Horizonte Minerals plc

Unaudited Amended Condensed Consolidated Interim Financial Statements for the three months ended 31 March 2021

Condensed Consolidated Statement of Comprehensive Income

		3 months ended 31 March 2021	2020
		Unaudited	**Unaudited Amended (note 2)**
	Notes	**£**	**£**
Administrative expenses		(820,802)	(674,458)
Change in fair value of special warrant liability	11	(303,001)	-
Gain/(loss) on foreign exchange		184,584	941,446
Loss from operations		**(939,219)**	**266,988**
Net finance costs	5	(15,257)	(308,510)
Loss before taxation		**(954,476)**	**(41,522)**
Taxation		-	-
Loss for the year from continuing operations		**(954,476)**	**(41,522)**
Other comprehensive income Items that may be reclassified subsequently to profit or loss			
Currency translation differences on translating foreign operations		(4,104,615)	(6,609,872)
Other comprehensive income for the period, net of tax		**(4,104,615)**	**(6,609,872)**
Total comprehensive income for the period attributable to equity holders of the Company		**(5,059,091)**	**(6,651,394)**
Earnings per share from continuing operations attributable to the equity holders of the Company			
Basic & Diluted earnings per share (pence per share)		**(0.063)**	**(0.003)**

Condensed Consolidated Statement of Financial Position

	Notes	31 March 2021 Unaudited £	31 December 2020 Audited £
Assets			
Non-current assets			
Intangible assets	6	5,643,397	6,220,872
Property, plant & equipment	7	30,119,553	30,839,947
		35,762,950	37,060,819
Current assets			
Trade and other receivables		342,875	270,540
Derivative financial asset	10 b	1,739,635	1,756,553
Cash and cash equivalents		26,331,015	10,935,563
		28,413,525	12,962,656
Total assets		**64,176,475**	**50,023,475**
Equity and liabilities			
Equity attributable to owners of the parent			
Issued capital	8	16,120,957	14,493,773
Share premium	8	51,759,117	41,848,306
Other reserves		(16,923,489)	(12,818,874)
Accumulated losses		(23,066,979)	(22,112,503)
Total equity		**27,889,606**	**21,410,702**
Liabilities			
Non-current liabilities			
Contingent consideration	9	5,956,840	5,927,025
Royalty Finance	10 a	23,266,989	22,053,341
		29,223,829	27,980,366
Current liabilities			
Trade and other payables		581,817	632,407
Special warrant liability	11	6,481,223	-
		7,063,040	632,407
Total liabilities		**36,286,869**	**28,612,773**
Total equity and liabilities		**64,176,475**	**50,023,475**

Condensed statement of changes in shareholders' equity

	Attributable to the owners of the parent				
	Share capital £	Share premium £	Accumulated losses £	Other reserves £	Total £
As at 1 January 2020	**14,463,773**	**41,785,306**	**(19,835,092)**	**(4,666,930)**	**31,747,057**
Comprehensive income					
Loss for the period	-	-	(41,522)	-	(41,522)
Other comprehensive income					
Currency translation differences	-	-	-	(6,609,872)	(6,609,872)
Total comprehensive income	**-**	**-**	**(41,522)**	**(6,609,872)**	**(6,651,394)**
Transactions with owners					
Issue of ordinary shares	-	-	-	-	-
Total transactions with owners	**-**	**-**	**-**	**-**	**-**
As at 31 March 2020 (unaudited and amended, see note 2)	**14,463,773**	**41,785,306**	**(19,876,614)**	**(11,276,802)**	**25,095,663**

