NEWS RELEASE

17 August 2023

INTERIM FINANCIAL RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

Horizonte Minerals Plc (AIM/TSX: HZM) ("Horizonte" or the "Company"), a nickel company developing two Tier 1 assets in Brazil, announces it has today published its unaudited financial results for the six-month period to 30 June 2023.

Highlights of the period, as per the announcement on 3 August 2023:

- Araguaia Nickel Project Line 1 construction activities continued to make good progress with first metal production on-schedule for Q1 2024
  - Strong safety performance, no lost time injuries with close to 3.8 million hours worked
  - Approximately 65% of the overall construction of Araguaia was completed as of 30 June 2023, with physical site construction 53% complete
  - Several major milestones were achieved during the period including the delivery of the Rotary Kiln and commencement of ore mining
  - US$329 million has been spent on the Araguaia construction out of the budgeted capital requirement of US$537 million
- Araguaia Nickel Project Line 2 Feasibility Study ("FS"), which aims to double nickel production from 14,500 tonnes per annum to 29,000 tonnes per annum, to be published later this year
- Liquidity and funding sources of US$344 million as of 30 June 2023
- Published fourth consecutive standalone Sustainability Report for 2022
- A recent video of the project progress is available: https://horizonteminerals.com/uk/en/videos_and_audio/

This announcement has been posted on the Company's website www.horizonteminerals.com and is also available on SEDAR at www.sedar.com.

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 high-grade, low-cost, with low carbon emission intensities and are scalable. Araguaia is under construction with first metal scheduled for 1Q 2024. When fully ramped up with Line 1 and Line 2, Araguaia is forecast to produce 29,000 tonnes of nickel per year. Vermelho is at feasibility study stage and is expected to supply nickel to the critical metals market. Horizonte's combined 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 constitutes "forward-looking information" under Canadian securities legislation. Forward-looking information includes, but is not limited to, the ability of the Company to complete any planned acquisition of equipment, statements with respect to the potential of the Company's current or future property mineral projects; the ability of the Company to complete a positive feasibility study regarding the second RKEF line at Araguaia on time, or at all, the ability of the Company to complete a positive feasibility study regarding the Vermelho Project on time, or at all, the success of exploration and mining activities; cost and timing of future exploration, production and development; the costs and timing for delivery of the 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. 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 inability of the Company to complete any planned acquisition of equipment on time or at all, the ability of the Company to complete a positive feasibility study regarding the implementation of a second RKEF line at Araguaia on the timeline contemplated or at all, the ability of the Company to complete a positive feasibility study regarding the Vermelho Project 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 Company's joint ventures; 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, 2022, and the Araguaia and Vermelho Technical Reports available on the Company's website https://horizonteminerals.com/. 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

Unaudited Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2023

Condensed Consolidated Statement of Comprehensive Income

		6 months ended 30 June	
		2023	**2022**
		Unaudited	**Unaudited Amended (Note 2)**
	Notes	**US$'000**	**US$'000**
Administrative expenses		(10,453)	(7,326)
Share based payments	11	(1,196)	-
Gain/(loss) on foreign exchange		10,987	9,383
(Loss)/profit before interest and taxation		**(662)**	**2,057**
Net finance (costs)/income	5	(2,144)	(2,984)
Loss before taxation		**(2,807)**	**(927)**
Taxation		-	-
Loss for the period		**(2,807)**	**(927)**
Other comprehensive income items that may be reclassified subsequently to profit or loss			
Cash flow hedges – foreign forward contracts	9	9,291	(4,638)
Currency translation differences on translating foreign operations		28,019	(9,789)
Other comprehensive income / (loss) for the period, net of taxation		**37,310**	**(14,427)**
Total comprehensive income / (loss) for the period attributable to equity holders of the Company		**34,503**	**(15,354)**
Earnings per share attributable to the equity holders of the Group			
Basic & Diluted earnings per share (pence per share)	20	**(1.045)**	**(0.487)**

