

Horizonte Minerals plc

Condensed Consolidated Interim Financial Statements for the nine months ended 31 March 2020

Condensed consolidated statement of comprehensive income

	Notes	3 months ended 31 March	
		2020 Unaudited £	2019 Unaudited £
<b>Continuing operations</b>			
Revenue		-	-
Cost of sales		-	-
<b>Gross profit</b>		-	-
Administrative expenses		(674,457)	(517,987)
Charge for share options granted		-	(129,993)
Change in value of contingent consideration	5	(483,010)	311,048
Gain/(Loss) on foreign exchange		941,446	(56,241)
<b>Loss from operations</b>		(216,021)	(393,173)
Finance income		45,245	12,951
Finance costs	6	(857,992)	(73,248)
<b>Loss before taxation</b>		<b>(1,028,768)</b>	<b>(453,470)</b>
Taxation		-	-
<b>Loss for the year from continuing operations</b>		<b>(1,028,768)</b>	<b>(453,470)</b>
<b>Other comprehensive income</b>			
<b>Items that may be reclassified subsequently to profit or loss</b>			
Change in value of available for sale financial assets			
Currency translation differences on translating foreign operations		(6,609,872)	(1,094,562)
<b>Other comprehensive income for the period, net of tax</b>		<b>(6,609,872)</b>	<b>(1,094,562)</b>
<b>Total comprehensive income for the period attributable to equity holders of the Company</b>		<b>(7,638,640)</b>	<b>(1,548,032)</b>
<b>Earnings per share from continuing operations attributable to the equity holders of the Company</b>			
Basic and diluted (pence per share)	11	<b>(0.071)</b>	<b>(0.032)</b>

Condensed consolidated statement of financial position

		31 March 2020 Unaudited	31 December 2019 Audited
	Notes	£	£
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	7	7,531,221	7,057,445
Property, plant & equipment		27,055,598	32,260,544
		34,586,819	39,317,989
<b>Current assets</b>			
Trade and other receivables		138,319	134,726
Derivative financial asset		2,433,533	2,246,809
Cash and cash equivalents		16,993,664	17,760,330
		19,565,516	20,141,865
<b>Total assets</b>		<b>54,152,335</b>	<b>59,459,854</b>
<b>Equity and liabilities</b>			
<b>Equity attributable to owners of the parent</b>			
Issued capital	9	14,463,773	14,463,773
Share premium	9	41,785,306	41,785,306
Other reserves		(11,276,803)	(4,666,930)
Accumulated losses		(20,863,860)	(19,835,092)
<b>Total equity</b>		24,108,416	31,747,057
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Contingent consideration	5	6,835,335	6,246,071
Royalty Finance	8	22,607,829	20,570,411
Deferred tax liabilities		175,380	212,382
		29,618,544	27,028,864
<b>Current liabilities</b>			
Trade and other payables		425,375	683,933
Deferred consideration	5	-	-
		425,375	683,933
<b>Total liabilities</b>		30,043,919	27,712,684
<b>Total equity and liabilities</b>		<b>54,152,335</b>	<b>59,459,854</b>

## Condensed statement of changes in shareholders' equity

	Attributable to the owners of the parent				
	Share capital £	Share premium £	Accumulated losses £	Other reserves £	Total £
<b>As at 1 January 2019</b>	<b>14,325,218</b>	<b>41,664,018</b>	<b>(16,990,291)</b>	<b>(2,039,991)</b>	<b>36,958,954</b>
<b>Comprehensive income</b>					
Loss for the period	-	-	(453,470)	-	(453,470)
<b>Other comprehensive income</b>					
Currency translation differences	-	-	-	(1,094,562)	(1,094,562)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>(453,470)</b>	<b>(1,094,562)</b>	<b>(1,548,032)</b>
<b>Transactions with owners</b>					
Issue of ordinary shares	138,555	121,288	-	-	259,843
Issue costs	-	-	-	-	-
Share based payments	-	-	129,993	-	129,993
<b>Total transactions with owners</b>	<b>138,555</b>	<b>121,288</b>	<b>129,993</b>	<b>-</b>	<b>389,836</b>
<b>As at 31 March 2019</b>	<b>14,463,773</b>	<b>41,785,306</b>	<b>(17,313,768)</b>	<b>(3,134,553)</b>	<b>35,800,758</b>

