Horizonte Minerals plc
2021 Report and Accounts

CHAIRMAN'S STATEMENT

2021

This year we have laid the foundations for the establishment of a significant nickel producing business, culminating in the completion of a transformational funding package in late November of US$633 million. This comprehensive funding package for Araguaia, our first project to reach the construction phase, is an outstanding achievement for the Horizonte team and one which very few junior mining companies can claim. Through this process we have secured support from multiple world class financial institutions which is testament to the quality of the project and our team's tenacity. These milestones have once again been achieved against a backdrop of uncertainty and disruption because of the Covid pandemic. The team in London and Brazil has continued to navigate the ever-changing working environment productively and most importantly, safely.

The health and well-being of our employees and wider team of course remains our number one priority and is at the forefront of our strategy. We are dedicated to providing a safe and productive workplace. Covid is seemingly part of our everyday lives for the foreseeable future, we therefore have implemented ongoing Covid management protocols that we have implemented as we have returned to office working and as we ramp up activity on site with early works and the start of construction at Araguaia.

A transformational year

The securing of a comprehensive project funding package for Araguaia has been the team's focus for the past two years, this would have been achieved in a shorter timeframe if we had not lost one year as a result of the Covid pandemic. Whilst working to secure a traditional package of debt, equity, offtake, and cost overrun facilities, it has nonetheless been an incredibly complex process with multiple parties in constant negotiation. In late 2021, we were delighted to secure a $633 million funding package which fully funds stage one of the project and provides the company with $99 million of contingency, growth allowance and cost overrun facility. The package was made up of $346.2 million debt package in two tranches, a $146.2 million Export Credit Agency tranche with EKF and Finnvera and a $200 million commercial tranche underwritten by BNP Paribas, Natixis, Societe Generale, ING and SEK with both tranches being secured with competitive interest rates. We also welcomed La Mancha and Orion as new and existing, respectively, strategic investors and shareholders in Horizonte, and grateful for the continued support of Glencore who, in addition to their cornerstone investment, extended their relationship with the Company by agreeing to enter into the offtake agreement. The offtake agreement is a 100%, 10-year agreement based on LME pricing and therefore continues to provide our shareholders with good exposure to the nickel price.

La Mancha and Orion have long track records of creating sustainable shareholder value in the mining sector and their previous investments highlight their ability to identify compelling growth opportunities at an early stage. We believe the terms of the financing package and the calibre of the lenders and strategic investors we have attracted is a testament to the strong project fundamentals offered by the Araguaia project. The investments from La Mancha, Orion and Glencore, alongside the Senior Debt Facility from the syndicate of leading international financial institutions, provides a strong endorsement of our broader corporate strategy to develop Horizonte into a major nickel producer. The funding package has completely transformed our shareholder register, with further institutions adding their support in the New Year. Institutionalising our register is an important part in the Company's growth story, providing us with support and confidence to accelerate our plans of advancing both Araguaia and Vermelho. We look forward to working with our new shareholders and continuing to receive the support from those who have followed us on this journey.

There has certainly been a focus on Araguaia in recent years but, this is by no means a reflection of the quality of Vermelho. Work at Vermelho has been quietly progressing with a small, dedicated team and the appointment of Ramboll to undertake the Environmental and Social Impact Assessment. This assessment is a key requirement for permitting and the feasibility study. As part of the Araguaia funding process, we were able to secure a $25 million royalty agreement with Orion. These funds are dedicated to the acceleration of the Vermelho feasibility study. Over the coming year, shareholders can expect to see more activity from the project as we work to position Vermelho alongside Araguaia as a future nickel and cobalt producer. With the electric vehicle market recording a record year in 2021 and car manufacturers adopting high-nickel content batteries at a faster pace than expected it is an opportune time to position our world-class battery grade nickel-cobalt project at the forefront of the Horizonte story.

Growing our team

The team in Brazil has grown rapidly in the past year, and it is very exciting to see that we have been able to attract of some industry's top talent. We started the year with announcing the appointment of our Head of Projects, Michael Drake. Mike is a Mechanical Engineer with extensive international leadership experience in the construction, operation and optimisation of medium to large capex projects, with extensive expertise in both ferro-nickel, and nickel acid-leach operations. Prior to joining Horizonte, Michael worked for BHP, Newcrest Mining, and WMC Resources. Based out of our Brazilian headquarters in Belo Horizonte, Mike has worked hard to not only build an industry-leading team but also create and implement the working practices and reporting structures across the areas of procurement, engineering, environment and social and human resources, required to successfully build a tier one nickel project. Later in the year, he was joined by Leo Vianna as Araguaia Project Director. A Brazilian national, Leo is a Mechanical and Mechatronic Engineer with over 24 years experience in project implementation and management. He was previously Project Director for Vale's $1.9 billion Bahodopi ferronickel project in Asia.

Horizonte now has the capability to build and deliver the Araguaia ferro-nickel project, as well as simultaneously progressing Vermelho.

Supporting our communities

We have continued to support vulnerable families in our local communities who have struggled through the Covid pandemic. We also assisted Conceição do Araguaia's vaccination effort by donating 10,000 medical items to the regional hospital. The vaccination effort in the region has progressed well and allowed for life to return to a level of normality. Our social team was therefore able to be more present in the local communities rather than engaging solely by virtual means. An important focus for engagement this year has been that the communities can expect in terms of on-site activity and the increased workforce in the region, resettlement, local employment opportunities and local suppliers and services. Horizonte having operated in the area for over ten years Horizonte has excellent relationships with its local communities and is confident this will continue. Alongside the construction phase of the project, we will be working on new local initiatives as part of our Local Development Agenda and working with SENAI to train local people in the skills required to aid local employment at the project.

Sustainability

This year we will be publishing our third annual Sustainability Report in which we are now able to track our progress clearly and transparently against our commitments in the areas of environmental stewardship, social development, and corporate governance. A standalone report such as this continues to be a rarity from pre-production companies and sets Horizonte apart with its commitment to best practice sustainability standards. These sustainability standards were one of the key drivers for Horizonte to be able to secure the high calibre of lenders and investors in the Araguaia funding process.

Following renewed commitments at the United Nations Conference on Climate Change (COP26) in Glasgow, the International Energy Agency highlighted nickel's critical role in the clean energy transition both through its use in batteries and stainless steel. As part of this net-zero supply chain, Horizonte's sustainability credentials have been key to our investment opportunity. By integrating sustainability-focussed design into early project planning and engineering Araguaia, through our carbon emissions reduction programme, Araguaia will be able to become one of lowest carbon emission projects of its peer group.

The nickel market

The nickel price ended 2021 30% higher than the previous year. Stainless steel production increased 17% year on year, and it was an unprecedented year for the electric vehicle market. 18.5% of all new cars registered in the U.K. were either hybrid plug-in or fully electric. The year ended with a 160,000 tonne deficit due to supply constraints from major producers citing labour strikes, adverse weather and logistics issues. The new year has started with decade high prices due to record low inventories and concerns over future supply and nickel demand is expected to reach 3 million tonnes this year. The consensus is that nickel demand is increasing exponentially both to supply the established stainless steel market and the accelerating battery market but the true growth curve remains contested, perhaps conversative estimates a 100% increase in demand by 2040 while the International Energy Agency recently stated that the nickel demand will increase 19-fold if the world expects to meet the commitments made by the Paris Agreement on climate change.

Horizonte is one of very few nickel stories ready to supply this deficit, and our projects can supply both the stainless steel and battery markets.

