

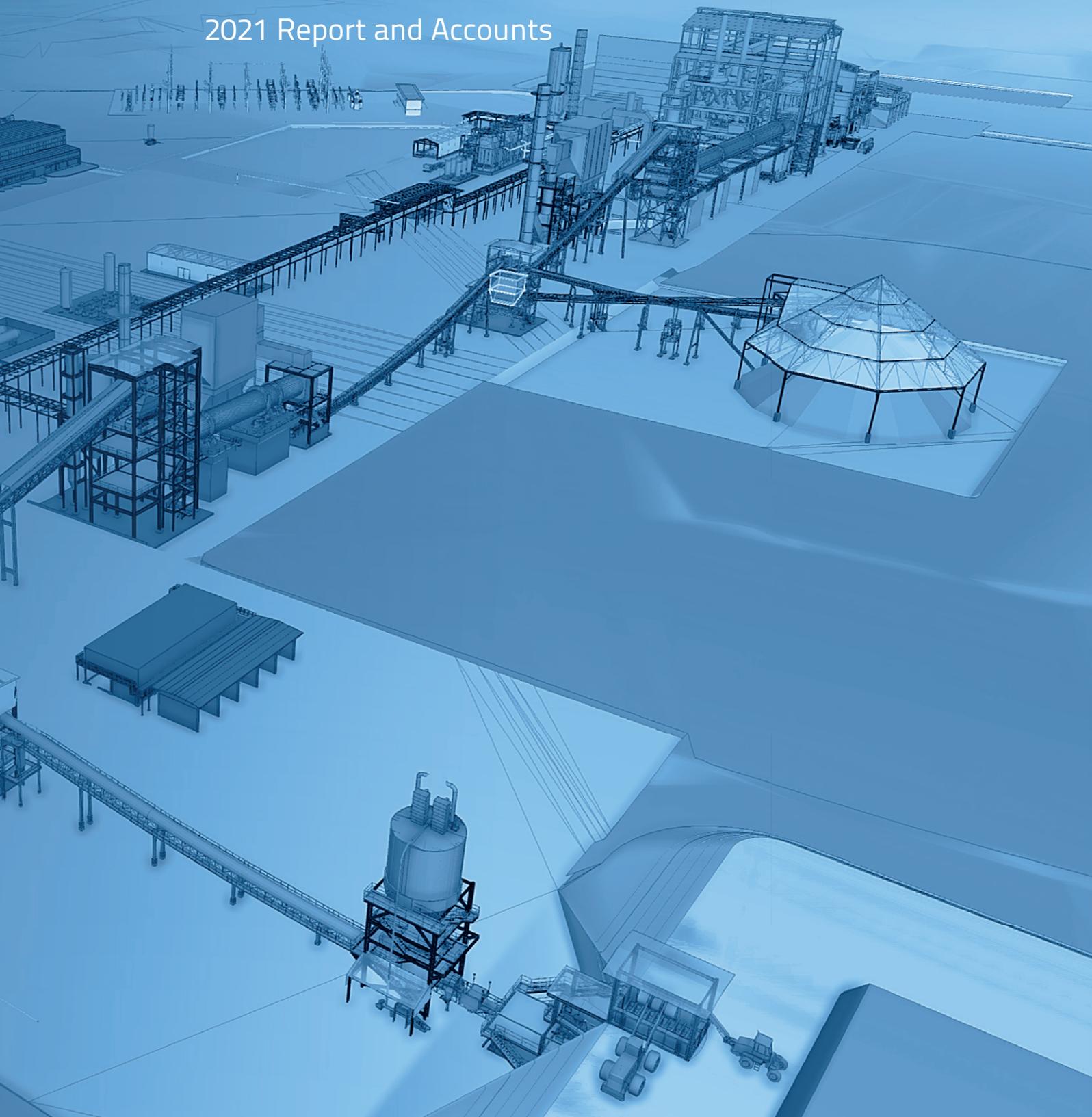


HORIZONTE

MINERALS PLC

THE NEXT LOW-COST, SUSTAINABLE NICKEL PRODUCER

2021 Report and Accounts



2021 HIGHLIGHTS

HORIZONTE MINERALS IS A LEADING NICKEL COMPANY THAT IS DEVELOPING TWO TIER ONE PROJECTS, THE ARAGUAIA FeNi PROJECT (ANP) AND THE VERMELHO NiCo PROJECT (VNCP), IN PARÁ STATE, BRAZIL.

OUR PURPOSE IS TO PRODUCE NICKEL, WHICH IS CRITICAL FOR THE GLOBAL CLEAN ENERGY TRANSITION, IN A PROFITABLE, SAFE AND SUSTAINABLE MANNER TO DELIVER VALUE TO ALL OUR STAKEHOLDERS.

US\$ 633 MILLION FUNDING PACKAGE FOR DEVELOPMENT OF ARAGUAIA PROJECT FINALISED

100% ARAGUAIA LEAD TEAM RECRUITED & **91%** ARAGUAIA OWNER'S TEAM RECRUITED

US\$25 MILLION ROYALTY AGREEMENT TO ADVANCE THE VERMELHO PROJECT THROUGH TO FEASIBILITY STUDY SECURED

HUMAN RIGHTS AND WHISTLE BLOWER POLICY ADOPTED

1500 NATIVE SPECIES GROWN TO PROMOTE FLORA DIVERSITY AND REHABILITATION

0 LOST TIME INJURIES

BRL \$38M ECONOMIC CONTRIBUTION

0 ENVIRONMENTAL INCIDENTS

90% BRAZILIAN PROJECT TEAM

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AT A GLANCE

OUR BUSINESS

Horizonte Minerals is a nickel-focused resources company developing two Tier 1, 100% owned projects in northern Brazil. The Araguaia Ferronickel Project and the Vermelho Nickel-Cobalt Project are both high grade, low cost and long mine life projects. These projects provide Horizonte with a potential scalable production profile of approximately 60,000 million tonnes of nickel per year.

As a critical component in both stainless steel and new battery technology, nickel is a key enabler of the global clean energy transition. A part of this sustainability driven supply chain, Horizonte is focussed on developing its operations to produce low-carbon, high-grade nickel ethically, safely, and responsibly.

Horizonte is listed on the London Stock Exchange Alternative Investment Market (AIM) and the Toronto Stock Exchange under the code 'HZM'.



ARAGUAIA NICKEL PROJECT | HIGH-GRADE, LOW-COST, LOW-CARBON FERRONICKEL FOR THE STAINLESS STEEL INDUSTRY

| 2011 | 2014 | 2016 | 2018 | 2020 | 2021 | 2022 |
|---|-----------------------------|---------------------------------|---------------------------------|--|--|-----------------------|
| Greenfields discovery by Horizonte team | Acquisition of Teck project | Acquisition of Glencore project | Completion of Feasibility Study | Completion of value engineering and mobilisation of owner's team | Secures US\$633M comprehensive funding package | Start of construction |

The project comprises an open pit nickel laterite mining operation that mines a 27.3 Mt Mineral Reserve of a 119 Mt Mineral Resource to produce 52,000 tonnes of ferronickel (FeNi) containing 14,000 tonnes of nickel a year, for 31 years from line one. The metallurgical process comprises a Rotary Kiln and Electric Furnace (RKEF) to extract FeNi from the laterite ore. The RKEF plant and project infrastructure will be constructed over a 24-month period at a cost of US\$477.3 million for the mine and process plant, and a further US\$39.6 million for business establishment and production-related costs. After an initial ramp-up period, the plant will reach full capacity of approximately 900,000 tonnes of dry ore feed per year. The FeNi product will be transported by road to the port of Vila do Conde for sale to overseas customers. The RKEF process, and its associated equipment, is a well proven technology with 60 years of commercial experience in more than 30 operations worldwide. It accounts for approximately 55% of global laterite-sourced nickel production. Brazil has three operating RKEF facilities (owned by Anglo American and Vale), with more than 30 years of combined successful operations.

The Value Engineering Study and subsequent Execution Preparation Phase work has optimised the RKEF flow sheet and worked to establish integrated process islands with tier one suppliers linked to the Export Credit Agency (ECA) project financing.

A key part of the Stage 1 project design was that the RKEF plant and associated infrastructure was designed to accommodate the addition of a second RKEF process line (Stage 2 expansion), which is intended to double Araguaia's production capacity from 14,500 t/a nickel up to 29,000 t/a nickel. The Project Mineral Resource inventory has the grade and scale to support the planned increase in plant throughput from 900 kt/pa (Stage 1) to the Stage 2 rate of 1.8 Mt/a supporting the twin line RKEF flow sheet. The Stage 2 expansion assumes operating at a Stage 1 production rate of 900 kt/pa for three years, after which free cash flows would be reinvested to expand the plant to 1.8 Mt/pa via the addition of a second line.



VERMELHO NICKEL COBALT PROJECT | HIGH-GRADE, LOW-COST NICKEL AND COBALT FOR THE BATTERY INDUSTRY

| 2017 | 2019 | 2021 | 2022 |
|-----------------------|---------------------------------|--------------------------|-----------------------------------|
| Acquisition from Vale | Pre-Feasibility Study completed | Ramboll undertaking ESIA | Commencement of Feasibility Study |

The project comprises a planned 38-year mining operation with an open pit nickel laterite mine that extracts a 141.3 million tonne (Mt) Probable Mineral Reserve (at a cut-off of 0.7% Ni) to produce 924,000 tonnes of nickel contained in nickel sulphate, 36,000 tonnes of cobalt contained in cobalt sulphate and a saleable by-product, kieserite (a form of fertiliser) of which 4.48 Mt are produced. The Vermelho project pre-feasibility study utilised a hydro-metallurgical process comprised of a beneficiation plant where ore is upgraded prior to being fed to a High-Pressure Acid Leach (HPAL) and refining Plant which produces the sulphates. The plant will be constructed in two phases, with an initial capacity

of 1 Mt per annum (Mt/a) autoclave feed (Stage 1). After three years of production, a second process train (Stage 2 Expansion) will be constructed, which will effectively double the autoclave feed rate to 2 Mt/a. The Stage 1 plant and project infrastructure will be constructed over a 31-month period. The nickel and cobalt sulphate products will be transported by road to the port of Vila do Conde (the same facility planned for Araguaia) for sale to overseas customers. The kieserite will be transported to consumers within Pará state.

CHAIRMAN'S STATEMENT



David Hall, Chairman

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 \$100 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 some of the 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 what 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. 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-focused 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



Our neighbour Daniel and our mining technician Bruno showing 'bacaba' palm seeds produced around the Project

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 conservative 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

BUILDING A SUSTAINABLE BUSINESS

Our purpose informs our business model and our strategic objectives. Our values inform the behaviour and standards expected of all our colleagues and associates. Together these enable us to work towards our vision of becoming a globally significant producer of low-cost, high-grade sustainably sourced nickel that delivers long-term value to all its stakeholders. Our strong culture built from our core values ensures all members of our team share our common purpose and work hard to continually progress the company through hard work, dedication, and entrepreneurialism in order for us to create a modern, sustainable business.

The nickel Horizonte will produce will be used in stainless steel and batteries, which is critical for the clean energy transition. Nickel enables sustainable development for communities and countries across the world.

We are focussed on producing low-cost, low-carbon, sustainable nickel products, profitably, to benefit our workforce, local communities, host nation and our shareholders.

Our culture is inclusive and supportive, encouraging all employees to take ownership of their work, lead by example and be accountable for their successes and failures. Proudly Brazilian, we promote local employment wherever possible and provide continual training to upskill our workforce.

In addition to local employment opportunities, we enrich our local communities with employment through improved infrastructure and social services and help for underprivileged members of society through our social investment initiatives. These initiatives are often implemented in conjunction with governmental bodies as we work to achieve their goals and objectives alongside our own. Environmental stewardship is a key area of this coalition and is key to long term sustainable business.



OUR VALUES ARE OUR GUIDING PRINCIPLES



Health & Safety

Health, safety and well-being is at the forefront of all our operational activities. We are dedicated to assessing risks appropriately and implementing appropriate measures to mitigate risks that could potentially cause harm to our employees. We understand the importance of a healthy and happy workforce and are therefore committed to protecting and promoting all employee's health and well-being. We ensure each individual understands that health and safety is their responsibility whilst also instilling a culture of caring for our colleagues.



Commitment & Cooperation

A united team is Horizonte's greatest asset. The Company is committed to helping each employee reach their individual goals, and the Horizonte team is united by the shared goal of the Company's overall success. We achieve these goals and objectives through hard work and cooperation. Open and constructive communication is encouraged amongst all employees, irrespective of role or seniority in order to ensure continual focus, efficiency and efficacy.



Integrity & Respect

Operating with integrity and respect is critical to protecting and promoting our reputation for best practice. We operate with respect towards all people regardless of their background, culture or lifestyle, and we do so in a manner that is honest, fair and ethical.



Responsibility & Accountability

We take responsibility for our decisions, actions and outcomes as individuals and as a collective. We are receptive to recognising our faults and open to advice on how to improve our performance. We achieve accountability through regular and transparent communication with all our stakeholders.



Sustainability & Innovation

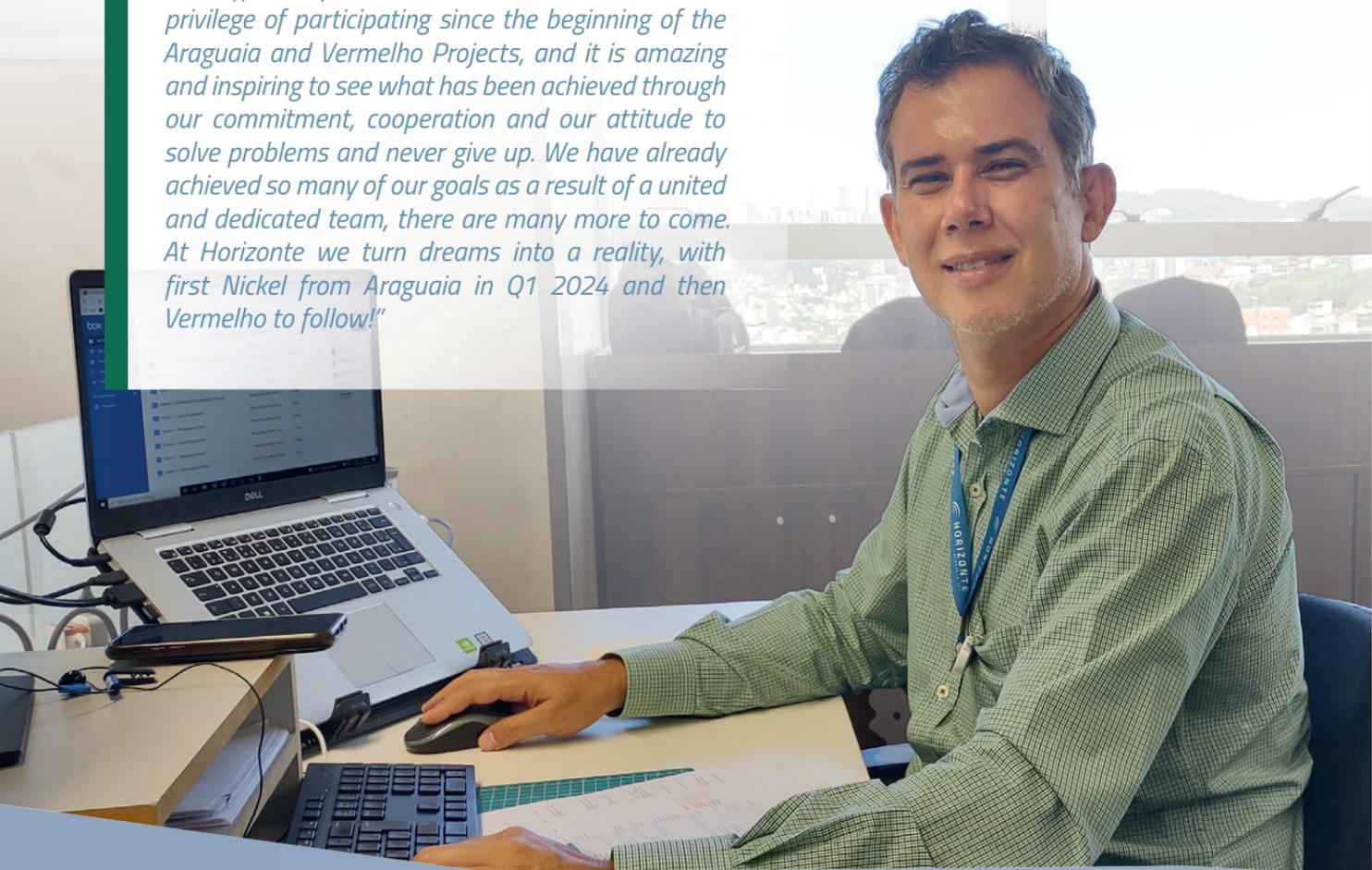
Developing a sustainable business requires a true understanding of the constantly changing landscape in which we operate. We strive to impact our employees, local communities and other key stakeholders positively whilst minimising any adverse impacts on the natural environment. We are therefore focussed on environmental stewardship, social development and good corporate governance. To achieve these goals, we are open to innovation and technological advancements.