Condensed Consolidated Statement of Financial Position

	Notes	30 June 2023 Unaudited US$'000	31 December 2022 Audited US$'000
Assets			
Non-current assets			
Intangible assets	6	19,714	13,209
Property, plant & equipment	7	449,880	277,902
Right of use assets		1,033	958
Trade and other receivables		21,015	9,966
Derivative financial assets	9	-	62
		491,642	302,097
Current assets			
Trade and other receivables		36,253	48,774
Derivative financial asset	9, 13b	25,220	15,342
Cash and cash equivalents	8	138,682	154,028
		200,155	218,144
Total assets		**691,797**	**520,241**
Equity and liabilities			
Equity attributable to owners of the parent			
Issued capital	10	70,423	70,333
Share premium	10	306,946	306,720
Other reserves		(1,919)	(29,938)
Cash flow hedge reserve		10,379	1,088
Share options reserve	11	2,612	1,416
Accumulated losses		(52,994)	(50,188)
Total equity		**335,446**	**299,430**
Liabilities			
Non-current liabilities			
Contingent consideration	12	7,131	6,896
Royalty Finance	13a	96,661	89,745
Deferred consideration	12	3,815	4,808
Convertible loan notes liability	14	64,123	59,448
Cost overrun facility	15	23,872	23,810
Senior debt facility	16	128,317	4,328
Environmental rehabilitation provision		1,158	635
Lease liabilities		669	715
Trade and other payables		363	723
		326,109	191,109
Current liabilities			
Trade and other payables		28,760	28,481
Deferred consideration	12	1,061	950
Lease liabilities		421	272
		30,242	29,703
Total liabilities		**356,351**	**220,811**
Total equity and liabilities		**691,797**	**520,241**

Condensed Statement of Changes in Shareholders' Equity

	Attributable to the owners of the parent						
	Share capital US$'000	Share premium US$'000	Accumulated losses US$'000	Other reserves US$'000	Cash flow hedge reserve US$'000	Share options reserve US$'000	Total US$'000
As at 1 January 2022	**52,215**	**245,388**	**(45,078)**	**(23,273)**	**-**	**-**	**229,253**
Comprehensive income							
Loss for the period	-	-	(927)	-	-	-	(927)
Other comprehensive income							
Cash flow hedges – foreign forward contracts	-	-	-	-	(4,638)	-	(4,638)
Currency translation differences	-	-	-	(9,789)	-	-	(9,789)
Total comprehensive loss	**-**	**-**	**(927)**	**(9,789)**	**(4,638)**	**-**	**(15,354)**
Transactions with owners							
Issue of ordinary shares	78	261	198	-	-	-	537
Total transactions with owners	**78**	**261**	**198**	**-**	**-**	**-**	**537**
As at 30 June 2022 (amended note 2 and unaudited)	**52,293**	**245,649**	**(45,807)**	**(33,062)**	**(4,638)**	**-**	**214,436**

	Attributable to the owners of the parent						
	Share capital US$'000	Share premium US$'000	Accumulated losses US$'000	Other reserves US$'000	Cash flow hedge reserve US$'000	Share options reserve US$'000	Total US$'000
As at 1 January 2023	**70,333**	**306,720**	**(50,188)**	**(29,938)**	**1,088**	**1,416**	**299,430**
Comprehensive income							
Loss for the period	-	-	(2,807)	-	-	-	(2,807)
Other comprehensive income							
Cash flow hedges – foreign forward contracts	-	-	-	-	9,291	-	9,291
Currency translation differences	-	-	-	28,019	-	-	28,019
Total comprehensive income / (loss)	**-**	**-**	**(2,807)**	**28,019**	**9,291**	**-**	**34,503**
Transactions with owners							
Issue of ordinary shares	90	226	-	-	-	-	316
Share options granted	-	-	-	-	-	1,196	1,196
Total transactions with owners	**90**	**226**	**-**	**-**	**-**	**1,196**	**1,512**
As at 30 June 2023 (unaudited)	**70,423**	**306,946**	**(52,995)**	**(1,919)**	**10,379**	**2,612**	**335,446**