Acknowledgements

This will be my last statement as Chairman of Horizonte Minerals. It has been a privilege to be involved with the Horizonte team from its initiation and to see the development of your company through initial nickel discovery at Araguaia and subsequent major deals initially with Teck, then with Glencore to consolidate the entire district and the acquisition of Vermelho from Vale resulting in Horizonte becoming a major nickel player.

In line with the Company's transformation the Board is evolving to better reflect our shareholders and the skillset required to successfully deliver two tier one nickel projects into production. Horizonte strives for best practice corporate governance standards and will therefore be undergoing a corporate governance review to set out a roadmap to smoothly transition our board.

I would like to thank the Board of Directors, the entire Horizonte team and all our advisors that have worked tirelessly throughout the year to deliver the transformational funding package and overall progress of our two projects. I would also like to thank the continued support from our longstanding shareholders and welcome our new investors.

David Hall
25 March 2022

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

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2021

	Notes	**Year ended 31 December 2021 £**	Year ended 31 December 2020 £
Administrative expenses	6	**(5,678,350)**	(2,949,736)
Change in fair value of derivative	20	**1,853,282**	(424,500)
Change in fair value of special warrant liability	22	**(1,174,796)**	-
(Loss)/gain on foreign exchange		**(627,145)**	751,313
Operating loss		**(5,627,009)**	(2,622,923)
Net finance (cost)/income	8	**(4,043,794)**	236,986
Loss before taxation		**(9,670,803)**	(2,385,937)
Income tax	9	**-**	108,526
Loss for the year from continuing operations attributable to owners of the parent		**(9,670,803)**	(2,277,411)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Currency translation differences on translating foreign operations	17	**(2,418,094)**	(8,151,944)
Other comprehensive income for the year, net of tax		**(2,418,094)**	(8,151,944)
Total comprehensive income for the year attributable to owners of the parent		**(12,088,897)**	(10,429,355)
Loss per share from continuing operations attributable to owners of the parent			
Basic and diluted loss per share (p)	25	**(0.568)**	(0.157)

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

Consolidated Statement of Financial Position
Company number: 05676866
As at 31 December 2021

	Notes	31 December 2021 £	31 December 2020 £
Assets			
Non-current assets			
Intangible assets	10	**6,165,677**	6,220,872
Property, plant & equipment	11	**52,381,161**	30,839,948
Right of use assets	21	**282,320**	-
		58,829,158	37,060,820
Current assets			
Trade and other receivables	12	**10,237,167**	270,539
Derivative financial asset	20	**3,672,924**	1,756,553
Cash and cash equivalents	13	**156,186,302**	10,935,563
		170,096,393	12,962,655
Total assets		**228,925,551**	50,023,475
Equity and liabilities			
Equity attributable to owners of the parent			
Share capital	14	**38,023,656**	14,493,773
Share premium	15	**177,928,649**	41,848,306
Other reserves	17	**(15,236,968)**	(12,818,874)
Retained losses		**(30,608,510)**	(22,112,503)
Total equity		**170,106,827**	21,410,702
Liabilities			
Non-current liabilities			
Contingent consideration	19	**4,996,761**	5,927,025
Royalty Finance	20	**33,016,624**	22,053,341
Lease liabilities	21	**238,716**	-
Deferred consideration	19	**3,358,630**	-

Trade payables	18	**451,863**	-
		42,062,594	27,980,366
Current liabilities			
Trade and other payables	18	**16,008,280**	632,407
Deferred consideration	19	**704,246**	-
Lease liabilities	21	**43,604**	-
		16,756,130	632,407
Total liabilities		**58,818,724**	28,612,773
Total equity and liabilities		**228,925,551**	50,023,475

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 25 March 2022 and were signed on its behalf.

David J Hall
Chairman

Jeremy J Martin
Chief Executive Officer

Company Statement of Financial Position
Company number: 05676866
As at 31 December 2021

	Notes	**31 December 2021 £**	31 December 2020 £
Non-Current Assets			
Investment in subsidiaries	29	**2,348,142**	2,348,142
Loans to subsidiaries	30	**69,811,930**	64,692,156
		72,160,072	67,040,298
Current assets			
Trade and other receivables	12	**9,763,600**	96,196
Cash and cash equivalents	13	**147,359,029**	5,308,954
		157,122,629	5,405,150
Total assets		**229,282,701**	72,445,448
Equity and liabilities			
Equity attributable to equity shareholders			
Share capital	14	**38,023,656**	14,493,773
Share premium	15	**177,928,649**	41,848,306
Other reserves	17	**10,888,760**	10,888,760
Retained losses		**(17,465,060)**	(13,186,690)
Total equity		**209,376,005**	54,044,149
Liabilities			
Non-current liabilities			
Contingent consideration	19	**4,996,761**	5,927,025
		4,996,761	5,927,025
Current liabilities			
Trade and other payables	18	**12,081,730**	280,179
Loans from subsidiary	30	**2,828,205**	12,194,095
		14,909,935	12,474,274
Total liabilities		**19,906,696**	18,401,299
Total equity and liabilities		**229,282,701**	72,445,448

The above Company Statement of Financial Position should be read in conjunction with the accompanying notes. The loss for the period was £5,453,166 (2020: £3,377,407 profit).

The Financial Statements were authorised for issue by the Board of Directors on 25 March 2022 and were signed on its behalf.

David J Hall	**Jeremy J Martin**
Chairman	**Chief Executive Officer**

Consolidated Statement of Changes in Equity
For the year ended 31 December 2021

	Attributable to owners of the parent				
Consolidated	Share capital £	Share premium £	Retained losses £	Other reserves £	Total £
As at 1 January 2020	**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	-	-	-	(8,151,944)	(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**
Loss for the year	-	-	(9,670,803)	-	(9,670,803)
Other comprehensive income:					
Currency translation differences on translating foreign operations	-	-	-	(2,418,094)	(2,418,094)
Total comprehensive income for the year	**-**	**-**	**(9,670,803)**	**(2,418,094)**	**(12,088,897)**
Issue of ordinary shares	22,649,282	136,784,844	-	-	159,434,126
Issue costs	-	(5,904,761)	-	-	(5,904,761)
Conversion of special warrants into shares	880,601	5,795,235	1,174,796	-	7,850,632
Special warrants issue costs	-	(594,975)	-	-	(594,975)
Total transactions with owners, recognised directly in equity	**23,529,883**	**136,080,343**	**1,174,796**	**-**	**160,785,022**
As at 31 December 2021	**38,023,656**	**177,928,649**	**(30,608,510)**	**(15,236,968)**	**170,106,827**

A breakdown of other reserves is provided in note 17.

