HORIZONTE MINERALS PLC

NEWS RELEASE

1 April 2021

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

Horizonte Minerals Plc, (AIM: HZM, TSX: HZM) ('Horizonte' or 'the Company') the nickel company focused on Brazil, announces its final results for the year ended 31 December 2020.

Highlights:

- Strong cash position of £10.9 million as at 31 December 2020 maintained and supplemented post year end through a £18 million placing in February 2021.
- Significant progress made on the overall Project Finance package for the development of Araguaia.
- A syndicate of five international financial institutions mandated for a US$325 million senior debt facility to part fund the development of Araguaia.
- BNP Paribas, ING Capital LLC, Mizuho Bank, Ltd., Natixis (New York Branch), and Société Générale will act as the Mandated Lead Arrangers.
- Non-binding, conditional term sheet agreed with one major cornerstone equity investor.
- Value engineering for the Araguaia project completed resulting in a number of improvements to enhance operational performance whilst remaining in line with 2018 Feasibility Study capex and opex values.
- Appointment of Sepanta Dorri to the Board as Non-Executive Director.
- Key appointments made across the operational and corporate teams in London and Brazil.
- Inaugural Sustainability Report published on 17 August 2020. The Company recognises the importance of conveying its efforts and achievements around the areas of environmental stewardship, social responsibility and corporate governance to its various stakeholders as it moves towards construction at Araguaia.
- The Company has continued to support local communities around its projects through the provision of food parcels and health and hygiene guidance in response to the Covid pandemic.

Post Period Events:

- Successful completion of a £18 million fundraise with predominately new institutions.
- Appointment of BMO Capital Market Limited as joint broker.
- Appointment of Michael Drake as Head of Projects.
- Award of power line licence to cover the full power requirement of the Araguaia project at nameplate capacity.

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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.

CHAIRMAN'S STATEMENT
In a year of unprecedented challenges for us all, I am delighted to report that not only has Horizonte reached significant business and project level milestones but, most importantly, our management team and all our staff have kept safe and well.

The health and well-being of our employees and wider team is our number one priority, and as we continue to tackle the COVID-19 pandemic our dedication to providing a safe and productive workplace will remain at the forefront of our decision-making process. The pandemic has completely changed the way in which we work. Some of these changes we will all be keen to see the end of but, others we will take forward, as we have learnt how to work more effectively, more respectfully and more sustainably.

Operational milestones

Horizonte is on a path to become a significant nickel producer. We are currently in the midst of the transition from being an explorer/developer to becoming a developer/producer. This transition is enabled by securing suitable funding, and this has been our focus for 2020. Araguaia will our first project into production, followed closely by the Vermelho project. The combination of our projects, in conjunction with the looming significant supply deficit in the nickel market, positions Horizonte as a unique opportunity for investors.

During the year the senior management team, working closely alongside Endeavour Financial, has made significant progress in advancing the project financing for Araguaia. This financing package comprises multiple components, and these are all progressing simultaneously. The completion of this funding will be transformational for Horizonte, and we look forward to updating the market on our progress later in the year.

The Vermelho project continues to progress. Our Social and Environmental team has spent the year collecting relevant data for baseline monitoring in preparation for the Environmental and Social Impact Assessment. This assessment is a key requirement for permitting and the feasibility study. With demand from the EV battery market accelerating exponentially, we will be seeking to expedite development of the project.

Growing our team

In addition to progressing our projects, it is critical that Horizonte develops as a major business entity. Most importantly this is about securing the best and most appropriate people required for a company with a large, scalable production profile. During the year we have hired 11 of the industry's top talent in the areas of project development, project operation and capital markets. I was also delighted to welcome Ms. Sepanta Dorri to the Board as a Non-Executive Director. As the Vice President, Corporate

Development at Teck Resources, Sepanta brings a wealth of experience and a fresh perspective to our Board. She has already made a meaningful contribution to the implementation of our overall strategic objectives. Sepanta is our first female board member, and her appointment marks an appointment milestone in promoting and facilitating gender diversity throughout all levels of the Company as we work to build a more representative team. We currently have a 41% female workforce.

Changing the way we work

The COVID-19 pandemic has forced us to work differently, as we adapted to working predominately remotely both from the corporate office in London and the operations in Brazil. During a phase in the Company's development where all teams need to be in constant contact with multiple stakeholders, this has been a challenge. However, it has been a challenge that we have adapted to and overcome, enabling the Company to continue to reach the milestones necessary to progress. It is testament to the dedication and agility of the entire team that we have been able to report on another successful year in the face of the adverse impacts of the global pandemic.

A positive outcome of these changes has been a greater need to focus on well-being. Led by the senior management team, we have implemented further measures to ensure we are protecting and promoting the health, safety and well-being of our workforce. A greater use of technology has also enabled us to come together as a company more effectively. During the year, we hosted multiple all company video conference calls to update each other on each team's progress and provide a constructive forum for all employees to ask questions and raise concerns. Whilst we have all missed human interaction, 2020 has taught has how to work more flexibly and more effectively. For example, the senior management team has participated in several international investor roadshows without the need to travel to multiple cities around the world. The savings made, both in time and money, are significant compared to what would have been spent attending in person. This is therefore one of the changes we will consider carefully once the pandemic has passed.

Supporting our communities

In addition to our employees, engagement with our communities has been critical this year. Our social team has worked tirelessly throughout the year to support our local communities in a COVID-safe manner. Advice and guidelines on how to stay safe have constantly changed throughout the year, but Horizonte has been proactive in ensuring our communities received and understood the correct measures in line with the World Health Organisation and the Brazilian Ministry of Health. We have also provided and distributed hundreds of food packages in partnership with the welfare departments of each municipality, to the most vulnerable families in our communities. This work continues into 2021. Horizonte would usually participate in many community engagements and social initiatives throughout the year. Whilst measures required to stop the spread of COVID have significantly limited these activities, the social team has continued to engage with and listen to our local communities, virtually where possible or at a safe physical distance where required. We look forward to returning to our normal level of participation in the community later in 2021.

Sustainability reporting

In August 2020, we published our maiden standalone sustainability report for activities during the financial year 2019. A report such as this is a huge undertaking, and therefore a rarity from junior pre-production companies. We believe this early commitment to sustainability reporting sets Horizonte apart and clearly demonstrates our pledge to the highest levels of sustainability performance. The report outlines our objectives in the areas of environmental stewardship, social development and corporate governance, as well as highlighting the significant work we have undertaken to date. We

are committed to publishing a Sustainability Report alongside our Annual Report on an annual basis. This increased reporting schedule encapsulates our core values of transparency and accountability, sustainability and innovation.

The nickel market

Sustainability and innovation have been at the top of the political and media agenda for most of 2020, as all countries work to "build back better" after the COVID pandemic. This has pushed nickel into the commodity limelight. Nickel is a key base metal for building more sustainable societies due to its use in stainless steel and new battery technology. The World Bank reported in its "Minerals for Climate Action: The Mineral Intensity for the Clean Energy Transition" whitepaper that the production of metals such as nickel and cobalt could increase by nearly 500% by 2050 to meet the growing demand for clean energy technologies. In September 2020, Tesla CEO Elon Musk confirmed that high nickel-content batteries are the future for low-cost, long-range electric vehicles at Tesla's Battery Day. The large stainless steel market and the rapidly expanding battery market are predicted to create a large supply deficit in the nickel market by 2040. Horizonte is one of very few nickel stories ready to supply this deficit, and our projects have the ability to supply both the stainless steel and battery markets.

Outlook

Firstly, I would like to thank Alex Christopher for his many years of service to the Board of Horizonte, and to welcome again Sepanta Dorri and all our other new members to the team in 2020. Secondly, I would like to applaud the hard work, dedication and resilience of all our team members led by our CEO, Jeremy Martin. The COVID-19 pandemic was unfortunately not an isolated event in 2020, it has continued in to 2021 and we will continue to feel its effects well into the medium term. However, with the accelerating rollout of a number of vaccines we are hopeful for a more certain, less interrupted year in 2021.

We continue to be grateful for the support of our shareholders, and we are pleased to see increasing interest in the Horizonte story from new investors and strategic partners. Horizonte has reached an exciting phase of its journey, and we believe we are able to offer a unique and compelling investment opportunity.

Finally, I would like to thank fellow Board members for their contributions through the year.

David Hall
31 March 2021

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

Opinion on the financial statements

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 2020 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the Parent Company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 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.

We have audited the financial statements of Horizonte Minerals PLC (the 'Parent Company') and its subsidiary (the 'Group') for the year ended 31 December 2020 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the company statement of financial position, the consolidated statement of changes in equity, the company statement of changes in equity, the consolidated statement of cash flows, the company statement 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 accounting standards in conformity with the requirements of the Companies Act 2006 and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

- Review of the Group's cash flow forecast to December 2023, considering the reasonableness of underlying assumptions by reference to historic cost spend and our understanding of management's commitments and expenditure plans for the two projects. We also made enquiries of management as to which costs categories could be discretionary in timing and amount.
- Verification of cash balances close to the date of sign off, which included the proceeds of the post year end equity fund raising.
- Discussion with management and assessing the reasonableness of their assessment of the possible impact of the continuing COVID-19 pandemic on the going concern status of the Group.

- Considered the adequacy of the disclosures made by management in respect of going concern status of the Group, including additional information in respect of the possible impact of COVID-19 on the going concern status of the group.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Horizonte Minerals Plc's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

Coverage	94% (2019: 95%)of Group total assets 80% (2019: 83.5%) of Group net loss
Key audit matters	<table><tr><td></td><td>2020</td><td>2019</td></tr><tr><td>Carrying value of exploration and evaluation assets and mine development property</td><td>✓</td><td>✓</td></tr><tr><td>Valuation of royalty funding arrangement</td><td>✓</td><td>✓</td></tr><tr><td>Recognition and valuation of contingent consideration</td><td></td><td>✓</td></tr></table> Recognition and valuation of contingent consideration is no longer considered to be a key audit matter because all contingent consideration was recognised in 2019 and there were no significant changes in the estimates for the valuation during 2020.
Materiality	*Group financial statements as a whole* £750,000 based on 1.5% of total assets (2019: £ 619,000 based on 1.5% of total assets reduced for significant cash relating to fundraising just before the year end).

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. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

Our group audit scope focused on the group's significant subsidiaries, being Araguaia Niquel Mineracao Ltda, Nickel Production Services BV and Horizonte Nickel (IOM) Ltd, which were subject to a full scope audit together with the parent company. In addition, Trias Brasil Mineracao Ltda, Champol (IOM) Ltd and were subject to specific audit procedures on the significant risk areas. The Group audit team performed the audit of the parent company and the subsidiaries, other than those significant components located in Brazil which were audited by the BDO network member firm in Brazil.