	Attributable to the owners of the parent				
	Share capital £	Share premium £	Accumulated losses £	Other reserves £	Total £
As at 1 January 2021	**14,493,773**	**41,848,306**	**(22,112,503)**	**(12,818,874)**	**21,410,702**
Comprehensive income					
Loss for the period	-	-	(954,476)	-	(954,476)
Other comprehensive income					
Currency translation differences	-	-	-	(4,104,615)	(4,104,615)
Total comprehensive income	**-**	**-**	**(954,476)**	**(4,104,615)**	**(5,059,091)**
Transactions with owners					
Issue of ordinary shares	1,627,184	10,576,692	-	-	12,203,876
Issue costs	-	(665,881)	-	-	(665,881)
Total transactions with owners	**1,627,184**	**9,910,811**	**-**	**-**	**11,537,995**
As at 31 March 2021 (unaudited)	**16,120,957**	**51,759,117**	**(23,066,979)**	**(16,923,489)**	**27,889,606**

Condensed Consolidated Statement of Cash Flows

	3 months ended 31 March	
	2021	**2020**
	Unaudited	**Unaudited Amended (note 2)**
	£	**£**
Cash flows from operating activities		
Loss before taxation	(954,476)	(41,522)
Finance costs	15,257	308,510
Change in fair value of special warrant liability	303,001	-
Exchange differences	(184,584)	(941,446)
Operating loss before changes in working capital	**(820,802)**	**(674,458)**
Decrease/(increase) in trade and other receivables	(72,336)	(2,875)
(Decrease)/increase in trade and other payables	(50,590)	(122,207)
Net cash outflow from operating activities	**(943,728)**	**(799,540)**
Cash flows from investing activities		
Purchase of intangible assets	(26,299)	-
Purchase of property, plant and equipment	(1,094,769)	(953,818)
Interest received	28,320	45,245
Net cash used in investing activities	**(1,092,748)**	**(908,573)**
Cash flows from financing activities		
Proceeds form issue of ordinary shares	12,203,876	-
Share issue costs	(665,881)	-
Proceeds from issue of special warrants	6,675,836	
Special warrants issue costs	(497,614)	-
Net cash from financing activities	**17,716,217**	**-**
Net decrease in cash and cash equivalents	**15,679,741**	**(1,708,113)**
Cash and cash equivalents at beginning of period	10,935,563	17,760,330
Exchange gain/(loss) on cash and cash equivalents	(284,289)	941,447
Cash and cash equivalents at end of the period	**26,331,015**	**16,993,664**

Notes to the Financial Statements

1. General information

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

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

2. Basis of preparation

The condensed consolidated interim financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards and in accordance with International Accounting Standard 34 *Interim Financial Reporting*. The condensed interim financial statements do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the annual financial statements for the year ended 31 December 2020, which have been prepared in accordance with International Financial Reporting Standards (IFRS).

The condensed consolidated interim financial statements set out above do not constitute statutory accounts within the meaning of section 434 (3) of the Companies Act 2006. Statutory financial statements for the year ended 31 December 2020 were approved by the Board of Directors on 31 March 2021 and delivered to the Registrar of Companies. The report of the auditors on those financial statements was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under sections 498(2) or 498(3) of the Companies Act 2006.

Amendment to prior period figures

These financial statements have been restated to include certain amendments to the figures for the 3 months to 31 March 2020. The amendments are driven by the correction of a prior period error in 2020 in respect of the capitalisation of borrowing costs (refer to note 3). In addition, certain costs have been capitalised to the Mine Development Asset that had previously been capitalised to intangible assets. None of these adjustments have a cash impact on the balance sheet.

The effect of these amendments on the statement of financial position and statement of comprehensive are set out in the table below:

	Mine development asset £	Intangible assets £	Accumulated losses £
31 March 2020 - as previously stated	**27,055,598**	**7,531,221**	**(20,863,860)**
Transfer of capitalised costs from intangibles assets to Mine development asset	660,446	(660,446)	-
Capitalisation of borrowing costs	987,246	-	987,246
31 March 2020 - Amended	**28,703,290**	**6,870,775**	**(19,876,614)**

	As previously stated 31/3/20 £	Reclassification to/from finance income and costs	Capitalisation of borrowing costs £	Amended as at 31/3/20 £
Statement of comprehensive income				
Administrative expenses	(674,458)	-	-	(674,458)
Change in value of contingent consideration	(483,010)	483,010	-	-