	Attributable to the owners of the parent				
	Share capital £	Share premium £	Accumulated losses £	Other reserves £	Total £
<b>As at 1 January 2020</b>	<b>14,463,773</b>	<b>41,785,306</b>	<b>(19,835,092)</b>	<b>(4,666,930)</b>	<b>31,747,057</b>
<b>Comprehensive income</b>					
Loss for the period	-	-	(1,028,768)	-	(1,028,768)
<b>Other comprehensive income</b>					
Currency translation differences	-	-	-	(6,609,872)	(6,609,872)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>(1,028,768)</b>	<b>(6,609,872)</b>	<b>(7,638,640)</b>
<b>Transactions with owners</b>					
Issue of ordinary shares	-	-	-	-	-
Issue costs	-	-	-	-	-
Share based payments	-	-	-	-	-
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>As at 31 March 2020 (unaudited)</b>	<b>14,463,773</b>	<b>41,785,306</b>	<b>(20,863,860)</b>	<b>(11,276,803)</b>	<b>31,747,057</b>

## Condensed Consolidated Statement of Cash Flows

	3 months ended 31 March	
	2020	2019
	Unaudited	Unaudited
	£	£
<b>Cash flows from operating activities</b>		
Loss before taxation	(1,028,768)	(453,470)
Interest income	(45,245)	(12,951)
Finance costs	857,992	73,248
Exchange differences	(941,446)	56,241
Employee share options charge	-	129,993
Change in fair value of contingent consideration	483,010	(311,048)
Depreciation	-	-
<b>Operating loss before changes in working capital</b>	<b>(674,457)</b>	<b>(517,987)</b>
Decrease/(increase) in trade and other receivables	(2,875)	(14,115)
(Decrease)/increase in trade and other payables	(122,207)	2,790
<b>Net cash outflow from operating activities</b>	<b>(799,539)</b>	<b>(529,312)</b>
<b>Cash flows from investing activities</b>		
Purchase of intangible assets	(726,667)	(667,335)
Purchase of property, plant and equipment	(227,151)	-
Interest received	45,245	12,951
<b>Net cash used in investing activities</b>	<b>(908,573)</b>	<b>(654,384)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of ordinary shares	-	-
Issue costs	-	-
<b>Net cash used in financing activities</b>	<b>-</b>	<b>-</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(1,708,112)</b>	<b>(1,183,696)</b>
Cash and cash equivalents at beginning of period	17,760,330	6,527,115
Exchange gain/(loss) on cash and cash equivalents	941,446	(55,405)
<b>Cash and cash equivalents at end of the period</b>	<b>16,993,664</b>	<b>5,288,014</b>

## Notes to the Financial Statements

### 1. General information

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

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

### 2. Basis of preparation

The condensed consolidated interim financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards and in accordance with International Accounting Standard 34 *Interim Financial Reporting*. The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2019, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The condensed consolidated interim financial statements set out above do not constitute statutory accounts within the meaning of the Companies Act 2006. They have been prepared on a going concern basis in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRS) as adopted by the European Union. Statutory financial statements for the year ended 31 December 2019 were

approved by the Board of Directors on 07 April 2020 and delivered to the Registrar of Companies. The report of the auditors on those financial statements was unqualified.

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

### ***Going concern***

The Directors, having made appropriate enquiries, consider that adequate resources exist for the Group to continue in operational existence for the foreseeable future and that, therefore, it is appropriate to adopt the going concern basis in preparing the condensed consolidated interim financial statements for the period ended 31 March 2020. Please refer to note 2.2 in the annual report for 2019 for the assessment of the current Covid-19 pandemic on the operations of the Group.

### ***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 2019 Annual Report and Financial Statements, a copy of which is available on the Group's website: [www.horizonteminerals.com](http://www.horizonteminerals.com) and on Sedar: [www.sedar.com](http://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 2019 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 2019.

## **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.

2020	UK	Brazil	Other	Total
	3 months ended 31 March 2020	3 months ended 31 March 2020	3 months ended 31 March 2020	3 months ended 31 March 2020
	£	£	£	£
Revenue	-	-	-	-
Administrative expenses	(438,461)	(164,394)	(71,602)	(674,457)
Gain/(loss) on foreign exchange	1,000,147	(58,701)	-	941,446
Gain/(loss) from operations per reportable segment	561,686	(223,095)	(71,602)	266,989
Inter segment revenues	-	-	-	-
Depreciation charges	-	-	-	-
Additions and foreign exchange movements to non-current assets	-	(4,662,781)	-	(4,662,781)
Reportable segment assets	16,907,810	34,810,992	2,433,533	54,152,335
Reportable segment liabilities	7,003,893	432,197	22,607,829	30,043,919

  