The remaining components of the group were considered non-significant and these components were principally subject to analytical review procedures, together with additional substantive testing over the risk areas detailed above where applicable to that component.

Our involvement with component auditors

The Group audit team was actively involved in the direction of the audits and specific audit procedures performed by the component auditor along with the consideration of findings and determination of conclusions drawn. As part of our audit strategy, we issued group audit engagement instructions and discussed the instructions with the component auditor. A senior member of the group audit team reviewed the component audit files and discussed the audit findings with the component auditor and local management. For the two principal operating subsidiaries in Brazil the group audit team also performed audit procedures in respect of the significant risk areas.

Key audit matters

Key audit matters are those matters that, in our professional judgement, 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) that 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.

Key audit matter		How the scope of our audit addressed the key audit matter
Carrying value of exploration and evaluation	The group holds the Araguaia mine development property carried at a value of £30,706,818 and the Vermelho exploration and evaluation	We have reviewed management's impairment assessments for both projects and our procedures included the following :

assets and mine development property
 	
See notes 4.1, 10 and 11 to the financial statements
	asset carried at a value of £ 6,062,624.
	
	Each year management are required to assess whether there are any indicators that the mine development property and exploration and evaluation asset could be impaired. Management have carried out a review for indicators of impairment and have not identified any indicators.
	
	Reviewing indicators of impairment and assessment of carrying values require significant estimates and judgements and therefore we identified this as a key audit matter.
		We considered whether management's assessments of impairment had been carried out in accordance with the requirements of the accounting standards.
		
		• We reviewed the feasibility studies prepared by independent consultants for consistency with management's representations and assessed the competence and independence of the experts used by management.
		    • For the Araguaia project, 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%.
		    • For the Vermelho project, this assessment is supported by the externally prepared pre-feasibility study published in October 2019, which indicates a post-tax net present value of $1.7bn at a discount rate of 8%.
		
		• For the Araguaia project we considered if key assumptions had changed unfavourably since the date of publication of the study. Nickel price is a key input assumption and the study's results used a long term nickel price of $14,000 per tonne. In December 2020 the long term consensus price was higher, at $16,200 per tonne.
		• For the Vermelho project we considered if key assumptions had changed unfavourably since the date of publication of the study. The study's results used a long term nickel price of $16,400 per

		tonne. The December 2020 the long term consensus price, at $16,200 per tonne, was 1.2% lower. • Both projects will incur certain operating costs in Brazilian Real and therefore the US$/Brl exchange rate is an input assumption. During 2020 the Brazilian Real depreciated significantly, which has a positive impact on economics of the projects as the revenue is denominated in USD. • We agreed the validity of licences held by the Group to the Brazilian Government's DNPM website. We also reviewed the correspondence, contracts and other documents regarding the licenses to confirm that the Group has the relevant rights for its activities in the stated areas for Araguaia and Vermelho. • We evaluated the adequacy of the disclosures in respect of the assessment of impairment indicators for the exploration and evaluation asset and impairment assessment of the mine development project against the requirements of the accounting standards. **Key observations:** Based on our work we concur with management's assessment of the carrying value of the Group's exploration and evaluation asset and mine development property.
Valuation of Royalty Funding Arrangement *See notes* 18 and 4.4	In the prior year Horizonte entered into a US$25m royalty funding agreement with Orion Mine Finance in exchange for future royalty payments linked to the future revenues of the Araguaia project. The royalty agreement includes a buyback option enabling Horizonte to	Our procedures in relation to the valuation of the royalty funding loan and embedded derivatives are set our below. In respect of the host loan: o We tested the valuation model prepared by management, checking that the model's

| | reduce the royalty rate and other cash payment options (the call, make whole and put options) for part reduction in the royalty rate, which require the occurrence of certain events. .

The accounting for this agreement is complex and therefore management obtained advice from an independent expert. The accounting analysis concluded that the agreement is a hybrid contract that contains a non-derivative host loan and prepayment options in the form of embedded derivatives which should be separated for accounting purposes. The embedded derivatives are initially recognised at fair value and subsequently revalued at each period end. Management has engaged an independent expert to calculate the fair value of the buyback option. The fair value calculation utilised Monte-Carlo simulation methodology.

The call, make whole and put options can only be exercised if two specific events occur, being:
• A change of control and;
• Commencement of major construction work after 31 March 2021.
Management assessed the probability of both of these events arising to be remote and have determined the valuation of these options at the inception of the loan and at the year end to be not material. | methodology was in agreement with the royalty agreement and IFRS requirements and that the assumptions were in agreement with management's justifications and explanations. We also checked the arithmetical accuracy of the amortised loan model.

○ We critically assessed management's key assumptions, including long term nickel price, nickel price inflation and the adopted royalty rate, which is determined by the date of commencement of construction. We made our assessment by reference to independent sources of data and supporting documentation held by the Group.

In respect of the fair value of the buyback option:
○ We reviewed the option valuation methodology adopted to check that the features of the option had been appropriately modelled and we also confirmed with management that the modelling is in line with their understanding of the option features.

○ We checked that the key assumptions used were in agreement with those used for the valuation of the host loan. The nickel price volatility is an additional key assumption for the option valuation. We recalculated the nickel price volatility using independently sourced data and it was in close proximity to that used by management.

○ The option valuation is sensitive to the nickel price volatility. Based on the features of the option management considered volatility based on five years historic nickel prices to be appropriate. We calculated an alternative |

	Judgement was required in determining the accounting treatment of the royalty funding agreement and the approach to valuing the options. The valuation of these financial instruments also required management to make a number of key estimates. Accordingly, the accounting for the royalty funding agreement is considered to be a key audit matter.	reasonable volatility based on ten years and it was in close proximity, being 0.3% lower than the five year volatility. ○ We assessed the competence and independence of the valuation expert used by management. ○ We discussed the valuation with the expert and management to ensure that we understood the methodology that they had adopted and the rationale behind it. In respect of the call, make whole and put options: We discussed with management their basis for concluding that the probability of the events allowing exercise of these options was remote. We corroborated this by reference to press announcements, internal board minutes and other operational documentation and concluded that their assessment was appropriate and supported by the evidence. **Key observations:** Based on our work, we concur with the judgements made by management in accounting for the royalty agreement and that the valuation methodology adopted for the host loan and the options is appropriate.

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.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements		Parent company financial statements	
	2020 £	2019 £	2020 £	2019 £
Materiality	750,000	619,000	675,000	557,000
Basis for determining materiality	1.5% of total assets	1.5% of total assets reduced for significant cash relating to fundraising just before the year end,	90% of Group materiality	90% of Group materiality
Rationale for the benchmark applied	We consider total assets to be the most significant determinant of the Group's financial performance for users of the financial statements, given the Group's mine development focus.		Calculated as a percentage of Group materiality for Group reporting purposes.	
Performance materiality	562,500	464,250	£506,250	£417,750
Basis for determining performance materiality	75% of materiality based on consideration of factors including the level of historical errors and nature of activities.			

Component materiality

We set materiality for each component of the Group based on a percentage of between 5% and 44% (2019: 5% to 80%) of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £35,000 to £330,000 (2019: £27,000 to £489,000). In the audit of each component, we further applied performance materiality levels of 75% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £13,500 (2019:£10,800). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report of the Directors and Financial Statements other than the

financial statements and our auditor's report thereon. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	In our opinion, based on the work undertaken in the course of the audit: • the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and • the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the Group and 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.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to 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 statement of Directors' responsibilities, 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.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the Group's activities and considered the laws and regulations of the UK and Brazil to be of significance in the context of the Group audit. In doing so, we made inquiries of management and the Audit Committee, considered the Group's control environment as it pertains to compliance with laws and regulations and considered the activities of the Group. We determined the most significant laws and regulations to be Companies Act 2006, elements of the reporting framework, tax legislation and the Brazilian environmental regulations.
- We communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and component auditors, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.
- We made inquiries of management and the Board and reviewed Board and Committee minutes to identify any instances of irregularities or non-compliance.
- We agreed the financial statement disclosures to underlying supporting documentation and performed detailed testing on accounts balances which were considered to be at a greater risk of susceptibility to fraud.
- In addressing risk of management override of control, we performed testing of general ledger journal entries to the financial statements, including verification of journals which we consider exhibit higher fraud risk characteristics based on our understanding of the Group. As part of our testing of management override of controls we performed procedures on accounts subject to greater management estimate including the valuation of the royalty funding arrangement and carrying value of exploration and evaluation assets and mine development property, refer to key audit matters above.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations

is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available 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 Parent 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 Parent 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 Parent Company and the Parent 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
United Kingdom
31 March 2021

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 2020

	Notes	**Year ended 31 December 2020 £**	Year ended 31 December 2019 £
Administrative expenses	6	**(2,949,736)**	(2,563,880)
Charge for share options granted		**-**	(326,413)
Changes in estimate for contingent and deferred consideration	17	**-**	598,660
Fair value movement		**(424,500)**	-
Gain/(Loss) on foreign exchange		**751,313**	(56,266)
Operating loss		**(2,622,923)**	(2,347,899)
Finance income	8	**236,986**	110,036
Finance costs	8	**-**	(933,351)
Loss before taxation		**(2,385,937)**	(3,171,214)
Income tax	9	**108,526**	-

HORIZONTE MINERALS PLC

	Note		
Loss for the year from continuing operations attributable to owners of the parent		**(2,277,411)**	(3,171,214)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Currency translation differences on translating foreign operations	16	**(8,151,944)**	(2,626,939)
Other comprehensive loss for the year, net of tax		**(8,151,944)**	(2,626,939)
Total comprehensive loss for the year attributable to owners of the parent		**(10,429,355)**	(5,798,153)
Loss per share from continuing operations attributable to owners of the parent			
Basic and diluted loss per share (p)	21	**(0.157)**	(0.219)

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

HORIZONTE MINERALS PLC

Consolidated Statement of Financial Position
Company number: 05676866
As at 31 December 2020

	Notes	**31 December 2020 £**	31 December 2019 £
Assets			
Non-current assets			
Intangible assets	10	**6,220,872**	7,057,445
Property, plant & equipment	11	**30,839,947**	32,260,544
		37,060,819	39,317,989
Current assets			
Trade and other receivables		**270,540**	134,726
Derivative financial asset	18	**1,756,553**	2,246,809
Cash and cash equivalents	12	**10,935,563**	17,760,330
		12,962,656	20,141,865
Total assets		**50,023,475**	59,459,854
Equity and liabilities			
Equity attributable to owners of the parent			
Share capital	13	**14,493,773**	14,463,773
Share premium	14	**41,848,306**	41,785,306
Other reserves	16	**(12,818,874)**	(4,666,930)
Retained losses		**(22,112,503)**	(19,835,092)
Total equity		**21,410,702**	31,747,057
Liabilities			
Non-current liabilities			
Contingent consideration	17	**5,927,025**	6,246,071
Royalty Finance	18	**22,053,341**	20,570,411
Deferred tax liabilities	9	**-**	212,382
		27,980,366	27,028,864
Current liabilities			
Trade and other	17	**632,407**	683,933
		632,407	683,933

Total liabilities	**28,612,773**	27,712,867
Total equity and liabilities	**50,023,475**	59,459,854

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 31 March 2021 and were signed on its behalf.