Condensed Consolidated Statement of Cash Flows

		6 months ended 30 June	
		2023	2022 Amended (Note 2)
		Unaudited	Unaudited
		US$'000	US$'000
Cash flows from operating activities			
Loss before taxation		(2,807)	(927)
Net finance costs	5	2,144	2,984
Share based payment	11	1,196	-
Exchange differences		(10,987)	(9,383)
Operating loss before changes in working capital		**(10,453)**	**(7,326)**
Decrease/(increase) in trade and other receivables		(16,799)	(3,057)
(Decrease)/increase in trade and other payables		(80)	(11,841)
Net cash outflow from operating activities		**(27,332)**	**(22,224)**
Cash flows from investing activities			
Purchase of intangible assets	6	(5,396)	(639)
Purchase of property, plant and equipment	7	(140,178)	(67,047)
Interest received	5	4,368	2,394
Net cash outflow from investing activities		**(141,205)**	**(65,292)**
Cash flows from financing activities			
Net proceeds from issue of ordinary shares	10	317	537
Proceeds from issue of convertible loan notes	14	-	61,263
Issue costs	14	-	(950)
Proceeds from royalty finance arrangement	13a	-	25,000
Issue costs	13a	-	(848)
Proceeds from senior debt facility	16	135,000	-
Lease liability payments		(222)	-
Commitment fees payments		(2,024)	-
Loan facilities interest payments	15,16	(4,219)	-
Net cash inflow from financing activities		**128,852**	**85,001**
Net decrease in cash and cash equivalents		**(39,685)**	**(2,515)**
Cash and cash equivalents at beginning of period		154,028	210,492
Exchange gain/(loss) on cash and cash equivalents		24,340	(9,021)
Cash and cash equivalents at end of the period		**138,682**	**198,956**

Extract from the Notes to the Financial Statements*

**The notes below are only an extract from the Unaudited Condensed Consolidated Interim Financial Statements as at 30 June 2023. For the full disclosure please refer to the interim results published on our website*

General information

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

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

Basis of preparation

The financial statements for the year ended 31 December 2022 were prepared in accordance with UK adopted international accounting standards. The financial statements were 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 condensed consolidated interim financial statements for the six-month reporting period ended 30 June 2023 have been prepared in accordance the UK-adopted International Accounting Standard 34, 'Interim Financial Reporting'.

The interim report does not include all of the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2022, and any public announcements made by the Group during the interim reporting period.

The financial information for the year ended 31 December 2022 contained in these interim financial statements does not constitute the company's statutory accounts for that period. Statutory accounts for the year ended 31 December 2022 have been delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006. The auditor's report drew attention to a material uncertainty related to the Group's ability to continue as a going concern (refer to the going concern note below), however the auditor's opinion was not modified in respect of this matter.

The level of rounding was changed to only reflect the nearest thousand for the financial period ended 30 June 2023. Immaterial rounding adjustments were made to the comparative information as a result of this change.

Amendment to prior period figures

These financial statements have been restated to include certain amendments to the figures for the 6 months to 30 June 2022. The amendments are driven by the revised embedded derivative valuations included in the convertible loan notes and Vermelho royalty financing arrangement at initial recognition. None of these adjustments have a cash impact on the balance sheet.

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

	Property, plant and equipment US$'000	Derivative financial asset US$'000	Royalties US$'000	Convertible loan notes US$'000	Accumulated losses US$'000
30 June 2022 - as previously stated	**155,467**	**9,540**	**(82,838)**	**(57,142)**	**41,032**
Convertible loan note – revised embedded derivative valuation	3	-	-	(5,026)	5,023
Vermelho royalty – revised buy-back option derivative valuation	-	5,258	(5,010)	-	(248)
30 June 2022 - Amended	**155,470**	**14,798**	**(87,848)**	**(62,168)**	**45,807**

	As previously stated as at 30 June 2022 US'000	Revised convertible loan note embedded derivative valuation US'000	Revised allocation of convertible loan notes transaction costs US'000	Revised unwinding of discount on Vermelho royalty US'000	Amended as at 30 June 2022 US'000
Statement of comprehensive income					
Administrative expenses	(6,664)	-	(663)	-	(7,326)
Change in fair value of derivatives	4,361	(4,361)	-	-	-
Gain/(Loss) on foreign exchange	9,383	-	-	-	9,383
Profit/(Loss) before interest and taxation	**7,080**	**(4,361)**	**(663)**	**-**	**2,057**
Net finance costs	(3,232)	-	-	248	(2,984)
Profit/(Loss) before taxation	**3,848**	**(4,361)**	**(663)**	**248**	**(927)**
Taxation	-	-	-	-	-
Profit/(Loss) for the year from continuing operations	**3,848**	**(4,361)**	**(663)**	**248**	**(927)**

Going concern

The condensed consolidated interim financial statements have been prepared on a going concern basis. Although the Group's assets are not generating revenues, the Directors have a reasonable expectation that the Group has sufficient funds to undertake its operating activities for the foreseeable future. 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 continued to make good progress on the construction of its Araguaia Project during the six-month period ended 30 June 2023. 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 followed during the six month period and further drawdowns are expected 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. There is no guarantee that these conditions will be met.