OUR VALUES IN ACTION

COMMITMENT & COOPERATION

Igor Torres, Project Integration Lead

"We at Horizonte Minerals generate, manage and communicate information in search of the best results for ourselves, the community that hosts us and our investors. We are committed to great results that effectively use our resources. I have had the privilege of participating since the beginning of the Araguaia and Vermelho Projects, and it is amazing and inspiring to see what has been achieved through our commitment, cooperation and our attitude to solve problems and never give up. We have already achieved so many of our goals as a result of a united and dedicated team, there are many more to come. At Horizonte we turn dreams into a reality, with first Nickel from Araguaia in Q1 2024 and then Vermelho to follow!"



INTEGRITY & RESPECT

Wilma Pereira Fialho, Administration Assistant

"At Horizonte, we do our best to ensure all our employees and contractors work with integrity & respect towards themselves, towards the community and other stakeholders. As a person who was born in Conceição do Araguaia, in my opinion, Horizonte Minerals is a great opportunity for those who want to develop themselves. I can see that our managers are engaged and committed to make our work environment even more productive and supportive. We are always learning, working with people from distinct backgrounds, respecting them regardless of their culture, religion or lifestyle. In fact, working with such a diverse team make Horizonte even more prepared to be a significant nickel producer."



BUSINESS MODEL

INPUTS

MARKET FUNDAMENTALS

Global supply

Read about the uses of nickel in the clean energy transition on pages 18-19

Global demand

Read about the current nickel supply shortages on pages 18-19

Commodity price

Read about the positive nickel price trend on pages 18-19

INTEGRATED APPROACH

Good corporate citizen

Read about our commitment to sustainability on pages 22-23

Good corporate governance

Read about our corporate governance on pages 34-35

Stakeholder engagement

Read about our stakeholder engagement on pages 24-25

ASSETS

Tier 1 projects

Get an overview of our projects on pages 2-3

Our people

Read about our team on pages 4-5

Funding

Read about our strong financial position on pages 26-27

OUTPUTS

Present a unique nickel investment opportunity

Increase our team's capability

Deliver value to shareholders through operational progress

Minimise our environmental footprint

Implement carbon reduction initiatives from project planning stage

Build strong relationships with our stakeholders

Maintain a strong balance sheet

Invest in our future



STRATEGY

Delivering quality work, on time, on budget, safely with the support of our local communities will enable us to deliver our long-term objective of delivering scalable production of high-grade nickel.

Our vision is to be a globally significant, profitable producer of sustainably sourced nickel to fulfil our purpose of supplying sustainable metals to enable the clean energy transition. Horizonte will deliver this vision through our immediate strategic objectives: focus on health and safety, integration of sustainability, project development and financial security and our longer-term strategic objective of delivering scalable production.

Stakeholder engagement is critical to our ongoing success. Through continual, proactive engagement with all our stakeholders we are able to ensure alignment between our strategic objectives and the interests of our stakeholders. As part of our annual sustainability reporting, we conduct a materiality assessment to assess the changing priorities of our stakeholders and adjust our strategic objectives accordingly. The interests of all our stakeholders are considered in the strategic decisions we make across the business.

Please read our Sustainability Report for more information of our materiality assessment and materials topics, in line with Global Reporting Initiative principles.



Safety Talk at our Conceição do Araguaia site

STRATEGIC OBJECTIVES



Focus on health and safety

The health, safety and wellbeing of all our employees and contractors is our top priority



Integration of sustainability

Sustainability is critical to our long-term success. We are focussed on implementing best practice sustainability standards across all areas of the business



Project development

Progressing our two, tier one projects through construction and into production is central to our business model and allows us to deliver value to our stakeholders



Financial security

Securing appropriate funding for the development of our projects gives us the financial security and flexibility to successfully deliver our vision

PROGRESS

Appointment of Health & Safety Manager
Increased health and safety reporting metrics
Adoption of 10 Golden Rules

Internal consultation on the value of sustainability

Incorporation of ESG related metrics in all employees personal development plans

Araguaia

- Owner's Lead Team recruited
- 91% Owner's Team recruited
- Execution phase detailed in project execution schedule
- Pre-production costs finalised
- All environmental and licences obtained required for construction
- Environmental and social obligations in tracking system and being deployed on schedule

Vermelho

- 70% FS Owner's team recruited
- 70% FS work plan completed
- Social and Environmental Impact Assessment progressed

- \$346.2 million senior debt package secured with BNP Paribas, Natixis, Societe Generale, ING and SEK including \$146.2 million Export Credit Agency tranche with EKF and Finnvera
- \$197 million equity finance completed including \$71 million from La Mancha, \$50 million from Orion Resource Partners and \$7 million from Glencore
- Comprehensive funding package fully funds Araguaia stage 1 with approximately US\$100 million of contingency, growth allowance and cost overrun funding allowance
- \$25 million royalty secured with Orion for the completion of Vermelho feasibility study

PERFORMANCE

497,581 injury-free hours
0 fatalities
254 safety briefings

Araguaia complies with

- Brazilian regulation
- IFC Performance Standards
- Equator Principles

Araguaia
 Construction ready with early works underway

Araguaia
 US\$633M funding package secured 100%, 10-year offtake secured with Glencore

Vermelho
 US\$25M secured for Feasibility Study

LONG TERM TARGETS

TRIF 4 or less
0 permanently disabling injuries
0 fatalities

100% of licence and permitting obligations met
>95% of lender obligations met with no material issues generated by issues

First production at Araguaia anticipated in Q1 2024

50% ramp-up achieved with 6 months of first metal production

Completion of Vermelho Feasibility Study and advancement of permitting

0 additional funds required for Araguaia

Stage 1 capex secured

Strong balance sheet maintained

OUR STRATEGY IN ACTION

Integration of Sustainability - A Fully Automated Sustainability System

Strong sustainability governance systems have been key to Horizonte's success. Over five years ago, we integrated IFC Performance Standards and Equator Principles into the Araguaia project. Three years ago, we published our first standalone Sustainability Report using GRI standards. Throughout 2021, the sustainability team fully implemented the Integrated Management System (IMS), which integrates all social, environmental, governance and permitting requirements for our Brazilian licences and international standards. With the help of ERM, Horizonte's IMS uses technologies such as M-Risk and Verde Guaia to manage all aspects of sustainability.

Management and key sustainability staff have access to real-time reports to view compliance against permits, upcoming notifications, permit renewal dates and commitments with lenders to meet environment and social agreements.

The IMS meets International Organization for Standardization (ISO) requirements, but most importantly, significantly reduces our ESG risks and helps keep Araguaia on track in meeting its commitments to all stakeholders.



Safety and Wellbeing in Action

Horizonte has continued to operate since its inception with zero fatalities and achieved another year of zero injuries, taking us to 4 years injury-free at the end of 2021.

The focus throughout 2021 was to prepare the team and our systems to move to construction-ready safety procedures. The Company has built-out a health and safety team and all are based at site to provide real-time oversight and management of risks. With early works commencing, this has given the team the opportunity to closely assess our procedures and improve safety management.

We have developed a comprehensive safe work system that will be rolled-out in H1 2022 ahead of major construction works, including:

- ☞ Safe Work Procedures for routine work
- ☞ Safe work planning and permitting
- ☞ Behavioural safety program including behavioural observations to reinforce positive behaviours, and to address at risk situations and behaviours
- ☞ Layered audits of work procedures to coach and improve effectiveness
- ☞ 12 fatal risk control protocols and golden rules
- ☞ Contractor supervisor and team member selection, training and on-boarding process
- ☞ Comprehensive Health & Safety contractor management provisions
- ☞ Integration of emergency response plans of EPCM into Horizonte's own Integrated Management System

While some countries are gradually adapting to life with COVID-19, the pandemic continues to exact a heavy toll, particularly in developing countries, such as Brazil. Horizonte is very proud of the diligence shown by our employees and contractors, for each other and for their local communities, by adhering to Horizonte's strict COVID-19 protocol, prioritising health controls, supporting vaccination programs and supporting vaccination clinics near in our local community.

We continue to hold a record of 9 work-related transmissions of COVID-19 at Horizonte.

Our project team has also embedded a range of controls and contingencies for COVID-19 to ensure safe and healthy operating environments are upheld throughout construction of the Araguaia project.



Lucas Oliveira Magalhães, field assistant, working in the drilling campaign

KEY PERFORMANCE INDICATORS

Strategy key: Develop Fund Build Operate

WE USE VARIOUS FINANCIAL AND NON-FINANCIAL PERFORMANCE MEASURES TO HELP EVALUATE THE ONGOING PERFORMANCE OF OUR BUSINESS.

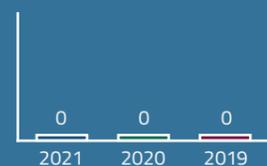
LINKED TO OUR STRATEGIC OBJECTIVES, THE FOLLOWING MEASURES ARE CONSIDERED BY MANAGEMENT TO BE SOME OF THE MOST IMPORTANT IN EVALUATING OUR OVERALL PERFORMANCE YEAR ON YEAR.



Core drilling sample

1. HEALTH & SAFETY

a. LTIFR



Relevance
We aim to provide a safe working environment for all employees and contractors. The lost time injury frequency rate measures the number of injuries per 1 million hours worked that result in time lost from work

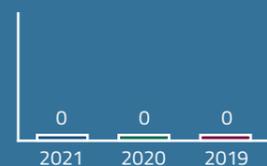
Link to Strategy



Link to Risks



b. Fatalities



Relevance
The safety of our employees and contractors is our top priority. We have a 0 fatality target.

Link to Strategy



Link to Risks



2. SUSTAINABILITY

a. Environmental incidents



Relevance
Environmental stewardship is key to our long-term success. We operate in an environmentally conscientious manner and minimise the impact of our activities to aim for 0 environmental incidents

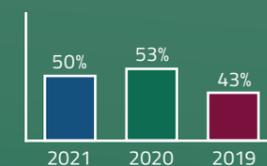
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Link to Risks



b. Local employment



Relevance
We are committed to delivering shared value to our local communities. This is partly achieved through creating employment opportunities for local community members

Link to Strategy



Link to Risks



c. Social investment



Relevance
The support of the local communities in the region of our operations is critical. We seek to partner with our communities to enrich the socio-economic environment through investment to relevant projects

Link to Strategy

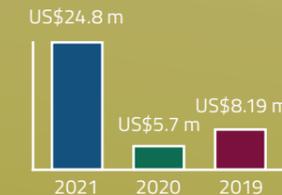


Link to Risks



3. FINANCIAL

a. Capital expenditure



Relevance
Capital expenditure reflects the investment in operations and team

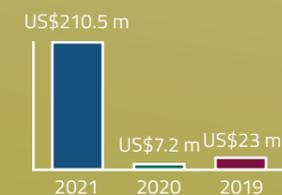
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Link to Risks



b. Cash balance



Relevance
We are focused on securing a strong balance sheet to fund the construction of Araguaia Stage 1 and maintain financial flexibility

Link to Strategy



Link to Risks



MARKET OVERVIEW

The transition to a net-zero economy will be metal-intensive

By the end of the November 2021 United Nations Climate Change Conference (COP26), it had become clear that the climate commitments made in Glasgow have entrenched the net-zero target of reducing global carbon emissions as a core principle for business. It also became apparent that the net-zero commitments are outpacing the formation of supply chains, market mechanisms, financing models, and other solutions and structures needed to enable the world's decarbonization pathway.

Raw materials are at the centre of decarbonisation efforts and electrification of the economy as we move from fossil fuels to wind and solar power generation, battery- and fuel- cell-based electric vehicles (EVs), and hydrogen production.

Nickel's role in the clean energy transition

Nickel has traditionally been known as a critical component in stainless steel, two thirds of global nickel production go into its manufacture. As the world transitions towards a green economy, nickel's role has begun to evolve, as its critical role in sustainable energy systems and new battery technology has emerged.

The properties of nickel facilitate the deployment of the multiple clean energy technologies – geothermal, batteries for EVs and energy storage, hydrogen, hydro, wind and concentrating solar power. It is also necessary in nuclear energy technologies as well as carbon capture and storage.

Nickel provides a major cathode material in lithium ion batteries. In nickel-containing stainless steel, nickel provides toughness, strength and enhanced corrosion resistance, significantly increasing the end product's life.

Nickel plays a number of roles in the clean energy transition, including:

- ☞ 325M EVs expected to be in operation globally by 2040. A 60Kwh NMC battery needs 39kg of nickel
- ☞ Carbon Capture & storage –200t of nickel required to capture and store 1.5MT CO2 / pa
- ☞ Nickel Improves strength & durability of wind turbines. Each turbine requires, 2,000 kg of Nickel
- ☞ Hydro-electric plants need durable nickel -rich stainless-steel turbines. Global hydro-electric capacity expected to grow 70% by 2040
- ☞ Nickel alloys plan an important role in ensuring the integrity, durability & long-term performance of nuclear power stations. Global expansion plans: 50 under construction 100 on order/planned 300 proposed Nickel- containing alloys prevent corrosion in geothermal energy generation

Nickel's price performance surpassed expectations in 2021

Kicking off 2021 on an already bright note after a 2020 that saw prices fall sharply, nickel opened the year at US\$17,344.

The reopening of economies after strict restrictions due to COVID-19 supported prices in the first quarter of 2021 as well. In Q2, following news from top producer Tsingshan that eased concerns over a supply shortage, prices experienced a steep decline.

By late October nickel had surged to seven-year highs amid concerns of limited supply - with multiple major producers revising production guidance citing labour issues, adverse weather and shipping issues - to meet resilient demand from economies reopening as the pandemic retreated.

In January 2022, the nickel price had surged to its highest in decades as stockpiles dwindled. Analysts noted that inventories around the world were at a critical level and prices were starting to reflect that.

Growing demand in 2022

2022 is on track to be the first year that global nickel demand will surpass 3 million tonnes. To put this in context, in 2000 demand had not surpassed 1.1 million tonnes. The International Energy Agency has forecasted that demand for nickel must grow 19-fold by 2040 if the world hopes to achieve the targets set out by the Paris agreement on climate change.