Company Statements of Changes in Equity

Company	Share capital £	Share premium £	Retained losses £	Merger reserves £	Total £
	Attributable to equity shareholders				
As at 1 January 2020	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**
Profit and total comprehensive income for the year	-	-	(5,453,166)	-	(5,453,166)
Issue of ordinary shares	22,649,282	136,784,844	-	-	159,434,126
Issue costs	-	(5,904,761)	-	-	(5,904,761)
Conversion of special warrants into shares	880,601	5,795,235	1,174,796	-	7,850,632
Special warrants issue costs	-	(594,975)	-	-	(594,975)
Total transactions with owners, recognised directly in equity	**23,529,883**	**136,080,343**	**1,174,796**	**-**	**160,785,022**
As at 31 December 2021	**38,023,656**	**177,928,649**	**(17,465,060)**	**10,888,760**	**209,376,005**

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 2021

	Notes	**31 December 2021 £**	31 December 2020 £
Cash flows from operating activities			
Loss before taxation		**(9,670,803)**	(2,385,936)
Finance income		**-**	(236,986)
Finance costs		**4,043,794**	-
Exchange differences		**627,145**	(751,313)
Change in fair value of derivative asset		**(1,853,282)**	424,500
Fair value of special warrant liability		**1,174,796**	-
Operating loss before changes in working capital		**(5,678,350)**	(2,949,735)
Decrease/(increase) in trade and other receivables		**(9,966,626)**	(135,814)
Increase/(decrease) in trade and other payables		**11,929,592**	(51,526)
Cash used in operating activities		**(3,715,384)**	(3,137,075)
Income taxes paid		**-**	(51,071)
Net cash used in operating activities		**(3,715,384)**	(3,188,146)
Cash flows from investing activities			
Purchase of exploration and evaluation assets		**(300,676)**	-
Purchase of property, plant and equipment		**(10,589,678)**	(4,153,198)
Interest received		**363,923**	151,459
Net cash used in investing activities		**(10,526,431)**	(4,001,739)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		**159,434,126**	93,000
Issue costs		**(5,904,761)**	-
Proceeds from issue of share warrants		**7,850,632**	-
Share warrants issue costs		**(594,975)**	-
Net cash generated from financing activities		**160,785,022**	93,000
Net increase/(decrease) in cash and cash equivalents		**146,543,207**	(7,096,885)
Cash and cash equivalents at beginning of year		**10,935,563**	17,760,330
Exchange gain/(loss) on cash and cash equivalents		**(1,292,468)**	272,118
Cash and cash equivalents at end of the year	13	**156,186,302**	10,935,563

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 2021

	Notes	**31 December 2021 £**	31 December 2020 £
Cash flows from operating activities			
Profit before taxation		**(5,453,166)**	3,428,478
IFRS9 Expected credit loss (credit)/charge		**27,976**	(3,814,254)
Finance income		**(935,038)**	(72,155)
Finance costs		**-**	445,065
Exchange differences		**453,520**	(1,491,383)
Change in fair value of contingent consideration		**-**	(764,109)
Fair value of special warrant liability		**1,174,796**	-
Operating profit before changes in working capital		**(4,731,912)**	(2,268,358)
(Increase)/decrease in trade and other receivables		**(9,667,401)**	39,180
Increase/(decrease) in trade and other payables		**11,801,551**	(41,409)
Cash flows generated / (used) from operating activities		**(2,597,762)**	(2,270,587)
Taxes paid		-	(51,071)
Net cash flows generated / (used) from operating activities		**(2,597,762)**	(2,321,658)
Cash flows from investing activities			
Loans to subsidiary undertakings		**(14,485,665)**	(10,363,054)
Interest received		**4,773**	72,155
Net cash used in investing activities		**(14,480,892)**	(10,290,899)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		**159,434,126**	93,000
Issue costs		**(5,904,761)**	-
Proceeds from issue of share warrants		**7,850,632**	-
Share warrants issue costs		**(594,975)**	-
Net cash generated from financing activities		**160,785,022**	93,000
Net increase/(decrease) in cash and cash equivalents		**143,706,368**	(12,519,557)
Cash and cash equivalents at beginning of year		**5,308,954**	17,393,773
Exchange gain/(loss) on cash and cash equivalents		**(1,656,293)**	434,738
Cash and cash equivalents at end of the year	13	**147,359,029**	5,308,954

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 Regent 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 International Financial Reporting Standards and International Accounting Standards as issued by the International Accounting Standards Board (IASB) and Interpretations (collectively IFRSs). Financial Statements have been prepared under the historical cost convention except for the following items (refer to individual accounting policies for details):

- Contingent and deferred consideration
- Financial instruments – fair value through profit and loss
- Cash settled share based payment liabilities

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 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. 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 information for the year ended 31 December 2021 and the year ended 31 December 2020 does not constitute the company's statutory accounts for those years. Statutory accounts for the year ended 31 December 2020 have been delivered to the Registrar of Companies. The statutory accounts for the year ended 31 December 2021 will be delivered to the Registrar of Companies following the Company's Annual General Meeting.

The auditors' reports on the accounts for 31 December 2021 and 31 December 2020 were 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.

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 concluded a comprehensive funding package of US$633 million in December 2021. The net proceeds of the fundraising will be used towards the construction of the Araguaia project as well as for general working capital purposes. In addition the company has also concluded a US$25 million royalty agreement on the Vermelho Project, the net proceeds from the sale of this royalty will be used to advance a feasibility study and permitting work streams on the Vermelho project. The equity fundraise (US$197 million of the US$633 million) was finalized and funds received in December 2021. The debt elements of the funding package include Convertible Loan Notes (US$65 million), a Cost Overrun Facility (US$25 million) and a Senior Debt Facility (US$346.2 million).

Based on current commitments entered into by the Group, and following the satisfaction of all material conditions precedent, the funds from the convertible loan notes and the royalty are expected to be drawn down in March 2022. The first drawdown under the Senior Debt Facility is expected to occur in the fourth quarter of 2022 following satisfaction of certain conditions precedent customary to a financing of this nature. As the senior debt is conditional, there is no guarantee that the conditions of this element of the debt package will be satisfied.

The funds held at the year-end along with those to be raised post year end means the Group has cash reserves which are considered sufficient by the Directors to execute the construction of the Araguaia Project and fund its general working capital requirements for the foreseeable future. The drawdown of the Senior Debt Facility is conditional upon the expenditure of a certain level of equity amongst other conditions precedent, by which time the company is expected to have made significant financial commitments. There exists a risk that the Senior Debt Facility is not able to be drawn due to unforeseen circumstances or noncompliance with any conditions precedent which may or may not be within the control of the Group. Should the Senior Debt not be drawn then the Group would require alternative sources of funding to meet its commitments.

If additional projects are identified and the Vermelho project advances, additional funding may be required.

These factors indicate the existence of a material uncertainty which may cast significant doubt over the Group and the Company's ability to continue as a going concern and therefore they may be unable to realise its assets and discharge their liabilities in the normal course of business. The financial statements do not include any adjustments that would result if the Group or the Company were unable to continue as a going concern.
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 the easing of Covid-19 restrictions, employees are working from the Group's offices in London and Brazil and will continue to adhere to government guidelines. International travel has resumed and site work for the two projects has been resumed.

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.

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 the easing of Covid-19 restrictions, employees are working from the Group's offices in London and Brazil and will continue to adhere to government guidelines. International travel has resumed and site work for the two projects has been resumed.

To date, the Group has not been materially adversely affected by the COVID-19 pandemic. However, the ongoing nature and uncertainty of the pandemic in many countries including the measures and restrictions put in place (travel bans and quarantining in particular) continue to have the ability to impact the Group's business continuity, workforce, supply-chain, business development and, consequently, future revenues.

In addition, any infections occurring on the Group's premises could result in the Group's operations being suspended, which may have an adverse impact on the Group's operations as well as adverse implications on the Group's future cash flows, profitability and financial condition. Supply chain disruptions resulting from the COVID-19 pandemic and measures implemented by governmental authorities around the world to limit the transmission of the virus (such as travel bans and quarantining) may, in addition to the general level of economic uncertainty caused by the COVID-19 pandemic, also adversely impact the Group's operations, financial position and prospects.

As a result of considerations noted above, the Directors consider the impact of COVID-19 could delay the drawdown of the senior debt facility.