Gain/(Loss) on foreign exchange	941,446	-	-	941,446
Loss from operations	**(216,022)**	**483,010**	**-**	**266,988**
Finance income	45,245		(45,245)	-
Finance costs	(857,991)	(483,010)	1,032,491	(308,510)
Loss before taxation	**(1,028,768)**	**-**	**987,246**	**(41,522)**
Taxation	-	-	-	-
Loss for the year from continuing operations	**(1,028,768)**	**-**	**987,246**	**(41,522)**

Going concern

The condensed consolidated interim financial statements have been prepared on a going concern basis. Although the Group's assets are not generating revenues 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 projects. 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 staff presence within the Group's offices in London and Brazil has been restricted to a minimum with staff working from home where possible, 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, with the current cash resources available to the Group the Directors are of the opinion that it has 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 has 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.

Risks and uncertainties

The Board continuously assesses and monitors the key risks of the business. The key risks that could affect the Group's medium term performance and the factors that mitigate those risks have not substantially changed from those set out in the Group's 2020 Annual Report and Financial Statements, a copy of which is available on the Group's website: www.horizonteminerals.com and on Sedar: www.sedar.com The key financial risks are liquidity risk, foreign exchange risk, credit risk, price risk and interest rate risk.

Use of estimates and judgements

The preparation of condensed consolidated interim financial statements requires management to make estimates and judgements that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the end of the reporting period. Significant items subject to such estimates are set out in note 4 of the Group's 2020 Annual Report and Financial Statements. The nature and amounts of such estimates and judgements have not changed significantly during the interim period.

Assessment of the impact of COVID-19

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

3. Significant accounting policies

The same accounting policies, presentation and methods of computation have been followed in these condensed consolidated interim financial statements as were applied in the preparation of the Group's audited Financial Statements for the year ended 31 December 2020 except for the new accounting policy applied for the special warrant liability which is detailed below.

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 on contingent consideration payable for Araguaia

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

Special warrant liability

A contract that could result in the delivery of a variable number of the Company's own ordinary shares is considered a financial instrument and is measured at fair value through profit and loss. Refer to note 11 for the details of the Company's special warrant liability.

Impact of accounting standards to be applied in future periods

There are a number of standards and interpretations which have been issued by the International Accounting Standards Board that are effective for periods beginning subsequent to 31 December 2021 that the Group has decided not to adopt early. The Group does not believe these standards and interpretations will have a material impact on the financial statements once adopted.

4 Segmental reporting

The Group operates principally in the UK and Brazil, with operations managed on a project-by-project basis within each geographical area. Activities in the UK are mainly administrative in nature whilst the activities in Brazil relate to exploration and evaluation work. The separate subsidiary responsible for the project finance for the Araguaia Project is domiciled in the Netherlands. The operations of this entity are reported separately and so it is recognised as a new segment. The reports used by the chief operating decision-maker are based on these geographical segments.

2021	UK 3 months ended 31 March 2021 £	Brazil 3 months ended 31 March 2021 £	Netherlands 3 months ended 31 March 2021 £	Total 3 months ended 31 March 2021 £
Administrative expenses	(693,127)	(126,811)	(864)	(820,802)
Profit/(Loss) on foreign exchange	(172,129)	-	53,712	(118,417)
Loss from operations per reportable segment	(865,256)	(126,811)	52,848	(939,219)
Net finance costs	(15,257)	-	-	(15,257)
Loss before taxation	(880,513)	(126,811)	52,848	(954,476)
Depreciation charges	-	(2,878)	-	(2,878)
Additions to non-current assets	-	1,121,068	-	1,121,068
Capitalisation of borrowing costs	-	1,199,885	-	1,199,885
Foreign exchange movements to non-current assets	-	(3,615,924)	-	(3,615,924)
Reportable segment assets	16,838,859	41,232,744	6,104,872	64,176,475
Reportable segment liabilities	12,771,656	242,123	23,273,090	36,286,869

