Horizonte Minerals plc

Unaudited Condensed Consolidated Interim Financial Statements for the nine months ended 30 September 2021

Condensed Consolidated Statement of Comprehensive Income

		9 months ended 30 September		3 months ended 30 September	
		2021	**2020**	**2021**	**2020**
		Unaudited	**Unaudited**	**Unaudited**	**Unaudited**
	Notes			**£**	**£**
Administrative expenses		(4,033,774)	(2,342,987)	(1,393,747)	(777,847)
Change in fair value of derivative		-	(433,522)	-	(433,522)
Change in fair value of special warrant liability	11	(1,174,796)	-	-	-
Gain/(loss) on foreign exchange		348,548	410,804	(1,236,894)	(716,015)
Loss before interest and tax		**(4,860,022)**	**(2,365,705)**	**(2,630,641)**	**(1,927,384)**
Net finance (costs)/income	5	(193,409)	(219,863)	(131,454)	95,872
Loss before taxation		**(5,053,431)**	**(2,585,568)**	**(2,762,095)**	**(1,831,512)**
Taxation		-	(51,071)	**-**	**(51,071)**
Loss for the year		**(5,053,431)**	**(2,636,639)**	**(2,762,095)**	**(1,882,583)**
Other comprehensive income Items that may be reclassified subsequently to profit or loss					
Currency translation differences on translating foreign operations		(1,227,262)	(9,232,975)	(2,535,698)	(1,165,298)
Other comprehensive income for the period, net of tax		**(1,227,262)**	**(9,232,975)**	**(2,535,698)**	**(1,165,298)**
Total comprehensive income for the period attributable to equity holders of the Company		**(6,280,693)**	**(11,869,614)**	**(5,297,793)**	**(3,047,881)**
Earnings per share attributable to the equity holders of the Company					
Basic & Diluted earnings per share (pence per share)	14	**(0.309)**	**(0.182)**	**(0.162)**	**(0.130)**

Condensed Consolidated Statement of Financial Position

	Notes	30 September 2021 Unaudited £	31 December 2020 Audited £
Assets			
Non-current assets			
Intangible assets	6	6,208,586	6,220,872
Property, plant & equipment	7	45,914,010	30,839,947
		52,122,596	37,060,819
Current assets			
Trade and other receivables		607,039	270,540
Derivative financial asset	10 b	1,779,840	1,756,553
Cash and cash equivalents		18,257,410	10,935,563
		20,644,289	12,962,656
Total assets		**72,766,885**	**50,023,475**
Equity and liabilities			
Equity attributable to owners of the parent			
Issued capital	8	17,001,558	14,493,773
Share premium	8	56,884,858	41,848,306
Other reserves		(14,046,136)	(12,818,874)
Accumulated losses		(25,991,138)	(22,112,503)
Total equity		**33,849,142**	**21,410,702**
Liabilities			
Non-current liabilities			
Contingent consideration	9	6,304,963	5,927,025
Royalty Finance	10 a	27,977,174	22,053,341
		34,282,137	27,980,366
Current liabilities			
Trade and other payables		4,635,606	632,407
Special warrant liability	11	-	-
		4,635,606	632,407
Total liabilities		**38,917,743**	**28,612,773**
Total equity and liabilities		**72,766,885**	**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	-	-	(2,636,639)	-	(2,636,639)
Other comprehensive income					
Currency translation differences	-	-	-	(9,232,975)	(9,232,975)
Total comprehensive income	-	-	**(2,636,639)**	**(9,232,975)**	**(11,869,614)**
Transactions with owners					
Issue of ordinary shares	30,000	63,000	-	-	93,000
Total transactions with owners	**30,000**	**63,000**	**-**	**-**	**93,000**
As at 30 September 2020 (unaudited)	**14,493,773**	**41,848,306**	**(22,471,731)**	**(13,899,905)**	**19,970,443**

	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	-	-	(5,053,431)	-	(5,053,431)
Other comprehensive income					
Currency translation differences	-	-	-	(1,227,262)	(1,227,262)
Total comprehensive income	**-**	**-**	**(5,053,431)**	**(1,227,262)**	**(6,280,693)**
Transactions with owners					
Issue of ordinary shares, net of issue costs	1,627,184	9,836,292	-	-	11,463,476
Conversion of special warrants into shares, net of issue costs	880,601	5,200,260	1,174,796	-	7,255,657
Total transactions with owners	**2,507,785**	**15,036,552**	**1,174,796**	**-**	**18,719,133**
As at 30 September 2021 (unaudited)	**17,001,558**	**56,884,858**	**(25,991,138)**	**(14,046,136)**	**33,849,142**

