

NEWS RELEASE

29 March 2023

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

Horizonte Minerals Plc (AIM/TSX: HZM) (“Horizonte” or the “Company”) a nickel company developing two Tier 1 assets in Brazil, is pleased to present its final results for the year ended 31 December 2022 (‘FY22’ or the ‘Period’).

HIGHLIGHTS FOR THE PERIOD:

- Strong safety performance with zero fatalities and zero lost time injuries in 2022;
- Construction on-schedule at the end of the Period having broken ground in May 2022;
- Secured an oversubscribed equity fundraise of ~US\$80m;
- Successfully completed first drawdown of the Senior Debt facility having satisfied related conditions;
- Awarded all of the key material contracts at Araguaia, with first production on track for Q1 2024;
- Ten-year renewable power contract secured at globally competitive prices;
- Araguaia approved as a Strategic Minerals Project by the Brazilian government;
- Built out an experienced team to deliver Araguaia;
- Feasibility study initiated at Vermelho, results due 1H 2024;
- Submitted environmental and social impact assessment at Vermelho;
- Welcomed William Fisher as Interim Chair of the Board;
- Critical risk controls implemented;
- Strategic partnerships with SENAI and FIEPA for local skills development initiated.

Horizonte will provide a full construction update for Araguaia covering activity in Q1 2023 in late April.

Jeremy Martin, CEO of Horizonte, commented:

“It is a pleasure to reflect on the achievements of 2022 which was a ground breaking year for Horizonte and has laid the foundations for the years ahead, positioning the Company to be a significant global producer, committed to the ethical, safe and responsible production of a low carbon nickel product.”

“Our focus for 2022 at Araguaia was to secure the funding, build our team, award key equipment and construction contracts required for construction and the move to operations, commencing our 24-month journey to becoming a nickel producing Company.”

“The 2022 reporting period began by closing out the Araguaia construction funding package, in which a total of US\$633 million was raised comprising a combination of senior debt and equity with support from a number of high-quality, long-term financial institutions and leading mining sector investors. By the end of the year and following a multi-year effort to de-risk Araguaia, we were able to successfully access the low-cost debt and draw down on the first tranche of funds.”

“The rigorous due diligence process, and the extensive list of obligations that Horizonte was required to meet to access this funding, should provide all our stakeholders with confidence in the robustness of Araguaia and the quality of the team working on the project.”

“The first debt drawn-down milestone demonstrates that we had made significant progress on construction and were able to satisfy the Senior Lenders that we had, among others;”

- shown that Araguaia is funded through to completion and first cash flows following the subsequent ~US\$80m equity raise;
- made significant progress with construction, and in line with the project schedule;
- awarded all of the key material contracts, including equipment supply, Engineering Procurement and Construction Management (EPCM), port access and power supply;
- have a long-term offtake in place for 100% of Araguaia's production from line 1 with a high-quality counterparty in Glencore; and lastly,
- have built out an experienced team to deliver the Project.

"To highlight, the most critical of these contracts, is the low-cost power contract. Electrical energy makes up approximately a third of our operating costs at Araguaia, so having a power contract with renewable sourcing, at the extremely competitive pricing that we were able to lock in, means that Araguaia will be operating in the lowest quartile of the cost curve for at least the ten-year duration of the initial contract life. Furthermore, this contract demonstrates our ability to become one of the lowest CO₂ nickel producers, a major competitive advantage when compared to nickel peers.

"Turning to the physical progress that we saw on the ground at Araguaia, 2022 was a hugely transformative year in the process of developing the greenfield site into a producing asset. The foundations of the rotary kiln are now well-advanced and earthworks are close to completion. To facilitate reliable power to site, a 125 kilometre, 230kV powerline is being constructed and pre-assembly of the towers and construction of the main substations at site made good progress.

"Horizonte has a second Tier 1 asset in Vermelho. 100% owned, it is an excellent opportunity to develop a low-cost supply of nickel and cobalt to meet the fast-growing demand due to global efforts to transition to net zero emissions.

"In October 2022 we awarded the principal engineering contract to undertake the Feasibility Study (FS) at Vermelho to Wood plc, a major milestone in advancing the project through to a funding decision. Wood is a global engineering and technical services provider with extensive experience specifically in the nickel sector, and undertook the original Vermelho FS for its previous owner, Vale, from 2003 to 2006, resulting in a positive construction decision. We anticipate results from the Feasibility Study in 1H 2024.

"We were also pleased to announce the filing of the Social and Environmental Impact Assessment (EIA) for Vermelho in late 2022, an essential part of the permitting process of the project. Approval of the EIA and subsequent granting of a preliminary licence is expected during 2024, the first stage in a three-stage environmental licencing process to develop a mine in Brazil. This filing followed an 18-month period where Horizonte, in conjunction with Rambol Group ("Rambol") (a leading global environmental and social consultancy firm) together with Integratio (a leading Brazilian social consultancy firm), undertook the collection and analysis of the baseline social and environmental data specified by the Pará State Secretariat for Environment and Sustainability (SEMAS), to reflect the current physical, biological and social settings at Vermelho.

"Alongside the difficult macro inflationary environment, there have been some challenges specific to the construction phase. Brazil itself experienced a sudden step-up in industrial activity in 2022 following COVID-19 disruption, meaning that construction contractors were scarce, as was the labour force. Securing and maintaining our high-quality team at Araguaia has therefore been an added challenge, but one which we have managed to overcome. We now have over 2,000 people working at site, with this number expected to increase to 3,100 by the end of Q1 2023. Notwithstanding this sharp increase in employment and activity on site, we are extremely proud to have lost zero hours to injury this year, giving us a lost-time injury frequency rate ("LTIFR") rate of 0.00, for the fifth

consecutive year. There is of course no place for complacency and the health and safety of our people remains central to everything we do. Further information relating to our health and safety can be found on pages 28-29 of this report and also in our 3rd annual Sustainability Report found on our website.