Already global nickel supply is falling short. In 2021 Nickel saw a supply – demand deficit of roughly 180,000 tonnes, equating to 6% of its total market size. Nickel had by far the largest deficit when compared to other base metals in 2021. Early in 2022 nickel reached a ten year high of \$22,745 per tonne, reflecting depleted stockpiles in LME approved warehouses and official Chinese stockpiles. In order to prevent stockpiles being raided further supply will have to increase by at least 200kt this year. In the next decade increases in supply are expected to originate from Indonesia, BMO expects at 300kt increase in output this year, however this heightened supply will be carbon intensive as it is powered by coal-fired electricity used in nickel processing projects.

The stainless steel continues to be nickel's main driver

Stainless steel, aided by a construction boom following the pandemic has had a strong 2021, attaining a market volume of almost 50,000 KMT in 2021. The market is projected to grow at CAGR of 2.8% between 2022 and 2027. The stainless-steel market is dominated by China, which saw a significant increase in demand in 2021 adding almost 3Mt of product.

In terms of supply the industry is expected to contract in 2022 as there is pressure on the Chinese stainless industry to curb output, and look for 3% growth this year, slightly below the longer-term norms. The nickel market is heavily influenced by stainless steel demand, responsible for two thirds of nickel consumption. To put demand in context a 2% swing in stainless steel demand has the same impact on nickel, positive or negative, as a 16% swing in battery demand.

Accelerating battery demand will fundamentally alter the market

2021 was an unprecedented year for the electric vehicle (EV) market, 18.5% of all new cars registered in 2021 were either hybrid plug-in or fully electric. In China new energy vehicle (cars eligible for an EV subsidy) sales jumped 169% in a year. Many of the world's largest car manufacturers facilitating this trend, 2021 saw Ford, VW and Mercedes Benz all publicly committed to a full transition to EVs.

Demand for nickel batteries has continued to increase, with OEM's looking to increase battery energy intensity. Car manufacturers have adopted high-nickel content cathode chemistries at a faster rate than anticipated. According to BMO Commodities research nickel-cobalt manganese 811 (NCM) market share is estimated to have reached 14% in 2021, compared to less than 8% increase in 2020, with expectations that this trend will continue in coming years at the expense of other cathodes. BMO expects nickel demand from EVs to rise a further 60 Kt in 2022, as battery manufacturers look to develop low cobalt batteries, looking instead to higher nickel composition batteries. However, the proportion of nickel-free LFP (lithium iron phosphate) battery installed capacity has risen to over 25% of total market share in 2021, however LFP remains to be focused in China.



Ferronickel processing equipment acquired from CBA (Votorantim)



Ferronickel processing equipment acquired from CBA (Votorantim)

OPERATIONAL REVIEW



Jeremy Martin, CEO

ARAGUAIA

Our focus for 2021 was completion of the comprehensive Araguaia funding project, progressing early works and finalising the project execution schedule for project readiness.

Araguaia is fully permitted to start construction and early in the year we secured the construction licence package for the development of the power line for the project. The power line will connect Araguaia to the national power grid and will cover the full power requirement for the project at nameplate capacity. The approved package includes the preliminary licence (Licença Prévia), the construction licence (Licença de Instalação), and the related fauna and flora licences. These were granted by the Pará State Environmental Agency, Secretaria de Meio Ambiente e Sustentabilidade ('SEMAS'). The licence package permits the implementation of a 120km, 230KV power line, and respective substation. The power supply will be hydroelectric which is a key factor in the ability to produce a low CO2 per tonne of product, in line with other Brazilian ferronickel producers, placing Araguaia in the lowest half of carbon emitters globally for nickel production.

Based on the optimised scope and execution plan that was generated by the value engineering work in 2020 through 2021 the team focused on final preparations for project execution.

The objectives of this project readiness process were to:

- Define the final process equipment specification and suppliers that will be used by the Project, particularly the electric furnace and rotary kiln;

- Identify and partner with the best-placed Engineering, Procurement and Construction Management (EPCM) contractor to deliver the Project linked to the ECA funding package;
- Update and detail the Project Execution Plan to reflect these inputs; and
- Optimise the Operational Readiness Plan.

Key outcomes of the work include:

- Prioritising procurement of linked process equipment as 'process island packages' where possible, to reduce interface risk;
- Contract negotiations being well advanced with all key vendors following the completion of a detailed and rigorous assessment process of all technical and commercial proposals received and subsequent proposal optimisation process;
- Competitive tenders completed and significant progress made on the following key packages:
 - Process equipment including crushers, conveyors, electrical, dryer, kiln, dust collection and refinery;
 - Electric furnace and calcine transfer system;
 - Overland powerline and main electrical infrastructure EPC; and
 - Construction contracts, including bulk earthworks, temporary construction infrastructure and services, and civil works;
- Updated market proposals for key opex inputs; and
- Capital expenditure and operational expenditure remain in line with the Value Engineering work.

Araguaia will be delivered according to an Engineering, Procurement and Construction Management strategy in partnership with an experienced EPCM contractor. Key Horizonte employees, the Owner's Team will be integrated into the broader team with clear roles and responsibilities. Throughout the year, the team in Brazil undertook an extensive competitive tendering process across the process islands to secure world class suppliers for the development of Araguaia. Ahead of final contract awards our team has been working with these suppliers during preparation phase to ensure seamless operational readiness. Horizonte's strategy to deliver this approach is centred around four key areas:

- Flowsheet design is based on a conventional process that is well within the operating parameters benchmarked throughout the industry. The design has been further validated through extensive testwork and a continuously operated pilot facility.
- Use of tier one equipment suppliers and services providers track records of successful ferronickel projects and other major projects in Brazil.
- Application of process islands, where equipment that is linked together in the flow sheet is procured from one vendor, to reduce interface risk and enable whole systems to be optimised.
- Creation of an owner's team of experienced Brazilian personnel, supported by an expert advisory panel with decades of ferronickel project design, project delivery and operations experience.

Environmental & Social

Horizonte's environmental and social workstreams are critical to our social licence to operate. As part of the financing due diligence phase and in preparation for the construction of the Project, the sustainability team has further de-risked Araguaia by completing a number of management plans to ensure Araguaia remains compliant with Equator Principles (IV) and IFC Performance Standards with input by consulting groups ERM and Kienbaum.

The Company has permitted all infrastructure components of Araguaia, including the award of construction licences for the transmission line and the water pipeline in early 2021.

A full suite of social and environmental control plans have been developed as part of Araguaia's Brazilian environmental construction licences, and a number of programmes have commenced prior to construction. Some examples of work commenced include the resettlement action plan, social communication programme, safety improvements for school communities located along the PA-449 highway, and the Local Development Agenda programme.

VERMELHO

Whilst Araguaia has continued to be our focus for 2021, the Vermelho nickel-cobalt continues to progress. In March 2021 we awarded the contract for the Environmental & Social Impact Assessment (ESIA) to Ramboll. Ramboll is a leading global consultancy firm with 300 offices worldwide, including Belo Horizonte. Ramboll's Impact Assessment services are based on both commercial understanding and technical rigour to deliver projects that are advanced, sustainable and provide value to society. Horizonte has previously worked with Ramboll on the hydrology for Araguaia.

The ESIA is an essential part of the permitting process for Vermelho and expected to lead to the award of the Preliminary Licence. As Vermelho is located within the Pará State, the technical agency responsible for reviewing the Environmental Impact Study and Report will be the Pará State Secretariat for Environment and Sustainability, SEMAS.

Previous owner, Vale, conducted multiple environmental and social studies and reached a positive construction decision in 2015. The historical database created by Vale provides an excellent background and basis of the new sustainability studies. Horizonte is also optimising the engineering for Vermelho's dry-stack residue storage facility option. An additional benefit from the project resulting from this optimisation is the production of a bi-product, kieserite fertilizer which will be sold commercially into the Pará state agricultural market.

Ramboll will be completing new field campaigns in a Covid-19 safe manner and is well serviced by its existing sustainability team in the Pará state region.

The integrated ESIA will reflect the current physical, biological and social settings and will include, but is not limited to:

- Water availability and quality
- An air and noise baseline study
- Soil quality
- A flora and fauna inventory
- Socio-economic considerations
- Community health and safety
- Resettlement
- Cultural heritage

In addition to local permit studies, further social and environmental impact assessments will be undertaken in line with International Finance Corporation Performance Standards and the Equator Principles (IV).

As part of the Araguaia financing process, we were also pleased to secure \$25 million for Feasibility Study for Vermelho. A dedicated team is now working to expedite the project alongside Araguaia.

Outlook

Our comprehensive preparation work is a critical part of delivering Araguaia on time, on budget and safely. Not only has Araguaia undergone our own internal reviews and improvements but the project has been subject to extensive due diligence by our lenders and major investors. We therefore feel very confident in the robustness of the project execution schedule and our ability to deliver it. Earlyworks have been underway during the wet season and have continued in the New Year with official start of site construction due to commence as planned in Q2 in conjunction with the start of the dry season. Construction at Araguaia will continue for the next two years with first nickel anticipated for late 2023/early 2024.

During the construction phase at Araguaia, we will also be advancing our plans for the development of stage two alongside the development of Vermelho. In 2022, Horizonte has entered a new phase of the Company's journey with a significant increase in operational activity on site and an increase in our workforce.

I am extremely privileged to have led the remarkable transition of Horizonte from grass roots discovery to where we are today. Very few junior companies reach construction phase of a tier one project, let alone with a second tier one project following close behind. This is a very exciting time for Horizonte as we work towards first production and I would like to thank our team for the continued hard work on this journey.

Jeremy Martin
25 March 2022



Road refurbishment work in Conceição do Araguaia

SUSTAINABILITY REVIEW



Katie Millar, Head of ESG and Communications

In 2021, we saw much of the world tested to its limits in dealing with the continued struggles caused by the global Covid-19 pandemic. I'm incredibly proud of how our team across the UK and Brazil, came together to protect each other and our communities as well as sustaining our social and environmental programmes.

The sustainability and operational teams showed flexibility, agility and resilience in advancing the Araguaia project to fully comply with both Brazilian regulations and International Standards (IFC Performance Standards and Equator Principles), which was necessary to support the funding package for Araguaia.

Horizonte worked with governments, communities, training institutions and communities, to pave the way for sustainable regional economic development in the south-east region of the Para State where we will operate the Araguaia project, and where we are commencing the Feasibility Study for the Vermelho project.

Health & Safety

Every employee and contractor should go to work knowing that they will come home safely. We're proud to report on another outstanding year of safety, with 0 LTIs in 2021. The Araguaia project has recently reached half a million LTI free hours. Keeping health & safety at the forefront of our business is crucial, particularly given the rapid increase in staff throughout 2021 (tripling of the Araguaia owners team) and going into a significant ramp-up period with 2000 staff and contractors expected in the peak of the Araguaia project in 2022/2023.

However, it is important not to become complacent. We have commenced recording of light vehicle incidents as we ramp-up our activities at site and our health and safety risks are increasing as we move towards early works and construction in 2022, with new risk exposures, such as working at heights. The Company is implementing defensive driver training for all light vehicle drivers in Q1 2022 and will be onboarding a new Health & Safety Manager to build-out the team and implement a suite of procedures ahead of construction works.

We are also proud to report 0 workplace transmissions of Covid-19 during 2021, and this is largely thanks to a robust and continuously updated Covid-19 protocol adhered to by employees.

People

In Horizonte we say that, "we're only as good as our team". We put our success down to two major factors: the first – quality of our assets; the second – our incredible people who drive everything that Horizonte does.

A motivated and dedicated team has always been the key to our success. We have worked tirelessly to create a positive company culture through the implementation and promotion of our core values and our entrepreneurial spirit. Horizonte provides a safe, stimulating workplace where all employees are treated fairly and human rights are upheld. For that reason, throughout 2021, Horizonte developed its first standalone Human Rights policy and Whistle Blower policy. These are being rolled out in H1 2022.

Growing from a junior explorer and project development company into a tier 1 constructor and operator is challenging. As our workforce grows considerably, we are conscientious about maintaining our agile nature, whilst acquiring high quality talent and building our systems that are fit for a major mining company.

By the end of 2021, Horizonte had tripled its workforce, and of our in-country workforce: over 90% are Brazilian, around 20% originate from our local communities and around 40% are female. The Company implemented a suite of Human Resource procedures in 2021 to care for our employees and drive performance, including a Short-Term Incentive Program; Employee Assistance Program; and a People Committee tasked with attracting senior leadership talent.

Environment

Our commitment to the responsible production of premium quality nickel tailored to suit customers' requirements is well aligned with the rapidly evolving needs of a customer-driven world. Nickel is a key player in the sustainability-driven supply chain. Throughout 2021, Horizonte built-out its environment & permitting team, now with 10 full-time employees under the leadership of Flavia Veronese. The team successfully renewed the construction-licence for Araguaia and fully implemented the Integrated Management System (IMS), which integrates all social, environmental, governance and permitting requirements for our Brazilian permits. The IMS reduces significant management risk, by automating alerts to team members and managers for permit renewals, submission dates, reports, notifications and conditions. Whilst site activity is limited, the environmental team has supported the land acquisition program, through ensuring

that the Company has robust biodiversity action plans in place, to ensure a net positive biodiversity impact and significant reserve rehabilitation program, estimated to be over 2000 hectares of new forest throughout the life of mine. In 2021, 4 springs were rehabilitated and over 1500 native shrubs were grown to support flora diversity in the region.

Social

Horizonte plans to go beyond our social licence to operate and been seen as a partner-of-choice for our local communities. In Conceicao do Araguaia, where the Araguaia project is located, around half of the population lives below the poverty line and the Project has the ability to positively transform the standard of living in this region. Our second project, the Vermelho project, is located in Canaa dos Carajas, which is home to the Carajas mining district, and Horizonte has the opportunity to set the bar high for mining companies by implementing Good International Industry Practice with a full suite of IFC Standards and Equator Principles, and by partnering to further develop the region.

Horizonte made a significant economic contribution in 2021, distributing almost BRL \$38M (Brazilian Reais), including over BRL\$3M spent on taxes, over BRL\$3.5M spent in the health, safety, environment and community area, and over BRL\$11M on wages to employees and contractors. The Company invested BRL\$814,396.89 directly into community investment programs in 2021. Community investment flowed into social programs designed to bolster Covid-19 defences, including assistance to over 300 vulnerable families and donations of over 10,000 medical items to Conceicao do Araguaia. Regional economic programs were also supported, such as the flour house for women and cacao farmers crop diversification project.

Throughout the past year, Horizonte has been building-out its social team, with 7 full time employees expected to be in role by the end of Q1 2022, including a dedicated social & resettlement manager, social coordinator and resettlement specialist.

Governance

2021 saw the publication of our second standalone Sustainability Report. This report was a huge achievement for the Company, as it not only showcases our ESG achievements to date, but also outlines the detailed materiality process undertaken across multiple stakeholder groups, identifying 9 key areas of materiality for sustainability in Horizonte. Additionally, the close-out of 2021 saw the successful financing of the Araguaia project. To obtain this level of commitment from world-renowned banks and institutional investors, the Project Sustainability team worked tirelessly to implement the full suite of IFC Performance Standards and Equator Principles.

Horizonte aims to create long-term value for our shareholders. To create this value, we embed sustainability value and economic value in the business decisions we make.

Sustainability value goes beyond our social licence to operate – it is our positive contribution to both society and the environment. We measure our *sustainability value* through our achievements in brining real and positive results to our employees, local communities, broader society/economy, business partners, the physical environment and our fauna & flora.

Horizonte commenced internal consultation on its *Sustainability Value* platform in 2021 and this will be advanced throughout 2022. Through this platform, we hope to develop a pathway to outstanding sustainability achievements, with clear Key Performance Indicators across all 9 areas of materiality, including: water, biodiversity, GHG emissions, sustainability frameworks & standards, stakeholder engagement, employee health & safety, community relations, land acquisition & resettlement and social investment.

