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This document is an admission document, which has been drawn up in accordance with the AIM Rules for Companies and has been issued in connection with the application for Admission. This document does not constitute a prospectus for the purposes of Part VI of the Financial Services and Markets Act 2000 and a copy of it has not been, and will not be, delivered to the Registrar of Companies in England and Wales. No offer of transferable securities to the public (for the purposes of section 102B of the Financial Services and Markets Act 2000) is being made in connection with the Placing.

Application will be made for the Enlarged Share Capital to be admitted to trading on AIM. It is expected that Admission will take place on 13 August 2010. It is emphasised that no application has been made, or is being made, for the admission of the securities to the Official List of the UK Listing Authority or to trading on the London Stock Exchange's market for listed securities. The Ordinary Shares are not dealt in on any regulated market and no application has been or is intended to be made for the Ordinary Shares to be admitted to trading on any such market.

The Consideration Shares, Quantum Shares and the Placing Shares will, following allotment, rank *pari passu* in all respects with the existing issued ordinary share capital of the Company, including the right to receive all dividends and other distributions declared, made or paid on the Ordinary Shares after the date of this document.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on Admission in the form set out in Schedule 2 to the AIM Rules for Nominated Advisers. The London Stock Exchange has not itself examined or approved the contents of this document.

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# Horizonte Minerals plc

*(Incorporated and registered in England and Wales with company number 05676866)*

## **Acquisition of Teck Brazil**

## **Admission of the Enlarged Share Capital to trading on AIM**

## **Placing of 51,261,144 Ordinary Shares at 10 pence per Ordinary Share**

## **Notice of General Meeting**

## ***Nominated Adviser and Broker***

# **Westhouse Securities Limited**

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## **Share capital immediately following Admission**

Ordinary Shares of £0.01 each

### ***Issued and fully paid***

Amount	Number
£2,465,604.80	246,560,480

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**THE WHOLE TEXT OF THIS DOCUMENT SHOULD BE READ AND IN PARTICULAR YOUR ATTENTION IS DRAWN TO THE SECTION ENTITLED "RISK FACTORS" SET OUT IN PART V OF THIS DOCUMENT.**

Westhouse Securities Limited, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting as nominated adviser and broker to the Company in connection with the Admission. Its responsibilities as the Company's nominated adviser under the AIM Rules for Nominated Advisers are owed solely to the London Stock Exchange and are not owed to the Company or to any Director or to any other person in respect of his decision to acquire shares in the Company in reliance on any part of this document (without limiting the statutory rights of any person to whom this document is issued). Westhouse Securities Limited will not be offering advice and will not otherwise be responsible to anyone other than the Company for providing the protections afforded to customers of Westhouse Securities Limited or for providing advice in relation to the contents of this document or any other matter.

Notice of a general meeting of the Company, to be held at the offices of Westhouse Securities Limited, One Angel Court, London EC2R 7HJ on 12 August 2010 (the "General Meeting") is set out at the end of this document. Shareholders will find enclosed a form of proxy for use at the General Meeting. To be valid, the form of proxy should be completed and returned in accordance with the instructions printed thereon as soon as possible and in any event so as to be received by the Company no later than 48 hours before the time appointed for holding the General Meeting. Completion and posting of the form of proxy will not prevent a Shareholder from attending and voting in person at the General Meeting.

The Company, each of the Directors and Prospective Director, whose names appear on page 5, accept responsibility for the information contained in this document. To the best of the knowledge of the Company, the Directors and Prospective Director, who have taken all reasonable care to ensure that such is the case, the information contained in this document is in accordance with the facts and does not omit anything likely to affect its import.

This document does not constitute an offer to sell or an invitation to subscribe for, or the solicitation of an offer to buy or to subscribe for, Ordinary Shares to any person in any jurisdiction in which such an offer or solicitation is unlawful or would impose any unfulfilled registration, publication or approval requirements for the Company or Westhouse Securities Limited. Any failure to comply with these restrictions may constitute a violation of securities laws of any such jurisdiction. The Ordinary Shares have not been and will not be registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”) or under the securities legislation of any state in the United States, Canada, Australia or Japan. Accordingly, subject to certain exceptions, the Ordinary Shares may not, directly or indirectly, be offered, sold, taken up or delivered within the United States, Canada, Australia or Japan or to or for the account or benefit of any national, resident or citizen of Australia or Japan or any person located in the United States or Canada.

No person has been authorised to give any information or make any representations other than those contained in this document and, if given or made, such information or representations must not be relied on as having been authorised by the Company or Westhouse Securities Limited. Subject to relevant law and regulation, neither the delivery of this document nor any subscription or sale made hereunder, under any circumstances, create any implication that there has been no change in the affairs of the Company or Teck Brazil since the date of this document or that the information in this document is correct as at any time subsequent to this date. No statement in this document is intended as a profit forecast. Without limitation, the contents of the Company’s website do not form part of this document.

The contents of this document are not to be construed as legal, business or tax advice. Each prospective investor should consult his, her or its own legal adviser, financial adviser or tax adviser for legal, financial or tax advice.

#### **Notice to Prospective Investors in the European Economic Area**

In relation to each member state of the European Economic Area that has implemented the Prospectus Directive (each, a “**relevant member state**”), an offer to the public of any Ordinary Shares which are the subject of the offering contemplated by this document may not be made in that relevant member state prior to the publication of a prospectus in relation to such shares that has been approved by the competent authority in that relevant member state and published in accordance with the Prospectus Directive as implemented in that relevant member state or, where appropriate, approved in another relevant member state and notified to the competent authority in that relevant member state, all in accordance with the Prospectus Directive, except that an offer to the public in that relevant member state of units may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that relevant member state:

- (a) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;
- (c) to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospective Directive);
- (d) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Ordinary Shares will result in a requirement for the publication by Westhouse Securities Limited or the Company of a prospectus pursuant to Article 3 of the Prospectus Directive and each person who initially acquires any Ordinary Shares to whom any offer is made under the offer under this document will be deemed to have represented, acknowledged and agreed that it is a “**qualified investor**” within the meaning of Article 2(1)(e) of the Prospectus Directive.

For the purposes of this notice, the expression an “**offer to the public**” in relation to any Ordinary Shares in any relevant member state means the communication in any form and by any means of sufficient information on the terms of the offer and any Ordinary Shares to be offered so as to enable an investor to decide to purchase or subscribe for any Ordinary Shares, as the expression may be varied in that member state by any measure implementing the Prospectus Directive in that member state, and the expression “**Prospectus Directive**” means Directive 2003/71/EC and includes any relevant implementing measure in each relevant member state.