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 2021, are:

Standard	Detail	Effective date
IFRS 7, IFRS 9, IFRS16, IAS 39	Amendments regarding interest rate benchmark reform – phase 2	1 January 2021

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 2021 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	Effective date
IAS 16	Amendments prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use	1 January 2022
IAS 37	Amendments regarding the costs to include when assessing whether a contract is onerous	1 January 2022
IFRS 3	Amendment - replacing a reference to an old version of the Board’s Conceptual Framework for Financial Reporting with a reference to the latest version, which was issued in March 2018.	1 January 2022
Annual Improvements to IFRSs (2018-2020 Cycle) - IFRS 9	IFRS 9 - Clarifies the fees a company includes in assessing the terms of a new or modified financial liability to determine whether to derecognise a financial liability.	1 January 2022
IAS 1	Amendment – regarding the classification of liabilities	1 January 2023
IAS 8	Amendment – definition of accounting estimates	1 January 2023
IAS 1 and IFRS Pratice Statement 2	Amendment – disclosure of accounting policies	1 January 2023
IAS 12	Amendment - Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023

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.

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:

Subsidiary undertaking	Held	Registered Address	Country of incorporation	Nature of business
Horizonte Exploration Ltd	Directly	Rex House, 4-12 Regent 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	First Names House, Victoria Road, Douglas, IM2 4DF, Isle 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
Battery Material Services B.V	Directly	Naritaweg 165, 1043BW Amsterdam, The Netherlands	The Netherlands	Provision of financial services
HM do Brasil Ltda	Indirectly	CNPJ 07.819.038/0001-30 com sede na Rua Paraíba, n. 1465, sala 1102 – parte, bairro Savassi 2904, Belo Horizonte – MG. CEP: 30.130-148	Brazil	Mineral Exploration
Araguaia Niquel Metais Ltda	Indirectly	CNPJ 97.515.035/0001-03 com sede na Rua Paraíba, n. 1465, sala 1102 – parte, bairro Savassi 2904, Belo Horizonte – MG. CEP: 30.130-148	Brazil	Mineral Exploration
Trias Brasil Mineração Ltda	Indirectly	CNPJ 23.282.280/0001-73 com sede na Rua Paraíba, n° 1465, sala 1102 – Parte, bairro Savassi, Belo Horizonte/MG, CEP 30.130-148, Brazil	Brazil	Mineral Exploration

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 is 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%

Land is not depreciated. 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. To the extent that the Group borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the Group shall determine the amount of borrowing costs eligible for capitalisation by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate shall be the weighted average of the borrowing costs applicable to all borrowings of the entity that are outstanding during the period.

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. At each balance sheet date, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered impairment. Prior to carrying out impairment reviews, the significant cash generating units are assessed to determine whether they should be reviewed under the requirements of IFRS 6 – Exploration for and Evaluation of Mineral Resources or IAS 36 – Impairment of Assets. Such determination is by reference to the stage of development of the project and the level of reliability and surety of information used in calculating value in use or fair value less costs to sell. Impairment reviews performed under IFRS 6 are carried out on a project by project basis, with each project representing a potential single cash generating unit. An impairment review is undertaken when indicators of impairment arise; typically when one of the following circumstances applies:

(i) sufficient data exists that render the resource uneconomic and unlikely to be developed

(ii) title to the asset is compromised

(iii) budgeted or planned expenditure is not expected in the foreseeable future

(iv) insufficient discovery of commercially viable resources leading to the discontinuation of activities

Impairment reviews performed under IAS 36 are carried out when there is an indication that the carrying value may be impaired. Such key indicators (though not exhaustive) to the industry include:

(i) a significant deterioration in the spot price of nickel

(ii) a significant increase in production costs

(iii) a significant revision to, and reduction in, the life of mine plan

If any indication of impairment exists, the recoverable amount of the asset is estimated, being the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. Such impairment losses are recognised in profit or loss for the year.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had

no impairment loss been recognised for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss for the year.

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 subsidiaries incorporated in the Netherlands is USD, however debt costs capitalised to the mine development asset are recorded in Brazilian Real. 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 31 December 2021 were United States Dollar $1:£0.742 (31 December 2020: $1:£0.73), Brazilian Real (R$):£0.133 (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 year ended 31 December 2021, the Brazilian Real depreciated by 6% since 31 December 2020. Currency translation differences for the year of £2.4 million loss (2020:£8.2million 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 loss for the year of £627,145 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.

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 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 a forward looking expected credit loss model. 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.

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. During the year the Company completed the private placement of special warrants. At the transaction date a liability was recognised because the shares had not been issued but had been paid for. The charge to the statement of comprehensive income reflects the liability was marked to market. When the warrants were exercised the liability was extinguished and recognised in equity. Refer to note 22 for the details of the transaction..

Other financial liabilities

Financial liabilities are 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 has such short duration leases and lease payments are charged to the income statement with the exception of the Group's lease for the Belo Horizonte office.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

• amounts expected to be payable under any residual value guarantee;

• the exercise price of any purchase option granted in favour of the group if it is reasonable certain to assess that option;

• any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

• lease payments made at or before commencement of the lease;

• initial direct costs incurred; and

• the amount of any provision recognised where the group is contractually required to dismantle, remove or restore the leased asset

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

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 or various forms of debt funding. Liquidity risk arises from the Group's management of working capital and the expenditure profile of the group. At present the Group 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	**Up to 3 Months**	**Between 3 & 12 Months**	**Between 1 &2 Years**	**Between 2 & 5 Years**	**Over 5 Years**
	£	**£**	**£**	**£**	**£**
At 31 December 2021					
Trade & other payables	16,008,280	-	451,863	-	-
Royalty financing arrangement	-	-	2,375,269	18,236,231	168,625,617
Contingent consideration	-	-	-	-4,452,029	3,710,024
Deferred consideration	-	704,905	704,905	3,339,022	-
Lease liabilities	15,949	47,846	69,408	206,932	-
Total	16,024,229	752,750	3,601,445	26,234,215	172,335,641

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

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

Company	Up to 3 Months £	Between 3 & 12 Months £	Between 1 &2 Years £	Between 2 & 5 Years £	Over 5 Years £
At 31 December 2021					
Trade & other payables	12,081,730	-	-	-	-
Intercompany loans	2,828,205	-	-	-	-
Contingent consideration	-	-	-	4,452,029	3,710,024
Total	14,909,936	-	-	4,452,029	3,710,024

	Up to 3 Months £	Between 3 & 12 Months £	Between 1 &2 Years £	Between 2 & 5 Years £	Over 5 Years £
At 31 December 2020					
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

(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 2021, 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 £4,235,376 (2020: £1,204,049) 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 £232,398 (2020: £372,488.

As of 31 December 2021 the Group's net exposure to foreign exchange risk was as follows:

	Functional Currency							
Group	**USD 2021**	**USD 2020**	**GBP 2021**	**GBP 2020**	**BRL 2021**	**BRL 2020**	**Total 2021**	**Total 2020**
Currency of net	£	£	£	£	£	£	£	£
Financial assets/(liabilities)								
GBP	**(933,874)**	-	**-**	-	**-**	-	**(933,874)**	
USD	**-**	-	**90,206,582**	(1,440,779)	(4,062,876)	-	**86,143,706**	(1,440,779
BRL	**14,675,359**	5,433,840	**-**	-	**-**	-	**14,675,359**	5,433,84
CAD	**-**	-	**6,986,953**	57,683	**-**	-	**6,986,953**	57,68
EUR	**12,830**	72,610	**-**	-	**-**	-	**12,830**	72,61
Total net exposure	**13,754,315**	5,506,450	**97,193,535**	(1,383,096)	**(4,062,876)**	-	**106,884,972**	4,123,35

Company	**GBP 2021**	**GBP 2020**	**Total 2021**	**Total 2020**
Currency of net	£	£	£	£
Financial assets/(liabilities)				
USD	**90,037,823**	(1,569,868)	**90,037,823**	(1,569,868
CAD	**6,958,850**	30,000	**6,958,850**	30,00
Total net exposure	**96,996,673**	(1,539,868)	**96,996,673**	(1,539,868

(c) Interest rate risk

As the Group has no drawn down 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 £33,016,624 (2020: £22,053,341). 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 £3,409,321 (2020: £2,279,818).