“As mentioned above, 2022 saw the Horizonte owners team continue to grow as well. At the beginning of the year, we had a team of around 25 people. By year-end this had grown close to 150 people spanning across various disciplines from environmental and social-focused activities to commissioning and Business readiness professionals. Creating a strong working culture is key for 2023 as we look to engage our people over the long term to instil a culture that encourages total commitment to results, empowerment, flexibility, collaboration, transparency and participation.

“I’d like to welcome Mr William (Bill) Fisher to the role of Interim Chair of the Board. Bill has served alongside me on the Board for the past eight years, so he is very familiar with the business. We have always had a view that we want to maintain continuity throughout the construction stages, and as we move into ramp-up, Bill brings this required balance.

“Looking ahead to the coming 12 months, we are cognisant of the work that lies ahead. Our primary focus will be on delivering Araguaia on-time, on-budget and safely. We are targeting cold commissioning towards the end of 2023 with hot commissioning and subsequent first nickel in 1Q 2024. Alongside this work, we are planning to conduct a feasibility study on the second line at Araguaia, a relatively low capex project that will double production from 14,500 tonnes per annum to 29,000 tonnes per annum. Vermelho workflows will be centred around the Feasibility study and EIA permitting process, both expected to be finalized in 2024. Although these objectives are, in practice, considerable undertakings, we are reassured by the progress already made across the Group, and are confident in the ability of our teams on the ground to deliver.

“To conclude, I would like to thank all our stakeholders for your continued support which is never taken for granted. I would also like to take this opportunity to directly thank the Horizonte team, led on the ground in Brazil by Mike Drake, our Head of Projects and Leo Vianna, our Project Director. The whole team has achieved many significant milestones this year. We have entered 2023 with confidence and look forward to delivering and communicating our progress as we continue to unlock value from across our portfolio.”

For further information, visit www.horizonteminerals.com or contact:

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ABOUT HORIZONTE MINERALS

Horizonte Minerals plc (AIM & TSX: HZM) is developing two 100%-owned, Tier 1 projects in Pará state, Brazil, the Araguaia Nickel Project and the Vermelho Nickel-Cobalt Project. Both projects are large scale, high-grade, low-cost, low-carbon and scalable. Araguaia is under construction with first metal scheduled for early 2024, when fully ramped up with Line 1 and Line 2, is forecast to produce 29,000 tonnes of nickel per year. Vermelho is at feasibility study stage and is expected to produce 25,000 tonnes of nickel and 1,250 tonnes of cobalt to supply the EV battery market. Horizonte's combined near-term production profile of over 60,000 tonnes of nickel per year positions the Company as a globally significant nickel producer. Horizonte's top three shareholders are La Mancha Investments S.à r.l., Glencore plc and Orion Resource Partners LLP.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

Except for statements of historical fact relating to the Company, certain information contained in this press release may constitute "forward-looking information" under Canadian securities legislation. Generally, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". Forward-looking information is based on the reasonable assumptions, estimates, analysis and opinions of management made in light of its experience and its perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances at the date that such statements are made, and are inherently subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information, including but not limited to risks related to: the ability of the Company to complete the acquisition of required equipment, on time or at all, the costs and timing for delivery of the necessary equipment to be purchased, the estimation of mineral resources and reserves and the ability of the Company to achieve its goals in respect of growing its mineral resources; the realization of mineral resource and reserve estimates and achieving production in accordance with the Company's potential production profile or at all, the success of exploration and mining activities; cost and timing of future exploration, production and development, the ability of the Company to expand production lines on the timeline contemplated or at all, exploration and mining risks, competition from competitors with greater capital; the Company's lack of experience with respect to development-stage mining operations; fluctuations in metal prices; uninsured risks; environmental and other regulatory requirements; exploration, mining and other licences; the Company's future payment obligations; potential disputes with respect to the Company's title to, and the area of, its mining concessions; the Company's dependence on its ability to obtain sufficient financing in the future; the Company's dependence on its relationships with third parties; the potential of currency fluctuations and political or economic instability in countries in which the Company operates; currency exchange fluctuations; the Company's ability to manage its growth effectively; the trading market for the ordinary shares of the Company; uncertainty with respect to the Company's plans to continue to develop its operations and new projects; the Company's dependence on key personnel; possible conflicts of interest of directors and officers of the Company, and various risks associated with the legal and regulatory framework within which the Company operates, together with the risks identified and disclosed in the Company's disclosure record available on the Company's profile on SEDAR at www.sedar.com, including without limitation, the annual information form of the Company for the year ended December 31, 2021, the Araguaia Report and the Vermelho Report. Although management of the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements.

Horizonte Minerals plc**Extract from the Consolidated Financial Statements and notes for the year ended 31 December 2022****CHAIR'S STATEMENT**

I am pleased to present my first Annual Report statement as interim Chair of Horizonte. Having been a long serving member of the Board, I am very familiar with the Company, and to that end, I would like to reiterate that we find ourselves in a truly exciting period of progression. The transition from a developer into construction is the next phase for the business but our objectives, commitments and vision have remained the same: positioning Horizonte to be a significant global producer, committed to the ethical, safe and responsible production of a low-carbon nickel product. We have built an extremely capable management team and I have every confidence that we will deliver on our mission.

Following the completion of our US\$633 million funding package at the end of 2021, the transformation of Araguaia and the rate at which construction has advanced is notable and a testament to the hard work and commitment of our workforce and partners. More than 2,000 people are now employed on the Project, demonstrating the transformational potential for jobs and growth that the Project is providing to the local area.

Given the challenging nature of the market across the board in 2022, we believe that the standout quality of the asset has been the biggest reason for the success of the construction fundraise. Araguaia's long mine life of 28 years (with potential for expansion), low-cost, low-carbon nickel product is what underpins the business. The build-out of the electrification market and the move away from carbon as a fuel source have also contributed to the nickel market's strong performance over the last 12 months.