This document has been prepared on the basis that all offers of Ordinary Shares will be made pursuant to an exemption under the Prospectus Directive, as implemented in member states of the European Economic Area, from the requirement to produce a prospectus for offers of the Ordinary Shares. Accordingly any person making or intending to make any offer within the European Economic Area of Ordinary Shares which are the subject of the placement contemplated by this document should only do so in circumstances in which no obligation arises for Westhouse Securities Limited or the Company to produce a prospectus for such offer.

#### **Notice to Prospective Investors in the United Kingdom**

This document and any other material in relation to the Ordinary Shares described herein is only being distributed to, and is only directed at, persons in the United Kingdom that are qualified investors within the meaning of Article 2(1)(e) of the Prospectus Directive (“**qualified investors**”) that also (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (to which we will refer to as the Order) or (ii) who fall within Article 49(2)(a) to (d) of the Order or (iii) to whom it may otherwise lawfully be communicated (all such persons together being referred to as “**relevant persons**”). The Ordinary Shares are only available to, and any invitation, offer or agreement to purchase or otherwise acquire such shares will be engaged in only with, relevant persons. Any person in the United Kingdom that is not a relevant person should not act or rely on this document or any of its contents.

No invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000, to which we will refer to as the FSMA) in connection with the issue or sale of the Ordinary Shares may be communicated or caused to be communicated except in circumstances in which Section 21(1) of the FSMA does not apply to Westhouse Securities or the Company. In addition, all applicable provisions of the FSMA must be complied with with respect to anything done in relation to the Ordinary Shares in, from or otherwise involving the United Kingdom.

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## **EXPECTED TIMETABLE OF PRINCIPAL EVENTS**

	2010
Despatch of this document	27 July
Latest time and date for receipt of forms of proxy	10 a.m. on 10 August
General Meeting	10 a.m. on 12 August
Completion of the Acquisition and the Quantum Transaction	13 August
Admission and dealings in the Existing Ordinary Shares, the Quantum Shares, the Broker Shares, the Consideration Shares and the Placing Shares to commence on AIM	13 August
CREST accounts credited	13 August
Despatch of definitive share certificates (where applicable)	By 21 August

N.B. This timetable is indicative only

## **PLACING AND ADMISSION DETAILS**

Placing Price	10 pence
Number of Existing Ordinary Shares	59,019,096
Number of Placing Shares	51,261,144
Number of Quantum Shares	10,000,000
Number of Broker Shares	3,000,000
Number of Consideration Shares being issued to Teck pursuant to the Acquisition (being a subtotal of the Existing Ordinary Shares, the Placing Shares, the Quantum Shares and the Broker Shares)	123,280,240
Number of Ordinary Shares in issue immediately following Admission	246,560,480
Market capitalisation on Admission at the Placing Price	£24,656,048
Estimate of expenses of the Transaction and the Quantum Transaction paid in cash	£440,000
Estimate of expenses of the Transaction and the Quantum Transaction paid in shares	£300,000
Net proceeds of Placing	£4,990,000
Estimated expected additional proceeds from the anticipated Anglo Pacific Option	\$500,000
ISIN Code	GB00B11DNM70
AIM Symbol	HZM

## DIRECTORS, PROPOSED DIRECTOR, SECRETARY AND ADVISERS

<b>Directors</b>	<u>David</u> John Hall <u>Jeremy</u> John Martin <u>Allan</u> Michael Walker <u>Nicholas</u> Robert Winer	Non-Executive Chairman Chief Executive Officer Non-Executive Director Chief Operations Officer
<b>Proposed Director</b>	<u>Alexander</u> Nicholas Christopher	Non-Executive Director
<b>Secretary</b>	Gary Townsend	
<b>Registered Office</b>	1 Berkeley Street London W1J 8DJ	
<b>Nominated Adviser and Broker</b>	<b>Westhouse Securities Limited</b> One Angel Court London EC2R 7HJ	
<b>Auditors and Reporting Accountants</b>	<b>Littlejohn LLP</b> 1 Westferry Circus Canary Wharf London E14 4HD	
<b>Solicitors to the Company (as to English law)</b>	<b>Greenberg Traurig Maher LLP</b> 31st Floor 30 St Mary Axe London EC3A 8EP	
<b>Solicitors to the Company (as to Brazilian law)</b>	<b>Junqueira de Carvalho, Murgel &amp; Brito</b> Belo Horizonte – MG Av. Raja Gabaglia, 1.093 – 6º andar Luxemburgo – CEP 30.380-403 Brazil	
<b>Solicitors to Teck (as to English law)</b>	<b>Clifford Chance LLP</b> 10 Upper Bank Street Canary Wharf London E14 5JJ	
<b>Solicitors to the Nominated Adviser and Broker</b>	<b>Pinsent Masons LLP</b> CityPoint One Ropemaker Street London EC2Y 9AH	
<b>Competent Person</b>	<b>Wardell Armstrong LLP</b> Wheal Jane Baldhu Truro Cornwall TR3 6EH	
<b>Registrar and Crest Service Provider</b>	<b>Computershare Investor Services (Ireland) Limited</b> Heron House, Corrig Road Sandyford Industrial Estate Dublin 18 Ireland	

## PART I

# LETTER FROM THE CHAIRMAN OF Horizonte Minerals plc

*(Incorporated and registered in England and Wales with registered number 05676866)*

### Directors:

David Hall  
Jeremy Martin  
Allan Walker  
Nicholas Winer

### Registered Office:

1 Berkeley Street  
London W1J 8DJ

27 July 2010

Dear Shareholder

**Proposal relating to the Acquisition of Teck Brazil by Horizonte,  
Placing of 51,261,144 new Ordinary Shares and Admission to trading on AIM,  
Notice of General Meeting**

### 1. Introduction

I am delighted to inform you that Horizonte Minerals plc (“**Horizonte**” or the “**Company**”) today announced that it has agreed on the terms of acquisition of the whole of the issued share capital of Teck Cominco Brasil S.A. (“**Teck Brazil**”) (the “**Acquisition**”). The Acquisition Agreement, which incorporates the terms of the Acquisition, was signed on 26 July 2010. The Company has also raised approximately £5.1 million (before expenses) through a conditional placing of approximately 51 million Placing Shares. The Company has also agreed to acquire the 50 per cent. interest in Lontra not currently held by the Horizonte group.