Condensed Consolidated Statement of Cash Flows

	Note	9 months ended 30 September 2021	2020
		Unaudited	Unaudited
		£	£
Cash flows from operating activities			
Loss before taxation		(5,053,431)	(2,585,568)
Interest income		-	(122,907)
Net finance costs/(income)	5	193,409	219,863
Fair value of derivative asset		-	433,522
Change in fair value of special warrant liability	11	1,174,796	-
Exchange differences		(348,548)	(338,547)
Operating loss before changes in working capital		**(4,033,774)**	**(2,393,637)**
Decrease/(increase) in trade and other receivables		(336,499)	50,742
(Decrease)/increase in trade and other payables		860,691	(23,080)
Net cash outflow from operating activities		**(3,509,582)**	**(2,365,975)**
Cash flows from investing activities			
Purchase of intangible assets	6	(183,927)	-
Purchase of property, plant and equipment	7	(7,384,308)	(2,436,966)
Interest received	5	224,958	122,907
Net cash used in investing activities		**(7,343,277)**	**(2,314,059)**
Cash flows from financing activities			
Net proceeds from issue of ordinary shares		11,463,476	93,000
Net proceeds from issue of special warrants		6,080,861	-
Net cash from financing activities		**17,544,337**	**93,000**
Net decrease in cash and cash equivalents		**6,691,478**	**(4,587,034)**
Cash and cash equivalents at beginning of period		10,935,563	17,760,330
Exchange gain/(loss) on cash and cash equivalents		630,369	410,759
Cash and cash equivalents at end of the period		**18,257,410**	**13,584,055**

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 financial statements for the year ended 31 December 2020 were prepared in accordance with International Financial Reporting Standards and IFRS interpretations Committee interpretations as adopted by the European Union and with IFRS and their Interpretations issued by the IASB.

On 31 December 2020, IFRS as adopted by the European Union at that date was brought into UK law and became UK-adopted international accounting standards, with future changes being subject to endorsement by the UK Endorsement Board. The Group transitioned to UK-adopted international accounting standards in its consolidated financial statements on 1 January 2021. There was no impact or changes in accounting policies from the transition and the Group will also continue to comply with IFRS and their interpretations issued by the IASB.

The condensed consolidated interim financial statements for the nine month reporting period ended 30 September 2021 have been prepared in accordance with IAS 34 as issued by the IASB and the UK-adopted International Accounting Standard 34, 'Interim Financial Reporting'.

The interim report does not include all of the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2020, and any public announcements made by the Group during the interim reporting period.

The financial information for the year ended 31 December 2020 contained in these interim financial statements does not constitute the company's statutory accounts for that period. Statutory accounts for the year ended 31 December 2020 have been delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

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. Refer to note 19 for details of funding events after the reporting period.

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. The Covid-19 vaccine rollout has eased restriction in the United Kingdom and Brazil. The Group's offices in London and Brazil are now fully open, operating with strict Covid-19 compliant health and safety measures. International travel will be resumed in the coming months after the ease in travel restrictions. Site work for the two projects has resumed as well, with strict Covid compliant health and safety measures.

The pandemic delayed the Araguaia project financing timeline by a number of months but all parties to the Araguaia project finance are committed to finalise the project finance and the Directors do not expect there to be any more delays unless the Covid-19 pandemic takes a significant turn for the negative. 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 . In addition to the key risks, 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 liability and is measured at fair value through profit and loss. Refer to note 11 for the details of the Company's special warrant liability.

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.

The major exchange rates used for the revaluation of the statement of financial position at 30 September 2021 were $1:£0.74 (31 December 2020: $1:£0.73), Brazilian Real (R$):£0.136 (31 December 2020: R$:£0.141).

Foreign currency translation reserve includes movements that relate to the retranslation of the subsidiaries whose functional currencies are not Pounds Sterling.

During the first quarter of 2021, the Brazilian Real weakened by approximately 11% from R$7.1 to R$7.86 against the Pound Sterling. The Brazilian Real then strengthened by 12% to R$6.91 in quarter 2 and weakened again in quarter 3 by 6% to R$7.33. Overall for the period ended 30 September 2021, the Brazilian Real depreciated by 3% since 31 December 2020 (30 September 2020: weakened approximately by 36% from R$5.33 at 31 December 2019 to R$7.25). Currency translation differences for the nine month period of £1.2million loss (2020:£9million loss) included in the consolidated statement of comprehensive income arose on the translation of property plant and equipment, intangible assets and cash and cash equivalents denominated in Brazilian Real.