(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 £156,186,302 (2020: £10,935,563) and represents the Group cash positions.

The Company’s exposure to credit risk amounted to £217,170,961 (2020: £70,001,110). Of this amount £69,811,932 (2020: £64,692,156) is due from subsidiary companies and £147,359,029 represents cash holdings (2020: £5,308,954). See note 30 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.

In 2019 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 20.

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 and the joint venture obligation 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 20b).

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 30 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 20b).

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 2021 of £5,949,650 (2020: £6,062,624). 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 and deferred consideration

Contingent consideration has a carrying value of £4,996,761 and deferred consideration has a carrying value of £4,062,876 at 31 December 2021 (2020: £5,927,026). There are two contingent consideration arrangements in place as at 31 December 2021:

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

The deferred contingent consideration arrangement in place as at 31 December 2021 is payable to Companhia Brasileira de Alumino (CBA) in respect of plant equipment.

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 and deferred consideration for Glencore Vale and CBA is the timing of the assumed date of first commercial production. Please refer to Note 19 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 carrying 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 20a) and 20b).

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.

2021	**UK 2021 £**	**Brazil 2021 £**	**Netherlands 2021 £**	**Total 2021 £**
Intragroup sales	-	-	-	-
Administrative expenses	(4,733,000)	(814,054)	(131,295)	(5,678,349)
Change in fair value of special warrant liability	(1,174,796)	-	-	(1,174,796)
Change in fair value of derivative	-	-	1,853,282	1,853,282
Profit/(loss) on foreign exchange	(405,739)	26,171	(247,577)	(627,145)
Loss from operations per reportable segment	**(6,313,536)**	**(787,883)**	**1,474,410**	**(5,627,009)**
Net finance income/(cost)	1,012,324	(136,516)	(4,919,602)	(4,043,794)
Loss before taxation	**(5,301,212)**	**(924,399)**	**(3,445,192)**	**(9,670,803)**
Depreciation charges	-	16,973	-	16,973
Additions to non-current assets	-	18,374,202	-	18,374,202
Capitalisation of borrowing costs	-	5,248,379	-	5,248,379
Foreign exchange movements to non-current assets	-	(2,144,027)	-	(2,144,027)
Reportable segment assets	157,332,695	67,807,925	3,784,931	228,925,550
Reportable segment non-current assets	-	58,829,158	-	58,829,158
Reportable segment liabilities	17,078,491	8,717,383	33,022,850	58,818,724

2020	UK 2020 £	Brazil 2020 £	Netherlands 2020 £	Total 2020 £
Intragroup sales	219,884	(219,884)	-	-
Administrative expenses	(2,488,200)	(292,492)	(169,044)	(2,949,736)
Fair value movement	-	-	(424,500)	(424,500)
Profit/(loss) on foreign exchange	1,491,281	(547,877)	(192,091)	751,313
Loss from operations per reportable segment	(777,035)	(1,060,253)	(785,635)	(2,622,923)
Finance income	236,986	-	-	236,986
Finance costs	-	-	-	-
Loss before taxation	(540,049)	(1,060,253)	(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	28,332,692

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

6 Expenses by nature

Group	**2021** **£**	2020 £
Employment related costs	3,818,517	1,067,047
Professional fees	1,119,158	1,093,299
Exploration costs expensed	-	343,695
Other	740,675	445,695
Total administrative expenses	5,678,350	2,949,736

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	**2021 £**	2020 £
Fees payable to the Company's auditor and its associates for the audit of the parent company and consolidated financial statements	**71,935**	64,700
Fees payable to the Company's auditor and its associates for other services:		
– Audit of subsidiaries	**10,239**	10,000
– Audit related assurance services	**105,000**	35,000
–Tax compliance services	**24,932**	35,244

8 Finance income and costs

Group	**2021 £**	2020 £
Finance income:		
– Interest income on cash and short-term bank deposits	**363,923**	151,459
Finance costs:		
– Interest on land acquisitions	**(122,228)**	-
– Contingent consideration: unwinding of discount	**(427,804)**	(445,066)
– Contingent consideration: change in fair value	**(74,927)**	764,109
– Contingent consideration: change in estimate	**1,419,978**	-
– Amortisation of Royalty financing	**(3,316,259)**	(3,244,873)
– Fair Value adjustment on royalty	**(7,134,856)**	910,834
Total finance costs	**(9,292,173)**	(1,863,537)
Less finance costs capitalised	**5,248,379**	2,100,521
Net finance costs	**4,043,794**	236,986

9 Income Tax

Group	**2021** **£**	2020 **£**
Tax charge:		
Current tax charge for the year	—	(51,071)
Deferred tax charge for the year	—	159,597
Tax on loss for the year	—	108,526

Reconciliation of current tax

Group	**2021** **£**	2020 £
Loss before income tax	(9,670,803)	(2,385,936)
Current tax at 19% (2020: 19%)	(1,837,453)	(453,328)
Effects of:		
Expenses not deducted for tax purposes	735,916	255,888
Tax losses carried forward for which no deferred income tax asset was recognised	1,334,505	83,060
Prior year adjustment	-	(51,071)
Effect of higher overseas tax rates	(232,968)	114,380
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 25% and the United Kingdom 19%. The group incurred expenses in all of these jurisdictions during the year. The effective tax rate for the year was 23% (2020: 19%).

Deferred income tax

An analysis of deferred tax assets and liabilities is set out below.

Group	**2021** **£**	2020 £
Deferred tax assets	**-**	1,624,891

Deferred tax liabilities		
– Deferred tax liability to be settled after more than 12 months	**-**	1,624,891
Deferred tax liabilities (net)	**-**	**-**

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

Group	**2021** **£**	2020 £
At 1 January	**-**	(212,382)
Exchange differences	**-**	52,785
Adjustment to deferred tax	**-**	159,597
At 31 December	**-**	-

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 £16,612,453 (2020: £17,603,004) in Brazil and excess management charges of approximately £6,866,179 (2020: £2,288,011) 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 £4,460,940 (2020: £6,419,743) 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 £	Software £	Total £
Cost					

At 1 January 2020	210,585	5,157,366	1,689,495	-	7,057,446
Transfer to PPE	-	-	-	-	-
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**
Additions	-	76,768	155,262	68,646	300,676
Amortisation for the year	-	-	-	(1,861)	(1,861)
Exchange rate movements	(9,005)	(292,612)	(52,393)	-	(354,010)
Net book amount at 31 December 2021	149,243	4,789,737	1,159,912	66,785	6,165,677