The funds held at the end of the six-month period and 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 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.

As at 30 June 2023 approximately 65% of the Araguaia Project construction has been completed, a total of US$329million has been spent out of the budgeted capital requirement of US$537million. As at the half year end, the Group had total liquidity and funding sources of US$344million.

Additionally, despite being approximately 65% complete a number of risks still exist around escalation costs linked to several of the major construction packages (these include labour, materials and productivity). 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 RKEF process plant. 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 a number of these factors 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.

Intangible assets

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

	Goodwill US$'000	Exploration licences US$'000	Exploration and evaluation costs US$'000	Software US$'000	Total US$'000
Cost					
At 1 January 2022	201	6,455	1,563	90	8,309
Additions	-	-	4,256	94	4,350
Amortisation for the year	-	-	-	(31)	(31)
Exchange rate movements	14	649	(88)	6	581
Net book amount at 31 December 2022	**215**	**7,104**	**5,731**	**159**	**13,209**
Transfers	-	-	(10)	56	46
Additions	-	-	5,380	16	5,396
Amortisation for the year	-	-	-	(25)	(25)
Exchange rate movements	18	587	471	12	1,088
Net book amount at 30 June 2023	**233**	**7,691**	**11,572**	**218**	**19,714**

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 period 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 cobalt for the battery industry.

The economic and technical results from the study supports 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 period.

Property, plant and equipment

	Mine Development Property US$'000	Vehicles and other field equipment US$'000	Office equipment US$'000	Land acquisition US$'000	Buildings improvement US$'000	Total US$'000
Cost						
At 1 January 2022	59,418	858	141	10,310	-	70,727
Additions	184,319	-	167	2,607	38	187,131
Environmental rehabilitation additions	635	-	-	-	-	635
Transfers	781	(813)	32	-	-	-
Capitalised interest	13,176	-	-	-	-	13,176
Disposals	-	-	(3)	-	-	(3)
Exchange rate movements	5,637	60	9	722	-	6,428
At 31 December 2022	**263,966**	**104**	**348**	**13,639**	**38**	**278,094**
Additions	143,093	-	78	24	-	143,195
Environmental rehabilitation additions	436	-	-	-	-	436
Transfers	(178)	24	105	-	6	(43)
Capitalised interest	5,451	-	-	-	-	5,451
Disposals	-	-	(4)	-	-	(4)
Exchange rate movements	21,827	9	29	1,128	3	22,996
At 30 June 2023	**434,595**	**137**	**555**	**14,791**	**47**	**450,125**
Accumulated depreciation						
At 1 January 2022	-	81	52	-	-	133
Charge for the year	-	7	42	-	1	50

Transfer	-	(1)	1	-	-	-
Disposals	-	-	-	-	-	-
Exchange rate movements	-	5	4	-	-	9
At 31 December 2022	**-**	**92**	**99**	**-**	**1**	**192**
Charge for the period	-	2	35	-	1	38
Transfers	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Exchange rate movements	-	8	7	-	-	15
At 30 June 2023	**-**	**102**	**141**	**-**	**2**	**245**
				-		
Net book amount as at 30 June 2023	**434,595**	**35**	**415**	**14,791**	**44**	**449,880**
Net book amount as at 31 December 2022	**263,965**	**12**	**249**	**13,639**	**37**	**277,902**

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 has 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.

Cash and cash equivalents

	30 June 2023 US$'000	31 December 2022 US$'000
Cash at bank and on hand	**112,670**	122,376
Short-term deposits	**26,012**	31,652
	138,682	154,028

Access is restricted to cash and cash equivalents of US$29.8 million. These funds have been secured in the case of a cost overrun against the construction schedule and budget of the Araguaia Project. Refer to 'Cost overrun facility' note for more details.

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 $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; more detail is contained within the audited financial statements for the year ended 31 December 2022. 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 13b).