During the year we also made strong progress at our second project, Vermelho, a large high-grade, long mine life, scalable resource, designed to be a low-cost producer of nickel and cobalt for the battery industry. Having successfully completed a Pre-Feasibility study in 2019, this year we initiated a Feasibility study, an important step forward in unlocking Vermelho's significant value.

Board development

Horizonte's successful move to construction, inevitably, necessitated a reinvigoration of our governance structures and leadership at Board level. It is on this basis that, in 2022, a number of changes to the Board were effected. I'd like to formally welcome Dr Gillian Davidson and Mr Vincent Benoit, who joined the Board in March 2022.

Gillian's sustainability experience in the extractives and natural resources sectors is a fantastic asset to Horizonte as we transition into a producer, as is her role as founding member and chair of the Global Battery Alliance, an initiative created to drive a sustainable battery value chain. Vincent also brings a wealth of knowledge in the mining sector with 30 years' experience in corporate finance, business development and M&A. Vincent has been a partner at La Mancha since 2012, where his work on developing greenfield sites with Endeavour Mining saw its market capitalisation quadruple and positioned La Mancha as a leading private investor in the gold mining sector. We're very pleased to have their expertise on board, and you will likely see new additions to the Board in 2023 as we transition towards becoming a producing nickel company. David Hall, my predecessor as Chair, Allan Walker and Sepanta Dorri stepped down from the Board and I would like to thank them sincerely for their important contributions to Horizonte's success in recent years. The Board remains committed to good corporate governance, the Quoted Company Alliance's Corporate Governance Code (QCA Code) and to aligning the skills and experience of the Directors and management with the needs of Horizonte as it advances toward production.

Sustainability

As a Company, we are committed to positioning Horizonte as a long-term partner for our stakeholders. We have always worked hard to ensure that we engage effectively with all of our local stakeholders around our projects, from local individuals and families to municipal authorities. 2022 was no exception, with the highlight of this

engagement being our community development agreement with Serviço Nacional de Aprendizagem Industrial (SENAI), which we signed in July. SENAI is Brazil's leading national industrial training provider and our partnership is a key component of Araguaia's Local Content Initiative to train and develop local community members in core skills required during Araguaia's construction and operational phases. Horizonte has funded classrooms and upskilling courses in critical skills like welding and electromechanical insulation, and so far this year over 420 people have enrolled in two cohorts, including a high proportion of women, which bodes well for a diverse and educated future workforce. As a demonstration of our commitment to responsible mining, at the end of the year we completed the construction of our biodiversity centre, where as part of our significant biodiversity programme, we will see close to eighty thousand seedlings of native species grown on-site each year, helping to replant and rehabilitate large areas of degraded land following prior agricultural practices surrounding Araguaia, including biodiversity corridors to link key areas of biodiversity habitat around the project area. You can read more about our sustainability programmes in our 3rd annual Sustainability Report found on our website.

Positioning Horizonte for the future

Our strategy now is to focus on the construction of Araguaia, defining the expansion potential of Araguaia as well as advancing Vermelho towards a construction decision, thereby delivering value to shareholders. As we move through this critical phase in our Company's development, on behalf of the Board, I would like to take this opportunity to thank all of our workforce partners and stakeholders for their ongoing contribution towards delivering on our vision of becoming a significant global nickel producer.

William Fisher

Interim Chair of the Board

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

		Year ended 31 December 2022	Year ended 31 December 2021 Restated
	Notes	US\$	US\$
Administrative expenses	6	(12,544,856)	(7,811,477)
Charge for share options granted	17	(1,415,581)	—
Change in fair value of derivative	21,22	6,512,413	2,550,000
Change in fair value of special warrant liability		—	(1,616,120)
Gain/(loss) on foreign exchange		8,482,457	(862,739)
Operating profit/(loss)		1,034,433	(7,740,336)
Net finance (cost)/income	8	(6,351,735)	(5,630,179)
Loss before taxation		(5,317,302)	(13,370,515)
Income tax	9	—	—
Loss for the year from continuing operations attributable to owners of the parent		(5,317,302)	(13,370,515)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Cash flow hedges – foreign forward contracts		1,087,561	—
Currency translation differences on translating foreign operations	18	(6,678,108)	258,977
Other comprehensive (loss)/income for the year, net of tax		(5,590,547)	258,977

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Company number: 05676866

As at 31 December 2022

		31 December 2022	31 December 2021	31 December 2020
	Notes	US\$	Restated US\$	Restated US\$
Assets				
Non-current assets				
Intangible assets	10	13,208,837	8,309,484	8,490,339
Property, plant and equipment	11	277,902,428	70,594,091	42,090,825
Right of use assets	26	957,878	380,482	—
Trade and other receivables	12	9,965,590	—	—
Derivative financial assets	14	61,777	—	—
		302,096,510	79,284,057	50,581,164
Current assets				
Trade and other receivables	12	48,774,147	13,796,628	369,237
Derivative financial asset	14, 21	15,342,314	4,950,000	2,400,000
Cash and cash equivalents	13	154,027,967	210,492,280	14,925,021
		218,144,428	229,238,908	17,694,258
Total assets		520,240,938	308,522,965	68,275,422
Equity and liabilities				
Equity attributable to owners of the parent				
Share capital	15	70,332,641	52,215,236	20,666,053
Share premium	16	306,719,689	245,388,102	65,355,677
Other reserves	18	(29,938,166)	(23,260,058)	(23,519,035)
Cash flow hedge reserve		1,087,561	—	—
Share options reserve	17	1,415,581	—	—
Retained losses		(50,187,603)	(45,058,633)	(33,304,238)
Total equity		299,429,703	229,284,647	29,198,457
Liabilities				
Non-current liabilities				
Contingent consideration	20	6,895,737	6,734,134	8,082,092
Deferred consideration	20	4,808,431	4,493,861	—
Royalty Finance	21	89,745,255	44,496,504	30,131,755
Convertible loan notes	22	59,447,520	—	—