(a) Exploration and evaluation assets

The exploration licences and exploration and evaluation costs relate to the Vermelho project. 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 2020 the Group published the results of a Pre-Feasibility Study 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. The Directors have determined the recoverable amount of goodwill based on the same assumptions used for the assessment of the Lontra exploration project detailed above. 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 2019	32,260,061	106,722	14,424	-	32,381,207
Additions	4,008,719	1,234	55,989	87,257	4,153,199
Interest capitalized	2,100,521	-	-	-	2,100,521
Disposals	-	(5,806)	-	-	(5,806)
Foreign exchange movements	(7,662,482)	(25,162)	(13,052)	-	(7,700,717)
At 31 December 2020	**30,706,819**	**76,988**	**57,361**	**87,257**	**30,928,425**
Additions	9,890,044	563,534	51,925	7,568,023	18,073,526
Interest capitalized	5,248,379	-	-	-	5,248,379
Transfers	-	481	(481)	-	-
Disposals	-	-	(1,028)	-	(1,028)
Foreign exchange movements	(1,757,108)	(4,369)	(3,255)	(4,965)	(1,769,697)
At 31 December 2021	**44,088,134**	**636,635**	**104,523**	**7,650,315**	**52,479,605**
Accumulated depreciation					

At 31 December 2019	-	106,239	14,424	-	120,663
Charge for the year	-	6,121	25,275	-	31,396
Disposals	-	(38,224)	-	-	(38,224)
Foreign exchange movements	-	(16,959)	(8,399)	-	(25,358)
At 31 December 2020	-	57,177	31,300	-	88,477
Charge for the year	-	5,584	9,527	-	15,111
Transfers	-	164	(164)	-	-
Disposals	-	-	(125)	-	(125)
Foreign exchange movements	-	(3,243)	(1,776)	-	(5,019)
At 31 December 2021	**-**	**59,682**	**38,762**	**-**	**98,444**
Net book amount as at 31 December 2021	**44,088,134**	**576,953**	**65,761**	**7,650,315**	**52,381,161**
Net book amount as at 31 December 2020	**30,706,819**	**19,811**	**26,061**	**87,257**	**30,839,948**

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.

During the year progress was made in the land acquisition process for the Araguaia project. The deposits were paid to secure the 'right of way', these acquisitions amounted to £7.6million. £3.5million of the land and 'right of way' purchases is included in trade and other payables as at 31 December 2021.

Sensitivity to changes in assumptions

For the base case NPV 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 2021, the discount rate applied to the cash flow model would need to be increased from 8% to 17%.

12 Trade and other receivables

	Group		Company	
	2021	2020	**2021**	2020
	£	£	**£**	£
VAT and other taxes receivable	**887,920**	262,539	**414,353**	88,196
Deposits	**8,000**	8,000	**8,000**	8,000
Other receivables	**9,341,247**	-	**9,341,247**	-
	10,237,167	270,539	**9,763,600**	96,196

Other receivables relates to transaction costs for the US$633million financing package concluded in December 2021. These transaction costs relate to the debt finance agreements and the transaction costs will be offset against the debt when it is drawndown.

13 Cash and cash equivalents

	Group		Company	
	2021	2020	**2021**	2020
	£	£	**£**	£
Cash at bank and on hand	**153,054,239**	6,756,255	**144,226,966**	1,129,646
Short-term deposits	**3,132,063**	4,179,308	**3,132,063**	4,179,308
	156,186,302	10,935,563	**147,359,029**	5,308,954

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

	Group		Company	
	2021	2020	**2021**	2020
	£	£	**£**	£
A+	**147,315,486**	5,264,882	**147,308,088**	5,251,913
A	**86,038**	245,517	**-**	-
AAA	**-**	4,522,146	**-**	-
BAA	**-**	57,041	**-**	57,041
BB	**-**	735,807	**-**	-
BB-	**8,504,893**	-	**-**	-
BBB+	**50,941**	-	**50,941**	-
B+	**112,006**	-	**-**	-
NA	**116,938**	110,170	**-**	-
	156,186,302	10,935,563	**147,359,029**	5,308,954

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.

14 Share capital

Group and Company	**2021 Number**	**2021 £**	2020 Number	2020 £
Issued and fully paid				
Ordinary shares of 1p each				
At 1 January	1,449,377,287	14,493,773	1,446,377,287	14,463,773
Issue of ordinary shares	2,264,928,203	22,649,282	3,000,000	30,000
Conversion of special warrants into shares	88,060,100	880,601	-	-
At 31 December	3,802,365,590	38,023,656	1,449,377,287	14,493,773

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

2021

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.

On 23 December 2021, 2,102,209,850 new ordinary shares were placed with new and existing investors at a price of 7.0 pence per share. The gross proceeds raised in the placement was £147,230,250 and issue costs amounted to £5,164,623.

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.

15 Share premium

Group and Company	**2021** **£**	2020 £
At 1 January	41,848,306	41,785,306
Premium arising on issue of ordinary shares	136,784,844	63,000
Issue costs	(5,904,761)	-
Premium arising on conversion of special warrants into shares	5,795,235	-
Special warrants issue costs	(594,975)	-
At 31 December	177,928,649	41,848,306

Share premium comprises the amount subscribed for share capital in excess of nominal value.

16 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 2021	**Weighted average exercise price 2021 £**	Number of options 2020	Weighted average exercise price 2020 £
Outstanding at 1 January	125,350,000	0.051	136,300,000	0.055
Forfeited	(11,050,000)	0.139	(7,950,000)	0.140
Exercised	-	-	(3,000,000)	0.031
Granted	-	-	-	-
Outstanding at 31 December	114,300,000	0.0425	125,350,000	0.051
Exercisable at 31 December	114,300,000	0.0425	125,350,000	0.051

The options outstanding at 31 December 2021 had a weighted average remaining contractual life of 4.47 years (2020: 5.80 years).

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

No new options were issued during 2020 and 2021.

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 (£)	**2021 Weighted average exercise price (£)**	**2021 Number of shares**	**2021 Weighted average remaining life expected (years)**	**2021 Weighted average remaining life contracted (years)**	2020 Weighted average exercise price (£)	2020 Number of shares	2020 Weighted average remaining life expected (years)	2020 Weighted average remaining life contracted (years)
0–0.1	0.042	113,800,000	4.49	4.49	0.042	115,700,000	6.21	6.21
0.1–0.2	0.154	500,000	0.73	0.73	0.154	9,650,000	0.93	0.93

17 Other reserves

Group	Merger reserve £	Translation reserve £	Other reserve £	Total £
At 1 January 2020	10,888,760	(14,507,590)	(1,048,100)	(4,666,930)
Other comprehensive income	—	—	—	—
Currency translation differences	—	(8,151,944)	—	(8,151,944)
At 31 December 2020	**10,888,760**	**(22,659,534)**	**(1,048,100)**	**(12,818,874)**
Other comprehensive income	-	-	-	-
Currency translation differences	-	**(2,418,094)**	-	**(2,418,094)**
At 31 December 2021	**10,888,760**	**(25,077,628)**	**(1,048,100)**	**(15,236,968)**

Company	Merger reserve £	Total £
At 1 January 2020 and 31 December 2020	10,888,760	10,888,760
At 1 January 2021 and 31 December 2021	**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.

18 Trade and other payables

	Group		**Company**	
	2021	2020	**2021**	2020
	£	£	**£**	£
Non-current				
Trade and other payables	**451,863**	-	**-**	-
Current				
Trade and other payables	3,381,704	304,461	-	123,657
Social security and other taxes	572,431	83,203	33,811	31,822

Accrued expenses	12,054,145	244,743	12,047,919	124,700
	16,008,280	632,407	12,081,730	280,179
Total trade and other payables	16,460,144	632,407	12,081,730	280,179

19. Contingent and deferred consideration

19.1 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.