Horizonte is implementing ESG metrics across all employee performance development plans, and is currently working with the Board of Directors to strengthen governance measures, with the implementation of a Board Sustainability Committee anticipated in 2022.

Our Vision

Horizonte's vision is to become a globally significant producer of low-cost, sustainably sourced nickel. Reflecting on that vision, I see Horizonte as a growing business, building talent and delivering outstanding results to stakeholders despite challenges.

This is a business with purpose, and we have built-out a team of like-minded entrepreneurial spirited people who work collaboratively to develop innovative solutions to complex sustainability challenges. Nickel is a commodity of the future, and we hope that by integrating purposeful sustainability workstreams from the early onset of the Company, we have placed Horizonte well to participate in the growing global nickel market.

Katie Millar
25 March 2022



Mining technician Bruno and local farmer Daniel in the neighbouring area of the Araguaia Project

Fauna monitoring, assessing the native species

STAKEHOLDER ENGAGEMENT

All members of the Board of Directors understand the duties of directors under Section 172 of the Companies Act 2006. All Directors act in a manner, they consider in good faith, to promote the success of the Company for the benefit of all stakeholders and in doing so consider:

- The likely consequence of any decision in the long term
- The interests of the Company's employees
- The need to foster the Company's business relationships with suppliers, customers and others
- The impact of the Company's operations on the community and the environment
- The desirability of the Company maintaining a reputation for high standards of business conduct; and the need to act fairly between members of the Company.

Horizonte promotes the sustainable development of its two long mine life nickel projects to benefit our employees, shareholders, communities and the Brazilian government. Through continual formal and informal engagement with all our stakeholder groups, we have been able to determine their perspective and priorities and align these with our strategy and key business objectives. With this knowledge and alignment, the Board is able to consider a full range of impacts on all stakeholder groups in its decision-making process. The key strategic decisions made by the Board during 2021 were:

- Ongoing response to the COVID-19 pandemic
- Appointment of Araguaia Lead Owner's Team
- Approval of US\$633 million comprehensive funding package for the construction finance of the Araguaia Project
- Integration of carbon emissions reduction programme into the project execution plan, ramp up and commercial operation
- Changes to Board structure

The long-term strategic priorities, and plans to achieve these, are set out in the Strategic Report.

The following table identifies our key stakeholder groups, the rationale for our engagement, how we engaged with them during the year, and the consideration of each group in the key strategic decisions made by the Board in 2021.

| ENGAGEMENT RATIONALE & OBJECTIVES | KEY TOPICS | HOW WE ENGAGED DURING 2021 | KEY DECISIONS MADE /ACTIONS TAKEN |
|--|--|---|---|
| EMPLOYEES | | | |
| An engaged and dedicated workforce is our most important asset. Their continued commitment to the Company is reliant on us providing a safe and engaging workplace that ensures each employee is heard, respected and is able to reach their potential through continued support and development. | <ul style="list-style-type: none"> • Team Resources • Training and development • Health and safety | <ul style="list-style-type: none"> • An open line of communication is maintained between all employees, senior management and the Board. • Weekly team meetings are held and quarterly virtual all-company meetings were held in 2021. Updates on the projects and business objectives are presented and discussed. There is always an open forum for questions from employees and an invitation for anonymous emailed questions if employees are not comfortable raising questions publicly. • The Company has an HR function in the UK and Brazil and employees are provided with a formal induction to the Company on commencement of employment. This induction covers company values, policies and procedures. • The health, safety and well-being of our employees is our primary value. Relevant safety training and meetings are conducted in order to ensure a zero harm environment. | <ul style="list-style-type: none"> • Employees were engaged as part of recruitment process to ensure understanding of the growing company structure, integrate new employees effectively and to provide reassurance of job security. Building a strong, collaborative team is critical to the Company's ability to deliver operational success. • A new covid related protocol was implemented and communicated to all employees and were relevant to their individual working environment. Health & Safety is a core value. • 'HZM with you' an employee assistance programme was established to provide employees with an anonymous hotline for them to discuss any issues, professional or personal with professional advisors. • An online internal portal was set up as a centrally managed, up to date resource base for all employees. |
| INVESTORS | | | |
| The support of our shareholders is essential to the development of the Company. As we seek to develop a sustainable mining company for the long-term, it is critical to continually attract new long-term investors that support the strategic objectives of the Company. In discussing our investor engagement we are considering current shareholders, future equity investors, strategic financial partners and debt providers. Our shareholders and new investors want to see sustainable value creation. We therefore understand the importance of good corporate governance and risk management whilst promoting the strong operational potential of our assets. | <ul style="list-style-type: none"> • Operational progress • Project financing • Board and team capability | <ul style="list-style-type: none"> • The senior management team holds regular one on one calls with our institutional equity shareholders and future equity investors. • A comprehensive technical team undertook multiple due diligence conference calls with debt providers and strategic financial partners. Under non-disclosure agreements the Company provided access to an update virtual data room. • We have ongoing dialogue with retail shareholders via our info@horizonteminerals.com email address and our Investor Relations function • The CEO hosted a private investor focused webinar where investors were able to ask questions. • The CEO, CFO and Investor Relations attended over 100 one on one virtual investor meetings during the year where the topics of project updates, finance updates, sustainability and corporate governance were discussed. • Our Annual General Meeting (AGM) provided an opportunity for shareholders to raise concerns and engage with the Board. • Our website and social media channels are updated regularly to provide investors with more insight into the Company and its progress. | <ul style="list-style-type: none"> • Investors were engaged as part of the project funding package. Potential debt providers were engaged in a due diligence process to ensure their confidence in the Araguaia project and the Company's ability to deliver it. The impact of taking on debt on existing shareholders in terms of dilution and the Company's balance sheet, and for new potential equity investors and strategic financial partners was considered in terms of their role in the full financing of the project, the merits this debt package brings and the interconnected nature of the financing. The ability to finance the construction of the Araguaia project is critical to the Company's strategy of becoming a major nickel producer. The Company balanced the differing requirements and preferences of all investor groups in this decision. • Key senior appointments – investors were given confidence by the level of senior talent the company has been able to attract in its ability to successfully deliver the construction phase of Araguaia. • Board changes – in line with the company's commitment to the QCA Code and requirements of new major shareholders the company committed to a board restructure and ongoing corporate governance review. • The decision not to allow site visits due to ongoing covid related restrictions was mitigated by the creation of a more detailed virtual data room in order for investors to conduct due diligence. |
| COMMUNITIES | | | |
| Trust, understanding and cooperation with the communities that surround our projects is critical to maintaining our social licence to operate. Community engagement informs better decision making and aligns interests to ensure the long-term success of our projects. | <ul style="list-style-type: none"> • Employment opportunities • Environmental stewardship • Health and safety | <ul style="list-style-type: none"> • We have a Community Relations coordinator who continually engages with local communities on the issues of environmental stewardship, local employment and resettlement. • Our Social Communication Programme provides multiple anonymous and free to use channels in order for all community members to have the ability to ask questions, report issues and provide feedback. This is monitored by our social team and each enquiry is actioned. • In 2021 interactions with the community focused on employment opportunities, local supply chain, land access, cultural heritage, health & safety and COVID-19. Prior to the restrictions implemented due to the COVID-19 pandemic this interaction was through face-to-face individual and group meetings. Community engagement continued throughout the pandemic but was conducted virtually. | <ul style="list-style-type: none"> • The Social Team regularly communicated with the communities regarding the status of the project financing and anticipated completion in relation to employment opportunities, resettlement and activity on site. • Multiple community focused videos were created and distributed via WhatsApp to communicate the company's work to date in the region, our commitment to environmental and social initiatives and to educate our local communities on what to expect from the construction phase of the Araguaia project in terms of levels of activity in the area. • Maintaining the health & safety of our local communities and our commitment to social contributions was upheld during the year through the donation of medical supplies to support the vaccination effort. • New team members were introduced to the community in line with the appointment of the Araguaia Lead Team. |
| SUPPLIERS | | | |
| Operating in trusted partnerships with suppliers ensures we are not only able to deliver our projects on time and on budget but it also critical in maintaining our reputation and integrity. We aim to build long-term relationships with our suppliers and work with individuals and companies that share our values and complement our in-house expertise. | <ul style="list-style-type: none"> • Contract awards • Operational progress • Project financing | <ul style="list-style-type: none"> • All current and potential suppliers were kept up to date with regards to the status of the project financing package and anticipate completion as it impacted contact decisions being made with all equipment and service providers. • The senior management team holds regular calls with all engineering, environmental & social and other relevant specialised consultancy firms in respect to the development of our projects. • All suppliers are required to adhere to our Business Integrity Policy, which includes anti-bribery and anti-corruption clauses, as well as our Code of Conduct and operate under Non-Disclosure Agreements. • We are committed to improving the socio-economics of the area in which we operate and are therefore committed to local procurement. | <ul style="list-style-type: none"> • A competitive tendering process was conducted in H2 2021 with decisions anticipated to be finalised in H1 2022. The company's procurement strategy is focused on securing world class partners to deliver the Araguaia project safely, on time and on budget. |
| GOVERNMENT & CIVIL SOCIETY | | | |
| We aim to create a new long-standing mining company in Brazil with projects that span decades and generate value for all stakeholders. The ongoing support from all government bodies and civil society is critical to this development. We operate in line with all international and national regulations and following all permitting requirements. We value the importance of working collaboratively and productively with all relevant entities. | <ul style="list-style-type: none"> • Employment opportunities • Social initiatives | <ul style="list-style-type: none"> • The progress and anticipated completion of the project financing was discussed with key government personnel throughout the year to ensure they were up to date with the Company's progress. • Our senior management team both in the UK and Brazil present the Company's progress to relevant government department regularly, and when requested. • Our Country Manager and Head of ESG & Communications have developed strong relationships with the relevant government officials to ensure the Company receives the required permits. | <ul style="list-style-type: none"> • The company discussed local employment opportunities and the activities related to construction with the relevant government departments • The company collaborated with local government departments with respect to ongoing Covid response measures and donations. • Relevant new Araguaia Lead Team members were introduced to relevant government personnel to ensure the Company had multiple points of proactive contact. |

FINANCIAL REVIEW

The Group is not yet producing minerals and so has no income other than bank interest. Consequently, the Group is not expected to report profits until it is able to profitably develop or dispose of its exploration and development projects. The principal financial key performance indicators ('KPIs') monitored by the Board concern levels and usage of cash.

The four main financial KPIs for the Group allow it to monitor costs and plan future exploration and development activities and are as follows:

| | 2021 | 2020 |
|---|---------------------|-------------|
| Cash and cash equivalents | £156,186,302 | £10,935,563 |
| Administrative expenses as a percentage of Total assets | 2.48% | 5.9% |
| Funds raised to advance Araguaia | £167M | — |
| Mine Development/Exploration costs capitalised as intangible assets during the year | £15,370,452 | £6,117,940 |

KPIs are not GAAP measurements and are not intended to be a substitute for these measures. The KPIs used by the Group may not be the same as those used by other companies and so should not be used as such.

Administrative expenses as a percentage of total assets have decreased, as a result of financing secured during the year to finance the Araguaia project construction and increased activity in advancing the Araguaia project which was capitalised to the Mine Development asset.

Exploration costs capitalised as intangible assets predominantly relate to expenditure on the Araguaia project during 2021 as a result of the value engineering work undertaken to advance the project towards being construction ready. Including in this amount is also capitalised borrowing costs as a result of the Orion Financing arrangement.

During the current year £167 million (£20million in Q1 and £147 million in Q4) was secured through equity fundraisers to advance the Araguaia project. The £147million (approximately US\$197 million) raised in Q4 was part of the US\$633 million funding package concluded in December 2021 to finance the construction of the Araguaia project.

| | Year ended 31 December 2021 £ | Year ended 31 December 2020 £ |
|---------------------------------------|--|--|
| Loss before taxation | (9,670,803) | (2,385,937) |
| Cash and cash equivalents | 156,186,302 | 10,935,563 |
| Exploration & Mine Development assets | 50,037,783 | 36,769,424 |
| Royalty finance | (33,016,624) | (22,053,341) |
| Fair value of derivative asset | 3,672,924 | 1,756,553 |
| Net assets | 170,106,826 | 21,410,702 |
| Loss per share (pence) | 0.568 | 0.157 |

Loss for the year

The loss for the year increased to £9,670,803 from £2,227,411 in 2020 primarily due to increased headcount and activity in securing the financing for the construction of the Araguaia project, the limit on the borrowings costs that could be capitalised to the mine development asset (excess was therefore expensed) and an overall loss on foreign exchange during the year due to volatile markets and the depreciation of the BRL. Net finance cost has increased to £4,043,794 compared to a net finance income of £236,986 in 2021, due to the excess borrowing costs related to the development of the Araguaia project that was expensed. During the year interest of £5,248,379 (2020: £2,100,521) was capitalised to the mine development asset.

The Group has continued to keep a tight control on its administrative costs, but they are expected to rise as the Group increases its headcount and progresses with its commencement of construction at Araguaia. As a result of this the administrative expenses increased during the year from £2,949,736 to £5,678,350.

The value of the Mine Development asset and intangible assets has increased significantly during year due to the additions in preparing Araguaia for construction and the capitalisation of interest.

Furthermore, total comprehensive loss attributable to equity holders of £12,088,897 included loss on currency translation differences of £2,418,094. This was due to the weakening of BRL against both USD and GBP as at 31 December 2021, as compared to 31 December 2020.

The weakening of the BRL during the period as a consequence of the Covid pandemic has had a large impact on the carrying value of the underlying mine development asset and intangible assets in Brazil. It has however conversely had a positive impact on the cost of certain operating costs and capital costs for item sourced in Brazil. The effect on the economics of the project has therefore not been negative as the revenue stream is to be USD denominated.

Cash and cash equivalents

The group held cash and cash equivalents of £156,186,302 compared to £10,935,563 in the prior year. The increase was a result of funding of £147 million secured in December, before the end of the financial year.

Royalty Liability

The \$25 million royalty finance secured in 2019 has been recognised as a liability and valued using the amortised cost basis at £33,016,624 at 31 December 2021 (£22,053,341 at 31 December 2020). This funding is not repayable until the Araguaia project enters into production and following that the royalty payments are made at a variable rate of 2.25% potentially increasing to 3.0% based upon the date that project finance is secured and certain level of construction expenditure is committed. The current assumed royalty rate is 2.95% compared to 2.65% at the end of 2020. The royalty is due on revenue less some associated costs on a quarterly basis and has been revalued based on the expectation of the future royalty payments under the agreement using the effective interest method. Included in the agreement are certain embedded derivatives which can under certain circumstances result in the Company having the ability to buy back certain levels of the royalty, the buy-back price is driven by the holder obtaining certain milestones on its return on investment. The result of these options are a derivative asset being recognised on the balance sheet at a fair value of £3.7 million (2020: £1.8 million).

Intangible Assets & PPE

Intangible Assets & PPE, which comprise both the Araguaia and Vermelho projects, have increased to £50,037,783 as at 31 December 2021 as compared to £36,769,424 at 31 December 2020. The Group incurred additional expenditure in the year, which included £10 million mainly in relation to work undertaken in Araguaia as part of the advances of the project towards commencement of construction; as well as the capitalization of unwinding of the royalty liability totalling £5 million.

There was also a foreign exchange revaluation loss of £2.4 million due the depreciation of the BRL. The exploration assets of the business are recorded in the functional currency of Brazil, the country in which they are located.

Simon Retter
Company secretary and CFO
25 March 2022



Horizonte employees Raimundo Pereira and Carla Aiala monitoring air quality and rainfall.