David J Hall
Chairman

Jeremy J Martin
Chief Executive Officer

HORIZONTE MINERALS PLC

Company Statement of Financial Position
Company number: 05676866
As at 31 December 2020

	Notes	**31 December 2020 £**	31 December 2019 £
Non-Current Assets			
Investment in subsidiaries	26	**2,348,142**	2,348,042
Loans to Subsidiaries	27	**64,692,156**	55,413,147
		67,040,298	57,761,189
Current assets			
Trade and other receivables		**96,196**	135,376
Cash and cash equivalents	12	**5,308,954**	17,393,773
		5,405,150	17,529,149
Total assets		**72,445,448**	75,290,338
Equity and liabilities			
Equity attributable to equity shareholders			
Share capital	13	**14,493,773**	14,463,773
Share premium	14	**41,848,306**	41,785,306
Other reserves	16	**10,888,760**	10,888,760
Retained losses		**(13,186,690)**	(16,564,099)
Total equity		**54,044,149**	50,573,740
Liabilities			
Non-current liabilities			
Contingent consideration	17	**5,927,025**	6,246,071
		5,927,025	6,246,071
Current liabilities			
Trade and other payables	17	**694,110**	735,518
Loans from subsidiary		**11,780,164**	17,735,009

	12,474,274	18,470,527
Total liabilities	**18,401,299**	24,716,598
Total equity and liabilities	**72,445,448**	75,290,338

The above Company Statement of Financial Position should be read in conjunction with the accompanying notes, profit for the period was £3,377,409 (2019: £ 2,037,780 loss). 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 31 March 2021 and were signed on its behalf.

David J Hall
Chairman

Jeremy J Martin
Chief Executive Officer

HORIZONTE MINERALS PLC

Consolidated Statement of Changes in Equity
For the year ended 31 December 2020

	Attributable to owners of the parent				
	Share capital £	Share premium £	Retained losses £	Other reserves £	Total £
As at 1 January 2019	**14,325,218**	**41,664,018**	**(16,990,290)**	**(2,039,991)**	**36,958,955**
Loss for the year	—	—	(3,171,214)	—	(3,171,214)
Other comprehensive income:					
Currency translation differences on translating foreign operations	—	—	—	(2,626,939)	(2,626,939)
Total comprehensive income for the year	—	—	**(3,171,214)**	**(2,626,939)**	**(5,798,153)**
Issue of ordinary shares	138,555	121,288	—	—	259,843
Issue costs	—	—	—	—	—
Share-based payments	—	—	326,413	—	326,413
Total transactions with owners, recognised directly in equity	**138,555**	**121,288**	**326,413**	—	**586,256**
As at 31 December 2019	**14,463,773**	**41,785,306**	**(19,835,092)**	**(4,666,930)**	**31,747,057**
Loss for the year	—	—	(2,277,411)	—	(2,277,411)
Other comprehensive income:					
Currency translation differences on translating foreign operations	—	—	—	(8,151,994)	(8,151,944)
Total comprehensive income for the year	—	—	**(2,277,411)**	**(8,151,944)**	**(10,429,355)**
Issue of ordinary shares	30,000	63,000	—	—	93,000
Issue costs	—	—	—	—	—
Share-based payments	—	—	—	—	—
Total transactions with owners, recognised directly in equity	**30,000**	**63,000**	—	—	**93,000**
As at 31 December 2020	**14,493,773**	**41,848,306**	**(22,112,503)**	**(12,818,874)**	**21,410,702**

A breakdown of other reserves is provided in note 16.

Company Statement of Changes in Equity

	Attributable to equity shareholders				
	Share capital	Share premium	Retained losses	Merger reserves	Total
	£	£	£	£	£
As at 1 January 2019	**14,325,218**	**41,664,018**	**(14,852,732)**	**10,888,760**	**52,025,264**
Profit and total comprehensive income for the year	—	—	(2,037,780)	—	(2,037,780)
Issue of ordinary shares	138,555	121,288	—	—	259,843
Issue costs	—	—	—	—	—
Share-based payments	—	—	326,413	—	326,413
Total transactions with owners, recognised directly in equity	138,555	121,288	(1,711,367)	—	(1,451,524)
As at 31 December 2019	**14,463,773**	**41,785,306**	**(16,564,099)**	**10,888,760**	**50,573,740**
Profit and total comprehensive income for the year	—	—	3,377,409	—	3,377,409
Issue of ordinary shares	30,000	63,000	—	—	93,000
Issue costs	—	—	—	—	—
Share-based payments	—	—	—	—	—
Total transactions with owners, recognised directly in equity	**30,000**	**63,000**	**3,377,409**	—	**3,470,409**
As at 31 December 2020	**14,493,773**	**41,848,306**	**(13,186,690)**	**10,888,760**	**54,044,149**

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 2020

	Notes	**31 December 2020**	31 December 2019
		£	£

	Note		
Cash flows from operating activities			
Loss before taxation		**(2,385,936)**	(3,171,214)
Finance income		**(236,986)**	(110,036)
Finance costs		—	933,351
Charge for share options granted		—	326,413
Exchange differences		**(751,313)**	(77,072)
Change in fair value of contingent consideration		—	(598,660)
Change in fair value of derivative asset		424,500	-
Operating loss before changes in working capital		**(2,949,735)**	(2,697,218)
Increase in trade and other receivables		**(135,814)**	(110,483)
Increase/(decrease) in trade and other payables		**(51,526)**	403,758
Cash used in operating activities		**(3,137,075)**	(2,403,943)
Income taxes paid		(51,071)	-
Net cash used in operating activities		**(3,188,146)**	(2,403,366)
Cash flows from investing activities			
Purchase of exploration and evaluation assets		—	(3,992,757)
Purchase of property, plant and equipment	11	**(4,153,198)**	(238,701)
Interest received		**151,459**	110,036
Net cash used in investing activities		**(4,001,739)**	(4,121,422)
Cash flows from financing activities			
Proceeds from issue of royalty funding		—	18,241,205
Proceeds from issue of ordinary shares		93,000	—
Net cash generated from financing activities		**93,000**	18,241,205
Net increase/(decrease) in cash and cash equivalents		**(7,045,814)**	11,715,130
Cash and cash equivalents at beginning of year		**17,760,330**	6,527,825
Exchange gain/(loss) on cash and cash equivalents		**221,047**	(482,625)
Cash and cash equivalents at end of the year	12	**10,935,563**	17,760,330

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 2020

	Notes	**31 December 2020 £**	31 December 2019 £
Cash flows from operating activities			
Profit/(loss) before taxation		**3,428,478**	(2,037,780)
IFRS9 Expected credit loss (credit)/charge		**(3,814,254)**	440,579
Finance income		**(72,155)**	(78,420)
Finance costs		**445,065**	344,952
Charge for share options granted		**-**	326,413
Exchange differences		**(1,491,383)**	(64,047)
Change in fair value of contingent consideration		**(764,109)**	(598,660)
Depreciation		**-**	-
Operating profit before changes in working capital		**(2,268,358)**	(1,666,961)
Increase/(decrease) in trade and other receivables		**39,180**	(116,049)
(Decrease)/Increase in trade and other payables		**(41,409)**	250,387
Cash flows generated from operating activities		**(2,270,587)**	(1,532,625)
Taxes paid		**(51,071)**	-
Net Cash flows from operating activities		**(2,321,658)**	(1,532,625)
Cash flows from investing activities			
Loans to subsidiary undertakings		**(10,363,054)**	(4,353,284)
Interest received		**72,155**	78,420
Net cash used in investing activities		**(10,290,899)**	(4,274,864)
Cash flows from financing activities			
Proceeds from grant of Royalty		**-**	18,241,205
Proceeds from issue of ordinary shares		**93,000**	-
Issue costs		**-**	-
Net cash generated from financing activities		**93,000**	18,241,205
Net increase/(decrease) in cash and cash equivalents		**(12,519,557)**	12,433,716

Exchange gain/(loss) on cash and cash equivalents		**434,738**	(527,342)
Cash and cash equivalents at beginning of year		**17,393,773**	5,487,399
Cash and cash equivalents at end of the year	12	**5,308,954**	17,393,773

On the 24 January 2019 the Company issued 13,855,487 shares as a non cash settlement for $330,000 of deferred contingent consideration

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 in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and in accordance with International Financial Reporting Standards "IFRS" and their interpretations as issued by the IASB. The Financial Statements have been prepared under the historical cost convention as modified by the revaluation of share based payment charges and the valuation of derivative financial assets 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 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 Financial Statements have been prepared on a going concern basis. Although the Group's assets are not generating revenues and an operating loss has been reported, the Directors consider that the Group has sufficient funds to undertake its operating activities for a period of at least the next 12 months including any additional expenditure required in relation to its current exploration and development projects. The Group raised $26.2 million in February 2021 by way of issuing new shares

and special warrants that are convertible into equity upon the publication of a short for prospectus in Canada. The funds held at the year end along with those raised post year end means the Group has cash reserves which are considered sufficient by the Directors to fund the Group's committed expenditure both operationally and on its exploration project for the foreseeable future. However, as additional projects are identified and the Araguaia project moves towards production, additional funding will be required.

The uncertainty as to the future impact of the Covid-19 pandemic has been considered as part of the Group's adoption of the going concern basis. In response to government instructions the Group's offices in London and Brazil have been closed with staff working from home, international travel has stopped and all site work for the two projects has been restricted to a minimum level. However, a number of the key project milestones are still advancing and are currently on track being run by the teams in a virtual capacity.