2020	UK 3 months ended 31 March 2020 £	Brazil 3 months ended 31 March 2020 £	Netherlands 3 months ended 31 March 2020 £	Total 3 months ended 31 March 2020 £
Administrative expenses	(438,462)	(164,394)	(71,602)	(674,458)
Profit/(Loss) on foreign exchange	1,000,147	(58,701)	-	941,446
Loss from operations per reportable segment	561,685	(223,095)	(71,602)	266,988
Net finance costs	(308,510)	-	-	(308,510)
Loss before taxation	253,175	(223,095)	(71,602)	(41,522)
Depreciation charges	-	-	-	-
Additions to non-current assets	-	157,149	-	157,149
Capitalisation of borrowing costs	-	987,246	-	987,246
Foreign exchange movements to non-current assets	-	(4,819,930)	-	(4,819,930)
Reportable segment assets	16,907,810	35,798,238	2,433,533	55,139,581
Reportable segment liabilities	7,003,892	432,197	22,607,829	30,043,918

5 Finance income and costs

	3 months ended 31 March 2021 £	3 months ended 31 March 2020 £
Finance income		
– Interest income on cash and short-term deposits	28,320	45,245
Finance costs		
– Contingent consideration: unwinding of discount	(99,710)	(106,254)
– Contingent consideration: Fair value adjustment	69,895	(483,010)
– Amortisation of Royalty Finance	(785,133)	(792,622)
– Royalty finance carrying value adjustment	(428,514)	40,885
Total finance costs pre-capitalisation	(1,215,142)	(1,295,756)
Finance costs capitalised to the Araguaia mine development project	1,199,885	987,246
Net finance costs	(15,257)	(308,510)

6 Intangible assets

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

	Goodwill	Exploration licences	Exploration and evaluation costs	Total
	£	£	£	£
Cost				
At 1 January 2020	210,585	5,157,366	1,689,495	7,057,446
Transfers to PPE	-	-	-	-
Additions	-	-	-	-
Exchange rate movements	(52,337)	(151,785)	(632,452)	(836,574)
Net book amount at 31 December 2020	**158,248**	**5,005,581**	**1,057,043**	**6,220,872**
Additions	-	17,707	8,592	26,299
Exchange rate movements	(15,265)	(499,137)	(89,372)	(603,774)
Net book amount at 31 March 2021	**142,983**	**4,524,151**	**976,263**	**5,643,397**

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

7 Property, plant and equipment

	Mine Development Property	Vehicles and other field equipment	Office equipment	Land acquisition	Total
	£	£	£	£	£
Cost					
At 1 January 2020	32,260,061	106,722	14,424	-	32,381,207
Additions	4,008,719	1,234	55,989	87,257	4,153,199
Disposals	-	(5,806)	-	-	(5,806)
Capitalised interest	2,100,521	-	-	-	2,100,521
Exchange rate movements	(7,662,503)	(25,162)	(13,052)	-	(7,700,717)
At 31 December 2020	**30,706,798**	**76,988**	**57,361**	**87,257**	**30,928,404**
Additions	939,993	-	773	154,003	1,094,769
Capitalised interest	1,199,885	-	-	-	1,199,885
Exchange rate movements	(2,996,468)	(7,319)	(5,572)	(11,245)	(3,020,604)
At 31 March 2021	**29,850,208**	**69,669**	**52,562**	**230,015**	**30,202,454**
Accumulated depreciation					
At 1 January 2020	-	106,239	14,424	-	120,663
Charge for the year	-	6,121	25,275	-	31,396
Disposals	-	(38,244)	-	-	(38,244)
Exchange rate movements	-	(16,959)	(8,399)	-	(25,358)
At 31 December 2020	**-**	**57,157**	**31,300**	**-**	**88,457**
Charge for the year	-	1,337	1,541	-	2,878
Exchange rate movements	-	(5,537)	(2,897)	-	(8,434)
At 31 March 2021	**-**	**52,957**	**29,944**	**-**	**82,901**
Net book amount as at 31 March 2021	**29,850,208**	**16,712**	**22,618**	**230,015**	**30,119,553**
Net book amount as at 31 December 2020	**30,706,798**	**19,831**	**26,061**	**87,257**	**30,839,947**