The consideration for the Acquisition is to be satisfied by the issue, in aggregate, of such number of Ordinary Shares to Teck Resources Limited (“**Teck**”) which will result in Teck holding 50 per cent. of the enlarged issued share capital of the Company on Admission (the “**Consideration Shares**”).

Due to the size of the Acquisition in relation to Horizonte, the Acquisition is classified as a reverse takeover of the Company by Teck under the AIM Rules for Companies and, as such, requires the approval of Shareholders. In addition, the Acquisition is also conditional, among other things, on Horizonte raising at least £5 million (before expenses) in the Placing.

Following completion of the Acquisition, the issue of the Placing Shares pursuant to the Placing and the issue of the Quantum Shares (being the Ordinary Shares to be issued in consideration for the acquisition of the remaining 50 per cent. interest in Lontra), Teck will have an aggregate holding of 123,280,240 Ordinary Shares, representing 50 per cent. of the Enlarged Share Capital.

As Teck will be interested in more than 30 per cent. of the voting rights in the Company on Admission, in normal circumstances a general offer from Teck to the Company’s Shareholders would be required under Rule 9 of the City Code to acquire all the Ordinary Shares not already owned by Teck.

The Panel has, however, agreed to waive the requirement for an offer under Rule 9 that would otherwise arise on completion of the Acquisition, subject to Independent Shareholders (defined below) carrying 50 per cent. or more of the voting rights stating in writing that they would not accept such an offer. Each of the Independent Shareholders (who together are the beneficial owners of 29,888,812 Ordinary Shares, representing 50.6 per cent. of the Company’s issued share capital carrying voting rights as of the date of this document) has written to the Takeover Panel to confirm that they would indeed not accept such an offer if it were made.

If the Resolutions are duly passed at the General Meeting, the trading in the Existing Ordinary Shares on AIM will be cancelled and it is expected that the Enlarged Share Capital would be admitted to trading on AIM on 13 August 2010, the business day following the General Meeting.

The purpose of this document, which comprises an admission document prepared under the AIM Rules for Companies, is to provide you with information on the Acquisition and the Placing (as defined below), (together, the “**Transaction**”) and the Quantum Transaction (as defined below) and to explain why the Board considers it to be in the best interests of the Company and Shareholders as a whole and why they recommend that Shareholders vote in favour of the Resolutions to be proposed at the General Meeting.

## **2. The Transaction**

### **(a) Background**

In May 2006 Horizonte was admitted to trading on AIM. At that time, the Company’s primary focus was on the identification and acquisition of gold and base metal projects in Brazil and Peru and on the appraisal and resource definition of these projects by undertaking various exploration and development activities. Depending on the results from such activities, the Company would seek to enter into partnership/joint venture arrangements with mineral exploration and production partners, who would incur the cash investment required to further develop these projects while allowing the Company to retain a long term economic and/or financial interest in each such project.

Horizonte currently has a portfolio of gold, silver and base metal projects in Brazil and Peru with the main focus in Brazil being the world class Carajás Mineral District in northern Brazil, where the Company’s core gold and nickel projects are located. The Directors believe these projects have the potential to host significant mineralised systems and are surrounded by and adjacent to large mining projects, with good transport links and proximity to established production infrastructure.

Horizonte has already entered into strategic partnerships with two major mining companies, a mid-tier gold producer and a Brazilian mining company as follows:

- an exploration alliance with AngloGold Ashanti Limited (“**AngloGold**”) in the Santana area and the Campestre area, both in Brazil;
- an exploration alliance with LGA;
- a strategic alliance with Troy Resources NL (“**Troy**”) at the Tangara gold project; and
- a strategic alliance with Barrick Gold Corporation (“**Barrick**”) to develop the Pararapa gold project in Peru.

The Directors believe that these partnerships demonstrate the ability of Horizonte’s management to locate partners for joint venture arrangements in South America, particularly Brazil, and that certain of the major mining companies already recognise Horizonte’s ability to generate and develop new exploration projects.

A competent person’s report (“**CPR**”) on Horizonte’s assets containing a description of the material strategic partnerships (and those assets of Teck Brazil being acquired by Horizonte under the Transaction) is set out in Part IX of this document.

#### *Lontra and Araguaia Nickel Projects*

Lontra is a 221 km<sup>2</sup> exploration land holding and is one of the Company’s advanced projects in the northern state of Para in Brazil. Lontra was a grassroots discovery by Horizonte, identified using a regional multi-element stream sediment survey and follow-up soil sampling programme undertaken in 2007. In late 2007, an auger drilling programme commenced and was followed by a successful 60 diamond drill hole programme in 2008. Lontra is currently 50 per cent. owned and controlled by Horizonte whilst the Company’s Brazilian partners own the remainder.



Lontra lies within the Araguaia mobile belt approximately 200km south east of the main Carajás mineral province and 80km to the south of Xstrata's Serra da Tapa deposit. It is also adjacent to Teck Brazil's Araguaia nickel project ("**Araguaia**") and is serviced by good infrastructure with access by tar sealed and all weather dirt roads.

The Araguaia mobile belt is a significant new nickel province. Major mining companies are already present in the region with Xstrata plc's Serra da Tapa nickel resource containing an Inferred Resource of 73Mt grading 1.56 per cent. Ni.

Araguaia is an advanced exploration stage nickel project owned and explored to date by Teck through its wholly owned subsidiary Teck Brazil. It is located directly to the south east of Lontra. Teck has completed 10,314m of drilling in 492 drill holes at Araguaia resulting in the grassroots discovery of a significant zone of mineralisation. The Directors believe Araguaia also contains potential for the identification of new targets and for the expansion of the mineralised nickel laterite inventory at the targets already identified.

The combined nickel projects of Araguaia and Lontra will comprise 11 licences and licence applications across 73,000 hectares with 8 significant mineralised zones. The Directors believe this will enable Horizonte to work towards delineating a resource in excess of 100Mt of nickel laterite with economic grades in a region with established infrastructure.

Neither Lontra nor Araguaia contain JORC or NI 43-101 compliant Mineral Resources and the mineral inventory is conceptual in nature as there has been insufficient exploration to define a classified Mineral Resource. Further information on Lontra and Araguaia is set out in Parts II (Information on Horizonte), III (Information on Teck Brazil), IV (Information on the Combined Lontra and Araguaia projects) and IX (the CPR) of this document.

## **(b) Summary of the Transaction**

The Transaction will result in Horizonte acquiring Araguaia from Teck through the acquisition of Teck Brazil. Consideration payable to Teck will be in the form of new Ordinary Shares. Horizonte will also acquire the remaining 50 per cent. interest in Lontra.