Cost overrun facility	23	23,809,827	—	—
Senior debt facility	24	4,328,241	—	—
Environmental rehabilitation provision	25	634,883	—	—
Lease liabilities	26	715,290	321,717	—
Trade payables	19	723,333	608,975	—
		191,108,517	56,655,191	38,213,847
Current liabilities				
Trade and other payables	19	28,481,038	21,574,362	863,118
Deferred consideration	20	950,000	950,000	—
Lease liabilities	26	271,680	58,765	—
		29,702,718	22,583,127	863,118
Total liabilities		220,811,235	79,238,318	39,076,965
Total equity and liabilities		520,240,938	308,522,965	68,275,422

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 28 March 2023 and were signed on its behalf.

William Fisher
 Interim Chair of the Board

Jeremy J Martin
 Chief Executive Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Attributable to the owners of the parent						
	Share capital US\$	Share premium US\$	Other reserves US\$	Cash flow hedge reserve US\$	Share options reserve US\$	Retained losses US\$	Total US\$
As at 1 January 2021							
Restated	20,666,053	65,355,677	(23,519,035)	—	—	(33,304,238)	29,198,457
Loss for the year	—	—	—	—	—	(13,370,515)	(13,370,515)
Other comprehensive income:							
Currency translation differences on translating foreign operations	—	—	258,977	—	—	—	258,977
Total comprehensive income for the year	—	—	258,977	—	—	(13,370,515)	(13,111,538)
Issue of ordinary shares	30,335,627	183,255,417	—	—	—	—	213,591,044
Issue costs	—	(10,389,470)	—	—	—	—	(10,389,470)
Conversion of special warrants into shares	1,213,556	7,986,413	—	—	—	1,616,120	10,816,089
Special warrants issue costs	—	(819,935)	—	—	—	—	(819,935)
Total transactions with owners, recognised directly in equity	31,549,183	180,032,425	—	—	—	1,616,120	213,197,728
As at 31 December 2021 Restated	52,215,236	245,388,102	(23,260,058)	—	—	(45,058,633)	229,284,647
Loss for the year	—	—	—	—	—	(5,317,302)	(5,317,302)
Other comprehensive income:							
Cash flow hedges – foreign forward contracts	—	—	—	1,087,561	—	—	1,087,561
Currency translation differences on	—	—	(6,678,108)	—	—	—	(6,678,108)

translating foreign
operations

Total comprehensive income for the year	—	—	(6,678,108)	1,087,561	—	(5,317,302)	(10,907,849)
Issue of ordinary shares	18,117,405	63,830,692	—	—	—	188,332	82,136,429
Issue costs	—	(2,499,105)	—	—	—	—	(2,499,105)
Share options granted	—	—	—	—	1,415,581	—	1,415,581
Total transactions with owners, recognised directly in equity	18,117,405	61,331,587	—	—	1,415,581	188,332	81,052,905
As at 31 December 2022	70,332,641	306,719,689	(29,938,166)	1,087,561	1,415,581	(50,187,603)	299,429,703

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Notes	31 December 2022 US\$	31 December 2021 Restated US\$
Cash flows from operating activities			
Loss before taxation		(5,317,302)	(13,370,515)
Charge for share options granted	17	1,415,581	—
Net finance costs	8	6,351,735	5,630,179
Exchange differences		(8,482,457)	862,739
Change in fair value of derivative asset	21,22	(6,512,413)	(2,550,000)
Fair value of special warrant liability		—	1,616,120
Operating loss before changes in working capital		(12,544,856)	(7,811,477)
Increase in trade and other receivables		(2,693,021)	(13,427,391)
Increase in trade and other payables		5,336,114	16,675,664
Cash used in operating activities		(9,901,763)	(4,563,204)
Income taxes paid		—	—
Net cash used in operating activities		(9,901,763)	(4,563,204)
Cash flows from investing activities			
Purchase of exploration and evaluation assets		(4,349,092)	(405,221)
Purchase of property, plant and equipment		(191,740,544)	(14,271,709)
Interest received		7,117,103	500,634
Net cash used in investing activities		(188,972,533)	(14,176,296)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		82,136,429	213,591,044
Issue costs		(2,499,105)	(10,389,470)
Proceeds from issue of convertible loan notes		61,262,500	—
Issue costs		(950,287)	—
Proceeds from royalty finance arrangement		25,000,000	—
Issue costs		(847,939)	—
Proceeds from cost overrun facility		25,000,000	—
Issue costs		(1,198,634)	—
Proceeds from senior debt facility		5,000,000	—

Issue costs		(678,536)	—
Lease liability repayments		(207,552)	—
Loan facilities interest payments		(304,892)	—
Senior debt facility prepaid transaction costs		(42,250,088)	—
Proceeds from issue of share warrants		—	10,816,089
Share warrants issue costs		—	(819,935)
Net cash generated from financing activities		149,461,896	213,197,728
Net (decrease)/increase in cash and cash equivalents		(49,412,400)	194,458,228
Cash and cash equivalents at beginning of year		210,492,280	14,925,021
Exchange (loss)/gain on cash and cash equivalents		(7,051,913)	1,109,031
Cash and cash equivalents at end of the year	13	154,027,967	210,492,280

EXTRACT FROM THE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

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.

Basis of preparation

These Financial Statements have been prepared in accordance with UK adopted international accounting standards. Financial Statements have been prepared under the historical cost convention except for the following items (refer to individual accounting policies for details):

- Contingent consideration
- Financial instruments – fair value through profit and loss
- Cash settled share-based payment liabilities
- Cash flow hedges at fair value through other comprehensive income (OCI)

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.