Whilst the board considers that the effect of Covid-19 on the Group's financial results at this time is constrained to inefficiencies due to remote working, restrictions on travel and some minor potential delays to consultants work streams, the Board considers the pandemic could delay the Araguaia project financing timeline by a number of months (this will be dependent on the duration of the effects of the Covid-19 virus across global markets). However, the additional funding described above provides sufficient financing to enable the Company to continue its operations for at least 12 months should any additional cost arise as a result of any potential deterioration in the global Covid-19 situation.

As a result of considerations noted above, the Directors have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing these Financial Statements.

2.2 (b) Assessment of the impact of COVID-19

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

2.3 Changes in accounting policy and disclosures

a) New and amended standards adopted by the Group

New standards impacting the Group that are adopted in the annual financial statements for the year ended 31 December 2020, are:

Standard	Detail
IFRS 7, IFRS 9, IAS 39	Amendments regarding pre-replacement issues in the context of the IBOR reform
IAS 1, IAS 8	Amendment – regarding the definition of material

The adopted amendments have not resulted in any changes to the Group Consolidated Financial Statements.

b) New and amended standards, and interpretations issued but not yet effective for the financial year beginning 1 January 2020 and not early adopted

At the date of authorisation of these Consolidated Financial Statements, the following new standards, amendments and interpretations to existing standards have been published but are not yet effective and have not been adopted early by the Group.

Standard	Detail
IFRS 7, IFRS 9, IFRS 16, IAS 39	Amendments regarding pre-replacement issues in the context of the IBOR re
IAS 16	Amendments prohibiting a company from deducting from the cost of proper equipment amounts received from selling items produced while the compan asset for its intended use
IAS 37	Amendments regarding the costs to include when assessing whether a contr
IAS 1	Amendment – regarding the classification of liabilities

Management anticipates that all the pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement.

c) New accounting policy adopted

Following the commencement of the development of the Araguaia mine project the Group has adopted a new accounting policy for capitalisation of borrowing costs. The accounting policy is described in note 2.6 below.

2.4 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 (consistent with the prior year):

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	1st Floor, Viking House, St Pauls Square, Ramsey, IM8 1GB, Ilse of Man	Isle of Man	Holding company
HM Brazil (IOM) Ltd	Indirectly	1st Floor, Viking House, St Pauls Square, Ramsey, IM8 1GB, Ilse of Man	Isle of Man	Holding company
Cluny (IOM) Ltd	Indirectly	1st Floor, Viking House, St Pauls Square, Ramsey, IM8 1GB, Ilse of Man	Isle of Man	Holding company
Champol (IOM) ltd	Indirectly	1st Floor, Viking House, St Pauls Square, Ramsey, IM8 1GB, Ilse of Man	Isle of Man	Holding company
Horizonte Nickel (IOM) Ltd	Indirectly	1st Floor, Viking House, St Pauls Square, Ramsey, IM8 1GB, Ilse of Man	Isle of Man	Holding company
Nickel Production Services B.V	Directly	Atrium Building, 8th floor, Strawinskylaan 3127, 1077 ZX, Amsterdam	The Netherlands	Provision of financial services
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 Níquel Metais 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
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

During the year two wholly owned subsidiaries of the group, Lontra Emprendimentos e Participacões Ltda and Typhon Brasil Mineração Ltda were closed down and their assets transferred to other Brazilian subsidiaries.

2.4 (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.

2.5 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 a Mine Development asset within property, plant and equipment.

(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.

2.6 Property, plant and equipment
Mine development property

Following determination of the technical feasibility and commercial viability of a mineral resource, the relevant expenditure is transferred from exploration and evaluation assets to mine development property.

Further development costs are capitalised to mine development properties, if and only if, it is probable that future economic benefits associated with the item will flow to the entity and the cost can be measured reliably. Cost is defined as the purchase price and directly attributable costs. Once the asset is considered to be capable of operating in a manner intended by management, commercial production is declared, and the relevant costs are depreciated. Evaluated mineral property is carried at cost less accumulated depreciation and accumulated impairment losses.

Short lived Property, plant and equipment

All other property, plant and equipment such as office equipment and vehicles are 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. Major repairs and maintenance are capitalised, all other repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred.

Depreciation and amortisation

Mine development property is not depreciated prior to commercial production but is reviewed for impairment annually (see “Impairment of assets” section below). Upon commencement of commercial production, mine development property is transferred to a mining property and is depreciated on a units-of-production basis. Only proven and probable reserves are used in the tonnes mined units of production depreciation calculation.

Depreciation is charged on a straight-line basis for all other property, plant and equipment, 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.

Capitalisation of borrowing costs

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

- Interest charge on royalty finance
- Adjustments to the carrying value of the royalty finance
- Unwinding of discount and adjustment to carrying value on contingent consideration payable for Araguaia

The capitalisation of adjustments to the carrying values as a result of changes in estimates is an accounting policy choice under IFRS and management have selected to capitalise.

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

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 functional currency of the project financing subsidiary incorporated in the Netherlands is USD. 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, derivative assets, royalty finance liability 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.

Fair value through profit or loss

This category comprises in-the-money derivatives. They are carried in the statement of financial position at fair value with changes in fair value recognised in the profit loss statement.

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 using the general approach to determine if there has been a significant increase in credit risk since initial recognition and whether the receivables and loans are credit impaired. 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.

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

Financial liabilities are initially valued at fair value and subsequently measured at amortised cost using the effective interest method, except for financial liabilities designated at fair value through profit or loss, that are carried subsequently at fair value with gains and losses recognised in the profit and loss statement.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

The Group's financial liabilities initially measured at fair value and subsequently recognised at amortised cost include accounts payables and accrued liabilities as well as the Group's Royalty liability.

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 Leases

All leases are accounted for by recognising a right-of-use assets due to a lease liability except for:

- Lease of low value assets; and
- Leases with duration of 12 months or less

The Group only has such short duration leases and lease payments are charged to the income statement.

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. Details are disclosed in note 4.2.

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 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.

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
- 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
- Royalty finance
- Derivative financial assets

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. Liquidity risk arises from the Group's management of working capital and the expenditure profile of the group. At present is does not have any finance charges and principal repayments that require settlement as the only liabilities it has are contingent upon reaching production. There is however a risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain cash balances (or agreed facilities) to meet expected requirements for a period of at least 6 months. All cash, with the exception of that required for immediate working capital requirements, is held on short-term deposit.

The Board receives rolling 12-month cash flow projections on a quarterly basis as well as information regarding cash balances and (as noted above) the value of the Group's deposits. At the end of the financial year, these projections indicated that the Group expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances. The liquidity risk of each group entity is managed centrally by the group treasury function. Each operation has a facility with group treasury, the amount of the facility being based on budgets. The budgets are set locally and agreed by the board in advance, enabling the Group's cash requirements to be anticipated.

The following table sets out the contractual maturities of undiscounted financial liabilities:

Group

At 31 December 2020	Up to 3 Months	Between 3 & 12 Months	Between 1 & 2 Years	Between 2 & 5 Years	Over 5 years
	£	£	£	£	£
Trade & other payables	632,407	-	-	-	
Royalty financing arrangement	-	-	-	9,263,974	148,448,937
Contingent consideration	-	-	-	3,659,485	4,391,382
Total	**632,407**	-	-	12,923,459	152,840,319

The cash flows related to the royalty finance represent the estimated future payments in future years.

At 31 December 2019	Up to 3 Months	Between 3 & 12 Months	Between 1 & 2 Years	Between 2 & 5 Years	Over 5 years
	£	**£**	**£**	**£**	**£**
Trade & other payables	683,933	-	-	-	
Royalty financing arrangement	-	-	-	8,781,200	136,016,637
Contingent consideration	-	-	-	8,295,626	-
Total	**683,933**	-	-	17,076,826	136,016,637

The cash flows related to the royalty finance represent the estimated future payments in future years.

Company

At 31 December 2020	Up to 3 Months	Between 3 & 12 Months	Between 1 & 2 Years	Between 2 & 5 Years	Over 5 years
	£	**£**	**£**	**£**	**£**
Trade & other payables	280,179	-	-	-	-
Intercompany loans	12,194,094	-	-	-	-
Contingent consideration	-	-	-	3,659,485	4,391,382
Total	**12,474,273**	-	-	3,659,485	4,391,382

At 31 December 2019	Up to 3 Months	Between 3 & 12 Months	Between 1 & 2 Years	Between 2 & 5 Years	Over 5 years
	£	**£**	**£**	**£**	**£**
Trade & other payables	735,518	-	-	-	-
Intercompany loans	17,735,009	-	-	-	-
Contingent consideration	-	-	-	8,295,626	-
Total	**18,470,527**	-	-	8,295,626	-

(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 2020, 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 £1,204,049 (2019: £102,936) 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 £372,488 (2019: £799,698).

As of 31 December 2020 the Group's net exposure to foreign exchange risk was as follows:

					Functional Currency			
Group	USD 2020	USD 2019	GBP 2020	GBP 2019	BRL 2020	BRL 2019	Total 2020	Total 2019
Currency of net Financial assets/(liabilities)	£	£	£	£	£	£	£	£
GBP	-	-	-	-	-	-	-	-
USD	-	-	(1,440,779)	10,822,512	-	-	(1,440,779)	10,822,512
BRL	5,433,840	-		-	-	-	5,433,840	-
CAD	-	-	57,683	28,686	-	-	57,683	28,686
EUR	72,610	-	-	-	-	-	72,610	-
Total net exposure	5,506,450	-	(1,383,096)	10,851,198	-	-	4,123,354	10,851,198

Company	GBP 2020	GBP 2019	Total 2020	Total 2019
Currency of net Financial assets/liabilities	£	£	£	£
USD	(1,569,868)	10,822,512	(1,569,868)	10,822,512
CAD	30,000	28,686	30,000	28,686
Total net exposure	(1,539,868)	10,851,198	(1,539,868)	10,851,198

(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) Commodity price risk

The group is exposed to the price fluctuation of its primary product from the Araguaia project, being FerroNickel. The Group has a royalty over its Araguaia project which is denominated as a fixed percentage of the product over a certain number of tonnes produced. Given the Group is current in the development phase and is not yet producing any revenue, the costs of managing exposure to commodity price risk exceed any potential benefits. The Directors monitor this risk on an ongoing basis and will review this as the group moves towards production. The Groups exposure to nickel price amounted to the carrying value of the Royalty liability of £22,053,341 (2019: £20,570,411). If the long term nickel price assumption used in the estimation were to increase or decrease by 10%

then the effect on the carrying value of the liability would be an increase/decrease of £2,279,818 (2019: £2,107,418).

(e) Credit risk

Credit risk arises from cash and cash equivalents and outstanding receivables including intercompany loan receivable balances. 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 £10,935,563, (2019: £17,760,330) and represents the Group cash positions.