The Transaction can be summarised as follows:

### **1. Acquisition of Araguaia by Horizonte**

The Brazilian nickel laterite project, Araguaia, is held by Teck through its wholly owned Brazilian incorporated subsidiary, Teck Brazil. Horizonte's acquisition of Araguaia will involve Horizonte purchasing the entire issued share capital of Teck Brazil from Teck conditional, among other things, on Horizonte raising at least £5 million (before expenses) pursuant to the Placing. The consideration for Teck Brazil will be satisfied through the issue by Horizonte to Teck of the Consideration Shares, being such number of Ordinary Shares as will equal 50 per cent. of the Enlarged Share Capital. Horizonte currently has 59,019,096 Ordinary Shares in issue. At a price of 10 pence per Placing Share, Horizonte will issue 51,261,144 Placing Shares. A further 10,000,000 Ordinary Shares will be issued to Quantum in consideration for the acquisition of the remaining 50 per cent. of Lontra (the "**Quantum Shares**") and a further 3,000,000 Broker Shares will be issued to satisfy amounts due to Westhouse in respect of advisory fees and commissions relating to the Transaction. Accordingly, as Consideration Shares, Horizonte will issue 123,280,240 Ordinary Shares to Teck.

### **2. Horizonte fundraising and defined use of funds**

The Acquisition is conditional upon Horizonte raising a minimum of £5 million (before expenses) and Horizonte has agreed to a predefined application of a proportion of the funds. A proportion of the proceeds of the Placing will be used on further drilling of the Enlarged Group's nickel laterite project (including Lontra) to produce a JORC or NI 43-101 compliant resource and further drilling at its gold projects.

Further details of the agreements governing the Transaction are described below under "Principal Terms of the Transaction" in this Part of the document and in the summaries of material contracts contained in Part X of this document.



### *Teck Brazil*

Teck Brazil is a wholly owned subsidiary of Teck. It was incorporated as Teck Participacoes Ltda in Brazil on April 5, 1994 with Federal Taxpayer registration No. CGC 97.515.035/0001-03. As a result of the recent global financial crisis, combined with Teck's acquisition of additional Canadian coal assets in late 2008, Teck chose to focus its near term discretionary spending on its active producing assets and certain select development projects. As a result Teck reduced exploration and development expenditures on certain other projects, non-core commodities and in certain jurisdictions where it does not have active mines. As a result, whilst Teck Brazil continues to hold Araguaia, it has not advanced Araguaia since November 2008.

With its current focus upon its core assets, Teck considered its options for Araguaia with the objective of further developing the project whilst maintaining a significant equity interest.

### *Quantum Transaction*

The Company has also entered into an agreement to acquire the 50 per cent. interest in Lontra not currently held by the Horizonte group by virtue of the acquisition from Quantum Holdings Limited ("**Quantum**") of 50 per cent. of the capital of Lontra Empreendimentos e Participações Ltda ("**Lontra Ltda**") (a newly incorporated Brazilian company into which the Lontra mineral concessions are being transferred pursuant to a pre-sale reorganisation (see paragraph 8.5 of Part X of this document for further information)) (the "**Quantum Transaction**"). In consideration for the purchase of Lontra Ltda, Horizonte will issue to Quantum the Quantum Shares, being such number of new Ordinary Shares equal at the Placing Price to a value of £1 million. This agreement will result in Horizonte owning and controlling 100 per cent. of Lontra alongside its 100 per cent. ownership of Araguaia. Completion of the Quantum Transaction is intended to take place on Admission.

#### **(c) Reasons for the Transaction**

The Acquisition gives Horizonte the opportunity to acquire an advanced nickel project for consideration in Ordinary Shares without incurring any additional debt or reducing its cash reserves. With the merger of Horizonte's existing nickel laterite project, Lontra, with Araguaia, the combined exploration land holding will be approximately 730 km<sup>2</sup> hosting a series of mineralised zones. The Directors believe this will be of sufficient size and scale to allow Horizonte to create a significant nickel project.

The Acquisition provides Teck with the opportunity to participate in the development and exploration of Araguaia without incurring significant expenditure. Teck will also benefit from the local expertise and experience of Horizonte's management in developing projects from a grassroots stage.

#### **(d) Principal Terms of the Transaction**

The terms of the Transaction are set out in two principal agreements (the "**Transaction Documents**");

- (i) an acquisition agreement between Horizonte and Teck (the "**Acquisition Agreement**"). Under the terms of the Acquisition Agreement, Teck agrees to sell the entire issued share capital of Teck Brazil in consideration for Horizonte allotting and issuing to Teck the Consideration Shares, which will amount to 50 per cent. of the Enlarged Share Capital. The Acquisition Agreement is conditional upon, *inter alia*, the Company having raised a minimum of £5 million (before expenses) under the Placing. It is intended that on completion of the Acquisition Agreement, Teck Brazil will hold only the assets and liabilities related to Teck's tenements within the Enlarged Group's area of influence, being the area covering a 50km radius around each of the tenements that comprise Araguaia (the "**AOI**"); and

- (ii) a relationship agreement between Horizonte and Teck (the “**Relationship Agreement**”). The Relationship Agreement governs the conduct of both parties as long as Teck is a controlling shareholder in Horizonte. Under the terms of the Relationship Agreement, Teck will, *inter alia*, not take any action which restricts Horizonte from carrying on its business independently of Teck and its affiliates, and conduct all transactions and relationships with the Company on arm’s length terms and on a normal commercial basis.

**(e) Teck Brazil Shares**

Pursuant to the Acquisition, the shares of Teck Brazil will be acquired free from all liens, charges, equitable interests, encumbrances and third party rights and, together with all rights now or hereafter attaching thereto, including the right to all dividends and other distributions, if any, declared, made or paid after completion of the Acquisition.

**(f) Details of the Consideration Shares and Quantum Shares**

The Consideration Shares will be issued credited as fully paid and will represent 50 per cent. of the Enlarged Share Capital upon Admission. The Quantum Shares will also be issued credited as fully paid. The Consideration Shares and Quantum Shares will rank *pari passu* with the Existing Ordinary Shares in all respects, including the right to receive all dividends or other distributions declared, made or paid after completion of the Acquisition or the Quantum Transaction, as applicable. The Consideration Shares and Quantum Shares will be acquired free from all liens, charges, equitable interests, encumbrances and third party rights and, together with all rights now or hereafter attaching thereto, including the right to all dividends and other distributions, if any, declared, made or paid after completion of the Acquisition or the Quantum Transaction, as applicable.