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 6 and 7; 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 has cash reserves and access to liquidity which are considered sufficient by the Directors to fund the Group's committed expenditure both operationally and on its exploration project for the foreseeable future.

The Group concluded a comprehensive funding package of US\$633 million in December 2021. The net proceeds of the fundraisings 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 equity fundraise (US\$197million of the US\$633 million) was finalized and funds received in December 2021 with a further equity fund raise completed in November 2022 for a gross US\$80 million. 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).

Funds from the convertible loan notes and the royalty were received in March 2022. The cost overrun facility funds were received in November 2022 and the first drawdown under the senior debt facility was completed in December 2022 following the satisfaction of certain conditions precedent customary to a financing of this nature. Subsequent drawdowns under the senior debt facility are expected to follow during the remainder of the construction period, again following the satisfaction of certain conditions precedent customary to a financing of this nature including but not limited to satisfaction of a cost to complete exercise prior to each draw down on the facility, satisfaction of minimum order values from certain suppliers,

maintaining the good standing of operational licences and permitting, and financial models detailing the Group's budget forecasting compliance with covenants and ratios.

The funds held at the year-end along with those to be raised post year end following the satisfaction of any condition's precedent for further drawdowns of the senior debt facility (including access to any of the funds secured as part of the cost overrun facility), 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. However, 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.

At the time of the second drawdown of the senior debt facility (completed after the year end) the total remaining cost associated with bringing the Araguaia Project to the point of generating cashflows were estimated to be US\$356 million which includes a contingency of US\$19 million. This will be funded through the undrawn senior debt facility of US\$341.2 million. In addition, the Group has a cost overrun facility available of US\$25million. If expected or actual costs were to increase as a result of delays or increases in capital or pre-production operating costs by more than US\$48 million (14% increase) of the total budget the project would fail the cost to complete test, a condition precedent of the senior debt facility. Additionally, despite being approximately 45% complete a number of risks still exist around escalation costs linked to several of the major construction packages (these include labour and materials) potentially exceeding the contingency. This could result in future drawdowns on the senior debt facility not being permitted and require the Group to pursue alternative sources of funding to meet its commitments.

As the project moves into operational ramp-up phase there are a number of risk areas around commissioning the furnace and rotary kiln. If any of these ramp-up risks exceed the pre-production funding allocated to the unit areas there will be a requirement for additional funding.

As some of these events are outside of the Group's control, a material uncertainty exists which may cast significant doubt about the Group's continued ability to operate as a going concern and its ability to realise its assets and discharge its liabilities in the normal course of business.

The financial statements do not include any adjustments that would result if the Group were unable to continue as a going concern.

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.

Horizonte Minerals Plc changed its presentation currency from Pounds Sterling to US Dollars effective 1 January 2022.

The presentation currency has been revised as the financing package concluded by the Group to construct the Araguaia project is denominated in US Dollars and future revenues will also be in US Dollars. The board therefore believes that US Dollar financial reporting provides more relevant presentation of the group's financial position, funding and treasury functions, financial performance and its cash flows.

A change in presentation currency represents a change in an accounting policy in terms of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors requiring the restatement of comparative information. In accordance with IAS 21 The Effects of Changes in Foreign Exchange Rates, the following methodology was followed in restating historical financial information from Pounds Sterling to US Dollar:

- Assets and liabilities were translated at the relevant closing exchange rate at the end of the reporting period. Items of income and expenditure and cash flows were translated at average rates of exchange for the period;
- The foreign currency translation reserve was reset to nil as at 1 January 2006, the date on which the group adopted IFRS. Share capital and premium and other reserves, as appropriate, were translated at the historic rates prevailing at the dates of underlying transactions; and

- The effects of translating the group's financial results and financial position into US Dollar were recognised in the foreign currency translation reserve.

The exchange rates used were as follows:

GBP/USD	31 December 2021	31 December 2020
Closing rate	1.3477	1.3649
Average rate	1.3757	1.2837
USD/BRL		
Closing rate	5.5710	5.1967
Average rate	5.3810	5.0869

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 US\$	Exploration Licenses US\$	Exploration and evaluation costs US\$	Software US\$	Total US\$
Cost					
At 1 January 2021	215,979	6,831,692	1,442,670	—	8,490,341
Additions	—	103,461	209,246	92,515	405,222
Amortisation for the year	—	—	—	(2,509)	(2,509)
Exchange rate movements	(14,844)	(480,025)	(88,701)	—	(583,570)
Net book amount at 31 December 2021	201,135	6,455,128	1,563,215	90,006	8,309,484
Additions	—	—	4,255,285	93,808	4,349,093
Amortisation for the year	—	—	—	(30,743)	(30,743)
Exchange rate movements	14,081	648,566	(87,945)	6,301	581,003
Net book amount at 31 December 2022	215,216	7,103,694	5,730,555	159,372	13,208,837

(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 the amount was capitalised to the exploration licences held within intangible assets shown above.

On 17 October 2020 the Group published the results of a Pre-Feasibility Study on the Vermelho Nickel Cobalt Project, which confirms Vermelho as a large, high-grade resource, with a long mine life and low-cost source of nickel sulphate for the battery industry.

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

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

Nothing has materially deteriorated with the economics of the PFS between the publication date and the date of this report and the Directors undertook an assessment of impairment through evaluating the results of the PFS along with recent market information relating to capital markets and nickel prices and judged that there are no impairment indicators with regards to the Vermelho Project. Nickel prices remain higher than they were at the time of the publication of the PFS and overall sentiment towards battery metals and supply materials have grown more positive over the current year.

(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.