The foreign exchange gain for the nine month period of £348,548 included in the statement of comprehensive income relates to the translation differences of foreign currency cash and cash equivalents balances and intercompany balances denominated in currencies other than the functional currency of the entity.

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 9 months ended 30 September 2021 £**	**Brazil 9 months ended 30 September 2021 £**	**Netherlands 9 months ended 30 September 2021 £**	**Total 9 months ended 30 September 2021 £**
Administrative expenses	(3,567,569)	(399,398)	(66,807)	(4,033,774)
Change in fair value of special warrant liability	(1,174,796)	-	-	(1,174,796)
Profit/(Loss) on foreign exchange	(42,549)	-	391,097	348,548
Loss before interest and tax per reportable segment	**(4,784,914)**	**(399,398)**	**324,290**	**(4,860,022)**
Net finance costs	(193,409)	-	-	(193,409)
Loss before taxation	(4,978,323)	(399,398)	324,290	(5,053,431)
Depreciation charges	-	9,842	-	9,842
Additions to non-current assets	-	10,710,743	-	10,710,743
Capitalisation of borrowing costs	-	5,495,638	-	5,495,638
Foreign exchange movements to non-current assets	-	(1,134,743)	-	(1,134,743)
Reportable segment assets	9,883,645	60,952,258	1,930,982	72,766,885
Reportable segment liabilities	7,367,973	3,564,553	27,985,217	38,917,743

2020	**UK 9 months ended 30 September 2020 £**	**Brazil 9 months ended 30 September 2020 £**	**Netherlands 9 months ended 30 September 2020 £**	**Total 9 months ended 30 September 2020 £**
Administrative expenses	(1,636,689)	(407,777)	(298,521)	(2,342,987)
Fair value movement	(433,522)	-	-	(433,522)
Profit/(Loss) on foreign exchange	731,429	(338,984)	18,359	410,804
Loss before interest and tax per reportable segment	**(1,338,782)**	**(746,761)**	**(280,162)**	**(2,365,705)**
Net finance costs	(219,863)	-	-	(219,863)
Loss before taxation	(1,558,645)	(746,761)	(280,162)	(2,585,568)
Depreciation charges	-	-	-	-
Additions to non-current assets	-	2,436,966	-	2,436,966
Capitalisation of borrowing costs	-	2,442,614	-	2,442,614
Foreign exchange movements to non-current assets	-	(8,245,405)	-	(8,245,405)
Reportable segment assets	7,303,457	38,384,277	5,096,835	50,784,569
Reportable segment liabilities	6,918,664	397,018	23,498,444	30,814,126

2021	UK 3 months ended 30 September 2021 £	Brazil 3 months ended 30 September 2021 £	Netherlands 3 months ended 30 September 2021 £	Total 3 months ended 30 September 2021 £
Administrative expenses	(1,186,348)	(176,542)	(30,857)	(1,393,747)
Change in fair value of special warrant liability	-	-	-	-
Profit/(Loss) on foreign exchange	(336,069)	-	(900,825)	(1,236,894)
Loss before interest and tax per reportable segment	**(1,522,417)**	**(176,542)**	**(931,682)**	**(2,630,641)**
Net finance costs	(131,454)	-	-	(131,454)
Loss before taxation	(1,653,871)	(176,542)	(931,682)	(2,762,095)
Depreciation charges	-	3,880	-	3,880
Additions to non-current assets	-	2,906,066	-	2,906,066
Capitalisation of borrowing costs	-	2,114,603	-	2,114,603
Foreign exchange movements to non-current assets	-	(2,468,797)	-	(2,468,797)

2020	UK 3 months ended 30 September 2020 £	Brazil 3 months ended 30 September 2020 £	Netherlands 3 months ended 30 September 2020 £	Total 3 months ended 30 September 2020 £
Administrative expenses	(554,880)	(213,930)	(9,037)	(777,847)
Fair value movement	(433,522)	-	-	(433,522)
Profit/(Loss) on foreign exchange	(334,566)	(374,323)	(7,126)	(716,015)
Loss before interest and tax per reportable segment	(1,322,968)	(588,253)	(16,163)	(1,927,384)
Net finance income	95,872	-	-	95,872
Loss before taxation	(1,227,096)	(588,253)	(16,163)	(1,831,512)
Depreciation charges	-	-	-	-
Additions to non-current assets	-	833,400	-	833,400
Capitalisation of borrowing costs	-	687,260	-	687,260
Foreign exchange movements to non-current assets	-	(617,092)	-	(617,092)