The contingent consideration payable to Xstrata Brasil Mineração Ltda for the acquisition of the Araguaia project has a carrying value of £1,713,002 at 31 December 2021 (31 December 2020: £2,893,877). It comprises US$5,000,000 consideration in cash as at the date of first commercial production of ferronickel product (excluding the commissioning period) from any of the resource areas covered in the purchase agreement, i.e. Vale dos Sonhos (VDS) and Serra do Tapa (SDT). 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 from the VDS and SDT permits. During the year the estimated date of first commercial production from the VDS and SDT permits was revised to align with the mine plan. The Group has finalised its mine plan for the Araguaia Project which was approved as part of the investment decision for the Araguaia project finance package which was successfully concluded in December 2021. The mine plan anticipates production from VDS permit to commence 9 years after the Araguaia project first production date and thus it was deemed reasonable to estimate the change in timing of the contingent consideration.

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 are capitalised to the mine development asset.

19.2 Contingent consideration payable to Vale Metais Basicos S.A.

- On 19 December 2017 the Company announced that it had reached an 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 contingent consideration payable to Vale Metais Basicos S.A. for the acquisition of the Vermelho project has a carrying value of £3,283,758 at 31 December 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.

The finance costs in respect of this contingent consideration are expensed as the Vermelho project has not entered the construction phase.

19.3 Deferred consideration payable to Companhia Brasileiro de Aluminio

On 8 December 2021 the Group's subsidiary Araguaia Niquel Metais Ltda (ANM) entered into an asset purchase agreement to purchase certain new and unused ferronickel processing equipment (the "Processing Equipment") from Companhia Brasileira de Alumínio ("CBA").

The Processing Equipment comprises the key components of a conventional rotary kiln electric furnace plant ("RKEF"), excluding the furnace, and is expected to provide meaningful synergies in relation to the development of the Araguaia ferronickel project.

An upfront cost of US$600,000 is payable in cash on signing with a total consideration of up to US$7,000,000, with the balance payable upon the achievement of future milestones related to the development and operation of Araguaia. As part of the transaction CBA will continue to perform care and maintenance activities going forward until it is removed from the existing site.

The total consideration of up to US$7 million payable by ANM will be paid according to the following schedule:US$600,000 payable on execution of the Agreement:

- US$950,000 upon the removal of 80% of the Processing Equipment from CBA's Niquelândia operations;
- US$950,000 upon reaching 50% completion of Araguaia plant construction;
- US$1,150,000 upon production at Araguaia reaching 90% of nameplate capacity for a period of 60 days, on average, and with up to 50% of such amount payable in Horizonte shares, at Horizonte's election; and
- US$3,350,000 payable by Horizonte in three equal annual instalments with the first instalment due within 45 days of the first sale of ferronickel to a third party. Horizonte may choose to pay the outstanding balance of this amount at any time of its choosing with up to 50% of the total able to be paid in Horizonte's shares, at Horizonte's election.

In addition the contract provides that each component of the Purchase Price shall be deemed immediately due and payable to the Seller at the long stop date of December 31, 2027. The deferred consideration payable to CBA has a carrying value of £4,062,876 at 31 December 2021 (31 December 2020: £nil). The key assumptions underlying the treatment of the deferred consideration of US$7,000,000 is a discount factor of 7.0% along with the estimated date of completion of the project milestones as outlined above.

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

	Companhia Brasileira de Aluminio (in respect of Araguaia project)	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
Initial recognition	4,043,991	-	-	4,043,991
Unwinding of discount	14,288	201,899	211,616	427,803
Change in estimate	-	(1,419,978)	-	(1,419,978)
Change in carrying value and foreign exchange	4,597	37,204	38,994	80,795
At 31 December 2021	4,062,876	1,713,002	3,283,758	9,059,636
Reclassification to current liabilities	(704,246)	-	-	(704,246)
At 31 December 2021	**3,358,630**	**1,713,002**	**3,283,758**	**8,355,390**

The change in estimate during 2021 relates revisions to the estimated payment date of the Xstrata Brasil Mineração Ltda contingent consideration as a result of the start date of commercial production at the VDS and SDT areas being extended.

20 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 has been estimated at 2.65%, at year end the rate has been revised to 2.95%. 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 20 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. The long-term nickel price used in the royalty valuation as at 31 December 2021 is $16,945/t Ni.

	£
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	3,316,259
Change in carrying value	7,134,856
Effects of foreign exchange	512,168
Net book amount at 31 December 2021	33,016,624

Management have sensitised the carrying value of the royalty liability by a change in the royalty rate to 3% (maximum royalty rate in the agreement) and it would be £559,604 higher/lower and for a $1,000/t Ni increase/decrease in future nickel price the carrying value would change by £2,011,950.

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 ($16,941/t Ni), the start date of commercial production (May 2023), the prevailing royalty rate (2.95%), the inflation rate (1.76%) and volatility of nickel prices (22.1%).

	£
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	1,853,282
Effects of foreign exchange	63,089
Value as at 31 December 2021	3,672,924

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 $1,338,000 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.

21 Right of use assets and lease liability

In December 2021, Araguaia Niquel Metais Ltda entered into a commercial lease agreement for an office property in Belo Horizonte. The duration of the lease will be for 5 years. The instalments in the first year will be BRL 40,000 per month and in years 2 to 5 the monthly instalment will be BRL 43,520.

The right of use asset and lease liability was recognised in December 2021 at inception of the lease.

Right of use asset	£
Initial recognition	282,320
Value as at 31 December 2021	282,320

Lease liability	
Initial recognition	282,320
Reclassified to current liabilities	(43,604)
Non-current lease liability	238,716

22 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 31 December 2021	-

23 Note to statement of cash flows

Below is a reconciliation of borrowings from financial transactions:

	Royalty Financing £	Derivative asset £	Total £
As at 1 January 2020	20,570,411	(2,246,809)	18,323,602
Non cash flow adjustments:			
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

Unwinding of discount	3,316,259	-	3,316,259
Change in fair value	7,134,856	(1,853,282)	5,281,574
Effects of foreign exchange	512,168	(63,089)	449,079
Total non-current borrowings 31 December 2021	33,016,624	(3,672,924)	29,343,700

24 Dividends

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

25 Earnings per share

(a) Basic

The basic loss per share of 0.568p loss per share (2020 loss per share: 0.157p) 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	**2021** **£**	2020 £
Loss attributable to owners of the parent	**(9,670,803)**	(2,277,411)
Weighted average number of ordinary shares in issue	**1,703,513,618**	1,447,323,588

(b) Diluted

The basic and diluted loss per share for the years ended 31 December 2021 and 31 December 2020 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 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.

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.

On 23 December 2021, 2,102,209,850 new ordinary shares were placed with new and existing investors at a price of 7.00 pence per share.

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.

Details of share options that could potentially dilute earnings per share in future periods are set out in note 16.

26 Related party transactions

The following transactions took place with subsidiaries in the year:

Amounts totalling £5,147,750 (2020: £5,464,756) were lent to Horizonte Nickel IOM Ltd and Champol IOM Ltd finance exploration work during 2021, by Horizonte Minerals Plc. No interest is charged on balances outstanding during the year. The amounts are repayable on demand.

See note 30 for balances with subsidiaries at the year end.

All Group transactions were eliminated on consolidation.

27 Ultimate controlling party

The Directors believe there to be no ultimate controlling party.