2019	UK	Brazil	Other	Total
	3 months ended 31 March 2019	3 months ended 31 March 2019	3 months ended 31 March 2019	3 months ended 31 March 2019
	£	£	£	£
Revenue	-	-	-	-
Administrative expenses	(329,058)	(188,929)	-	(517,987)
Loss on foreign exchange	(20,593)	(35,648)	-	(56,241)
Loss from operations per reportable segment	(349,651)	(224,577)	-	(574,228)
Inter segment revenues	-	-	-	-
Depreciation charges	-	-	-	-
Additions and foreign exchange movements to non-current assets	-	(460,995)	-	(460,995)
Reportable segment assets	4,455,208	36,141,195	-	40,596,403
Reportable segment liabilities	4,377,828	417,816	-	4,795,644

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

	3 months ended 31 Mar 2020	3 months ended 31 Mar 2019
	£	£
Profit/(loss) from operations per reportable segment	266,988	(574,228)
– Change in fair value of contingent consideration	(483,010)	311,048
– Charge for share options granted	-	(129,993)
– Finance income	45,245	12,951
– Finance costs	(857,992)	(73,248)
Loss for the period from continuing operations	(1,028,769)	(453,470)

## 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 £3,256,690 at 31 March 2020 (2019: £3,085,005 ). 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 31 March 2020, there was a finance expense of £50,624 (2019: £50,356 ) 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 loss of £230,130 for the three months ended 31 March 2020 (2019: £279,321 credit) due to changes in the value of the functional currency in which the liability is payable (USD).

#### *Contingent Consideration payable to Vale Metais Basicos S.A.*

The contingent consideration payable to *Vale Metais Basicos S.A.* has a carrying value of £3,578,643 at 31 March 2020 (2019: £nil ). It comprises US\$6,000,000 consideration in cash as at the date of first commercial production from the Vermelho project and was recognised for the first time in December 2019, following the publication of a PFS on the project. The key assumptions underlying the treatment of the contingent consideration the US\$6,000,000 are the same as those for the Xstrata contingent consideration and 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 31 March 2020, there was a finance expense of £55,630 (2019: £nil ) 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 *Vale Metais Basicos S.A.* generated a loss of £252,880 for the three months ended 31 March 2020 (2019: £nil) due to changes in the value of the functional currency in which the liability is payable (USD).

## 6 Finance income and costs

	<b>3 months ended 31 Mar 2020</b>	3 months ended 31 Mar 2019
	£	£
Finance income		
– Interest income on cash and short-term deposits	45,245	12,951
Finance costs		
– Contingent and deferred consideration: unwinding of discount	(106,254)	(73,248)
– Amortisation of Royalty Finance	(792,622)	-
– Fair Value adjustment on royalty	-	-
– Movement in fair value of derivative asset	40,885	-
Total finance costs	(857,992)	(73,248)
Net finance costs	(812,747)	(60,297)

## 7 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 2020	210,585	4,534,392	2,312,467	7,057,444
Additions	-	-	660,447	660,447
Exchange rate movements	(36,688)	273,525	(423,507)	(186,670)
<b>Net book amount at 31 March 2020</b>	<b>173,897</b>	<b>4,807,917</b>	<b>2,549,407</b>	<b>7,531,221</b>

## 8 Royalty financing liability

	3 months ended 31 Mar 2020 £	3 months ended 31 Mar 2019 £
Brought forward carrying value	20,570,411	-
Unwinding of discount	792,622	-
Change in fair value	-	-
Effects of foreign exchange	1,244,796	-
Value as at end of period	22,607,829	-

## 9 Share Capital and Share Premium

Issued and fully paid	Number of shares	Ordinary shares £	Share premium £	Total £
At 1 January 2020	1,446,377,287	14,463,773	41,785,306	56,249,079
<b>At 31 March 2020</b>	1,446,377,287	14,463,773	41,785,306	56,249,079

## 10 Dividends

No dividend has been declared or paid by the Company during the months ended 31 March 2020 (2019: nil).

## 11 Earnings per share

The calculation of the basic loss per share of 0.071 pence for the 3 months ended 31 March 2020 (31 March 2019 loss per share: 0.031 pence) is based on the loss attributable to the equity holders of the Company of £1,028,769 for the three month period ended 31 March 2020 (3 months ended 31 March 2019: £453,470) divided by the weighted average number of shares in issue during the period of 1,446,377,287 (weighted average number of shares for the 3 months ended 31 March 2019: 1,442,836,440).

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 2019 and in note 11 below.

## 12 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.

## 13 Ultimate controlling party

The Directors believe there to be no ultimate controlling party.

## 14 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 2019.

## 15 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 11 May 2020.