5 Finance income and costs

	9 months ended 30 September 2021 £	9 months ended 30 September 2020 £	3 months ended 30 September 2021 £	3 months ended 30 September 2020 £
Finance income				
– Interest income on cash and short-term deposits	224,958	122,907	115,699	32,177
Finance costs				
– Contingent consideration: unwinding of discount	(305,071)	(340,520)	(104,027)	(117,987)
– Contingent consideration: Fair value adjustment	(74,286)	78,415	(149,290)	464,011
– Amortisation of Royalty Finance	(2,481,846)	(2,449,542)	(751,253)	(829,798)
– Royalty finance carrying value adjustment	(3,052,802)	(73,737)	(1,357,186)	25,690
Total finance costs pre-capitalisation	(5,689,047)	(2,662,477)	(2,246,057)	(425,907)
Finance costs capitalised to the Araguaia mine development project	5,495,638	2,442,614	2,114,603	521,779
Net finance costs	(193,409)	(219,863)	(131,454)	95,872

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	Software	Total
	£	£	£	£	£
Cost					
At 1 January 2020	210,585	5,157,366	1,689,495	-	7,057,446
Additions	-	-	-	-	-
Exchange rate movements	(52,337)	(151,785)	(632,451)	-	(836,573)
Net book amount at 31 December 2020	**158,248**	**5,005,581**	**1,057,044**	**-**	**6,220,873**
Additions	-	53,528	75,365	55,034	183,927
Exchange rate movements	(4,997)	(162,368)	(29,072)	223	(196,214)
Net book amount at 30 September 2021	**153,251**	**4,896,741**	**1,103,337**	**55,256**	**6,208,586**

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	4,489,378	-	392,490	5,644,947	10,526,815
Capitalised interest	5,495,638	-	-	-	5,495,638
Exchange rate movements	(975,486)	(2,418)	(7,398)	44,212	(941,090)
At 30 September 2021	**39,716,328**	**74,570**	**442,453**	**5,776,416**	**46,009,767**
Accumulated depreciation					
At 1 January 2020	-	106,239	14,424	-	120,663
Charge for the year	-	6,121	25,275	-	31,396
Disposals	-	(38,224)	-	-	(38,224)
Exchange rate movements	-	(16,959)	(8,399)	-	(25,358)
At 31 December 2020	**-**	**57,177**	**31,300**	**-**	**88,477**
Charge for the period	-	4,575	5,267	-	9,842
Exchange rate movements	-	(2,082)	(480)	-	(2,562)
At 30 September 2021	**-**	**59,670**	**36,087**	**-**	**95,757**
Net book amount as at 30 September 2021	**39,716,328**	**14,900**	**406,366**	**5,776,416**	**45,914,010**
Net book amount as at 31 December 2020	**30,706,798**	**19,811**	**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.

During the year progress was made in the land acquisition process for the Araguaia project. The escrow deposit was paid to secure the 'right of way', these acquisitions amounted to £5.6million. £3.1million of the land and 'right of way' purchases is included in trade and other payables as at 30 September 2021.

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	250,778,453	2,507,785	15,036,552	17,544,337
At 30 September 2021	1,700,155,740	17,001,558	56,884,858	73,886,416

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 £740,401. On 14 April 2021, the 88,060,100 Special Warrants were converted to 88,060,100 ordinary shares of the Company, refer to note 11 for more details on the Special Warrants.

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 £3,078,406 at 30 September 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 9 months to 30 September 2021 is £148,951 (30 September 2020: £162,241).

The change in the carrying value of contingent consideration payable to Xstrata Brasil Mineração Ltda generated a loss of £35,578 for the nine months ended 30 September 2021 (30 September 2020: £37,842 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 £3,226,557 at 30 September 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 30 September 2021, there was a finance expense of £156,120 (30 September 2020: £178,280) 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 carrying value of contingent consideration payable to *Vale Metais Basicos S.A.* generated a loss of £37,289 for the nine months ended 30 September 2021 (30 September 2020: £41,583 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	148,951	156,120	305,071
Change in carrying value and foreign exchange	35,578	37,289	72,867
At 30 September 2021	3,078,406	3,226,557	6,304,963

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 2.75%. 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	2,481,846
Change in carrying value	3,052,802
Effects of foreign exchange	389,185
Net book amount at 30 September 2021	27,977,174

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. The assumptions influencing the increase in the carrying value of the royalty since year end are the royalty rate which has increased by 0.2% to 2.85% and the long term nickel price which has increased from $16,191 t/Ni to $16,911 t/Ni.