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

The financial results and conclusions of the FS clearly indicate the economic viability of the Araguaia Project with an NPV of $401M using a nickel price of $14,000/t Ni. Nothing material had changed with the economics of the FS between the publication date and the date of this report and the Directors undertook an assessment of impairment for the 2020 audited financial statements through evaluating the results of the FS along with recent market information relating to capital markets and nickel prices and judged that there are no impairment indicators with regards to the Araguaia Project. Since then, no impairment indicators have been identified.

8 Share Capital and Share Premium

Issued and fully paid	Number of shares	Ordinary shares £	Share premium £	Total £
At 1 January 2021	1,449,377,287	14,493,773	41,848,306	56,342,079
Issue of equity	162,718,353	1,627,184	9,910,811	11,537,995
At 31 March 2021	1,612,095,640	16,120,957	51,759,117	67,880,074

On 19 February 2021, 162,718,353 new ordinary shares were placed with new and existing investors at a price of 7.5 pence per share. The gross proceeds raised in the placement was £12,203,876 and issue costs amounted to £665,881.

9 Contingent Consideration

Contingent Consideration payable to Xstrata Brasil Mineração Ltda.

The contingent consideration payable to Xstrata Brasil Mineração Ltda for the acquisition of the Araguaia project has a carrying value of £2,908,434 at 31 March 2021 (31 December 2020: £2,893,877). It comprises US$5,000,000 consideration in cash as at the date of first commercial production from any of the resource areas within the Enlarged Project area. The key assumptions underlying the treatment of the contingent consideration of US$5,000,000 is a discount factor of 7.0% along with the estimated date of first commercial production.

During 2020 the Araguaia project entered the development phase and as a result borrowing costs including unwinding of discount on contingent consideration for qualifying assets have been capitalised to the mine development asset. The borrowing costs capitalised for the 3 month per 31 March 2021 is £48,683 (31 March 2020: £50,625).

The change in the fair value of contingent consideration payable to Xstrata Brasil Mineração Ltda generated a gain of £34,127 for the three months ended 31 March 2021 (31 March 2020: £230,130 loss) due to changes in the exchange rate of the functional currency in which the liability is payable.

Contingent Consideration payable to Vale Metais Basicos S.A.

The contingent consideration payable to *Vale Metais Basicos S.A.* for the acquisition of the Vermelho project has a carrying value of £3,048,406 at 31 March 2021 (31 December 2020: £3,033,148). It comprises US$6,000,000 consideration in cash as at the date of first commercial production from the Vermelho project and was recognised for the first time in December 2019, following the publication of a PFS on the project. The key assumptions underlying the treatment of the contingent consideration of US$6,000,000 is a discount factor of 7.0% along with the estimated date of first commercial production.

As at 31 March 2021, there was a finance expense of £51,026 (31 March 2020: £55,630) recognised in finance costs within the Statement of Comprehensive Income in respect of this contingent consideration arrangement, as the discount applied to the contingent consideration at the date of acquisition was unwound. The finance costs in respect of this contingent consideration are expensed as the Vermelho project has not entered the construction phase.

The change in the fair value of contingent consideration payable to *Vale Metais Basicos S.A.* generated a gain of £35,769 for the three months ended 31 March 2021 (31 March 2020: £252,880 loss) due to changes in the value of the functional currency in which the liability is payable (USD).

	Xstrata Brasil Mineração Ltda (in respect of Araguaia project)	Vale Metais Basicos S.A. (in respect of Vermelho project)	Total
	£	£	£
At 1 January 2020	2,975,935	3,270,134	6,246,069
Unwinding of discount	213,285	231,780	445,065
Change in carrying value and foreign exchange	(295,343)	(468,766)	(764,109)
At 31 December 2020	2,893,877	3,033,148	5,927,025
Unwinding of discount	48,684	51,026	99,710
Change in carrying value and foreign exchange	(34,127)	(35,768)	(69,895)
At 31 March 2021	2,908,434	3,048,406	5,956,840

10 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 the current period end the rate has been estimated to be 2.65%. The royalty is paid over the first 426k tonnes of nickel produced from the Araguaia Ferronickel project. The royalty is linked to production and therefore does not become payable until the project is constructed and commences commercial production, more detail is contained within the audited financial statements for the year ended 31 December 2020.