**(g) Financial effects of the Acquisition**

An unaudited pro forma statement of consolidated net assets of the Enlarged Group, prepared for illustrative purposes only, showing the impact of the Transaction and the Quantum Transaction on the Enlarged Group, is set out in Part VIII of this document.

Teck Brazil holds assets and is subject to liabilities which do not relate to Araguaia. Teck will procure that a reorganisation is carried out such that at the end of the reorganisation Teck Brazil will only hold those assets and liabilities which relate to Araguaia (the “**Reorganisation**”). This will involve transferring into a wholly owned subsidiary of Teck certain contractual arrangements, mineral licences, fixed assets and employment contracts. The Reorganisation will be effected by way of a demerger and reduction in the share capital of Teck Brazil. A valuation of Teck Brazil’s assets (based on acquisition costs) has been carried out by an independent firm of accountants so that the value of the assets to be transferred out can be ascertained.

A number of preferred shares are in existence in Teck Brazil which were held by Vale Inco Limited (“**Inco**”). Under the terms of the arrangements with Inco, Teck is entitled to purchase or redeem the preferred shares. Teck has purchased the preferred shares from Inco and will convert them into ordinary shares in Teck Brazil prior to completion of the Acquisition.

It is intended that the Reorganisation will occur prior to completion of the Acquisition. However, should that prove not to be possible the Acquisition Agreement contains covenants given by Teck to procure that the Reorganisation is effected as soon as reasonably practicable after completion of the Acquisition. There is no guarantee that the Reorganisation will be completed before the Acquisition completes.

Horizonte is indemnified by Teck in respect of the Reorganisation without limit in time or amount.

## **(h) The Placing**

### *(i) Details of the Placing*

The Company has raised approximately £5.1 million (before expenses) through a conditional placing by Westhouse of 51,261,144 Placing Shares at 10 pence per share. The Placing is not being underwritten. The Placing Shares will represent approximately 21 per cent. of the Enlarged Share Capital. The Placing is conditional upon, *inter alia*, the completion of the Acquisition and Admission, both of which require approval by the Shareholders at a general meeting. Further details of the Placing Agreement are set out in paragraph 8.1 of Part X of this document.

The Placing Shares, which will be issued on Admission, will rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive all dividends and other distributions declared, made or paid after the date of Admission in respect of the Ordinary Shares.

The Placing is being made on a non pre-emptive basis, as the time and costs associated with a pre-emptive offer, resulting from the introduction of the EU Prospectus Rules (which came into force on 1 July 2005), are considered by the Directors to be prohibitive. The making of a pre-emptive offer would require the production of a prospectus which would have to comply with the EU Prospectus Rules and be pre-vetted and approved by the FSA.

### *(ii) Use of Proceeds*

The net proceeds of the Placing (approximately £4.986 million) will be used to fund infill drilling on the nickel laterite projects at Araguaia and Lontra to produce a JORC or NI 43-101 compliant resource and the development of Horizonte's other gold assets and payment of overhead costs.

The net proceeds of the Placing will be split approximately as follows:

	£'m
Corporate costs	0.440
Gold projects and Brazilian administration	0.514
Araguaia, Lontra and other exploration	3.218
Movement in bank balances (including interest received)	0.814
Total	<u>4.986</u>

## **3. Directors, Proposed Director and Senior Management**

On Admission, Mr Alexander Christopher, General Manager of New Ventures at Teck, whom Teck has nominated pursuant to its rights under the Relationship Agreement, will be appointed to the Board.

Biographical details of the Directors, including Mr Alexander Christopher, and the Company's senior management are set out below:

### **Directors**

#### ***David J. Hall (aged 51 years), BA (Hons), MSc, Non-Executive Chairman***

Mr Hall is a graduate in geology from Trinity College Dublin and holds a Masters Degree in Mineral Exploration from Queens University, Kingston, Ontario. He has 29 years of experience in the exploration sector and has worked on and assessed exploration projects and mines in over 40 countries. From 1992, Mr Hall was Chief Geologist for Minorco SA, responsible for Central and Eastern Europe, Central Asia and the Middle East. He moved to South America in 1997 as a consultant geologist for Minorco South America and subsequently became exploration manager for AngloGold South America in 1999, where he was responsible for exploration around the Cerro Vanguardia gold mine in Argentina, around the Morro Velho

and Crixas mines in Brazil and establishing the exploration programme that resulted in the discovery of the La Rescantada gold deposit in Peru as well as certain joint ventures in Ecuador and Colombia. In April 2002 he became an executive director of Minmet and operations director in September 2002. Mr Hall led the divestment of Minmet's exploration assets in the Dominican Republic into GoldQuest Mining Corporation, which is listed on the Toronto Stock Exchange's Venture Exchange. Mr Hall is also founder and Chairman of Stratex International Plc, an AIM traded company with exploration assets in Turkey and in which Teck Resources Limited is an equity shareholder. Mr Hall is a fellow of the Society of Economic Geologists and EuroGeol.

***Jeremy J. Martin (aged 33 years), MSc, ASCM, Director and Chief Executive Officer***

Mr Martin holds a degree in mining geology from the Camborne School of Mines, and a MSc. in mineral exploration from the University of Leicester. He has worked in South America and in Central America and Europe, where he was responsible for grassroots regional metalliferous exploration programmes through to resources definition and mine development. Mr Martin has been involved in the formation of two AIM traded companies and has completed a number of high value mineral project transactions. He has served on the board of Ovoca Gold Plc and is a member of the Society of Economic Geologists and the Institute of Mining Analysts.

***Nicholas R. Winer (aged 50 years), BSc, Director and Chief Operations Officer***

Mr Winer has over 20 years of experience in gold, base metals and diamond exploration in South America, Africa and Australia. He was exploration manager for AngloGold do Brasil Ltda, where he was responsible for Brownfield exploration around its mining operations as well as generative exploration programmes. Prior to this he spent 18 years with the exploration division of BHP Limited (now BHP Billiton Limited), three of these being as exploration manager for Brazil. He joined and became a shareholder in Mineração Vale dos Reis Ltda ("MVR") in August 2002 and has played a key role in the development of its exploration portfolio, which has now been integrated into the Group. Mr Winer has lived in Brazil since 1996, has permanent residency status and speaks fluent Portuguese. He has a BSc honours degree in geology/geophysics from the University of Macquarie, Sydney, Australia, is a member of the Society of Economic Geologists, the Prospectors and Developers Association of Canada and was a past director of the Agência para o Desenvolvimento Tecnológico da Indústria Mineral Brasileira.