IDENTIFYING AND MANAGING RISKS

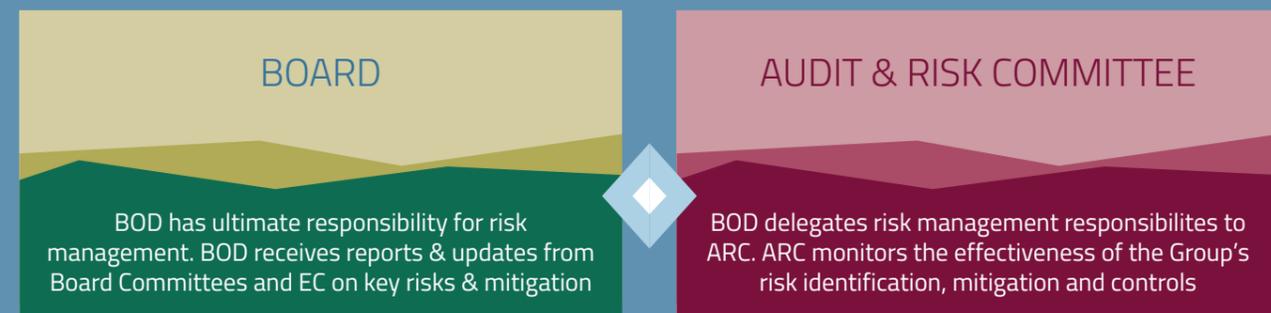
Identifying and managing risk across all areas of the business is integral to Horizonte. A risk management process is in place for assessing, mitigating and managing risks associated with corporate and operational decisions.

Risk management framework

The Board is responsible for putting in place and communicating a sound system to manage risk and implement internal control. The Board has considered mechanisms by which the business and the financial risks facing the Group are managed and reported to the Board. The principal business and financial risks have been identified and control procedures implemented. The Board acknowledges its responsibility for reviewing the effectiveness of the systems that are in place to manage risk.

The Board considers risk assessment to be important in achieving its strategic objectives. The Board's current assessment of the principal risks are set out in the Strategic Report and are monitored by the Board at their meetings.

The Board has delegated certain authorities around risk management to the Audit Committee, which has its own formal terms of reference. The Committee meets each quarter, at least four times a year, to coincide with the annual audit, and the publication of its financial results, to assess the effectiveness of the Group's system of internal controls. The Audit Committee is chaired by David Hall and comprises only independent non-executive Directors.



RISK ASSESSMENT PROCESS

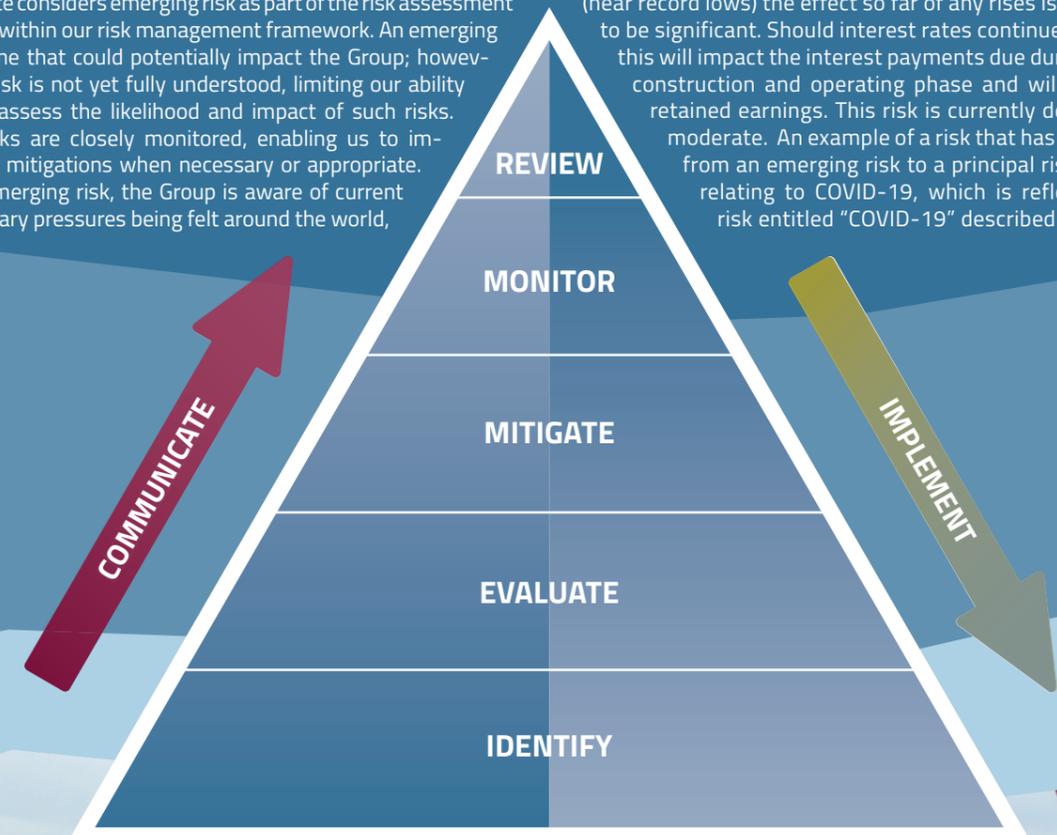
Risk appetite

Exploration for and the development of mineral resources, together with the construction and development of mining operations in Brazil, are activities that involve high risk. Therefore, Horizonte makes informed decisions prior to engaging in any associated activities which pose a significant risk to the Group. Where activities are undertaken, appropriate mitigations are put in place commensurate with the degree of risk that is faced.

Emerging Risk

Horizonte considers emerging risk as part of the risk assessment process within our risk management framework. An emerging risk is one that could potentially impact the Group; however, the risk is not yet fully understood, limiting our ability to fully assess the likelihood and impact of such risks. Such risks are closely monitored, enabling us to implement mitigations when necessary or appropriate. As an emerging risk, the Group is aware of current inflationary pressures being felt around the world,

but at present, given the Group is not yet in operation, it does not consider this to be a material risk to the Araguaia project economics. The current inflationary pressures exhibited on the capital cost are not deemed to be unmanageable as a significant portion of the capital expenditure budget relates to equipment packages with fixed firm pricing that has already been contracted at the date of this report. The Group has signed a senior debt facility for US\$346 million during the year which is priced off LIBOR (or its successor) and will therefore be exposed to changes in US dollar interest rates going forward. Given the relatively low starting point of US dollar interest rates (near record lows) the effect so far of any rises is not deemed to be significant. Should interest rates continue to rise then this will impact the interest payments due during both the construction and operating phase and will reduce the retained earnings. This risk is currently deemed to be moderate. An example of a risk that has transitioned from an emerging risk to a principal risk is the risk relating to COVID-19, which is reflected in the risk entitled "COVID-19" described below.



Employees and contractor during our drilling campaign

PRINCIPAL RISKS AND UNCERTAINTIES

BUSINESS RISKS

| Risk and Impact | | | | |
|---|--|--|--|--|
| 1. COUNTRY | 2. FOREIGN CURRENCY | 3. COMMODITY PRICE | 4. FUNDING | 5. BRIBERY AND CORRUPTION |
| <p>The Group's operations are located in Brazil. There may be potential adverse operational and financial impacts from changes in the political, economic, fiscal or regulatory circumstances in Brazil. Horizonte has operated in Brazil for over 10 years however, it remains subject to uncertainties, including but not limited to, changes in policies or the personnel administering them, appropriation of property without fair compensation, cancellation or modification of contract rights, royalty and tax increases and other risks arising out of foreign governmental sovereignty over the area in which these operations are conducted.</p> <p>Country risk is a factor determining the economics and viability of our projects. Increasing country risk may have an impact on our operational performance and financial results.</p> | <p>The Group's costs are dominated in a number of currencies including US Dollars and Brazilian Real. The intrinsic volatility of exchange rates give rise to an ongoing significant probability of occurrence of an adverse exchange rate fluctuation. The impact of such a fluctuation can be large across calendar years.</p> | <p>Commodity prices are volatile and are dependent on macro global events. A significant decrease in the nickel price would negatively impact the economics and therefore viability of the Group's projects.</p> | <p>The successful development of the Group's projects requires significant capital investment. The Group currently sources finance through the issue of additional equity capital, debt and royalty agreements. The Group does not generate revenues and is therefore reliant on its cash resources and obtaining additional financing to fund its operations, should the cash resources deplete and should there be a lack of available financing alternatives the Group may find it difficult to fund its working capital.</p> | <p>The UK Bribery Act places onerous requirements on UK companies to demonstrate the effectiveness of their anti-bribery measures.</p> <p>Failing to implement adequate systems to prevent bribery and corruption could result in prosecution of the Company and its officers.</p> |

Mitigation

| 1. COUNTRY | 2. FOREIGN CURRENCY | 3. COMMODITY PRICE | 4. FUNDING | 5. BRIBERY AND CORRUPTION |
|---|--|---|--|--|
| <ul style="list-style-type: none"> ☞ Brazil has a stable political frameworks and actively supports foreign investment. ☞ Brazil has a well-developed exploration and mining code with proactive support for foreign companies. ☞ The Group maintains proactive relationships with relevant national and local government departments. ☞ Horizonte continually monitors and developments in the national political environment. | <ul style="list-style-type: none"> ☞ Risk management programme in place that seeks to limit the adverse effects of these risks on the financial performance of the Group. Details of the Group's financial risk management objectives and policies are set out in note 3 to the Financial Statements. | <ul style="list-style-type: none"> ☞ The strong economics of the Group's projects allow for relatively low nickel prices. ☞ The Board and senior management team continually monitors the nickel price and, more importantly for the Group, the long term outlook for nickel. | <ul style="list-style-type: none"> ☞ The Group has secured a \$633m funding package for the development of Araguaia which includes £100m of cost over-run, growth and contingency allowance. ☞ The Group secured a \$25m royalty agreement for the Vermelho Feasibility Study ☞ The Group maintains strong relationships with shareholders and lenders ☞ The Group has a ongoing investor relations programmes targeting new investors ☞ The CFO and Head of Finance manage and review all Group budgets. | <ul style="list-style-type: none"> ☞ We prohibit bribery and corruption in any form by all employees and by those working for and/or connected with the business. Our executive officers are responsible for anti-bribery and corruption matters and, with the support of the Board, implements business integrity policy. ☞ The business integrity policy & programme focusses on training, monitoring, risk management, due diligence and regular review of policies and procedures. Employees are expected to report actual, attempted or suspected bribery to their line managers or through our independently managed confidential reporting process, which is available to all staff as well as third parties. |

Risk Movement

| 1. COUNTRY | 2. FOREIGN CURRENCY | 3. COMMODITY PRICE | 4. FUNDING | 5. BRIBERY AND CORRUPTION |
|---|---|--|---|---|
| Unchanged - There have been no significant changes to the assessment of the risk. | Unchanged - There have been no significant changes to the assessment of the risk. | Decreased - nickel price increased 30% in 2021 | Decreased - significant funding secured during 2021 | Unchanged - There have been no significant changes to the assessment of the risk. |



Daily health and safety talk

PRINCIPAL RISKS & UNCERTAINTIES CONTINUED

OPERATIONAL RISKS

| Risk and Impact | | |
|--|--|---|
| 6. PERMITTING | 7. MINERAL RESOURCES STATEMENT | 8. PEOPLE |
| <p>The Group's current and future operations will require approvals and permits from various federal, state and local governmental authorities, and such operations are and will be governed by laws and regulations governing prospecting, development, mining, production, taxes, labour standards, health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters. There is no assurance that delays will not occur in connection with obtaining all necessary renewals of such approvals and permits for the existing operations or additional approvals or permits for any possible future changes to operations. Prior to any development on any of its properties, the Group must receive permits from appropriate governmental authorities. There can be no assurance that the Group will continue to hold all permits necessary to develop or continue operating at any particular property or obtain all required permits on reasonable terms or on a timely basis.</p> | <p>The Group's reported resources and reserves are only estimates. No assurance can be given that the estimated resources will be recovered or that they will be recovered at the rates estimated. Mineral reserve and resource estimates are based on limited sampling and as a result are uncertain because the samples may not be fully representative of the full resource. Mineral resource estimates may require revision (either up or down) in future periods based on further drilling or actual production experience.</p> <p>Any future resource figures will be estimates and there can be no assurance that the minerals are present, will be recovered or that they can be brought into profitable production. Furthermore, a decline in the market price for natural resources, particularly nickel, could render reserves containing relatively lower grades of these resources uneconomic to recover.</p> | <p>The Group is dependent upon its executive management team. Whilst it has entered into contractual agreements with the aim of securing the services of these personnel, as well as a long-term incentive plan comprising options and milestone incentives, the retention of their services cannot be guaranteed. The development and success of the Group depends on the ability to recruit and retain high quality and experienced staff. The loss of service of key personnel or the inability to attract additional qualified personnel as the Group grows could have an adverse effect on future business and financial conditions.</p> |
| Mitigation | | |
| <ul style="list-style-type: none"> The Group maintains cooperative and proactive relation with all relevant government departments, and adheres to all required permitting process and title requirements. | <ul style="list-style-type: none"> Resource and Reserve estimates have been prepared by a team of qualified specialists following guidelines of NI 43-101, an international recognised reporting code verified by independent, qualified consultants. | <ul style="list-style-type: none"> Significant recruitment programme undertaken in Brazil New role of Head of Projects created and filled Araguaia Owner's Lead Team recruited Additional support added to London corporate office Formal Board nomination committee created |
| Risk Movement | | |
| <ul style="list-style-type: none"> Reduced – power line licence for the full commercial power requirement for the Araguaia project received in 2021 | <ul style="list-style-type: none"> Unchanged – There have been no significant changes to the assessment of the risk. | <ul style="list-style-type: none"> Reduced – multiple senior hires made during 2021 |

SUSTAINABILITY RISKS

| Risk and Impact | |
|---|--|
| 9. HEALTH AND SAFETY | 10. COVID-19 |
| <ul style="list-style-type: none"> Mine sites are, by their nature, dangerous places to work particularly due to the use of heavy machinery. Inappropriate use of heavy machinery or the failure to wear appropriate PPE and follow health and safety protocols may lead to serious injuries or loss of life. | <ul style="list-style-type: none"> 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. |
| Mitigation | |
| <ul style="list-style-type: none"> Stringent health and safety policies Regular health and safety briefings Regular health and safety inspections Ongoing health and safety training mandatory for all employees and contractors Creation of 10 Golden Rules in respect to health and safety in preparation for construction phase at Araguaia | <ul style="list-style-type: none"> Enhanced health and safety measures Use of Covid appropriate personal protective equipment Frequent Covid testing Implementation of rotational teams to limited number of employees in the office if necessary Home working when necessary |
| Risk Movement | |
| <ul style="list-style-type: none"> Unchanged – The Company maintained its 0 serious injuries or fatalities record | <ul style="list-style-type: none"> Reduced – Vaccination rollout allowed for a return to office working in 2021 |

This Strategic Report was approved by order of the Board on 25 March 2022.

Simon Retter
Company secretary and CFO
25 March 2022



Ferronickel processing equipment acquired from CBA (Votorantim).

CORPORATE GOVERNANCE NOTE FROM THE CHAIRMAN



David Hall, Chairman

Introduction

Horizonte is committed to good corporate governance and accountability to all stakeholders. We believe robust governance improves performance and mitigates risk and is therefore an important factor in achieving the medium to long-term success of the Company.

Horizonte's primary listing is on the London Alternative Investment Market (AIM). The Company abides by the AIM rule 26 regulation in respect to reporting and has therefore chosen to adhere to the Quoted Company Alliance's (QCA) Corporate Governance Code for Small and Mid-Size Quoted Companies.

In Brazil the Company has been a member of the Brazilian Association of Mineral Exploration Companies (ABPM) since 2013 and in 2020 it became a member of the Brazilian Mining Institute (IBRAM).