The Company's exposure to credit risk amounted to £70,001,110, (2019: £73,189,301). Of this amount £64,692,156 (2019: £55,795,528) is due from subsidiary companies and £5,308,954 represents cash holdings (2019: £17,393,773). See note 27 for adjustments for provisions for expected credit losses for the intercompany receivables from subsidiary companies.

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 repayable debt at 31 December 2020 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.

During the prior year the Group entered into a royalty funding arrangement with Orion Mine Finance securing a gross upfront payment of $25,000,000 before fees in exchange for a royalty over the first 426k tonnes of nickel produced from the Araguaia Ferronickel project. The agreement includes several prepayment options embedded within the agreement enabling the Group to reduce the royalty rate, these options are carried at fair value. Details of this agreement are included in note [18].

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

The fair value of cash, other receivables, accounts payable and accrued liabilities approximate their carrying values due to the short-term nature of the instruments.

Fair value measurements recognised in the statement of financial position subsequent to initial fair value recognition can be classified into Levels 1 to 3 based on the degree to which fair value is observable.

Level 1 – Fair value measurements are those derived from quoted prices in active markets for identical assets and liabilities.

Level 2 – Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly, or indirectly.

Level 3 – Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

Information relating to the basis of determination of the level 3 fair value for the buyback option and consideration of sensitivity to changes in estimates is disclosed in note [18b]).]

There were no transfers between any levels of the fair value hierarchy in the current or prior years.

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 estimates and judgements include, but are not limited to:

Estimates

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

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 as well as the potential economics as derived from the PFS, 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 27 for a discussion on the adjustment passed concerning the impairment loss.

Valuation of derivative financial assets

Valuing derivatives inherently relies on a series of estimates and assumptions to derive what is deemed to be a fair value estimate for a financial instrument. The royalty financing arrangement entered into by the Group includes a Buyback option, an embedded derivatives which was valued using a Monte Carlo simulation method. This methodology of determining fair value is reliant upon estimations including the probability of certain scenarios occurring, the estimated production rate and timeline of production from the Araguaia project, future nickel prices as well as discount factors. The most important estimates in determining the valuation of the Buyback option are the future nickel price and its price volatility. The sensitivity of the valuation to these estimates are considered in note 18b).

Judgements

4.1 Impairment of exploration and evaluation costs

Exploration and evaluation costs which relate solely to Vermelho have a carrying value at 31 December 2020 of [£6,062,624] (2019: £6,846,859). 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 Pre-Feasibility Study as well as the fundamentals of the nickel market and expected supply gap in the mid-term.

4.2 Contingent consideration

Contingent consideration has a carrying value of £5,927,026 at 31 December 2020 (2019: £6,246,071). There are two contingent consideration arrangements in place as at 31 December 2020:

- Payable to Glencore in respect of the Araguaia acquisition - $5m
- Payable to Vale in respect of the Vale acquisition - $6m

In prior years Management judged that the projects had advanced to a stage that it was probable that the consideration would be paid and so should be recognised in full. This remains the position. In addition, a key estimate in determining the estimated value of the contingent consideration for both Glencore and Vale is the timing of the assumed date of first commercial production.

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 Níquel Metais 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 Níquel Metais 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.

4.4 Accounting for the royalty finance arrangements

The Group has a $25m royalty funding arrangement which was secured in order to advance the Araguaia project towards construction. The royalty pays a fixed percentage of revenue to the holder for production from the first 426k tonnes of nickel produced from the Araguaia project. The treatment of this financing arrangement as a financial liability, calculated using the effective interest rate methodology is a key judgement that was made by the Company in the prior year and which was taken following obtaining independent expert advice. The carrying value of the financing liability is driven by the expected future cashflows payable to the holder on the basis of the production profile of the mine property. It is also sensitive to assumptions regarding the royalty rate, which can vary based upon the start date for construction of the project and future nickel prices. The contract includes certain embedded derivatives, including the Buy Back Option which has been separated and carried at fair value through profit and loss.

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

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

Further information relating to the accounting for this liability, the embedded derivative and the sensitivity of the carrying value to these estimates is provided in note 18a) and 18b).

4.5 Determination of commencement of capitalisation of borrowing costs

The date at which the Group commenced capitalisation of borrowing costs was determined to be the point at which the Araguaia Project moved forwards with undertaking an exercise of value engineering to get the project construction ready. This was deemed by management to be at the start of 2020.

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 separate subsidiary responsible for the project finance for the Araguaia Project is domiciled in the Netherlands. The operations of this entity are reported separately and so it is recognised as a new segment. The reports used by the chief operating decision-maker are based on these geographical segments.

2020	UK 2020 £	Brazil 2020 £	Netherlands 2020 £	Total 2020 £
Intragroup sales	219,844	(219,884)	-	-
Administrative expenses	(2,488,200)	(292,492)	(169,044)	(2,949,738)
Profit/(loss) on foreign exchange	1,491,281	(547,877)	(192,091)	751,313
Loss from operations per reportable segment	**(777,073)**	**(1,218,233)**	**(361,135)**	**(2,198,423)**
Finance income	**236,986**	**-**	**-**	**236,986**
Finance costs	**-**	**-**	**-**	**-**
Changes in estimate for contingent and deferred consideration	**-**	**-**	**-**	**-**
Fair value movement	**-**	**-**	**(424,500)**	**(424,500)**
Loss before taxation	**(540,089)**	**(1,218,233)**	**(785,635)**	**(2,385,937)**
Depreciation charges	**-**	**-**	**-**	**-**
Additions to non-current assets	**-**	**4,017,419**	**-**	**4,017,419**
Capitalisation of borrowing costs	**-**	**2,100,521**	**-**	**2,100,521**
Reportable segment assets	**5,405,150**	**42,658,016**	**1,960,308**	**50,023,475**
Reportable segment non-current assets	**-**	**37,060,819**	**-**	**37,060,819**
Reportable segment liabilities	**5,927,122**	**346,127**	**22,059,443**	**28,377,692**

2019	UK 2019 £	Brazil 2019 £	Netherlands 2019 £	
Intragroup sales	171,712	(171,712)	-	-
Administrative expenses	(1,840,348)	(723,532)	-	(2,563,880)
Loss on foreign exchange	6,796	(78,843)	15,782	(56,266)
Loss from operations per reportable segment	(1,833,552)	(802,376)	15,782	(2,620,146)
Finance income	78,420	31,616	-	110,036
Finance costs	(344,953)	-	(588,398)	(933,351)
Share based payment charge	(326,413)	-	-	(326,413)
Changes in estimate for contingent and deferred consideration	598,660	-	-	598,660
Fair value movement	-	-	-	-
Loss before taxation	(1,827,838)	(770,760)	(572,616)	(3,171,214)

Depreciation charges	-	-	-	-
Additions to non-current assets	-	3,595,775	-	3,595,775
Reportable segment assets	17,785,624	39,428,141	2,246,089	59,459,854
Reportable segment non-current assets	-	39,317,989	-	39,317,989
Reportable segment liabilities	6,572,952	569,434	20,925,425	28,067,791

Inter segment revenues are calculated and recorded in accordance with the underlying intra group service agreements.

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

	2020 **£**	2019 £
Loss from operations per reportable segment	**(2,198,423)**	(2,620,146)
Changes in estimate for contingent and deferred consideration (refer note 17)	**-**	598,660
Charge for share options granted	**-**	(326,413)
Fair value movement on derivative	**(424,500)**	-
Finance income	**236,986**	110,036
Finance costs	**-**	(933,351)
Tax credit/(charge)	**108,526**	-
Loss for the year from continuing operations	**(2,277,411)**	(3,171,214)

An analysis of non current assets by geographic region is shown below:

Group	**2020** **£**	2019 £
Netherlands	**2,334,039**	-
Isle of Man	**15,151,088**	-
Brazil	**19,575,692**	39,317,989
Total	**37,060,819**	39,317,989

This has been presented following the restructuring of the group to include closure of two subsidiaries that are no longer required and the transfer of some project related assets and intercompany loans within the group.

6 Expenses by nature

Group	**2020 £**	2019 £
Employment related costs	**1,067,047**	1,070,636
Professional fees	**1,093,299**	615,579
Exploration costs expensed	**343,695**	723,628
Other	**445,695**	154,037
Total Administrative expenses	**2,949,736**	2,563,880
Charge for share options granted	—	326,413
Depreciation (note 11)	—	—

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	**2020 £**	2019 £
Fees payable to the Company's auditor and its associates for the audit of the parent company and consolidated financial statements	**64,700**	47,300
Fees payable to the Company's auditor and its associates for other services:		
- Audit of subsidiaries	**10,000**	7,000
– Audit related assurance services	**35,000**	-
–Tax compliance services	**35,244**	48,563

8 Finance income and costs

Group	**2020 £**	2019 £
Finance income:		
– Interest income on cash and short-term bank deposits	**151,459**	110,036
Finance costs:		
– Contingent consideration: unwinding of discount	**(445,066)**	(344,953)
– Contingent consideration: change in estimates	**764,109**	
– Amortisation of royalty financing	**(3,244,873)**	(572,294)
– Adjustment of royalty financing from change in estimates	**910,834**	(91,476)
– movement in fair value of derivative asset	**-**	75,372
Total finance costs	**(1,863,537)**	(933,351)
Less finance costs capitalised	**2,100,521**	
Net finance income	**236,986**	(823,315)

Interest costs that are directly attributable to the development of a qualifying asset have been capitalised. This represents 100% of the interest on the financing obtained for the Araguaia project, and is a capitalisation rate of 14.5%.