***Allan M. Walker (aged 50 years), MA, Non-Executive Director***

Mr Walker has over 22 years' experience in investment banking, primarily focused on energy sector project finance and private equity, particularly in emerging markets. He has extensive contacts in the renewable energy sector worldwide as well as with governments, multilateral agencies and regional development banks. He joined Black River Asset Management (UK) Limited, an indirectly held subsidiary of Cargill Inc, in October 2005 to structure and develop a renewable energy, biofuels and carbon fund. Prior to this he was head of power and infrastructure in London for Standard Bank Plc from May 2002, a world leader in emerging markets resource banking. He was also previously a director in the Global Energy and Project Finance Group of Credit Suisse First Boston in London and ran the energy group at CSFB Garantia in Sao Paulo, Brazil from 1998 to 2001, where he spent seven years covering Latin America. He also spent three years in the energy group of ING Barings in New York. Mr Walker graduated with an MA in economic geography from Cambridge University in 1982 and speaks Portuguese and Spanish.

***Proposed Director***

***Alexander N. Christopher (aged 50 years), BSc (Hons), PGeo (BC), Non-Executive Director***

Mr Christopher, a professional geologist, has 27 years of experience in mineral exploration and the mining industry. He is a member of the Association of Professional Engineers and Geoscientists BC and possesses an Honours B.Sc. in Geology from McMaster University and an Environmental Biology Technology diploma from Canadore College. Mr Christopher currently holds the position of General Manager New

Ventures within the Corporate Development Group at Teck. Mr Christopher has been with Teck since the mid 1980's holding a number of positions within the company and has spent much of his time over the past 10 years focusing on the junior mining sector, partnerships, property transactions and Teck's junior mining equity investments. Prior to moving into a more business oriented role at Teck, he spent over a decade in the field on early to advanced stage exploration projects focused on gold and base metal exploration. He is currently a member of the Prospectors and Developers Association of Canada and the Association of Mineral Exploration BC where Mr Christopher was previously a member of the Board of Directors. During his term on the Board of the Association of Mineral Exploration BC, Mr Christopher served as Vice Chairman as well as on a number of committees including the Executive Committee and the Finance Committee, which he continues to serve on at this time.

## **Senior Management**

### ***Gary Townsend, FCA, CTA, Chief Financial Officer***

Mr Townsend is a Chartered Accountant with over 10 years' experience in the gold mining industry. He worked for Ashanti Goldfields from 1996 until 2004 as Group Financial Controller where he was responsible for setting up financial reporting systems across the group which had seven operating mines across Africa. He was also responsible for ensuring compliance with all financial regulations including SEC filings and for tax planning. In 2004 he was appointed Chief Financial Officer of Guinor Gold, a TSX listed company with operations in Guinea in West Africa and was involved in raising over US\$100 million in equity and project finance for the expansion of operations.

### ***Jeffrey Karoly, Proposed Chief Financial Officer***

Mr Karoly, 42, is a Chartered Accountant and worked from 1997 to 2007 with Minorco/Anglo American in a number of finance and business development functions across the group in Europe, Southern Africa and Brazil, where he lived for two years, reporting to the Head of Exploration for Latin America. From 2008 to present he has been the Chief Financial Officer of South American Ferro Metals, a private company that has acquired, explored and developed an iron ore property in Brazil. Mr Karoly started his career at Coopers and Lybrand in London and Budapest and speaks Portuguese.

### ***Antonio Valério da Silva, BSc, Director of HM do Brasil Ltda***

Mr da Silva is a Brazilian geologist with over 35 years of minerals industry experience. He worked for five years in the Brazilian Mines Department during which time he developed a keen understanding of the Brazilian mining code and the associated legal obligations. This was followed by 11 years working for consulting companies on a variety of projects in the Amazon region of Brazil. This included a period with Docegeo, the exploration arm of Companhia Vale de Rio Doce (CVRD), and NUCLEBRAS (Empresas Nucleares Brasileiras), the Brazilian government's nuclear mineral exploration company. Since 1983 he has acted as a consultant to a number of local mining companies and in 1986 he co-founded MVR which has worked with companies including BHP (BHP Empreendimentos Minerais Ltda), AngloGold do Brasil Ltda, Noranda Exploração Mineral Ltda, and through Mineração Serra da Canga Ltda, partnerships with EBX, Wheaton River Minerals and most recently GoldCorp Inc. He has a geology degree from the Pará State University, Brazil and lives in Belém, Brazil. He is an officer and legal representative of the Company's Brazilian subsidiary, HM do Brasil Ltda, and is its 'Competent Person' under Brazilian law.

## **4. Business and Strategy**

The Directors believe that the development of the exploration sector is important in order to safeguard a sustainable economic future for the mining industry and that the lack of direct investment in exploration activities over the past decade has resulted in the projected global demand exceeding the projected global supply for a number of commodities. The Directors believe this creates an opportunity for junior exploration companies to create significant value in an expanding market.



Horizonte's objective is to exploit these opportunities as a focused exploration company so as to become a recognised supplier of quality exploration projects with the potential for economic discoveries in Brazil and a preferred exploration partner for major gold and base metal mining companies in the region. Horizonte's core projects, its exploration portfolio and the management team's experience of working in South America, particularly in Brazil, should, in the view of the Directors, assist in assuring that the Company is well positioned to exploit these opportunities.

The Directors will continue a strategy designed to create shareholder value through the successful exploration and development of prospects and discoveries.

Key elements to this strategy are:

- development of the combined projects at Lontra and Araguaia through resource definition drilling to create a significant nickel resource
- continuing the development of Horizonte's gold projects
- adding to the Group's existing portfolio by identifying and acquiring gold and base metal projects in Brazil and Peru
- continuing to seek to enter into partnership/joint venture arrangements with mineral exploration and production partners to develop newly identified or acquired assets

Nickel is an essential metal in modern society. Two thirds of all nickel mined is used in the production of stainless steels with the remaining one third used in a variety of products including specialised non-ferrous alloys, electroplating and batteries. Increased demand for stainless steel, in recent years largely driven by the Chinese and to a lesser extent by the Indian markets, has been rising at an average of over 3 per cent. per annum and it is anticipated that this trend will continue for many years. The dramatic fluctuations in demand for and price of nickel seen in recent years, including the highs of 2007 and the complementary lows induced by the world financial crisis of 2008/9, have levelled out. Since March 2009, the price of nickel has shown a steady rise from under US\$5/lb to between US\$9 and US\$12 in recent months. In the medium and long terms, despite inevitable short term fluctuations, it is expected that the market for nickel will continue to grow, in particular to meet the demands of the developing Asian nations.