Creating a culture of good governance is led from the top, by Horizonte's Board, and is cultivated in every part of the organisation. Evolving the Company's corporate governance is a key part of the Company's transition. We have therefore committed to a corporate governance review and will be reporting on subsequent changes in 2022 and beyond.



Employee wearing personal protection equipment (PPE) for working at heights

Our Approach

In line with the Company's development and long-term strategic objectives, Horizonte complies with the QCA Corporate Governance Code for Small and Mid-Sized Companies. Our QCA Code disclosures within this Annual Report are summarised in the table below. Full details of how we have applied each of the ten principles of the QCA Code can be found in the Governance section of our website www.horizonteminerals.com/uk/en/governance/. The Board meets regularly to determine the policy and business strategy of the Company and has adopted a schedule of matters that are reserved as the responsibility of the Board.

The Board considers that there is an appropriate balance between the Executives and Non-executives (both independent and non-independent) and that no individual or small group dominates the Board's decision making.

The Board has reserved the following matters for sole approval by the Board:

- ☞ Review and approval of the Company's strategic plan
- ☞ Review and approval of the Annual operating plan and financial budget, including any changes during the year
- ☞ Establishment of expenditure limits and approval of exceptions
- ☞ Hiring, review and compensation of CEO and CFO
- ☞ Director recruitment
- ☞ Appointment of Chairman
- ☞ Appointment of Committee Chairmen and Committee members

The Company has a policy on share dealing and confidentiality of inside information for persons discharging managerial responsibilities and persons closely associated with them, which contains provisions appropriate for a company whose shares are admitted to trading on AIM (particularly relating to dealing during close periods in accordance with Rule 21 of the AIM Rules and MAR) and the Company takes all reasonable steps to ensure compliance by the persons governed by such policy.

The Board continues to monitor its governance framework on an ongoing basis.



Contractors working on the rescue of archeological pieces from the area where the transmission line will be built (Araguaia Project)

The QCA Corporate Governance Code

| Principle | Disclosure within this report |
|---|-------------------------------|
| Establish a strategy and business model which promotes long-term value for shareholders | See pages 12-13 |
| Seek to understand and meet shareholder needs and expectations | See pages 24-25 |
| Take into account wider stakeholder and social responsibilities and their implications for long-term success | See pages 22-23 |
| Embed effective risk management, considering both opportunities and threats, throughout the organisation | See pages 28-31 |
| Maintain the board as a well-functioning, balanced team led by the chair | See pages 36-39 |
| Ensure that, between them, the directors have the necessary up-to-date experience, skills and capabilities | See pages 40-41 |
| Evaluate board performance based on clear and relevant objectives, seeking continuous improvement | See pages 40-41 |
| Promote a corporate culture that is based on ethical values and behaviours | See pages 6-9 |
| Maintain governance structures and processes that are fit for purpose and support good decision making by the board | See pages 34-35 |
| Communicate how the company is governed and is performing by maintaining dialogue with shareholders and other relevant stakeholders | See page 42 |

David Hall
25 March 2022

OUR CORPORATE GOVERNANCE STRUCTURE

Board

The Board of Horizonte is responsible for setting the vision and strategy for the Company to deliver value to all stakeholders by effectively putting in place its business model.

Chairman

The primary responsibility of the Chairman is to lead the Board effectively and to oversee the adoption, delivery and communication of the Company's corporate governance model. The chair has adequate separation from the day-to-day business to be able to make independent decisions. Save in exceptional (and well justified and explained) circumstances, the Chairman should not also fulfil the role of Chief Executive Officer.

CEO

The Company's CEO is charged with the delivery of the business model within the strategy set by the Board. The CEO works with the Chairman and NEDs in an open and transparent way and keeps the chair and NEDs up-to-date with operational performance, risks and other issues to ensure that the business remains aligned with the strategy.

Non-Executive Directors

The Company's NEDs participate in all board level decisions and play a particular role in the determination and articulation of strategy. The Company's NEDs provide oversight and scrutiny of the performance of the executive directors, whilst both constructively challenging and inspiring them, thereby ensuring the business develops, communicates and executes the agreed strategy and operates within the risk management framework.

Remuneration Committee

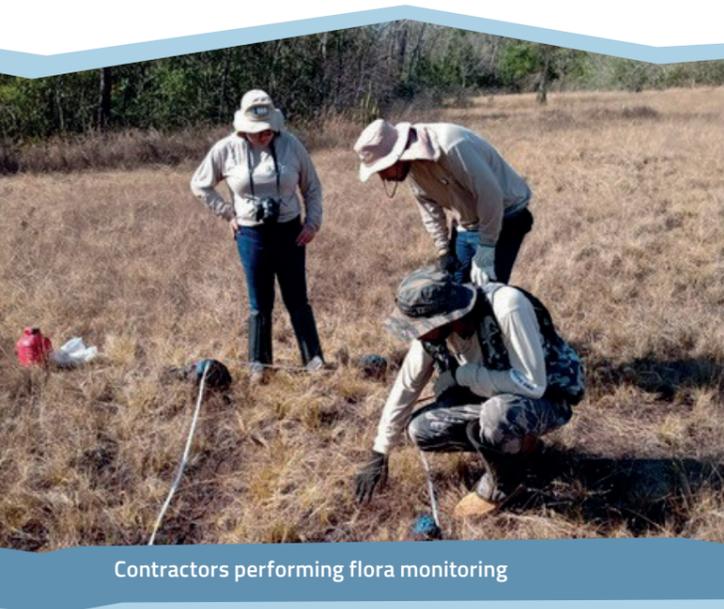
The remuneration committee comprises David Hall, William Fisher and Allan Walker and is responsible for reviewing the performance of the Executive Director and senior management, and for setting the framework and broad policy for the scale and structure of their remuneration, taking into account all factors which it shall deem necessary. The remuneration committee also recommends the allocation of share options for the Board to approve and is responsible for setting up any performance criteria in relation to the exercise of options granted under any share options schemes adopted by the Group.

Audit Committee

The audit committee, comprising Owen Bavinton, David Hall, William Fisher and Allan Walker, has primary responsibility for monitoring the quality of internal controls, ensuring that the financial performance of the Group is properly measured and reported on and for reviewing reports from the Group's auditors relating to the Group's accounting and internal controls.

Nomination Committee

In December 2021, the company established a formal nomination committee comprising Jeremy Martin, Owen Bavinton and William Fisher. The committee is responsible for finding and assessing appropriate candidates for the Board in line with the company's evolving required skillset of mine building and production. The committee will also develop a formal succession plan.



Contractors performing flora monitoring



Ferronickel processing equipment acquired from CBA (Votorantim).

BOARD OF DIRECTORS



**DAVID HALL,
NON-EXECUTIVE CHAIRMAN**

David has over 30 years of experience in the exploration and mining sector and has worked on exploration projects and mines in over 40 countries. From 1992, David was Chief Geologist for Minorco, responsible for Central and Eastern Europe, Central Asia and the Middle East. In 1997 he moved to South America to consult to Minorco in the region, and subsequently became Exploration Manager for AngloGold South America in 1999. David was responsible for exploration around the Cerro Vanguardia gold mine in Argentina, around the Morro Velho and Crixas mines in Brazil and establishing the exploration programme that resulted in the discovery of the La Recantada gold deposit in Peru, as well as joint ventures in Ecuador and Colombia. More recently David was the Executive Director and Operations Director of Minmet, where he led the divestment of Minmet's exploration assets in the Dominican Republic to GoldQuest Mining Corporation. David was also the founder of Stratex International Plc, that discovered the Oksut gold deposit now in production with Centerra Gold.

Qualifications

Mr. Hall is a graduate in geology from Trinity College Dublin and holds a Master's Degree in Mineral Exploration from Queen's University, Kingston, Ontario. Mr. Hall is a fellow of the Society of Economic Geologists and EuroGeol.



**JEREMY MARTIN,
CHIEF EXECUTIVE OFFICER**

Jeremy has over 20 years of experience in the industry. He has worked in South America, Central America and Europe, where he has been responsible for grassroots exploration programmes, resource definition and mine development and operation. In 2011 Jeremy founded Rathdowney Resources which identified, acquired and advanced a portfolio of zinc assets in Ireland and was listed on the TSX-V. He was the Founding Director of MedGold Resources, listed on the TSX, developing gold targets Spain, Portugal and Serbia before founding Fast Net Oil & Gas, an AIM listed alternative energy company. Jeremy was a Founding Director of Horizonte Minerals in 2006 before becoming CEO in 2010, he has led the company through the discovery and consolidation of Araguaia through to the construction stage.

Qualifications

Mr. Martin holds a degree in Mining Geology from the Camborne School of Mines, and a Master's Degree in mineral exploration from the University of Leicester. He is a member of the Society of Economic Geologists and the Institute of Mining Analysts.



**OWEN BAVINTON,
NON-EXECUTIVE DIRECTOR**

Owen has over 45 years of diverse experience in the minerals exploration and mining sector across multiple commodities and jurisdictions. After brief periods as a junior consultant and an underground mine geologist on a Witwatersrand gold mine, from 1974 to 1985 he had several positions with Western Mining Corporation, finally as Director of WMC's activities in Brazil. From 1986 to 1992 Owen was Chief Executive Officer of Aredor Guinea SA. In 1992 he joined Anglo American, where he stayed until his retirement in 2010. Based initially in Turkey and then in Budapest, he was responsible for Anglo American's exploration and project evaluation activities in the FSU, Central Europe and the Middle East. He moved to London in 1998, initially as Head of Exploration for Minorco, and later Group Head of Exploration and Geology for the Anglo American Group. In those roles, he was responsible for worldwide exploration and geosciences covering a range of exploration projects, through all stages of development, including advanced projects and feasibility studies, as well as providing geoscience input into numerous acquisitions.

Qualifications

Dr. Bavinton graduated from the University of Queensland in Geology in 1969, holds a Master's Degree in Mineral Exploration from Imperial College, London and a PhD in Economic Geology from ANU, Canberra, Australia. He is a fellow of the Society of Economic Geologists, the Association of Applied Geochemists and the Institute of Materials, Mining and Metallurgy.



**ALLAN WALKER,
NON-EXECUTIVE DIRECTOR**

Allan has over 35 years of experience in investment banking and fund management, primarily focused on project finance in the natural resources sector and private equity in emerging markets. He has extensive contacts in the energy, infrastructure and resources sectors worldwide, as well as with governments, multilateral agencies and regional development banks. Allan is currently a consultant with UK Department for International Trade, where he is Head of Project Finance. Previously he was with Masdar Capital in Abu Dhabi, as Executive Director, responsible for managing the third-party private equity funds management business for Masdar, the Abu Dhabi government's clean energy and sustainability company. Prior to that he founded (in 2005) and ran a similar private equity fund for Black River Asset Management (UK) Limited, an indirectly held subsidiary of Cargill Inc. Prior to Black River, Mr. Walker was head of power and infrastructure in London for Standard Bank Plc, a world-leader in emerging markets resource banking. Mr. Walker was also previously a director in the Global Energy and Project Finance Group of Credit Suisse First Boston in London and ran the energy group at CSFB Garantia in Sao Paulo, Brazil from 1998 to 2001, where he spent seven years covering Latin America. He also spent three years in the energy group of ING Barings in New York.

Qualifications

Mr. Walker graduated with an MA in economic geography from Cambridge University in 1982 and received his financial training on a one year residential training programme with JP Morgan in New York in 1983.



**SEPANTA DORRI,
NON-EXECUTIVE DIRECTOR**

In her capacity as Vice President, Corporate Development of Teck Resources since late 2018, Ms. Dorri is responsible for the identification and pursuit of external growth opportunities and providing support for internal growth initiatives. In earlier roles, Ms Dorri was Vice President, Corporate and Stakeholder Development at Teranga Gold, General Manager, Corporate Development at Xstrata Nickel, and Vice President, Investment Banking, Metals and Mining Group at Merrill Lynch Canada. She brings to the role 15 years of experience in mining and metals in the areas of corporate development, financial and investment banking.

Qualifications

Ms. Dorri is a Canadian Chartered Professional Accountant and holds a Bachelor of Accountancy and a Master of Accountancy, both from the University of Waterloo, and a Master of Business Administration from the London Business School.



**WILLIAM FISHER,
NON-EXECUTIVE DIRECTOR**

William (Bill) has extensive industry experience which has included a number of residential posts in Africa, Australia, Europe and Canada in both exploration and mining positions. Under his leadership, Karmin Exploration discovered the Aripuanã base metal sulphide deposits in Brazil. From 1997 to 2001 Mr. Fisher was Vice President, Exploration for Boliden AB, a major European mining and smelting company where he was responsible for thirty five projects in nine countries. From 2001 to 2008, Bill led GlobeStar Mining Corp. from an exploration company to an emerging base metal producer in the Dominican Republic, which developed and operated the Cerro de Maimon mine until it was sold to Perilya for USD 186 million. Mr. Fisher was also Chairman of Aurelian Resources which was acquired by Kinross in 2008 for USD 1.2 Billion after the discovery of the Fruta del Norte gold deposit in Ecuador.

Qualifications

Mr. Fisher graduated as a geologist in 1979

BOARD OF DIRECTORS CONTINUED

Board Composition

The Board comprises a group of experienced Directors with a diverse skillset relevant to the development of a mining company. Each Director has a wealth of experience and depth of knowledge in the mining industry and complementary fields including law, business development and capital markets. This diversity of skills and experience across multiple jurisdictions and professional disciplines provides the Company with effective leadership and direction. Each Director keeps their skillset up to date through a combination of continual professional development and attendance at seminars and conferences relevant for the industry Horizonte operates in. All Directors retire on rotation at regular intervals in accordance with the Company's Articles of Association.

We understand the importance of an independent board and this independence is constantly reviewed. Of the current six members: one Executive Director and five Non-Executive Directors: Mr Owen Bavinton, Mr William Fisher and Mr Allan Walker are considered independent despite several of these members holding shares or options in the Company. Due to Horizonte's size and the nature of junior exploration companies the Company deemed it acceptable to remunerate directors with options as the Company historically did not have sufficient financial strength to attract the required depth in experience from board directors. The shareholdings held by the directors have been acquired on the market over the years and so represent arms-length transactions and align their interests with shareholders. Their shareholdings are also relatively small and are not deemed large enough to distort any independence.

The following table highlights each Directors core competencies relevant to the successful development of the Company:

| | Project Development | Project Execution | Business Development | Governance | Capital Markets | Sustainability | Brazil | Financial |
|----------------|---------------------|-------------------|----------------------|------------|-----------------|----------------|--------|-----------|
| David Hall | X | X | X | X | | | X | X |
| Jeremy Martin | X | X | X | X | X | X | X | X |
| Owen Bavinton | X | X | X | X | | X | X | X |
| Allan Walker | | | X | X | X | | X | X |
| Sepanta Dorri | | | X | X | X | X | | X |
| William Fisher | X | X | X | X | X | | X | X |

Attendance at Board Meetings

| Board Meeting date | David Hall | Jeremy Martin | Allan Walker | Sepanta Dorri | Owen Bavinton | William Fisher |
|--------------------|------------|---------------|--------------|---------------|---------------|----------------|
| | Present | | | | | |
| 8 February 2021 | Y | Y | Y | Y | Y | Y |
| 18 February 2021 | Y | Y | Y | N | Y | Y |
| 26 February 2021 | Y | Y | Y | Y | Y | Y |
| 11 March 2021 | Y | Y | Y | Y | Y | Y |
| 22 April 2021 | Y | Y | Y | Y | Y | Y |
| 12 May 2021 | Y | Y | Y | Y | Y | Y |
| 17 May 2021 (AGM) | N | Y | N | N | Y | N |
| 1 July 2021 | Y | Y | Y | Y | Y | Y |
| 11 August 2021 | Y | Y | Y | Y | Y | Y |
| 26 August 2021 | Y | Y | Y | Y | Y | Y |
| 27 September 2021 | Y | Y | Y | Y | Y | Y |
| 28 October 2021 | Y | Y | Y | Y | N | Y |
| 4 November 2021 | Y | Y | Y | Y | Y | Y |
| 23 November 2021 | Y | Y | N | Y | N | N |

Due to the ongoing impact of Covid on the ability of large groups to meet, the majority of the Board meetings for 2021 were undertaken remotely by teleconference. The AGM was held with a minimum attendance due to the ongoing restrictions on gatherings under legal direction as a direct result of Covid.