Property, plant and equipment

Group	Mine Development Property US\$	Vehicles and other field equipment US\$	Office equipment US\$	Land acquisition US\$	Building improvements US\$	Total US\$
Cost						
At 31 December 2020	41,909,101	105,074	78,287	119,090	—	42,211,552
Additions	13,328,811	759,475	69,980	10,199,425	—	24,357,691
Transfers	—	648	(648)	—	—	—
Interest capitalized	7,073,241	—	—	—	—	7,073,241
Disposals	—	—	(1,385)	—	—	(1,385)
Foreign exchange movements	(2,893,576)	(7,204)	(5,368)	(8,186)	—	(2,914,334)
At 31 December 2021	59,417,577	857,993	140,866	10,310,329	—	70,726,765
Additions	184,319,008	—	167,364	2,606,842	37,519	187,130,733
Interest capitalized	13,175,730	—	—	—	—	13,175,730
Transfers	781,069	(813,617)	32,334	—	214	—

Group	Mine Development Property US\$	Vehicles and other field equipment US\$	Office equipment US\$	Land acquisition US\$	Building improvements US\$	Total US\$
Environmental rehabilitation additions	634,883	—	—	—	—	634,883
Disposals	—	—	(2,828)	—	—	(2,828)
Foreign exchange movements	5,637,148	60,068	9,862	721,831	—	6,428,909
At 31 December 2022	263,965,415	104,444	347,598	13,639,002	37,733	278,094,192
Accumulated depreciation						
At 31 December 2020	—	78,036	42,719	—	—	120,755
Charge for the year	—	7,526	12,840	—	—	20,366
Transfers	—	222	(222)	—	—	—
Disposals	—	—	(168)	—	—	(168)
Foreign exchange movements	—	(5,350)	(2,929)	—	—	(8,279)
At 31 December 2021	—	80,434	52,240	—	—	132,674
Charge for the year	—	6,933	42,165	—	978	50,076
Transfers	—	(744)	726	—	18	—
Disposals	—	—	(274)	—	—	(274)
Foreign exchange movements	—	5,631	3,657	—	—	9,288
At 31 December 2022	—	92,254	98,514	—	996	191,764
Net book amount as at 31 December 2022	263,965,415	12,190	249,084	13,639,002	36,737	277,902,428
Net book amount as at 31 December 2021	59,417,577	777,559	88,626	10,310,329	—	70,594,091

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 further progress was made in the land acquisition process for the Araguaia project. US\$1.7million of the land and 'right of way' purchases is included in trade and other payables as at 31 December 2022.

US\$105million of the additions for the mine development property are prepayments to suppliers which have been paid in advance of delivery of mining equipment that is pre-fabricated offsite.

a) Royalty financing liability

a.1) Araguaia 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 US\$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. The rate has been confirmed to be 2.95%. The royalty is paid over the first 426k tonnes of nickel produced from the Araguaia Ferronickel project. The royalty is linked to production and therefore does not become payable until the project is constructed and commences commercial production. 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 21 b).

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

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

The long-term nickel price used in the royalty valuation as at 31 December 2022 is US\$18,721/t Ni (2021:US\$ 16,945/t Ni).

Management have sensitised the carrying value of the royalty liability for a US\$1,000/t Ni increase/decrease in future nickel price the carrying value would change by US\$2,682,547 (2021:US\$2,711,505).

a.2) Vermelho royalty financing liability

On 23 November 2021 the Group entered into a royalty funding arrangement with Orion Mine Finance ("OMF") securing a gross upfront payment of US\$25,000,000 before fees in exchange for a royalty, at a rate of 2.1%. The royalty rate will increase to 2.25% if substantial construction of the Vermelho Project has not commenced within 5 years of the closing date, 30 March 2022. The royalty will be paid over the life of mine of Vermelho. The Royalty agreement has certain provisions to revise the headline royalty rate should there be change in the mine schedule and production profile prior to construction or if the resource covered in the Vermelho Feasibility Study is depleted. 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 21 b). The royalty funds were received on 30 March 2022.

The Royalty liability has initially been recognised using the amortised cost basis with an effective interest rate of 17.66%. 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 17.66%. Any adjustment to the carrying value is recognised in the income statement.

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

The assumption influencing the initial valuation of the carrying value of the Vermelho royalty is the long-term nickel price of US\$17,756 t/Ni (as at the initial recognition date 30 March 2022), the long-term cobalt price of US\$53,355t/Co (as at the initial recognition date 30 March 2022), and the royalty rate of 2.1%. The assumptions influencing the valuation at the period end date is the long-term nickel price of US\$18,721 t/Ni, the long-term cobalt price of US\$56,950 t/Co. The royalty rate has remained at 2.1%.

Management have sensitised the carrying value of the royalty liability by a change in the royalty rate to 2.25% and it would be US\$2,925,856 higher and for a US\$1,000/t increase/decrease in future nickel price and future cobalt price the carrying value would change by US\$1,981,761.

	Vermelho Royalty US\$	Araguaia Royalty US\$	Total US\$
Net book amount at 1 January 2021	—	30,131,755	30,131,755
Unwinding of discount	—	4,637,057	4,637,057
Change in carrying value	—	9,727,692	9,727,692
Net book amount at 31 December 2021	—	44,496,504	44,496,504
Initial recognition	25,000,000	—	25,000,000
Embedded derivative – initial valuation	9,848,175	—	9,848,175
Transaction costs	(847,939)	—	(847,939)
Unwinding of discount	4,448,595	5,350,666	9,799,261
Change in carrying value	2,513,156	(1,063,902)	1,449,254
Net book amount at 31 December 2022	40,961,987	48,783,268	89,745,255

b) Derivative financial asset

b.1) Araguaia 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 of US\$18,721/t Ni (2021:US\$16,941/t Ni), the start date of commercial production in March 2024 (2021: May 2023), the prevailing royalty rate of 2.95% (2021: 2.95%), the inflation rate of 2.22% (2021: 1.76%), and volatility of nickel prices of 39.7% (2021: 22.1%).