## **5. Current Trading and Prospects**

Horizonte has strategic partnerships with four companies: AngloGold, Troy, LGA and Barrick, with which the Company is working to develop its multi-commodity portfolio and explore further development opportunities in Brazil and Peru.

Horizonte has a generative pipeline of early stage projects in development and has established a 50:50 joint venture company with LGA to finance the development of the Crixás, Goiás Velho, Carajás Norte, Lobo and Araguari, and Itajobi pipeline projects, and identify and acquire suitable bolt-on mineral projects in Brazil. Furthermore, Horizonte signed a US\$5.3 million three year joint venture in September 2009 with AngloGold to focus on target generation and potential acquisitions of gold projects in Brazil.

Additionally, the Company has two primary projects situated in the Carajás Mineral Province of northern Brazil being advanced towards a resource definition: Lontra and the Tangara gold project, for which the Company signed a US\$2.8 million option agreement to advance the project with Troy in December 2007.

On 26 November 2009, Horizonte announced positive metallurgical results from Lontra. The highlights of this announcement were: (i) bottle role leach results at Lontra indicated suitability for the low cost heap leach process; (ii) significant nickel and cobalt recovery with low acid consumption in the limonite zone; (iii) an average nickel recovery of 92 per cent. and an average cobalt recovery of 82 per cent. in the transition and silicate zones; (iv) the completion of soil geochemical sampling to define additional targets; and (v) the plan to drill in 2010 to define a JORC compliant resource.

On 9 December 2009, Horizonte announced that it had expanded its exploration portfolio through a successful priority application with LGA for the Tucuma nickel project, a mineral exploration licence in the western part of the Carajas Mineral Province.



On 11 February 2010, Horizonte announced an exploration update. The highlights of this announcement were: (i) the planned commencement in the second quarter of 2010 of resource definition drilling at Lontra; (ii) a new phase of targeting by Troy at the Tangara gold project; (iii) the commencement of a regional programme and targets generated by AngloGold in respect of its exploration alliance with the Company; and (iv) the expansion of the portfolio with LGA following the acquisition of prospective ground at the Tucuma nickel project.

On 19 May 2010, Horizonte released an update on its three year exploration alliance with AngloGold. The highlights of this announcement were: (i) nine priority gold and multi element anomalies generated from sampling in the Campestre region; (ii) the best anomaly having a peak of 41.3ppb Au; (iii) 485 stream sediments year to date were taken in Campestre; (iv) 613 supporting rock samples, with a high of 18.3g/t Au; (v) ground applied for in Campestre totalling 71,738 hectares (717 km<sup>2</sup>); and (vi) total ground holding now under application in Brazil being 163,366 hectares (1,633 km<sup>2</sup>).

Full details of the status of the Company's projects are contained in the CPR in Part IX of this document.

On Admission, the Directors anticipate that the Enlarged Group will have cash resources (including the net proceeds of the Placing) of approximately £4.99 million.

## **6. Anglo Pacific Group Plc**

Horizonte has entered into a non-binding memorandum of understanding with Anglo Pacific Group Plc ("**Anglo Pacific**") in respect of an offer to pay to the Company US\$500,000 in exchange for an option for Anglo Pacific to acquire a net smelter royalty ("**NSR**") on production at Araguaia exercisable by Anglo Pacific on the completion of a positive, industry standard pre-feasibility study on Araguaia with a maturity date of six years from the date of the proposed agreement. The exercise period will be the earlier of 120 days from receipt of the positive pre-feasibility study or the maturity date.

Upon exercise of the option, Anglo Pacific shall pay to Horizonte a further US\$12.5 million and shall receive NSR at the rate of 1.5 per cent. of revenue on production at Araguaia up to 30,000 tonnes per annum, reduced by 0.02 per cent. for every 1,000 tonnes per annum above this rate. Above 50,000 tonnes per annum that rate will be 1.1 per cent. and fixed at this level.

The outline terms of the option have been agreed in a memorandum of understanding, which is not legally binding, but it is intended that they will be finalised in a definitive binding royalty agreement after Admission. As Anglo Pacific is a substantial shareholder in Horizonte, any agreement between Anglo Pacific and Horizonte will constitute a related party transaction under the AIM Rules for Companies. The Directors, having consulted with Westhouse, the Company's nominated adviser, have considered the terms of the proposed transaction with Anglo Pacific and consider them fair and reasonable insofar as Shareholders are concerned.

## **7. Admission and CREST**

Application will be made for the Enlarged Share Capital to be admitted to trading on AIM. Admission is expected to take place, and dealings in the Enlarged Share Capital are expected to commence on AIM, at 8.00 a.m. on 13 August 2010. The Consideration Shares and Quantum Shares will initially be issued in certificated form but, following Admission, all Ordinary Shares, including the Consideration Shares and Quantum Shares, may (subject to applicable overseas laws) be held in either certificated or uncertificated form.

It is expected that the Placing Shares will be delivered in CREST immediately following Admission, except where definitive share certificates are requested, in which case certificates will be posted by first class post as soon as is practicable. No temporary documents of title will be issued in connection with the Placing. CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument in accordance with the Uncertificated Securities Regulations 2001. The articles of association of the Company permit the holding of Ordinary

Shares under the CREST system. The Existing Ordinary Shares are, and the Consideration Shares, Quantum Shares and the Placing Shares will be, in registered form and no temporary documents of title will be issued. The Ordinary Shares have been admitted to CREST and accordingly enabled for settlement in CREST on the date of Admission. Accordingly, settlement of transactions in Ordinary Shares following Admission may (subject to overseas laws) take place within the CREST system if any Shareholder so wishes. CREST is a voluntary system and holders of the Ordinary Shares who wish to receive and retain share certificates will be able to do so.

## **8. Lock-in and Orderly Market Agreements**

Following the Transaction and the Quantum Transaction, the Directors will be interested in an aggregate of 6,522,142 Ordinary Shares representing 2.65 per cent. of the Enlarged Share Capital on Admission.

Each of the Directors has agreed that he will not dispose of any interest in the Company's share capital held by him at Admission for a period of 12 months following Admission except in strictly limited circumstances.