The audit committee met quarterly during the year to consider the Audit planning report and Audit completion report presented by the auditors regarding the year end audit process. The year end audit findings were focused on the key areas identified during the planning process, the main items being:

- ☞ Internal controls and management override
- ☞ Carrying value and impairment of intangible exploration and evaluation assets
- ☞ Accounting for the royalty finance agreement
- ☞ Assessment recognition of contingent consolidation
- ☞ Going concern

The audit committee were in agreement with all the findings and recommendations.

The remuneration committee met twice during the year to consider the remuneration levels of the board and key officers of the company, to consider and approve the basis of the long term incentive plan and to consider and award options to key members of the team.

Evaluating Board Performance

In accordance with best practice and the Code, the Board undertakes an annual formal evaluation of its performance and effectiveness, and that of each Director and Committee. This evaluation is conducted by way of a questionnaire from the Chairman, co-ordinated by the Company Secretary and concluded by Chairman interviews where necessary. In addition, the Non-Executive Directors met, informally, without the Chairman present and evaluated his performance. The Board currently considers that the use of external consultants to facilitate the Board evaluation process is unlikely to be of significant benefit to the process, although the option of doing so is kept under review.

The Chairman has stated that he values this annual evaluation opportunity and considers it to be key to his role in creating an effective Board. He has reported that the Board was satisfied that the Board was effective and well run, there were therefore no recommendations and none in the prior year.

The remuneration is determined in accordance with the Articles of Association. When determining executive director remuneration policy and practices, the Company's remuneration committee addresses the following:

- ☞ Clarity – remuneration arrangements are transparent and promote effective engagement with shareholders and the workforce
- ☞ Simplicity – remuneration structures avoid complexity and their rationale and operation are easy to understand
- ☞ Risk – remuneration arrangements ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated
- ☞ Proportionality – the link between individual awards, the delivery of strategy and the long-term performance of the Group should be clear. Outcomes do not reward poor performance
- ☞ Alignment to culture – incentive schemes drive behaviours consistent with company purpose, values and strategy.

Support to Directors

The Board has the full support of the Company secretary. The Board receives regular and timely information of the Company's operational and financial performance in order to perform this function. Relevant, detailed information is circulated to all Directors ahead of Board and Committee meetings. The Company Secretary is responsible for keeping the Board up to date on its responsibilities in compliance with relevant regulations.

The Board and Culture

The Board believes that the promotion of a corporate culture based on sound ethical values and behaviours is essential to maximising shareholder value.

Horizonte's company culture is consistent with its objectives, strategy and business model. The Board regularly meets and monitors the business and its stakeholders to ensure the values and strategy are aligned with the company's internal culture. The Directors act with integrity, lead by example, and promote the desired culture.

We believe that transparency and ethical behaviour are central to any successful company and undertake all development with respect to the environment and neighbouring communities.

BOARD OF DIRECTORS CONTINUED

Shareholder Engagement

The Board attaches great importance to providing shareholders with clear and transparent information on the Company's activities, strategy and financial position. Communication with all shareholders is predominately led by the CEO and CFO, but the Chairman and non-executive directors provide additional points of contact for shareholders, particularly at the Company's AGM. We value the views and feedback of our shareholders and these are often discussed as a collective during board meetings, no significant actions or feedback were reported during the year.

Further information on our shareholder engagement can be found in the stakeholder engagement section on pages 24-25.

Material information in relation to the Company is made publicly available via the London Stock Exchange's Regulatory News Service (RNS) and via the System for Electronic Document Analysis and retrieval (SEDAR) in Canada.

Details of our shareholder engagement during the year can be found in the following table.

Q1

- ☛ CEO, CFO and Investor Relations undertook investor roadshow including current shareholders in conjunction with US\$25M financing
- ☛ CEO and Investor Relations attendance at BMO Metals and Mining Conference (virtual)
- ☛ CEO attendance at Brazil-Canada Chamber of Commerce at PDAC event (virtual)
- ☛ Multiple operational updates
- ☛ Quarterly financial results
- ☛ BRR and Proactive Investor video interviews with CEO

Q2

- ☛ FY20 Results
- ☛ Publication of Annual Report
- ☛ Annual General Meeting
- ☛ CEO hosted private shareholder focussed webinar with question and answer session
- ☛ Q121 results
- ☛ Araguaia financing update
- ☛ CEO, CFO and Investor Relations attendance at 121 Mining Investment APAC conference (virtual)
- ☛ Vermelho operational update
- ☛ BRR and Proactive Investor video interviews with CEO

Q3

- ☛ Araguaia operational update
- ☛ Publication of Sustainability Report
- ☛ Interim results
- ☛ BRR and Proactive Investor video interviews with CEO and Head of ESG

Q4

- ☛ CEO, CFO and Investor Relations undertook investor roadshow including current shareholders in conjunction with US\$197m equity financing
- ☛ Q3 Results
- ☛ Completion of US\$633m Araguaia funding package
- ☛ BRR and Proactive Investor video interviews with CEO

AUDIT AND RISK COMMITTEE REPORT

The Audit and Risk Committee currently comprises Owen Bavinton (Chairman), David Hall, Allan Walker and William Fisher. The Audit and Risk Committee met five times during the year.

The Auditors have unrestricted access to the Chairman of the Audit and Risk Committee.

Audit and Risk Committee meetings are usually attended by the Auditor and, by invitation, senior management.

The main responsibilities of the Audit and Risk Committee include:

- ☛ Monitoring the integrity of the Group's financial statements, including review of the financial statements of the Company including its annual and half-yearly reports and any formal announcements relating to its financial performance;
- ☛ Reviewing the effectiveness of the Group's financial reporting, internal control policies and procedures for the identification, assessment and reporting of risk;
- ☛ Monitoring the effectiveness of the internal control environment;
- ☛ Making recommendations to the Board on the appointment of the Auditors;
- ☛ Making a recommendation to the Board on Auditors' fees;
- ☛ Agreeing the scope of the Auditors' annual audit programme and reviewing the output;
- ☛ Ensuring the independence of the Auditors is maintained;
- ☛ Assessing the effectiveness of the audit process; and
- ☛ Developing and implementing policy on the engagement of the Auditors to supply non-audit services.

The Audit and Risk Committee has considered the Group's internal control and risk management policies and systems, their effectiveness and the requirements for an internal audit function in the context of the Group's overall risk management system.

The Committee is satisfied that the Group does not currently require an internal audit function; however, it will continue to periodically review the situation. An essential part of the integrity of the financial statements lies around the key assumptions and estimates or judgments to be made. The Committee reviewed and was satisfied that the judgements exercised by management contained within the Report and Financial Statements are reasonable.

Details of fees payable to the Auditors are set out in Note 7.

Owen Bavinton
Chairman of the Audit & Risk Committee
25 March 2022

REMUNERATION COMMITTEE REPORT

The remuneration committee comprises David Hall, William Fisher and Allan Walker.

The main purpose of the Remuneration committee is to:

- Review the performance of the Executive Director and senior management
- Setting the framework and broad policy for the scale and structure of their remuneration, taking into account all factors which it shall deem necessary
- Recommend the allocation of share options for the Board to approve: and
- Set any performance criteria in relation to the exercise of options granted under any share options schemes adopted by the Group
- Demonstrate to shareholders that the remuneration of the Executive Director and senior management of the Group is set by a committee whose members have no personal interest in the outcome of their decision and who will have due regard to the interests of the shareholders.

Procedures For Developing Policy And Fixing Remuneration

The Remuneration Committee fixes executive remuneration and ensures that no Director is involved in deciding his or her own remuneration. The Committee is authorised to obtain outside professional advice and expertise. The Remuneration Committee is authorised by the Board to investigate any matter within its terms of reference and it is authorised to seek any information that it requires from any employee.

Details Of The Remuneration Policy

The fees to be paid to the Directors and senior management are set by the Remuneration Committee.

Directors' Service Agreements

Service agreements for Directors and senior management are terminable by either party on notice periods varying between 3 and 12 months.

Directors' remuneration

The following remuneration comprises Directors' fees and benefits in kind that were paid to Directors during the year:

| | Short term benefits | | Post employment benefits | Cost to Company | | Non-Cash | Grand Total |
|--------------------------------|---------------------|--|--------------------------|-----------------------|----------------------------|----------|------------------|
| | Base Salary/ Fees | LTIP awards/ Annual bonus ¹ | Pension costs | Social Security costs | Share Based Payment Charge | | |
| Group 2021 | £ | £ | £ | £ | £ | £ | £ |
| Non-Executive Directors | | | | | | | |
| Sepanta Dorri | — | — | — | — | — | — | — |
| David Hall | 38,000 | 100,000 | — | 17,824 | — | — | 155,824 |
| William Fisher | 33,500 | 100,000 | — | — | — | — | 133,500 |
| Allan Walker | 40,000 | 100,000 | — | 18,100 | — | — | 158,100 |
| Owen Bavinton | 36,000 | 100,000 | 31,295 | 17,548 | — | — | 184,843 |
| Executive Directors | | | | | | | |
| Jeremy Martin | 291,461 | 843,390 | — | 155,565 | — | — | 1,290,416 |
| Key Management | | | | | | | |
| Simon Retter | 204,750 | 822,300 | — | 140,032 | — | — | 1,167,082 |
| | 643,711 | 2,065,690 | 31,295 | 2,740,696 | 349,069 | — | 3,089,765 |

¹ Denotes amounts payable for performance related bonuses, including bonuses payable under the LTIP, refer further below in this report for the details.

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

¹ Denotes amounts payable for performance related bonuses, including bonuses payable under the LTIP, refer further below in this report for the details.

The Company does not operate a pension scheme. Pension costs comprise contributions to Defined Contribution pension plans held by the relevant Director or Key Management.

Directors' Interests In Shares

| Director | Shares | Shares |
|----------------|------------------|------------------|
| | 31 December 2021 | 31 December 2020 |
| David Hall | 1,039,955 | 1,039,955 |
| Jeremy Martin | 2,028,908 | 2,028,908 |
| Owen Bavinton | 2,000,000 | 2,000,000 |
| Allan Walker | 705,479 | 705,479 |
| William Fisher | 1,975,000 | 1,975,000 |
| Sepanta Dorri | — | — |

None of the Directors exercised any share options during the year.

There has been no change in the interests set out above between 31 December 2021 and 25 March 2022.

Share Options

The Group operates two Share Option Schemes pursuant to which Directors and senior executives may be granted options to acquire Ordinary shares in the Company at a fixed option exercise price.

| Director | Options | Options |
|----------------|------------------|------------------|
| | 31 December 2021 | 31 December 2020 |
| David Hall | 13,000,000 | 14,000,000 |
| Jeremy Martin | 22,750,000 | 25,250,000 |
| Owen Bavinton | 11,500,000 | 13,000,000 |
| Allan Walker | 11,500,000 | 12,500,000 |
| William Fisher | 11,500,000 | 13,000,000 |
| Sepanta Dorri | — | — |

Further details of the Share Option Schemes can be found in note 16.

Long Term Incentive Plan ("LTIP")

In 2019 the Company put in place a Long-Term Incentive Plan ('LTIP') for the purpose of incentivising, motivating and rewarding certain employees in respect of their contributions to the Company's mid and long-term commercial objectives designed to create value for shareholders. The performance conditions are based upon major project milestones delivered across the Company's two projects; Araguaia and Vermelho.

The agreements for members include four performance conditions. The amount of any bonus payment shall be determined by the performance conditions set out in the applicable bonus agreement for each individual participant.

The performance conditions are:

- Completion of a comprehensive bankable feasibility study for each Project ('Feasibility Study');
- Securing full project finance to construct either Project ('Securing Project Finance');
- The first commercial production of each Project ('First Commercial Production'); and
- The sale of any interest in either Project or a specified percentage of the share capital of the Company ('Sale').

Both the CEO and the CFO are eligible for certain bonuses upon reaching certain operational milestones which are deemed to be aligned with shareholder value enhancing points in the development pathway of both the Araguaia and Vermelho projects. They are eligible for a fee of 0.475% of gross funds raised with certain Non-Executive Directors receiving Bonuses of £200,000 upon securing Project Financing.

During the year the company secured a project finance package to fully fund the Araguaia project through construction therefore triggering one of the key performance conditions of the LTIP. The bonuses paid during the year to the CEO & CFO represent those due upon the settlement of the equity portion of the project finance as this closed during the financial year. All awards due for the debt portion of the project finance package including 50% of any awards due to certain Non-Executive Directors have been deferred until first draw down of the senior debt facility in order to align with value creation for shareholders.

By Order of the Board

David Hall
Chairman of the Remuneration Committee
25 March 2022

DIRECTORS' REPORT

The Directors present their Annual Report on the affairs of Horizonte Minerals Plc, together with the audited Financial Statements for the year ended 31 December 2021.

Principal activities

The principal activity of the Group and Company is the identification, acquisition, exploration and development of mineral projects. The main area of activity comprises the development of the Araguaia and Vermelho nickel projects, located in Pará State in north-eastern Brazil.

Financial results and dividends

The Group results for the year are set out on page 56. The Group is currently involved in exploration and evaluation activities and not actively mining. As a result, the Group is not revenue generative.

During the year the group concluded a comprehensive funding package of US\$633 million. 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\$25million royalty 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 Directors do not recommend payment of a dividend (2020: £Nil).

Sustainability

Details of the Company's approach and activities in relation to sustainability can be found on pages 22-23 of the Strategic Report included within this Annual Report and in a standalone Sustainability Report available on the Company's website www.horizonteminerals.com.

The Company currently does not consume a material amount of energy in the UK and therefore does not publish information required under SECR. This will be reviewed and it is the intention of the Company to comply with the reporting disclosures next year in line with best practice.

Share Capital

Changes in the share capital of the Company are set out in note 14 of the Financial Statements.

Directors' statement as to disclosure of information to auditor

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are individually aware, there is no relevant audit information of which the Company's auditor is unaware and the Directors have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of the information.

Matters covered in the Business Review

The business review and review of KPIs are included in the Operations Review and Strategic Report.

Financial risk management

The Company is exposed through its operations to the following financial risks:

- ☞ Commodity price risk
- ☞ Foreign currency risk
- ☞ Credit risk
- ☞ Interest rate risk
- ☞ Liquidity risk

The group undertakes certain policies and procedures to mitigate these risk as much as is practicable, including hedging foreign exchange movements, only using credit worthy financial institutions and using short term deposits to manage interest rate and liquidity risks. As the Group moves towards being a producing entity it will continually review these risk mitigation policies to cover off any potential exposure to commodity prices and increase exposure to foreign exchange risks.

In common with all other businesses, the Group is exposed to financial risks that arise from its operations, these along with managements' policies surrounding financial risk management are explained in note 3 to the financial statements.

Events after the reporting date

The events after the reporting date are set out in note 35 to the Financial Statements.

Future developments

In 2022 the Group will be working towards constructing and bring the Araguaia project into commercial production. Having published a Pre-Feasibility Study on the Vermelho project during 2019, the Group is focused on further advancing the VNCP project towards a Feasibility Study and eventual construction decision.

Directors and Officers Insurance

The Group provided Directors and Officers insurance for both the current and prior periods.