9 Income Tax

Group	**2020** **£**	2019 £
Tax charge:		
Current tax charge for the year	**(51,071)**	—
Deferred tax credit for the year	**159,597**	—
Tax on loss for the year	**108,526**	—

Reconciliation of current tax

Group	**2020** **£**	2019 £
Loss before income tax	**(2,385,936)**	(3,171,214)
Current tax at 19% (2019: 19%)	**(453,328)**	(602,530)
Effects of:		
Expenses not deducted for tax purposes	**255,888**	281,391
Utilisation of tax losses brought forward	—	—
Tax losses carried forward for which no deferred income tax asset was recognised	**83,060**	473,130
Prior year adjustment	**(51,071)**	
Effect of higher overseas tax rates	**114,380**	(88,990)
Total tax	(51,071)	—

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

The corporation tax rate in Brazil is 34%, the Netherlands 21% and the United Kingdom 19%. The group incurred expenses in all of these jurisdictions during the year, in 2019 and 2020 the effective rate was 19% 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	**2020** **£**	2019 £
Deferred tax assets	1,624,891	1,412,509
Deferred tax liabilities		
– Deferred tax liability to be settled after more than 12 months	1,624,891	1,624,891
Deferred tax liabilities (net)	**-**	**(212,382)**

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

Group	**2020** **£**	2019 £
At 1 January	**(212,382)**	(228,691)
Exchange differences	**52,785**	16,309
Adjustment to Deferred tax	**159,597**	-
At 31 December	**-**	(212,382)

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 £17,603,004 (2019: £16,810,975) in Brazil and excess management charges of approximately £2,288,011 (2019: £1,188,011) 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 £6,419,743 (2019: £5,941,453) 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 2019	**226,757**	**6,130,296**	**29,380,849**	**35,737,903**
Transfer to PPE	-	(3,483,363)	(29,808,123)	(33,291,486)
Additions	-	3,324,005	2,604,911	5,928,916
Exchange rate movements	(16,172)	(813,572)	(488,143)	(1,317,887)
Net book amount at 31 December 2019	**210,585**	**5,157,366**	**1,689,495**	**7,057,446**
Additions	-	-	-	-
Exchange rate movements	(52,337)	(151,785)	(632,451)	(836,574)
Net book amount at 31 December 2020	158,248	5,005,581	1,057,043	6,220,872

(a) Exploration and evaluation assets

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

	Exploration licences £	Exploration and evaluation costs £	Total £
Vermelho			
Net book amount at 31 December 2019	**5,157,366**	**1,689,495**	**6,846,860**
Net book amount at 31 December 2020	**5,005,581**	**1,057,043**	**6,062,624**

No indicators of impairment were identified during the year for the Vermelho project.

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.
On 17 October the Group published the results of a Pre-Feasibility Study (“PFS”) on

the Vermelho Nickel Cobalt Project, which confirms Vermelho as a large, high-grade resource, with a long mine life and low-cost source of nickel sulphate for the battery industry.

The economic and technical results from the study support further development of the project towards a full Feasibility Study and included the following:

- A 38-year mine life estimated to generate total cash flows after taxation of US$7.3billion;
- An estimated Base Case post-tax Net Present Value1 ('NPV') of US$1.7 billion and Internal Rate of Return ('IRR') of 26%;
- At full production capacity the Project is expected to produce an average of 25,000 tonnes of nickel and 1,250 tonnes of cobalt per annum utilising the High-Pressure Acid Leach process;
- The base case PFS economics assume a flat nickel price of US$16,400 per tonne ('/t') for the 38-year mine life;
- C1 (Brook Hunt) cash cost of US$8,020/t Ni (US$3.64/lb Ni), defines Vermelho as a low-cost producer; and
- Initial Capital Cost estimate is US$652 million (AACE class 4).

Nothing has materially deteriorated with the economics of the PFS between the publication date and the date of this report and the Directors undertook an assessment of impairment through evaluating the results of the PFS along with recent market information relating to capital markets and nickel prices and judged that there are no impairment indicators with regards to the Vermelho Project. Nickel prices remain higher than they were at the time of the publication of the PFS and overall sentiment towards battery metals and supply materials have grown more positive over the current year. The BRL has depreciated during the year which could have a positive impact on economics of the project as the revenue is denominated in USD with a significant portion of the costs and capital expenditure denominated in BRL. It has been therefore concluded there are no indicators if impairment.

(b) Goodwill

Goodwill arose on the acquisition of Lontra Empreendimentos e Participações Ltda in 2010 but following the closure of Lontra during the year the assets and allocated good will were transferred to another group company. The Directors have determined the recoverable amount of goodwill based on the same assumptions used for the assessment of the Araguaia project detailed below. 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	Mine Development Property £	Vehicles and other field equipment £	Office equipment £	Land acquisition £	Total £
Cost					
At 31 December 2018	—	**106,722**	**14,424**	—	**121,146**
Foreign exchange movements	(1,270,126)	—	—	—	(1,270,126)
Transfer from exploration and evaluation assets[1]	33,291,486				33,291,486

Additions	238,701	—	—	—	238,701
At 31 December 2019	32,260,061	106,722	14,424	—	32,381,207
Foreign exchange movements	(7,662,503)	(25,162)	(13,052)	—	(7,700,717)
Disposals	—	(5,806)	-	—	(5,806)
Interest capitalised	2,100,521	—	—	—	2,100,521
Additions	4,008,719	1,234	55,989	87,257	4,153,199
At 31 December 2020	**30,706,798**	**76,988**	**57,361**	**87,257**	**30,928,404**
Accumulated depreciation					
At 31 December 2018	—	105,536	14,424	—	119,960
Charge for the year	—	**703**	—	—	**703**
Foreign exchange movements	—	—	—	—	—
At 31 December 2019	—	**106,239**	**14,424**	—	**120,663**
Foreign exchange movements	-	**(16,959)**	**(8,399)**	—	**(25,358)**
Disposals	—	**(38,224)**	**-**	—	**(38,224)**
Charge for the year	—	**6,121**	**25,275**	—	**31,396**
At 31 December 2020	—	**57,177**	**31,300**	—	**88,477**
Net book amount as at 31 December 2020	**30,706,818**	**19,811**	**26,061**	**87,257**	**30,839,947**
Net book amount as at 31 December 2019	**32,260,061**	**483**	**-**		**32,260,544**
Net book amount as at 1 January 2019	—	**1,186**	—		**1,186**

[1]Following determination of the technical feasibility and commercial viability of the Araguaia Ferronickel Project, the relevant expenditure has been transferred from exploration and evaluation assets to evaluated mineral property

Depreciation of £31,396 (2019: £703) has been capitalised and included within mine development asset additions for the year. The remaining depreciation expense for the year ended 31 December 2020 of £nil (2019: £nil) has been charged in 'administrative expenses' under 'Depreciation.'

In December 2018, a Canadian NI 43-101 compliant Feasibility Study ("FS') was published by the Company regarding the enlarged Araguaia Project which included the Vale dos Sonhos deposit acquired from Glencore. The financial results and conclusions of the FS clearly indicate the economic viability of the Araguaia Project with an NPV of $401M using a nickel price of $14,000/t Ni. Nothing material had changed with the economics of the FS between the publication date and the date of this report and the Directors undertook an assessment of impairment 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 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 2019, the discount rate applied to the cash flow model would need to be increased from 8% to 17%.

12 Cash and cash equivalents

	Group		**Company**	
	2020	2019	**2020**	2019
	£	£	**£**	£
Cash at bank and on hand	**6,756,255**	2,219,850	**1,129,646**	1,854,329
Short-term deposits	**4,179,308**	15,540,480	**4,179,308**	15,540,480
	10,935,563	17,760,330	**5,308,954**	17,394,809

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

	Group		**Company**	
	2020	2019	**2020**	2019
	£	£	**£**	£
A+	**5,264,882**	-	**5,251,913**	-
A	**245,517**	17,338,016	**-**	17,338,016
AAA	**4,522,146**	-	**-**	-
BAA	**57,041**	-	**57,041**	-
BB	**735,807**	-	**-**	-
BBB-	**-**	422,314	**-**	56,793
NA	**110,080**	-	**-**	-
Total credit exposure	**10,935,563**	17,760,330	**5,308,954**	17,394,809

The cash deposited with the institution with no credit rating is only held short term and the expected credit loss is not assessed as material.

13 Share capital

Group and Company	**2020 Number**	**2020 £**	2019 Number	2019 £

Issued and fully paid				
Ordinary shares of 1p each				
At 1 January	1,446,377,287	14,463,773	1,432,521,800	14,325,218
Issue of ordinary shares	**3,000,000**	**30,000**	13,855,487	138,555
At 31 December	**1,449,377,287**	**14,493,773**	1,446,377,287	14,463,773

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

2020

On 3 September 2020 the Group issued 3,000,000 new ordinary shares at a price of 3.1 pence per share in relation to the exercise of options by an employee of the Company.

2019

On 24 January 2019 the Company issued 13,855,487 as settlement for $330,000 of deferred contingent consideration that became payable following the issuance of a Feasibility Study including the Vale dos Sonhos deposit originally acquired from Glencore.

14 Share premium

Group and Company	**2020** **£**	2019 £
At 1 January	41,785,306	41,664,018
Premium arising on issue of ordinary shares	63,000	121,288
Issue costs	-	-
At 31 December	41,848,306	41,785,306

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 of options 2020	**Weighted average exercise price 2020 £**	Number of options 2019	Weighted average exercise price 2019 £

Outstanding at 1 January	136,300,000	0.055	134,300,000	0.056
Forfeited	(7,950,000)	0.140	-	-
Exercised	(3,000,000)	0.031	-	-
Granted	-	-	2,000,000	0.048
Outstanding at 31 December	125,350,000	0.051	136,300,000	0.055
Exercisable at 31 December	125,350,000	0.051	134,966,667	0.055

The options outstanding at 31 December 2020 had a weighted average remaining contractual life of 5.80 years (2019: 6.38 years).

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

The parameters used are detailed below for options issued during 2019, no new options were issued during 2020.

Group and Company	2019 options
Date of grant	**11/02/2019**
Weighted average share price	**2.29 pence**
Weighted average exercise price	**4.80 pence**
Weighted average fair value at the measurement date	**1.05 pence**
Expiry date	**11/2/2029**
Options granted	**2,000,000**
Volatility	**51%**
Dividend yield	Nil
Option life	10 years
Annual risk free interest rate	1.22%

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 (£)	**2020 Weighted average exercise price (£)**	**2020 Number of shares**	**2020 Weighted average remaining life expected (years)**	**2020 Weighted average remaining life contracted (years)**	2019 Weighted average exercise price (£)	2019 Number of shares	2019 Weighted average remaining life expected (years)	2019 Weighted average remaining life contracted (years)
0–0.1	**0.042**	**115,700,000**	**6.21**	**6.21**	0.04	121,150,000	7.02	7.02
0.1–0.2	**0.154**	**9,650,000**	**0.93**	**0.93**	0.16	15,150,000	1.55	1.55

16 Other reserves

	Merger	Translation	Other

Group	reserve £	reserve £	reserve £	Total £
At 1 January 2019	10,888,760	(11,880,652)	(1,048,100)	(2,039,991)
Other comprehensive income	—	—	—	—
Currency translation differences	—	(2,626,938)	—	(2,626,938)
At 31 December 2019	**10,888,760**	**(14,507,590)**	**(1,048,100)**	**(4,666,930)**
Other comprehensive income	—	—	—	—
Currency translation differences	—	(8,151,944)	—	(8,151,994)
At 31 December 2020	**10,888,760**	(22,659,534)	**(1,048,100)**	(12,818,874)

Company	Merger reserve £	Total £
At 1 January 2019 and 31 December 2019	10,888,760	10,888,760
At 1 January 2020 and 31 December 2020	**10,888,760**	**10,888,760**

Other reserve

The other reserve 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.