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

	Royalty valuation £
Net book amount at 1 January 2020	20,570,411
Unwinding of discount	3,244,873
Change in carrying value	(910,834)
Effects of foreign exchange	(851,109)
Net book amount at 31 December 2020	22,053,341
Unwinding of discount	785,133
Change in carrying value	641,456
Effects of foreign exchange	(212,941)
Net book amount at 31 March 2021	23,266,989

The carrying value of the royalty reflects assumptions on expected long term nickel price, update headline royalty rate as well as the timing of payments related to expected date of commencement of production and hence payment to be made under the royalty agreement.

Management have sensitised the carrying value of the royalty liability by a change in the royalty rate of 0.1% and it would be £878,000 higher/lower and for a $1,000/t Ni increase/decrease in future nickel price the carrying value would change by £1,444,614.

10 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%).

	£
Value as at 1 January 2020	2,246,809
Change in fair value	(424,500)
Effects of foreign exchange	(65,756)
Value as at 31 December 2020	1,756,553
Change in fair value	-
Effects of foreign exchange	(16,918)
Value as at 31 March 2021	1,739,635

Sensitivity analysis

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

An increase in the estimated future nickel price by $1,000 would give rise to a $1,190,000 increase in the value of the option.

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

11 Special warrant liability

On 9 March 2021 the Company completed the bought deal private placement of special warrants (the "Special Warrants), raising gross proceeds of £6.7 million (the "Offering") including the full exercise of the underwriters' option.

Pursuant to the Offering, the Company issued 88,060,100 Special Warrants at a price of 7.5 pence per share per Special Warrant. Each Special Warrant, subject to the Penalty Provision (as defined below) and subject to adjustments in certain circumstances, shall be deemed to be exercised for one Ordinary Share in the capital of the Company (each, an "Underlying Share") without any required action on the part of the holders (including payment of additional consideration) on the date on which the earlier of the following occurs:

(i) the third business day following the date on which a final receipt is obtained from the applicable securities regulator on behalf of the securities regulatory authorities in each of the provinces of British Columbia and Ontario (the "Final Receipt"), for the final qualification prospectus (the "Qualification Prospectus") qualifying the Underlying Shares for distribution; and

(ii) 4:59 p.m. (Toronto time) on 10 July 2021.

The Company has agreed to use commercially reasonable efforts to qualify the Underlying Shares for distribution in Canada, and to obtain the Final Receipt therefor, on or prior to 28 April 2021. In the event the Final Receipt has not been received on or before 18 April 2021, each Special Warrant shall thereafter entitle the holder thereof to receive, upon the exercise or deemed exercise thereof, as applicable, 1.1 Underlying Shares without further payment on the part of the holder (the "Penalty Provision").

The Special Warrants contained terms that could have resulted in variability in the number of common shares issued, with an increase in the conversion ratio if the final prospectus was not filed by 28 April 2021. Accordingly, the Special Warrants have been classified as a derivative financial instrument under IFRS and measured at fair value through profit and loss. On initial recognition, the carrying value of the liability was equal to the net proceeds of £6,178,222 . As at 31 March 2021, the Special Warrants were fair valued at the closing price of the underlying security (the Company's ordinary shares) and determined to be £6,481,223. The change in fair value of £303,001 (unrealized loss) was recorded as a change in the fair value of derivative financial instruments in the consolidated statements of income and comprehensive income.