Management have sensitised the carrying value of the royalty liability by a change in the royalty rate of 0.1% and it would be £981,655 higher/lower and for a $1,000/t Ni increase/decrease in future nickel price the carrying value would change by £1,707,818.

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	23,287
Value as at 30 September 2021	1,779,840

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 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 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 was not received on or before 18 April 2021, each Special Warrant entitled 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 were 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 .

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 £7,255,657. The change in fair value from the date of issuance on 9 March 2021 to the date of exercise on 14 April 2021, an unrealised loss of $1,174,796 was recognized related to Special Warrants.

	£
Gross proceeds from issue of share warrants	6,675,836
Issue costs	(594,975)
Effects of change in fair value and foreign exchange	1,174,796
Conversion of share warrants into shares	(7,255,657)
Value as at 30 September 2021	-

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 30 September 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 30 September 2021		**As at 31 December 2020**	
	Carrying amount	**Fair Value**	**Carrying amount**	**Fair Value**
	£	£	£	£
Financial Assets				
Derivative financial assets	1,779,840	1,779,840	1,756,553	1,756,553
Total Assets	**1,779,840**	**1,779,840**	**1,756,553**	**1,756,553**
Financial Liabilities				
Contingent consideration	6,304,963	6,304,963	5,927,025	5,927,025
Royalty Finance	27,977,174	27,977,174	22,053,341	22,053,341
Special warrant liability	-	-	-	-
Total Liabilities	**34,282,138**	**34,282,138**	**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 nine months ended 30 September 2021 (2020: nil).

14 Earnings per share

The calculation of the basic loss per share of 0.309 pence for the nine months ended 30 September 2021 (30 September 2020 loss per share: 0.182 pence) is based on the loss attributable to the equity holders of the Company of £5,053,431 for the nine-month period ended 30 September 2021 (30 September 2020: £2,636,639 loss) divided by the weighted average number of shares in issue during the period of 1,635,341,590 (weighted average number of shares for the nine months ended 30 September 2020: 1,446,683,856).

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 nine months ended 30 September 2021.

	Number of options	**Weighted average exercise price £**
Outstanding at 1 January 2021	125,350,000	0.051
Outstanding at 30 September 2021	125,350,000	0.051
Exercisable at 30 September 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 9-month period ended 30 September 2021.

18 Commitments

The Company has conditional capital commitments totaling £7 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 at and after the reporting period

On 30 September 2021 the Company announced that it had received credit approvals from a syndicate of five international financial institutions (the “Senior Lenders”) in addition to the previously announced approval by the two export credit agencies (the “ECAs”) for a senior secured project finance facility (the “Senior Debt Facility”) of up to US$346.2 million to fund the construction and development of its Araguaia ferro-nickel project (“Araguaia” or the “Project”).

The Senior Lenders are BNP Paribas Securities Corp (“BNPP”), ING Capital LLC (“ING”), Natixis, New York Branch (“Natixis”), Société Générale (“SocGen”), and Swedish Export Credit Corporation (“SEK”). The ECAs are EKF, Denmark’s Export Credit Agency (“EKF”) and Finnvera plc, Finland’s Export Credit Agency (“Finnvera”).

The Senior Debt Facility will include two tranches:

- Tranche A of US$146.2 million, to be guaranteed by the ECAs in relation to a number of key equipment and service provider contracts; and
- Tranche B of US$200 million.

The term of the Senior Debt Facility will be ten and a half years for Tranche A, and eight and a half years for Tranche B. The interest rate of the Senior Debt Facility will be at a rate of LIBOR plus 1.80% for Tranche A, and LIBOR plus 4.25 to 4.75% for Tranche B. Closing of the Senior Debt Facility is subject to customary conditions, including the negotiation and settlement of definitive documentation and the entry into a comprehensive intercreditor agreement, among others.

The Company filed and obtained a final receipt for a final base shelf prospectus dated 29 October 2021 in each of the territories of Canada, other than Quebec. The prospectus enables the Company to qualify for a distribution of up to C$125 million of any combination of ordinary shares, warrants, subscription receipts, debt securities, and units during the 25-month period that the Prospectus remains effective. The specific terms of any future offerings of securities, including the use of proceeds from any offering, will be established in a prospectus supplement filed with the applicable Canadian regulatory authorities. The Prospectus provides flexibility to the Company to pursue its business objectives.

20 Approval of interim financial statements

These Condensed Consolidated Interim Financial Statements have been approved for issue by the Board of Directors on 11 November 2021.