Merger Reserve

During the year ended 31 December 2010 the Company acquired 100% of Teck Cominco Brasil S.A and Lontra Empreendimentos e Participações Ltda (refer note 5). These acquisitions were effected by the issue of shares in Horizonte Minerals plc. These shares qualified for merger relief under section 612 of the Companies Act 2006. In accordance with section 612 of the Companies Act 2006 the premium on the shares issued was recognised in a separate reserve within equity called merger reserve.

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**	
	2020	2019	**2020**	2019
	£	£	**£**	£
Non-current				
Contingent consideration payable to:				
Xstrata Brasil Mineração Ltda	**2,893,877**	2,975,935	**2,893,877**	2,975,935
Vale Metais Basicoc S.A.	**3,033,148**	3,270,134	**3,033,148**	3,270,134
Total contingent consideration	**5,927,025**	6,246,069	**5,927,025**	6,246,069

Current				
Trade and other payables	**304,461**	538,933	**123,657**	176,588
Amounts due to related parties (refer note 22)	**-**	-	**413,930**	413,930
Social security and other taxes	83,203	30,000	31,822	30,000
Accrued expenses	244,743	115,000	124,700	115,000
	632,407	683,933	**694,109**	735,518
Total trade and other payables	**6,559,432**	6,930,002	**6,621,134**	6,981,587

Contingent 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 dos Sonhos in a Feasibility Study and $670,000 for Serra do Tapa, during 2018 a Feasibility Study including Vale dos Sonhos was published and the consideration settled by way of issuing 13,855,487 new Shares in the Company occurred during 2019. Serra do Tapa is not included in the current project plans, therefore management have concluded it's not currently probable that the consideration for Serra do Tapa will be paid. This consideration is therefore 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.

Contingent 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 required 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 was paid by the Group in December 2019 and is no longer included in deferred consideration.
- 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 with the publication of the Pre-Feasibility Study during 2019 for the Vermelho project, there is a reasonable probability that the project will advance through to production and therefore have recognised this contingent consideration within liabilities for the first time during the year.

The critical assumptions underlying the treatment of the contingent consideration are set out in note [4.2].

As at 31 December 2020, there was a finance expense of £231,780 (2019: £344,952) recognised in finance costs within the Statement of Comprehensive Income in respect of the contingent and deferred consideration arrangements, as the discount applied to the consideration at the date of acquisition was unwound.

	Contingent consideration £	**Deferred consideration £**	**Total £**
At 1 January 2019	**3,461,833**	**1,360,792**	**4,822,626**
Initial recognition – Vale	3,324,004	-	3,324,004
Unwinding of discount	253,439	91,513	344,952
Change in estimate	(534,201)	(64,459)	(598,660)
Settlement of consideration	(259,006)	(1,387,846)	(1,646,852)
At 31 December 2019	6,246,069	-	6,246,069
Unwinding of discount	445,065	-	445,065
Change in estimate	(764,109)	-	(764,109)
At 31 December 2020	5,927,025	-	5,927,025

The change in estimate during 2020 relates revisions to the estimated payment date of both considerations as a result of the start date of production being extended. Slightly offsetting this is the result of adverse movements in foreign exchange rates as both of the Contingent consideration amount payable are denominated in USD and the GBP/USD exchange rate fell during the year.

18 a) Royalty financing liability

On 29 August 2019 the Group entered into a royalty funding arrangement with Orion Mine Finance ("OMF") securing a gross upfront payment of $25,000,000 before fees in exchange for a royalty, the rate being in a range from 2.25% to 3.00% and determined by the date of funding and commencement of major construction. At inception of the loan the rate was estimated at 2.45% and at the year end the rate has been estimated at 2.65%. The royalty is paid over the first 426k tonnes of nickel produced from the Araguaia Ferronickel project. The Royalty agreement has certain provisions to increase the headline royalty rate should there be delays in securing project financing beyond a pre agreed timeframe. The royalty is linked to production and therefore does not become payable until the project is constructed and commences commercial production. The agreement contains certain embedded derivatives which as per IFRS9 have been separately valued and included in the fair value of the financial instrument in note 18 b).

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

	£
Initial recognition of Royalty	19,379,845
Fees	(1,138,640)
Fair value of embedded derivative on initial recognition	2,232,558
Unwinding of discount	572,294
Change in carrying value	91,476
Effects of foreign exchange	(567,122)
Value as at 31 December 2019	20,570,411
Unwinding of discount	3,244,873
Change in carrying value	(910,834)
Effects of foreign exchange	(851,109)
Value as at 31 December 2020	22,053,341

Management have sensitised the carrying value of the royalty liability by an increase/decrease in the royalty rate of 0.1% and it would be £832,201 higher/lower and for a $1,000/t Ni increase/decrease in future nickel price the carrying value would increase/decrease by £1,408,077.

b) Derivative financial asset

The aforementioned agreement includes several options embedded within the agreement as follows:

- If there is a change of control of the Group and the start of major construction works (as defined by the expenditure of in excess of $30m above the expenditure envisaged by the royalty funding) is delayed beyond a certain pre agreed timeframe the following options exist:
  - Call Option – which grants Horizonte the option to buy back between 50 – 100% of the royalty at a valuation that meets certain minimum economic returns for OMF;
  - Make Whole Option – which grants Horizonte the option to make payment as if the project had started commercial production and the royalty payment were due; and
  - Put Option – should Horizonte not elect for either of the above options, this put option grants OMF the right to sell between 50 – 100% of the Royalty back to Horizonte at a valuation that meets certain minimum economic returns for OMF.
- Buy Back Option - At any time from the date of commercial production, provided that neither the Call Option, Make Whole Option or the Put Option have been actioned, Horizonte has the right to buy back up to 50% of the Royalty at a valuation that meets certain minimum economic returns for OMF.

The directors have undertaken a review of the fair value of all of the embedded derivatives and are of the opinion that the Call Option, Make Whole Option and Put Option currently have immaterial values as the probability of both a change of control and project delay are currently considered to be

remote. There is considered to be a higher probability that the Group could in the future exercise the Buy Back Option and therefore has undertaken a fair value exercise on this option.

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

The assumptions for the valuation of the Buy Back Option are the future nickel price ($16,191/t Ni), the start date of commercial production (2024), the prevailing royalty rate (2.65%), the inflation rate (1.5%) and volatility of nickel prices (22.6%).

	2019 £
Initial recognition of derivative	2,232,558
Change in fair value	75,372
Effects of foreign exchange	(61,121)
Value as at 31 December 2019	2,246,809
Change in fair value	(424,500)
Effects of foreign exchange	(65,756)
Value as at 31 December 2020	1,756,553

Sensitivity analysis

The valuation of the Buyback option is most sensitive to estimates for nickel price, nickel price volatility, royalty rate as well as the production rate. If the royalty rate is increased to 2.75% then the fair value would increase to $2,780,000 and if production reached 80% of the target capacity then the fair value would decrease to $930,000.

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

19 Note to statement of cash flows

Below is a reconciliation of borrowings from financial transactions:

	Royalty Financing £	Derivative asset £	Total £
As at 1 January 2019	-	-	-
Cashflows			
Gross proceeds	19,379,845	-	19,379,845
Fees	(1,138,640)	-	(1,138,640)
Non cash flows:			
Fair value of embedded derivative on initial recognition	2,232,558	(2,232,558)	-
Unwinding of discount	572,294	-	572,294
Change in fair value	91,476	(75,372)	16,104

Effects of foreign exchange	(567,122)	61,121	(506,001)
Total non-current borrowings 31 December 2019	20,570,411	(2,246,809)	18,323,602
Unwinding of discount	3,244,873	-	3,244,873
Change in fair value	(910,834)	424,500	(486,334)
Effects of foreign exchange	(851,109)	65,756	(785,353)
Total non-current borrowings 31 December 2020	22,053,341	1,756,553	20,296,788

20 Dividends

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

21 Earnings per share

(a) Basic

The basic loss per share of 0.157p loss per share (2019 loss per share: 0.219p) 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	**2020** **£**	2019 £
Loss attributable to owners of the parent	**(2,277,411)**	(3,171,214)
Weighted average number of ordinary shares in issue	**1,447,323,588**	1,445,504,202

(b) Diluted

The basic and diluted loss per share for the years ended 31 December 2020 and 31 December 2019 are the same as the current year result for the year was a loss, the options and warrants outstanding would be anti-dilutive. Therefore, the dilutive loss per share is considered as the same as the basic loss per shares.

On 3 September 2020 the Group issued 3,000,000 new ordinary shares at a price of 3.1 pence per share in relation to the exercise of options by an employee of the Company.

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.

22 Related party transactions

The following transactions took place with subsidiaries in the year:

A fee totalling £nil (2019: £474,782 was charged to HM do Brazil Ltda, £nil (2019: £1,950,790) to Araguaia Níquel Metais Ltda and £nil (2019: £120,197) to Typhon Brasil Mineração Ltda by Horizonte Minerals Plc in respect of consultancy services provided and funding costs.

Amounts totalling £5,464,842 (2019: £2,545,769) were lent to HM Brazil (IOM) Ltd, Horizonte Nickel IOM Ltd, HM do Brasil Ltda, Araguaia Níquel Metais Ltda and Typhon Brasil Mineração Ltda to finance exploration work during 2020, by Horizonte Minerals Plc. No Interest is charged on balances outstanding during the year. The amounts are repayable on demand.

See note 27 for balances with subsidiaries at the year end.

All Group transactions were eliminated on consolidation.

23 Ultimate controlling party

The Directors believe there to be no ultimate controlling party.