28 Employee benefit expense (including Directors and Key Management)

	Group		**Company**	
	2021	2020	**2021**	2020
Group	**£**	£	**£**	£
Wages and salaries	5.417.395	2,180,283	3,996,570	1,384,126
Social security costs	629,206	269,069	386,904	161,157
Indemnity for loss of office	81,040	1,315	-	-
	6,127,641	**2,450,667**	**4,383,474**	**1,545,283**

Management	12	13	8	8
Field staff	38	24	3	-

Average number of employees including Directors and Key Management	50	37	11	8

Employee benefit expenses includes £2,311,546 (2020: £1,110,358) of costs capitalised and included within intangible non-current assets.

29 Investments in subsidiaries

Company	**2021** **£**	2020 £
Shares in Group undertakings	2,348,142	2,348,142
	2,348,142	2,348,142

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.

30 Loans to and from subsidiaries

Balances with subsidiaries at the year-end were:

Company	**2021** **Assets/(Liabilities)** **£**	2020 Assets/(Liabilities) £
Loans to subsidiaries		
HM Brazil (IOM) Ltd	6,297,961	6,297,961
Horizonte Nickel (IOM) Ltd	58,491,543	53,530,300
Champol (IOM) Ltd	4,769,422	4,610,891
Horizonte Minerals (IOM) Ltd	253,004	253,004

Total	69,811,930	64,692,156

Loans from subsidiaries		
HM Exploration Ltd	(413,930)	(413,930)
Cluny (IOM) Ltd	-	(37,783)
Nickel Production Services B.V.	(2,414,275)	(11,742,382)
Total	(2,828,205)	12,194,095

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.

Company	**1 January 2020** **£**	**Transfers** **£**	**Amounts advanced during year** **£**	**Expected credit loss** **£**	**2020** **£**	**Amounts advanced during year** **£**	**Expected credit loss** **£**	**2021** **£**
HM do Brasil Ltda	944,928	(2,173,475)	283,619	944,928	-	-	-	-
HM Brazil (IOM) Ltd	3,149,326	2,173,473	524,962	450,200	6,297,961	-	-	6,297,961
Horizonte Nickel (IOM) Ltd	35,641,959	17,409,339	479,003	-	53,530,300	4,961,243	-	58,491,543
Araguaia Niquel Mineração Ltda	10,244,039	(11,434,152)	1,190,112	-	-	-	-	-
Horizonte Minerals (IOM) Ltd	253,004	-	-	-	253,004	-	-	253,004
Typhon Brasil Mineração Ltda	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	186,507	(27,976)	4,769,422
Cluny (IOM) Ltd	801,403	(1,144,861)	-	343,458	-	-	-	-
Total	55,413,146	-	5,464,746	3,814,254	64,692,156	5,147,750	(27,976)	69,811,930

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

	2021			2020		
	Gross loan	**Expected credit loss**	**Net loan**	**Gross loan**	**Expected credit loss**	**Net loan**
Company	**£**	**£**	**£**	**£**	**£**	**£**
HM do Brasil Ltda	-	-	-	-	-	-
HM Brazil (IOM) Ltd	8,997,087	(2,699,126)	6,297,961	8,997,087	(2,699,126)	6,297,961
Horizonte Nickel (IOM) Ltd	58,491,543	-	58,491,543	53,530,300	-	53,530,300
Araguaia Niquel Mineração Ltda	-	-	-	-	-	-
Horizonte Minerals (IOM) Ltd	253,004	-	253,004	253,004	-	253,004
Typhon Brasil Mineração Ltda	-	-	-	-	-	-
Trias Brasil Mineração Ltda	-	-	-	-	-	-
Champol (IOM) Ltd	5,611,085	(841,663)	4,769,422	5,424,578	(813,687)	4,610,891
Cluny (IOM) Ltd	-	-	-	-	-	-
Total	73,352,719	(3,540,789)	69,811,930	68,204,969	(3,512,813)	64,692,156

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% (2020: 0%) for the Araguaia project, to 30% (2020: 30%) for the receivables from HM Brazil and 15% (2020: 15%) 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 2021. There was no change in the expected credit loss allowance at the year end.

31 Commitments

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

	2021	2020
Group	**£**	£
Intangible assets	—	**7,314,000**

Capital commitments relate to contractual commitments for metallurgical, economic and environmental evaluations by third parties. Once incurred these costs will be capitalised as intangible exploration asset additions. The contract relating to items of plant and equipment, which was the disclosed capital commitment at 31 December 2020, was completed in December 2021. Refer to note 17 for the details of the agreement concluded with Companhia Brasileira de Alumínio. At the time of this report the Group was in the process of concluding equipment purchase contracts which are key to the commencement of the Araguaia project construction.

32 Contingent Liabilities

Other Contingencies

The Group believes that there are no substantive financial claims and legal proceedings against it as at 31 December 2021. As a result, no provision and no disclosure has been made in these financial statements for the year ended 31 December 2021.

33 Financial Instruments

Financial Assets

Group	Fair Value **2021** £	Amortised cost **2021** £	Total **2021** £	Fair Value 2020 £	Amortised cost 2020 £	Total 2020 £
Cash and cash equivalents	-	156,186,302	156,186,302	-	10,935,563	10,935,563
Derivative financial asset	3,672,924	-	3,672,924	1,756,553	-	1,756,553
Total	3,672,924	156,186,302	159,859,226	1,756,553	10,935,563	12,692,116

		Amortised cost
	2021	2020
Company	£	£
Cash and cash equivalents	147,359,029	5,308,954
Loans to subsidiaries	69,811,930	64,692,156
Total	217,170,959	70,001,110

Financial Liabilities

	Amortised cost	
	2021	2020
Group	**£**	£
Trade and other payables	16,460,143	632,407
Contingent consideration	4,996,761	5,927,025
Deferred consideration	4,062,876	-
Royalty Finance	33,016,624	22,053,341
Total	58,536,404	28,612,773

	Amortised cost	
	2021	2020
Company	**£**	£
Trade and other payables	12,081,730	694,110
Contingent consideration	4,996,761	5,927,025
Loans from subsidiary	2,828,205	11,780,164
Total	19,906,696	18,401,299

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.

34 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

35 Events after the reporting date

On 15 March 2022 Araguaia Niquel Metais LTDA, a wholly owned subsidiary of the Group entered into legally binding documentation including a comprehensive intercreditor agreement and loan agreements with two export credit agencies in relation its senior secured project finance debt facility of US$346.2 million.

The Senior Debt Facility will include the following:

- Commercial senior facility of US$200,000,000 provided by the Senior Lenders;
- ECA facility of US$74,562,000 guaranteed by EKF;
- ECA facility of US$71,638,000 guaranteed by Finnvera;

First drawdown under the Senior Debt Facility is expected to occur in the fourth quarter of 2022 following satisfaction of certain conditions precedent customary for transactions of this nature.

On 15 March 2022 Horizonte Minerals confirmed the satisfaction of material conditions precedent in relation to the US$ 65 million Convertible Loan Note with full draw down on this expected to follow shortly afterwards.

On 15 March 2022 Horizonte signed binding loan documentation in relation to a US$25 million Cost Overrun Facility ("COF"). Entering into the COF is a condition precedent to first drawdown under the Senior Debt Facility. The COF will be available for drawdown in the case of a cost overrun against the construction schedule and budget, subject to certain conditions including the Company having deployed 90% of the funding from the equity fundraise and convertible notes toward the construction of the Araguaia ferronickel project.