Sensitivity analysis

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

A 15% adjustment to the estimated future nickel price would result in a variance between US\$2.7million and US\$3million in the valuation.

b.2) Vermelho derivative financial assets

Horizonte has the right to buy back 50% of the royalty on the first four anniversaries of closing (or on any direct or indirect change of control in respect of Vermelho up until the fourth anniversary of closing).

After the 4th anniversary, Horizonte has the right to buy back 50% of the royalty on any direct or indirect change of control in respect of Vermelho at a valuation that meets certain minimum economic returns for OMF.

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 has 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 (US\$18,721/t Ni), the future cobalt price (US\$56,950/t Co), the production profile from 2027 to 2065, the expected royalty rate (2.1%), the inflation rate (2.22%), volatility of nickel prices (22.1%) and volatility of cobalt prices (28.0%).

Sensitivity analysis

The valuation of the Buyback option is sensitive to estimates for nickel and cobalt prices and their respective volatilities.

A 15% adjustment to the estimated future nickel and cobalt prices would result in a variance of US\$3.7 million in the valuation.

Refer to the table below for the summary of the derivative financial assets valuation:

	Vermelho Royalty US\$	Araguaia Royalty US\$	Total US\$
Value as at 1 January 2021	—	2,400,000	2,400,000
Change in fair value	—	2,550,000	2,550,000
Value as at 31 December 2021	—	4,950,000	4,950,000
Initial recognition	9,848,175	—	9,848,175
Change in fair value	(366,284)	57,496	(308,788)
Value as at 31 December 2022	9,481,891	5,007,496	14,489,387

22 Convertible loan notes

On 29 March 2022 the Company issued convertible loan notes to the value of US\$65 million at an interest rate of 11.75% with interest accruing quarterly in arrears. The convertible loan notes were issued at a discount of 5.75%. The maturity date of the instruments is 15 October 2032.

The convertible loan notes are unsecured and the noteholders will be repaid as follows:

- Interest shall be capitalised until the Araguaia Project Completion date, estimated to be 31 December 2025 (subject to various technical operating tests being passed)
- After Project Completion Date, interest shall be paid quarterly only if there is available cash (after the company meets its senior debt and other senior obligations)
- After Project Completion Date, principal repayments (including accrued capitalized interest) shall be paid quarterly subject to available cash for distribution. In addition, a cash sweep of 85% of excess cash will apply on each interest payment date
- Any amount outstanding on the CLN on the maturity date 15 October 2032, Horizonte is obliged to settle in full on the maturity date.

At any time until the Maturity Date, the Noteholder may, at its option, convert the notes, partially or wholly, into a number of ordinary shares up to the total amount outstanding under the Convertible Note divided by the Conversion Price. The Conversion Price is 125% of the Subscription Price of 0.07 pence (after share consolidation 1.40 pence converted to US\$ at a rate of 1.3493). The Conversion Price is therefore US\$1.89. After the equity fundraise that was completed on 8 November 2022 (refer to note 14) the conversion price was revised to £1.268 /US\$1.71.

The convertible loan is a hybrid financial instrument, whereby a debt host liability component and an embedded derivative liability component was determined at initial recognition. The conversion option did not satisfy the fixed for fixed equity criterion (fixed number of shares and fixed amount of functional currency cash) as the currency of the convertible loan notes is US Dollar and the functional currency of Horizonte Minerals Plc and its share price is GBP.

For convertible notes with embedded derivative liabilities, the fair value of the embedded derivative liability is determined first and the residual amount is assigned to the debt host liability.

The initial recognition of the embedded derivative conversion feature has been recognised as a liability on the balance sheet with any changes to the fair value of the derivative recognised in the income statement. It has been fair valued using a Monte Carlo simulation which runs a high number of scenarios in order to derive an estimated valuation. The Monte Carlo simulation was performed at the transaction date 29 March 2022 and at the year-end date 31 December 2022.

The assumptions for the valuation of the conversion feature (per the Monte Carlo simulation) at initial recognition are the Horizonte Minerals Plc future share price volatility (60.3%), GBP: USD exchange rate volatility (11.1%) on the conversion price. At the year end date the share price volatility assumption was 42.9% and the GBP: USD exchange rate volatility assumption 10%.

At 29 March 2022 the fair value of the conversion feature was calculated (per the Monte Carlo simulation) as US\$36,458,088. The proceeds received was US\$ 61,262,500 and thus the residual allocated to the debt host liability was US\$24,804,412.

The debt host liability will be accounted for using the amortised cost basis with an effective interest rate of 34%. The effective interest rate is recalculated after adjusting for the transaction costs and the discount of 5.75%. The Group will recognise the unwinding of the discount at the effective interest rate, until the maturity date, the carrying amount at the maturity date will equal the cash payment required to be made.

The directly attributable transaction costs amounted to US\$2,347,041 which was allocated proportionately to the embedded derivative (US\$1,396,754) and the convertible loan notes liability (US\$ 950,287). The embedded derivative transaction costs were recognised in profit and loss, whereas the convertible loan liability transaction costs were deducted from the financial liability carrying amount.

After the fifth anniversary of the closing date, Horizonte shall have a one-time right to redeem the Convertible Notes, in whole, at 105% of the par value plus accrued and unpaid interest in cash if:

1. The thirty-business day VWAP of Horizonte shares exceeds 200% of the Conversion Price and the average daily liquidity of the Company's shares (across all relevant exchanges) exceeds US\$2.5 million per trading day over the prior 30 trading days; or

2. There is a change of control.

Management have assessed the likelihood of the above events occurring is highly improbable and thus the value of the redemption right is immaterial and was thus not considered in the valuation of the instrument.

Sensitivity analysis – Conversion feature derivative

The valuation of the conversion feature derivative is sensitive to the Company's equity price and share price volatility. A 15% adjustment on the Company's equity price results in a variance of between US\$7.6million and US\$8.3million in the valuation. A 30% adjustment on the equity volatility results in a variance of US4.9million.

