December 2018 and in note 10 below.

10 Issue of Share Options

On 12 February 2019, the Company awarded 2,000,000 share options to leading members of the Brazilian operations team. All of these share options have an exercise price of 4.80 pence. One third of the options are exercisable from August 2019, one third from February 2019 and one third from August 2020.

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

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

11 Ultimate controlling party

The Directors believe there to be no ultimate controlling party.

12 Related party transactions

The nature of related party transactions of the Group has not changed from those described in the Group's Annual Report and Financial Statements for the year ended 31 December 2018.

13 Events after the reporting period

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

Approval of interim financial statements

These Condensed Consolidated Interim Financial Statements were approved by the Board of Directors on 13 August 2019.