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 assumption influencing the increase in the carrying value of the royalty since year end is the long-term nickel price which has increased from $18,721 t/Ni to $19,193 t/Ni. The royalty rate is 2.95%.

Management have sensitised the carrying value of the royalty liability for a $1,000/t Ni increase/decrease in future nickel price the carrying value would change by US$2,831,299.

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 $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; more detail is contained within the audited financial statements for the year ended 31 December 2022. 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 13b). 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 assumptions influencing the increase in the carrying value of the royalty since year end is the movement in the long-term commodity prices - nickel price from US$18,721 t/Ni to US$19,193 t/Ni and the cobalt price from US$56,950 t/Co to US$53,846. 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$3,129,101 higher and for a $1,000/t Ni increase/decrease in future nickel price and future cobalt price the carrying value would change by US$2,090,138.

	Araguaia Royalty valuation US$'000	Vermelho Royalty valuation US$'000	Total US$'000
Net book amount at 1 January 2022	44,496	-	44,496
Initial recognition	-	25,000	25,000
Embedded derivative – initial valuation	-	9,848	9,848
Transaction costs	-	(848)	(848)
Unwinding of discount	5,351	4,449	9,800
Change in carrying value	(1,064)	2,513	1,449
Net book amount at 31 December 2022	48,783	40,962	89,745
Unwinding of discount	2,952	3,404	6,356
Change in carrying value	1,119	(559)	560
Net book amount at 30 June 2023	52,854	43,807	96,661

Derivative financial assets

b.1) Araguaia derivative financial assets

The aforementioned Araguaia royalty 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 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 last performed at the 31 December 2022 year end. The Monte Carlo simulation is performed annually at the year-end date. The assumptions driving the buy-back option valuation were assessed as at 30 June 2023 and it was concluded that the change in the valuation would not be material.

The assumptions for the valuation of the Buy Back Option (per the Monte Carlo simulation) are the future nickel price of (US$18,721/t Ni), the start date of commercial production (March 2024), the prevailing royalty rate (2.95%), the inflation rate (2.22%) and volatility of nickel prices (39.7%).

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$2.7 million and US$3 million 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 Monte Carlo simulation was last performed at the 31 December 2022 year end. The Monte Carlo simulation is performed annually at the year-end date. The assumptions driving the buy-back option valuation were assessed as at 30 June 2023 and it was concluded that the change in the valuation would not be material.

The assumptions for the valuation of the Buy Back Option (per the Monte Carlo simulation) 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 asset's valuation:

	Araguaia Royalty US$'000	Vermelho Royalty US$'000	Total US$'000
Value as at 1 January 2022	4,950	-	4,950
Initial recognition	-	9,848	9,848
Change in fair value	57	(366)	(309)
Value as at 31 December 2022	5,007	9,482	14,489
Value as at 30 June 2023	**5,007**	**9,482**	**14,489**

Convertible loan notes

On 29 March 2022 the Company issued convertible loan notes to the value of $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 1.40 pence, converted to US$ at a rate of 1.3493. The Conversion Price is therefore US$1.89. The Conversion Price was revised to £1.268/US$1.71 after the completed equity fundraise on 8 November 2022.

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 last performed at the 31 December 2022 year end. The Monte Carlo simulation is performed annually at the year-end date. The assumptions driving the buy-back option valuation were assessed as at 30 June 2023 and it was concluded that the change in the valuation would not be material.

The assumptions for the valuation of the conversion feature (per the Monte Carlo simulation), at the year-end date 31 December 2022, are the Horizonte Minerals Plc future share price volatility (42.9%), GBP:USD exchange rate volatility (10%) on the conversion price.

The debt host liability will be accounted for using the amortised cost basis with an effective interest rate of 19%. 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 directly attributable transaction costs were allocated proportionately to the embedded derivative and the convertible loan notes liability. 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 US$4.9million.