Subsequent to quarter end, the receipt for the Final Prospectus was confirmed on 9 April 2021. On 14 April 2021, the 88,060,100 Special Warrants were converted to 88,060,100 ordinary shares of the Company with no penalty. Upon the conversion of the Special Warrants to ordinary shares, the fair value of the Special Warrants as at 14 April 2021 was transferred to Share Capital and Share Premium. The fair value of the Special Warrants as at 14 April 2021, was determined to be £7,353,018. The change in fair value from 31 March 2021 to 14 April 2021 was determined to be $871,795 unrealised loss. Cumulatively, from the date of issuance on 9 March 2021 to the date of exercise on 14 April 2021, a net loss of $1,174,796 was recognized related to Special Warrants.

	£
Gross proceeds from issue of share warrants	6,675,836
Issue costs	(497,614)
Value as at initial recognition	6,178,222
Effects of change in fair value	303,001
Value as at 31 March 2021	6,481,223

12 Fair value

Carrying Amount versus Fair Value
The following table compares the carrying amounts versus the fair values of the group's financial assets and financial liabilities as at 31 March 2021.

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

- Trade receivables
- Trade payables
- Cash and cash equivalents

	As at 31 March 2021		**As at 31 December 2020**	
	Carrying amount	**Fair Value**	**Carrying amount**	**Fair Value**
	£	£	£	£
Financial Assets				
Derivative financial assets	1,739,635	1,739,635	1,756,553	1,756,553
Total Assets	**1,739,635**	**1,739,635**	**1,756,553**	**1,756,553**
Financial Liabilities				
Contingent consideration	5,956,840	5,956,840	5,927,025	5,927,025
Royalty Finance	23,266,989	23,266,989	22,053,341	22,053,341
Special warrant liability	6,481,223	6,481,223	-	-
Total Liabilities	**35,705,052**	**35,705,052**	**27,980,366**	**27,980,366**

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

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly, (i.e., as prices) or indirectly (i.e., derived from prices)
Level 3- inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The derivative financial asset and special warrant liability have been deemed to be a level three fair value. Information related to the valuation method and sensitivities analysis for the derivative financial asset are included in note 10 b and in note 11 for special warrant liability.

13 Dividends

No dividend has been declared or paid by the Company during the three months ended 31 March 2021 (2020: nil).

14 Earnings per share

The calculation of the basic loss per share of 0.063 pence for the three months ended 31 March 2021 (30 March 2020 loss per share: 0.003 pence) is based on the loss attributable to the equity holders of the Company of £954,476 for the three-month period ended 31 March 2021 (31 March 2020: £41,522 loss)) divided by the weighted average number of shares in issue during the period of 1,515,537,496 (weighted average number of shares for the three months ended 31 March 2020: 1,449,377,287).

Details of share options that could potentially dilute earnings per share in future periods are disclosed in the notes to the Group's Annual Report and Financial Statements for the year ended 31 December 2020 and in note 15 below.

15 Issue of Share Options

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 not the Group has any legal or constructive obligation to settle or repurchase the options in cash.

There was no movement in share options during the three months ended 31 March 2021.

	Number of options	**Weighted average exercise price £**
Outstanding at 1 January 2021	125,350,000	0.051
Outstanding at 31 March 2021	125,350,000	0.051
Exercisable at 31 March 2021	125,350,000	0.051

16 Ultimate controlling party

The Directors believe there to be no ultimate controlling party.

17 Related party transactions

The nature of related party transactions of the Group has not changed from those described in the Group's Annual Report and Financial Statements for the year ended 31 December 2020. There were no significant related party transactions during the 3 month period ended 31 March 2021.

18 Commitments

The Company has conditional capital commitments totaling £7.3 million 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.

19 Events after the reporting period

On 14 April 2021 the group filed and obtained a receipt for a final short form prospectus dated 9 April 2021 in connection with the placement of 88,060,100 special warrants at a price of 7.5 pence per warrant undertaken on 9 March 2021. Following the publication of this prospectus the warrants automatically converted into 88,060,100 shares at a price of 7.5 pence per share.

20 Approval of interim financial statements

These Condensed Consolidated Interim Financial Statements have been approved for issue by the Board of Directors on 14 May 2021.