	Embedded derivative	Convertible loan notes liability	Total
	US\$	US\$	US\$
Initial recognition (after discount on issue)	36,458,088	24,804,412	61,262,500
Transaction costs	—	(950,287)	(950,287)
Unwinding of discount	—	5,956,508	5,956,508
Change in fair value	(6,821,201)	—	(6,821,201)
Value as at 31 December 2022	29,636,887	29,810,633	59,447,520

23 Cost overrun facility

On 30 November 2022, the Group satisfied all conditions precedent in relation to the cost overrun facility (COF) and had received all COF funds from Orion. The COF benefits from the same security package as the senior debt facility but will be subordinated to the senior debt facility. Access to the COF funds is restricted and will only be available in the case of a cost overrun against the Araguaia Project construction schedule and budget, subject to certain conditions including:

90% of the funding from the Equity Fundraise and Convertible loan notes have been invested in the construction of the Araguaia Project

A gearing ratio of 70:30 being met

The COF is US\$25million with an interest rate of 13% and a maturity date of 15 October 2032. Interest will be calculated quarterly and be payable in arrears at the end of each interest period – March 31, June 30, September 30 and December 31. The first interest period was 30 November to 31 December 2022. The initial principal repayment date is 31 March 2025. 3.23% of the outstanding principal amount will be paid at each quarter end date starting from 31 March 2025.

The COF will be accounted for using the amortised cost basis with an effective interest rate of 15%. The effective interest rate is recalculated after adjusting for the transaction costs. The Group will recognise the unwinding of the discount at the effective interest rate, until the maturity date, the carrying amount at the maturity date will equal the cash payment required to be made.

	Total
	US\$
Initial recognition	25,000,000
Transaction costs	(1,198,634)

Unwinding of discount	288,321
Interest repayments	(279,860)
Value as at 31 December 2022	23,809,827

24 Senior debt facility

On 15 March 2022 the Group entered into legally binding documentation including a comprehensive intercreditor agreement and loan agreements with two export credit agencies in relation to its senior secured project finance debt facility of US\$346.2 million. The senior debt facility was executed between Araguaia Niquel Metais LTDA, and a syndicate of international financial institutions, being BNP Paribas, BNP Paribas Fortis, ING Capital LLC, ING Bank N.V., Natixis, New York Branch, Société Générale and SEK (Swedish Export Credit Corporation).

The senior debt facility includes 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 (Denmark's Export Credit Agency);
- ECA facility of US\$71,638,000 guaranteed by Finnvera plc (Finland's Export Credit Agency);

On 7 December 2022, the Group satisfied all conditions precedent for the first utilisation under the senior debt facility of US\$346.2 million. The first utilisation was for US\$5million.

The interest rate on the ECA facility is calculated according to this formula : Margin + Term SOFR (Secured Overnight Financing Rate) + Baseline Credit Adjustment Spread (CAS). The ECA Facility margin is 1.8%. The Term SOFR was the first interest period was 4.21714% and the Baseline CAS 0.11448%. The ECA facility interest rate was therefore 6.13162% at 31 December 2022.

The interest rate on the Commercial facility is calculated according to this formula : Margin + Term SOFR (Secured Overnight Financing Rate) + Baseline Credit Adjustment Spread (CAS). The Commercial Facility margin is 4.75%. The Term SOFR was the first interest period was 4.21714% and the Baseline CAS 0.11448%. The ECA facility interest rate was therefore 9.08162% at 31 December 2022.

Interest will be calculated quarterly and be payable in arrears at the end of each interest period – March 31, June 30, September 30 and December 31. The first interest period was 7 to 31 December 2022. The initial principal repayment date is 31 March 2025. The outstanding principal amount will be paid according to the repayment schedule at each quarter end date starting from 31 March 2025.

The final maturity date on the Commercial Facility is 15 July 2030. The final maturity date on the ECA Facility is 15 July 2032.

The ECA and Commercial Facilities will be accounted for using the amortised cost basis with effective interest rates of 12.25% and 11.57% respectively. The effective interest rate is recalculated after adjusting for the transaction costs. The Group will recognise the unwinding of the discount at the effective interest rate, until the maturity date, the carrying amount at the maturity date will equal the cash payment required to be made.

The Senior Debt Facility is secured via a comprehensive security package which includes:

- Pledge of shares in the Araguaia Niquel Metais Ltda. (the "Borrower");
- Pledge of shares of the guarantors (other than Horizonte Minerals plc);
- First ranking security over all of the Araguaia Project's assets (including its mineral rights);
- Assignment of insurance policies;
- Assignment of material project contracts (including rights under hedge agreements);
- Charge over certain bank accounts of the Borrower (including the debt service bank account, the cost overrun account and the insurance proceeds account); and
- Assignment of credit related to intercompany loans (by the Group borrowing entity) and subordination of the debt related to inter-company loans (by the Group lending entity).

	ECA Facility	Commercial Facility	Total
	US\$	US\$	US\$
Initial recognition	2,111,496	2,888,504	5,000,000
Transaction costs	(446,399)	(232,137)	(678,536)
Unwinding of discount	12,660	19,148	31,808
Interest repayments	(8,271)	(16,760)	(25,031)
Value as at 31 December 2022	1,669,486	2,658,755	4,328,241

As at 31 December 2022 the drawn vs undrawn balance on the senior debt facility was as follows:

	Drawn	Undrawn	Total
Commercial Facility	2,888,504	343,311,496	346,200,000
EKF ECA Facility	1,076,863	73,485,137	74,562,000
Finnvera ECA Facility	1,034,633	70,603,367	71,638,000

Events after the reporting date

Non-adjusting events after the reporting date

On 27 February 2023, the Group announced that it had drawn down US\$50million from its senior secured project finance debt facility of US\$346.2million.