24 Directors' remuneration (including Key Management)

	Short term benefits		Post employment benefits		Cost to Company	Non-Cash	
	Aggregate emoluments	Other Emoluments[1]	Pension costs	Total	Social Security costs	Share Based Payment Charge	Grand Total
Group 2020	£	£	£	£	£	£	£
Non-Executive Directors							
Sepanta Dorri	—	—	—	—	—	—	—
David Hall	38,000	36,250	—	**74,250**	4,031	—	78,281
William Fisher	16,850	37,000	—	**53,850**	—	—	53,850
Allan Walker	47,500	32,513	—	**80,013**	9,829	—	89,842
Owen Bavinton	42,092	32,513	25,605	**100,210**	9,083	—	109,293
Executive Directors						—	
Jeremy Martin	252,000	181,283	—	**433,283**	58,580	—	491,863
Key Management						—	
Simon Retter	195,000	139,338	3,000	**337,338**	39,921	—	377,259
	591,442	**458,897**	**28,605**	**1,078,944**	121,444	—	1,200,388

[1]Denotes amounts payable for annual performance related bonuses

	Short term benefits		Post employment benefits		Cost to Company	Non-Cash	

Group 2019	Aggregate emoluments £	Other emoluments £	Pension costs £	Total £	Social Security costs £	Share Based Payment Charge £	Grand Total £
Non-Executive Directors							
Alexander Christopher	—	—	—	—	—	—	—
David Hall	30,234	32,500[1]	—	**62,824**	2,981	34,224	100,029
William Fisher	26,400	32,500[1]	—	**58,900**	—	29,946	88,846
Allan Walker	30,359	32,500[1]	—	**62,859**	7,483	29,946	100,288
Owen Bavinton	31,043	—	39,396	**70,439**	1,696	29,946	102,081
Executive Directors							
Jeremy Martin	231,130	200,000[1]	16,662	**447,792**	51,405	68,448	567,645
Key Management							
Simon Retter	155,640	94,164[2]	12,000	**261,804**	20,295	34,224	316,323
	504,896	391,664	68,058	**964,618**	83,860	226,735	1,275,212

[1] Denotes bonuses paid regarding a long term incentive plan related to the successful publication of a Feasibility Study for Araguaia, Pre-Feasibility Study for Vermelho and closure of $25m royalty funding arrangement with OMF.

[2] Includes £65,000 bonus paid regarding a long term incentive plan related to the successful publication of a Feasibility Study for Araguaia, Pre-Feasibility Study for Vermelho and closure of $25m royalty funding arrangement with OMF.

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.

25 Employee benefit expense (including Directors and Key Management)

Group	**Group 2020 £**	2019 £	Company **2020 £**	2019 £
Wages and salaries	**2,180,283**	1,856,864	**1,384,126**	1,220,693
Social security costs	**269,069**	254,503	**161,157**	125,626
Indemnity for loss of office	**1,315**	16,865	**-**	-
Share options granted to Directors and employees (note 15)	**-**	326,413	-	326,413
	2,450,667	2,454,645	**1,545,283**	1,672,732
Management	**13**	10	**8**	8
Field staff	**24**	18	**-**	-

Average number of employees including Directors and Key Management	**37**	28	**8**	8

Employee benefit expenses includes £1,110,358 (2019: £892,500) of costs capitalised and included within the Mine Development Property.

Share options granted include costs of £nill (2019: £192,511) relating to Directors.

26 Investments in subsidiaries

Company	**2020** **£**	2019 £
Shares in Group undertakings	**2,348,142**	2,348,042
	2,348,142	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.

27 Loans to subsidiaries

Balances with subsidiaries at the year end were:

Company	**2020** **Assets** **£**	2019 Assets £
HM do Brasil Ltda	-	944,928
HM Brazil (IOM) Ltd	6,297,961	3,149,326
Horizonte Nickel (IOM) Ltd	53,530,300	35,641,959
Araguaia Níquel Metais Ltda	-	10,244,040
Horizonte Minerals (IOM) Ltd	253,004	253,004
Typhon Brasil Mineração Ltda	-	4,378,487
Trias Brasil Mineração Ltda	-	801,403
Champol (IOM) Ltd	4,610,891	-
Total	64,692,156	55,413,147

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.

During the year Typhon was closed down and the intercompany loan and assets was transferred to another group company. In addition the Group undertook a restructure resulting in a transfer of some other intercompany loan balances between various group entities. The result of this

restructure has been set out in the table below in addition to the other changes to the loan balances.

Company	1 January 2019	Amounts advanced during year	Expected credit loss	2019	Transfers	Amounts advanced during year	Expected credit loss	2020
	£	£	£	£	£	£	£	£
HM do Brasil Ltda	883,909	122,038	(61,019)	944,928	(2,173,475)	283,619	944,928	-
HM Brazil (IOM) Ltd	3,021,172	256,308	(128,154)	3,149,326	2,173,473	524,962	450,200	6,297,961
Horizonte Nickel (IOM) Ltd	33,145,934	2,496,025	-	35,641,959	17,409,339	479,992	-	53,530,290
Araguaia Níquel Metais Ltda	9,747,742	496,298	-	10,244,040	(11,434,152)	1,190,112	-	-
Horizonte Minerals (IOM) Ltd	253,004	-	-	253,004	-	-	-	253,004
Typhon Brasil Mineração Ltda	1,625,087	3,004,807	(251,407)	4,378,487	(7,967,759)	1,712,777	1,876,495	-
Trias Brasil Mineração Ltda	—	-	-	-	(1,012,620)	-	1,012,620	-
Champol (IOM) Ltd	—	-	-	-	4,150,055	1,274,283	(813,447)	4,610,891
Cluny (IOM) Ltd	801,403	-	-	801,403	(1,144,861)	-	343,458	-
Total	**49,478,251**	**6,375,476**	**(440,580)**	**55,413,147**	**-**	**5,464,745**	**3,814,254**	**64,692,156**

The Gross and net intercompany loan position following the expected credit loss as each year end is set out below:

Company	2020 Gross Loan	2020 Expected credit loss	2020 Net Loan	2019 Gross Loan	2019 Expected credit loss	2019 Net Loan
	£	£	£	£	£	£
HM do Brasil Ltda	-	-	-	1,889,856	(944,928)	944,928
HM Brazil (IOM) Ltd	8,997,087	(2,699,126)	6,297,961	6,298,652	(3,149,326)	3,149,326
Horizonte Nickel (IOM) Ltd	53,530,300	-	53,530,300	35,641,959	-	35,641,959
Araguaia Níquel Metais Ltda	-	-	-	10,244,040	-	10,244,040
Horizonte Minerals (IOM) Ltd	253,004	-	253,004	253,004	-	253,004
Typhon Brasil Mineração Ltda	-	-	-	6,254,982	(1,876,495)	4,378,487
Trias Brasil Mineração Ltda	-	-	-	1,012,620	(1,012,620)	-
Champol (IOM) Ltd	5,424,578	(813,687)	4,610,891	240	(240)	-
Cluny (IOM) Ltd	-	-	-	1,144,861	(343,458)	801,403
Total	**68,204,969**	**(3,512,813)**	**64,692,156**	**62,740,214**	**(7,327,067)**	**55,413,147**

Impairment provisions for receivables and loans to related parties are recognised based on using the general approach to determine if there has been a significant increase in credit risk since initial recognition and whether the receivables and loans are credit impaired in accordance with IFRS9.

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 and development project risk,
- positive NPV of the Araguaia project as demonstrated by the Feasibility Study
- positive NPV of the Vermelho Nickel Cobalt Project demonstrated by the Pre-Feasibility Study
- ability to raise the finance to develop the projects
- ability to sell the projects
- market and technical risks relating to the projects
- 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. After taking into consideration all of the above factors the rate of expected credit loss varies from 0% (2019: 0%) for the Araguaia project, to 30% (2019: 50%) for the receivables from HM Brazil and 15% (2019: 30%) for the Vermelho Project. The reduction in expected credit loss assessment for HM Brazil is due Araguaia's the further progress towards development and continuing improving prospects for Vermelho.

The credit loss allowance was assessed at the date of 31 December 2020.

28 Commitments

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

	2020	2019
Group	**£**	£
Mine Development Property	**7,314,000**	—

The Company has conditional capital commitments totalling £7.3 million ($10m) relating to certain items of plant and equipment. These commitments remain subject to a number of conditions precedent which have not been met at the date of this report. $1.5m of the purchase will be payable upon completion with the remaining amounts payable over future periods with $5m payable after commencement of sales by the Araguaia project. $1.5m of the purchase will be payable upon completion with the remaining amounts payable over future periods with $5m payable after commencement of sales by the Araguaia project.

29 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 2020 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 December 2014, the Group received a writ from the State Attorney in Conceição 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 2020.

30 Financial Instruments

Financial Assets

	Fair Value	Amortised cost	Total	Fair Value	Amortised cost	Total
	2020	**2020**	**2020**	2019	2019	2019
Group	**£**	**£**	**£**	£	£	£
Cash and cash equivalents	-	10,935,563	10,935,563	-	17,760,330	17,760,330
Derivative financial asset	1,756,553	-	1,756,553	2,246,809	-	2,246,809
Trade and other receivables	-	270,540	270,540	-	134,726	134,726
Total	1,756,553	11,206,103	12,962,656	2,246,809	17,895,056	20,141,865

	Amortised cost	
	2020	2019
Company	**£**	£
Cash and cash equivalents	5,308,954	17,393,773
Loans to subsidiaries	64,692,156	55,413,060
Trade and other receivables	96,196	135,376
Total	70,097,306	72,942,209

Financial Liabilities

	Amortised cost	
	2020	2019
Group	**£**	£
Trade and other payables	632,407	683,933
Contingent consideration	5,927,026	6,246,071
Royalty Finance	22,053,341	20,570,411
Total	28,612,774	27,500,415

	Amortised cost	
	2020	2019
Company	**£**	£
Trade and other payables	280,179	321,588
Contingent consideration	5,927,036	6,246,071
Loans from subsidiary	12,194,094	17,735,009
Total	18,401,309	24,302,668

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.

31 Parent Company Guarantee

Horizonte Minerals plc has, together with other group companies, provided a parent guarantee to Orion Mine Finance related to the $25 Million Royalty Financing arrangement granted by Nickel Production Services B.V. in respect of the project owned by Araguaia Níquel Metais Ltda during the financial year. The royalty payments are conditional upon entering into commercial production and therefore cannot become due until this is achieved. Horizonte Mineral plc's obligation to pay under the guarantee only arises if Nickel Production Services B.V. as grantor of the royalty or any of the other provider of a parent guarantee fails to make any payment under the royalty agreement. The Company considers the probability of such scenarios to be minimal at the current stage of the business' development and therefore any fair value assessment of such potential financial liability has been deemed to be immaterial

32 Events after the reporting date

On 23 February 2021 the company announced a £18.8 million fund raise comprising approximately £12.2m received for the issue of issued 162,718,353 new ordinary shares by way of a placing, alongside approximately £6.6m for the issue of 88,060,100 special warrants, which entitled the holder to convert the warrants into ordinary shares in the company following the publication of a prospectus to meet the requirement of the Toronto Stock Exchange.