Annual General Meeting

The Notice of the Annual General Meeting of the Company and the Management Information Circular together with Management Discussion and Analysis as at 31 December 2021 will be distributed to shareholders together with the Annual Report. Full details of the business to be considered at that meeting can be found in the Notice.

Independent auditor

The auditor, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

BDO LLP has signified its willingness to continue in office as auditor.

By Order of the Board

Simon Retter
Company secretary and CFO
25 March 2022

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the group and company financial statements in accordance with UK adopted international accounting standards. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group and company for that period.

In preparing these financial statements, the directors are required to:

- ☞ select suitable accounting policies and then apply them consistently;
- ☞ make judgements and accounting estimates that are reasonable and prudent;
- ☞ state whether they have been prepared in accordance with UK adopted international accounting standards subject to any material departures disclosed and explained in the financial statements;
- ☞ prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

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

OPINION ON THE FINANCIAL STATEMENTS

In our opinion:

- ☞ the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2021 and of the Group's loss for the year then ended;
- ☞ the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- ☞ the Parent Company financial statements have been properly prepared in accordance with UK adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- ☞ the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Horizonte Minerals PLC (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2021 which comprise of the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Company Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows, the Company Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 2.2 to the financial statements concerning the Group's and the Parent Company's ability to continue as a going concern. As stated in note 2.2 the Group has forecasted that it will need to draw down on its agreed Senior Debt Facility in H2.2022. Draw down of the senior debt facility requires conditions precedent to be complied with, some of which are beyond the Directors' control. As stated in note 2.2 these events or conditions, along with the other matters set out in note 2.2 indicate that a material uncertainty exists that may cast significant doubt on the Group and Parent Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Because of the judgements made by the Directors, and the significance of this area, we have determined going concern to be a key audit matter. As described in note 2.2, the Directors have prepared cash flow forecasts which demonstrate that the Senior Debt Facility will be drawn down in H2 2022, and the ability of the Group to make this draw down requires conditions precedent to be complied with, some of which are beyond the Directors' control.

Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting and in response to the key audit matter included:

- ☞ We obtained the Directors' Group cash flow forecast to 31 December 2023. We assessed the reasonableness of underlying assumptions, including forecast levels of expenditure used in preparing these forecasts. To assess the reasonableness and timings of the cash inflows and outflows, we used our knowledge of the business and compared the Directors' forecasts to budgets used as part of the fund raise package of \$633m entered into in December 2021.
- ☞ We verified cash balances used in the forecast close to the date of sign off of these financial statements, which included \$197million of proceeds from the equity funds raised in 2021.
- ☞ We reviewed the conditions that are required to be complied with to draw down the Senior Debt Facility, discussed these with the Directors and considered if compliance with these conditions was in the Directors' control.
- ☞ We considered the impact on the Group and Parent Company's cash flow forecast should the Senior Debt Facility not be available.
- ☞ We assessed the appropriateness of the going concern disclosures included in the financial statements against the requirements of the relevant accounting standards.

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

OVERVIEW

| | | | |
|--------------------------|--|------|------|
| Coverage | 90% (2020: 80%) of Group net loss 90% (2020: 94%) of Group total assets | | |
| Key audit matters | | 2021 | 2020 |
| | Carrying value of exploration and evaluation assets and mine development property | ✓ | ✓ |
| | Valuation of royalty funding arrangement | ✓ | ✓ |
| | Going concern | ✓ | |
| Materiality | <i>Group financial statements as a whole</i> <i>£3,403,000 (2020:£750,000) based on 1.5% of total assets</i> <i>(2020: 1.5% of total assets)</i> | | |

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

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

The remaining components of the Group were considered insignificant and these components were principally subject to analytical review procedures which were performed by the Group audit team.

Our involvement with component auditors

For the work performed by component auditors, we determined the level of involvement needed in order to be able to conclude whether sufficient appropriate audit evidence has been obtained as a basis for our opinion on the Group financial statements as a whole. Our involvement with component auditors included the following:

- ☞ Detailed Group reporting instructions were sent to the component auditors, which included the significant areas to be covered by the audits (including areas that were considered to be key audit matters), and set out the information to be reported to the Group audit team.
- ☞ The Group audit team was actively involved in the direction of the audits performed by the component auditor for Group reporting purposes, along with the consideration of findings and determination of conclusions drawn.
- ☞ The Group audit team reviewed the component auditor's work papers in Brazil and engaged with the component auditors during their fieldwork and completion phases.
- ☞ For the two principal operating components in Brazil, the Group audit team also performed audit procedures in respect of the significant risk areas.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the material uncertainty related to going concern of our report, we have determined the matters below to be the key audit matters to be communicated in our report.

Key audit matter

Carrying value of exploration and evaluation assets and mine development property The Group holds the Araguaia mine development property carried at a value of £44,088,134 and the Vermelho exploration and evaluation asset carried at a value of £5,949,649.

See notes 4.1, 10 and 11 to the financial statements.

Each year management are required to assess whether there are any indicators that the mine development property and exploration and evaluation asset could be impaired.

Management have carried out a review for indicators of impairment and have not identified any indicators. Reviewing indicators of impairment and assessment of carrying values require significant estimates and judgements and therefore we identified this as a key audit matter.

Valuation of royalty funding arrangement In 2019 Horizonte entered into a US\$25m royalty funding agreement with Orion Mine Finance in exchange for future royalty payments linked to the future revenues of the Araguaia project.

See notes 20 and 4.4

The royalty agreement includes a buyback option enabling Horizonte to reduce the royalty rate and other cash payment options (the call, make whole and put options) for part reduction in the royalty rate, which require the occurrence of certain events.

The agreement is a hybrid contract that contains a non-derivative host loan and prepayment options in the form of embedded derivatives which should be separated for accounting purposes. The embedded derivatives are initially recognised at fair value and subsequently revalued at each period end.

Management has engaged an independent expert to calculate the fair value of the buyback option. The fair value calculation utilised Monte Carlo simulation methodology.

The valuation of these financial instruments required management to make a number of key estimates.

Accordingly, the valuation of the royalty funding agreement is considered to be a key audit matter.

How the scope of our audit addressed the key audit matter

We have reviewed management’s impairment assessments for both projects and our procedures included the following :

- ☞ We considered whether management’s assessments of impairment had been carried out in accordance with the requirements of the accounting standards.
- ☞ We reviewed the feasibility studies prepared by independent consultants for consistency with management’s representations and assessed the competence and independence of the experts used by management.
 - For the Araguaia project, this assessment is supported by the externally prepared feasibility study published in November 2018 and revised in April 2021.
 - For the Vermelho project, this assessment is supported by the externally prepared pre-feasibility study published in October 2019.
- ☞ We agreed the validity of licences held by the Group to the Brazilian Government’s Departamento Nacional de Producao Mineral website. We also reviewed the correspondence, contracts and other documents regarding the licenses to confirm that the Group has the relevant rights for its activities in the stated areas for Araguaia and Vermelho.

Key observations:

Based on our work we concur with management’s impairment indicator assessment, and as a result consider the carrying value of the Group’s exploration and evaluation asset and mine development property is not impaired.

Our procedures in relation to the valuation of the royalty funding loan and embedded derivatives are set out below.

In respect of the host loan:

- ☞ We tested the valuation model prepared by management, checking that the model’s methodology was in agreement with the royalty agreement and in accordance with accounting standards and that the assumptions were in agreement with management’s justifications and explanations. We also checked the arithmetical accuracy of the amortised loan model.
- ☞ We critically assessed management’s key assumptions, including long term nickel price, nickel price inflation and the adopted royalty rate, which is determined by the date of commencement of construction. We made our assessment by reference to independent sources of data and supporting documentation held by the Group.

In respect of the fair value of the buyback option:

- ☞ We reviewed the option valuation methodology adopted to check that the features of the option had been appropriately modelled and we also confirmed with management that the modelling is in line with their understanding of the option features. This was reviewed by BDO valuation experts to ensure it was appropriately modelled.
- ☞ We checked that the key assumptions used were reasonable and in agreement with those used for the valuation of the host loan.
- ☞ The nickel price volatility is an additional key assumption for the option valuation. We recalculated the nickel price volatility using independently sourced data and it was in close proximity to that used by management.
- ☞ We assessed the competence and independence of the valuation expert used by management.

Key observations:

Based on our work, we concur with managements valuation methodology and the key estimates used in valuing the host loan and buy back option.

OUR APPLICATION OF MATERIALITY

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

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

| | Group financial statements | | Parent company financial statements | |
|--|--|-----------|---|-----------|
| | 2021 £ | 2020 £ | 2021 £ | 2020 £ |
| Materiality | 3,403,000 | 750,000 | 3,063,000 | 675,000 |
| Basis for determining materiality | 1.5% of total assets | | Restricted to 90% of Group materiality | |
| Rationale for the benchmark applied | We consider total assets to be the most significant determinant of the Group’s financial performance for users of the financial statements, given the Group’s mine development focus. There was a significant increase in total assets following the 2021 equity fund raise. | | Calculated as a percentage of Group materiality for Group reporting purposes as the statutory materiality exceeded Group materiality. | |
| Performance materiality | 2,552,000 | 562,500 | 2,297,000 | 506,250 |
| Basis for determining performance materiality | 75% of materiality based on consideration of factors including the level of historical errors and nature of activities. | | | |

Component materiality

We set materiality for each component of the Group based on a percentage of between 4% and 14% (2020: 5% to 44%) of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £145,000 to £460,000 (2020: £35,000 to £330,000). In the audit of each component, we further applied performance materiality levels of 75% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £68,000 (2020:£13,500). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the 2021 Report and Accounts other than the financial statements and our auditor’s report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

OTHER COMPANIES ACT 2006 REPORTING

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

| | |
|---|---|
| Strategic report and Directors' report | In our opinion, based on the work undertaken in the course of the audit: <ul style="list-style-type: none"> ☞ the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and ☞ the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. |
|---|---|

In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.

| | |
|--|--|
| Matters on which we are required to report by exception | We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: <ul style="list-style-type: none"> ☞ adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or ☞ the Parent Company financial statements are not in agreement with the accounting records and returns; or ☞ certain disclosures of Directors' remuneration specified by law are not made; or ☞ we have not received all the information and explanations we require for our audit. |
|--|--|

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the Statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

USE OF OUR REPORT

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Peter Acloque (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London
United Kingdom
25 March 2022

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 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
Chairman

Jeremy J Martin
Chief Executive Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

| | Attributable to owners of the parent | | | | Total £ |
|--|--------------------------------------|--------------------|----------------------|---------------------|---------------------|
| | Share capital £ | Share premium £ | Retained losses £ | Other reserves £ | |
| 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 STATEMENT OF CHANGES IN EQUITY

| | Attributable to equity shareholders | | | | Total |
|---|-------------------------------------|---------------|-----------------|-----------------|-------------|
| | Share capital | Share premium | Retained losses | Merger reserves | |
| | £ | £ | £ | £ | £ |
| 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

| | 31 December 2021 £ | 31 December 2020 £ |
|--|--------------------------|--------------------------|
| | Notes | |
| 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 consolidated financial statements have been prepared in accordance with UK adopted international accounting standards and International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB"). 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.

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.

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 below. 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 Practice 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 | 1 st Floor, Viking House, St Pauls Square, Ramsey, IM8 1GB, Ilse of Man | Isle of Man | Holding company |
| HM Brazil (IOM) Ltd | Indirectly | 1 st Floor, Viking House, St Pauls Square, Ramsey, IM8 1GB, Ilse of Man | Isle of Man | Holding company |
| Cluny (IOM) Ltd | Indirectly | 1 st 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 | 1 st 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 a business. 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:£8.2 million loss) included in 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 reasonably 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 are 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.

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

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

(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:

| Group | Functional Currency | | | | | | Total 2021 | Total 2020 |
|--------------------------------|---------------------|------------------|-------------------|--------------------|--------------------|----------|--------------------|------------|
| | USD 2021 | USD 2020 | GBP 2021 | GBP 2020 | BRL 2021 | BRL 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 | |
| BRL | 14,675,359 | 5,433,840 | — | — | — | — | 14,675,359 | |
| CAD | — | — | 6,986,953 | 57,683 | — | — | 6,986,953 | |
| EUR | 12,830 | 72,610 | — | — | — | — | 12,830 | |
| Total net exposure | 13,754,315 | 5,506,450 | 97,193,535 | (1,383,096) | (4,062,876) | — | 106,884,974 | |

| Company | GBP 2021 | GBP 2020 | Total 2021 | Total 2020 |
|--------------------------------|----------|--------------------|-------------------|--------------------|
| Currency of net | £ | £ | £ | £ |
| Financial assets/(liabilities) | | | | |
| USD | — | — | 90,037,823 | (1,569,868) |
| CAD | — | — | 6,958,850 | 30,000 |
| Total net exposure | — | (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 currently 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 2021 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 and deferred 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 £5,949,649 (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 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.

| | UK 2021 £ | Brazil 2021 £ | Netherlands 2021 £ | Total 2021 £ |
|--|--------------------|---------------------|--------------------------|--------------------|
| 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 | 228,925,551 |
| 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 |

| | UK 2020 £ | Brazil 2020 £ | Netherlands 2020 £ | Total 2020 £ |
|--|------------------|---------------------|--------------------------|--------------------|
| 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 |
| 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 | 42,658,017 | 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 (note 19) | (427,804) | (445,066) |
| - Contingent consideration: change in carrying value (note 19) | (74,927) | 764,109 |
| - Contingent consideration: change in estimate (note 19) | 1,419,978 | — |
| - Amortisation of Royalty financing (note 20) | (3,316,259) | (3,244,873) |
| - Carrying Value adjustment on royalty (note 20) | (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 in a business combination.

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 Value ('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 (AAACE 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 of 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 drawdown.

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 10). 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 | — | — | — |
| | 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 | 16,460,143 | 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 Exploração 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 Alumínio

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 Alumínio (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.

| | 2021 £ | 2020 £ |
|---|---------------|---------------|
| Group | | |
| 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 | Group | | Company | |
|--|------------------|------------------|------------------|------------------|
| | 2021 £ | 2020 £ | 2021 £ | 2020 £ |
| 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 and mine development asset.

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 Metais 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:

| Company | 2021 | | | 2020 | | |
|------------------------------|-------------------|------------------------------|-------------------|-------------------|------------------------------|-------------------|
| | Gross loan £ | Expected credit loss £ | Net loan £ | Gross loan £ | Expected credit loss £ | Net loan £ |
| 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 Metais 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:

| Group | 2021 £ | 2020 £ |
|-------------------|-----------|-----------|
| 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 | 160,755,145 | 1,756,553 | 11,206,103 | 12,962,656 |

| Company | Amortised cost | |
|---------------------------|--------------------|-------------------|
| | 2021 £ | 2020 £ |
| Cash and cash equivalents | 147,359,029 | 5,308,954 |
| Loans to subsidiaries | 69,811,930 | 64,692,156 |
| Total | 226,934,559 | 70,097,306 |

Financial Liabilities

| Group | Amortised cost | |
|--------------------------|-------------------|-------------------|
| | 2021 £ | 2020 £ |
| 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 |

| Company | Amortised cost | |
|--------------------------|-------------------|-------------------|
| | 2021 £ | 2020 £ |
| 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 Niquel 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.

STATUTORY INFORMATION

DIRECTORS

David John Hall (Non-Executive Chairman)
Jeremy John Martin (Chief Executive Officer)
William James Fisher (Non-Executive Director)
Allan Michael Walker (Non-Executive Director)
Sepanta Dorri (Non-Executive Director)
Owen Alexander Bavinton (Non-Executive Director)
Gillian Davidson (Non-Executive Director)
Vincent Benoit (Non-Executive Director)

COMPANY SECRETARY

Simon James Retter

COMPANY NUMBER

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