Refer to the table below for the summary of the convertible loan notes valuation:

	Embedded derivative US$'000	Convertible loan notes liability US$'000	Total US$'000
Initial recognition (after discount on issue)	36,458	24,804	61,262

Transaction costs	-	(950)	(950)
Unwinding of discount	-	5,957	5,957
Change in fair value	(6,821)	-	(6,821)
Value as at 31 December 2022	29,637	29,811	59,448
Unwinding of discount	-	4,675	4,675
Value as at 30 June 2023	29,637	34,486	64,123

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:

1. 90% of the funding from the Equity Fundraise and Convertible loan notes have been invested in the construction of the Araguaia Project
2. 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$'000
Initial recognition	25,000
Transaction costs	(1,198)
Unwinding of discount	288
Interest repayments	(280)
Value as at 31 December 2022	23,810
Unwinding of discount	1,705
Interest repayments	(1,643)
Value as at 30 June 2023	23,872

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 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 at 30 June 2023 was 5.24187% and the Baseline CAS 0.261610%. The ECA facility interest rate was therefore 7.30348% at 30 June 2023.

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 at 30 June 2023 was 5.24187% and the Baseline CAS 0.261610%. The Commercial facility interest rate was therefore 10.25348% at 30 June 2023.

Interest is calculated quarterly and payable in arrears at the end of each interest period – March 31, June 30, September 30 and December 31. 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 Níquel 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 US$'000	Commercial Facility US$'000	Total US$'000
Initial recognition	2,111	2,889	5,000
Transaction costs	(446)	(232)	(678)
Unwinding of discount	12	19	31
Interest repayments	(8)	(17)	(25)
Value as at 31 December 2022	1,669	2,659	4,328
Loan drawdowns	57,010	77,990	135,000
Transaction costs	(11,830)	(5,464)	(17,294)
Unwinding of discount	1,155	1,807	2,962
Interest repayments	(872)	(1,703)	(2,575)
Change in carrying value	3,021	2,875	5,896
Value as at 30 June 2023	50,153	78,164	128,317

As at 30 June 2023 the drawn vs undrawn balance on the senior debt facility was as follows:

	Drawn US$'000	Undrawn US$'000	Total US$'000
Commercial	80,879	119,121	200,000
EKF ECA	30,151	44,409	74,560
Finnvera ECA	28,970	42,670	71,640
	140,000	206,200	346,200

Note to statement of cash flows

Below is a reconciliation of borrowings from financial transactions:

	Senior Debt Facility	Cost Overrun Facility	Convertible Loan Notes Liability	Royalty Financing	Derivative asset	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Total non-current borrowings 31 December 2021	—	—	—	44,496	(4,950)	39,546
Cash flow adjustments:						
Initial recognition	5,000	25,000	61,262	25,000	—	116,262
Transaction costs	(678)	(1,198)	(950)	(848)	—	(3,674)
Interest payments	(25)	(280)	—	—	—	(305)
Non cash flow adjustments:						
Embedded derivative – initial valuation	—	—	—	9,848	(9,848)	—
Unwinding of discount	32	288	5,957	9,799	—	16,076
Change in carrying value /fair value	—	—	(6,821)	1,449	309	(5,063)
Total non-current borrowings 31 December 2022	4,328	23,810	59,448	89,745	(14,489)	162,841
Cash flow adjustments:						
Loan drawdowns	135,000	-	-	-	-	135,000
Transaction costs	(17,294)	-	-	-	-	(17,294)
Interest payments	(2,575)	(1,643)	-	-	-	(4,218)
Non cash flow adjustments:						
Unwinding of discount	2,962	1,705	4,675	6,356	-	15,698
Change in carrying value	5,896	-	-	560	-	6,456
Total non-current borrowings 30 June 2023	128,317	23,872	64,123	96,661	(14,489)	298,484

Events after the reporting period

The Company awarded new share options on 13 July 2023 (the "Award Date") over 2,435,035 ordinary shares of £0.20 each in the capital of the Company to executives (PDMRs) and key personnel in the UK and Brazil under the Company's unapproved (or 'non tax-advantaged') 2006 Share Options Scheme (the "Awards"). Each Award is exercisable in return for one ordinary share in the Company and will vest in three tranches on the 6-month, 12-month and 18-month anniversaries of the Award Date (with additional 12 months vesting period for certain employees) at a ratio of 1/3 each tranche, with exercise price of £1.70 per ordinary share. The exercise price of £1.70 represents a premium of 10.4% to the closing price on 12 July 2023 of £1.54.

On 28 July 2023 the Group issued 700,000 ordinary shares at a price of 79.64 pence following the exercise of options by option holders.