Both Teck and Quantum have agreed that they will not dispose of any interest in the Consideration Shares or the Quantum Shares as applicable for a period of 12 months following Admission except in strictly limited circumstances. Further details of these agreements can be found in Part X of this document.

## **9. Dividend Policy**

The Directors believe that the Company should seek to generate capital growth for Shareholders through the appraisal, exploration and appropriate development of gold, silver and base metals projects in producing mineral districts in Brazil and Peru. It is not anticipated that the Directors will recommend a dividend in the short to medium term following Admission. Thereafter, it is the Directors' intention to pay dividends when it is commercially prudent to do so, taking into account the availability of distributable reserves, the appropriate level of dividend cover and the capital necessary to grow the business.

## **10. Corporate Governance**

The Directors recognise the importance of sound corporate governance and intend to observe the requirements of the Code of Best Practice, as published by the Committee on Corporate Governance published by the Financial Reporting Council in June 2008 (commonly known as the "**Combined Code**") and, when applicable, the UK Corporate Governance Code, published by the Financial Reporting Council in May 2010, to the extent they consider appropriate in light of the Company's size, stage of development and resources. The Company further intends to comply with the principles of the Corporate Governance Guidance for AIM Companies published by the Quoted Companies Alliance in 2005.

Following Admission, the Board will comprise two executive directors and three non-executive directors. The Company will hold Board meetings throughout the year at which reports relating to the Group's operations, together with financial reports, will be considered. The Board is responsible for formulating, reviewing and approving the Group's strategy, budgets, major items of capital expenditure and acquisitions. The Company has an audit committee and a remuneration committee with formally delegated duties and responsibilities. The remuneration committee comprises David Hall and Allan Walker and is responsible for determining the terms and conditions of service, including remuneration and other benefits granted or proposed to be granted by the Company. The audit committee, also comprising David Hall and Allan Walker, has primary responsibility for monitoring the quality of internal controls, ensuring that the financial performance of the Group is properly measured and reported on, and for reviewing reports from the Group's auditors relating to the Group's accounting and internal controls.

The Directors intend to comply with Rule 21 of the AIM Rules for Companies relating to directors' dealings and will take all reasonable steps to ensure compliance by the Group's applicable employees.

## 11. The City Code

Under Rule 9 of the City Code, where any person acquires, whether by a series of transactions over a period of time or otherwise, an interest in shares which (taken together with shares already held by him and an interest in shares held or acquired by persons acting in concert with him) carry 30 per cent. or more of the voting rights of a company which is subject to the City Code, that person is normally required to make a general offer to all the holders of any class of equity share capital or other class of transferable securities carrying voting rights in that company to acquire the balance of their interests in the company.

Rule 9 of the City Code also provides that, among other things, where any person who, together with persons acting in concert with him, is interested in shares which in aggregate carry not less than 30 per cent. but does not hold more than 50 per cent. of the voting rights of a company which is subject to the City Code, and such person, or any person acting in concert with him, acquires an additional interest in shares which increases the percentage of shares carrying voting rights in which he is interested, then such person is normally required to make a general offer to all the holders of any class of equity share capital or other class of transferable securities carrying voting rights of that company to acquire the balance of their interests in the company.

An offer under Rule 9 must be in cash (or with a cash alternative) and at the highest price paid within the preceding 12 months for any shares in the company by the person required to make the offer or any person acting in concert with him.

Under the City Code a concert party arises when persons who, pursuant to an agreement or understanding (whether formal or informal), co-operate, through the acquisition by any of them of shares in a company, to obtain or consolidate control of that company. Under the City Code, control means an interest or interest in shares carrying in aggregate 30 per cent. or more of the voting rights of a company, irrespective of whether such interest or interests give *de facto* control.

Rule 9 of the City Code further provides, among other things, that where any person who together with persons acting in concert with him holds over 50 per cent. of the voting rights of a company acquires an interest in shares which carry additional voting rights, then they will not generally be required to make a general offer to the other shareholders to acquire the balance of their shares.

On Admission Teck will hold 50 per cent. of the voting rights of the Company. As this amount is greater than a 30 per cent. interest and not more than 50 per cent. holding of the voting rights in the Company on Admission, in normal circumstances a general offer from Teck to the Company's Shareholders would be required under Rule 9 of the City Code to acquire all the Ordinary Shares not already owned by Teck.

### *Dispensation from Rule 9 of the City Code in relation to the Placing*

Under Note 1 on the Notes on the Dispensations from Rule 9 of the City Code, the Takeover Panel will normally waive the requirement for a general offer to be made in accordance with Rule 9 of the City Code (a "**Rule 9 Offer**") if, *inter alia*, the shareholders of the company who are independent of the person who would otherwise be required to make an offer and any person acting in concert with him (the "**Independent Shareholders**") pass an ordinary resolution on a poll at a general meeting (a "**Whitewash Resolution**") approving such a waiver. The Takeover Panel may waive the requirement for a Whitewash Resolution to be considered at a general meeting (and for a circular to be prepared in accordance with Section 4 of Appendix 1 to the City Code) if Independent Shareholders holding more than 50 per cent. of the company's shares capable of being voted on such a resolution confirm in writing that they would vote in favour of the Whitewash Resolution were such a resolution to be put to the shareholders of the company at a general meeting.

Each of the Independent Shareholders (who together are the beneficial owners of 29,868,812 Ordinary Shares, representing 50.6 per cent. of the Existing Ordinary Shares carrying voting rights as at the date of this document) have written to the Takeover Panel to confirm:

1. that it/he/she has absolute discretion over the manner in which its/his/her respective Ordinary Shares are voted and that these Ordinary Shares are held free of all liens, pledges, charges and encumbrances;

2. that:
  - (a) save for the fact that they are shareholders in the Company, there is no connection between it/him/her and Teck;
  - (b) it/he/she does not have any interest or potential interest, whether commercial, financial or personal, which is conditional on the outcome of the Acquisition and Placing; and
  - (c) it/he/she is an Independent Shareholder of the Company; and
3. that, in connection with the Transaction:
  - (a) it/he/she has consented to the Takeover Panel granting a waiver from the obligation for Teck to make a Rule 9 offer to the Company's Shareholders;
  - (b) subject to Independent Shareholders of the Company holding more than 50 per cent. of the shares capable of being voted on a Whitewash Resolution giving separate confirmations in writing, it/he/she consents to the Takeover Panel dispensing with the requirement that Independent Shareholders approve a Whitewash Resolution at a general meeting of the Company; and
  - (c) it/he/she would vote in favour of a Whitewash Resolution were such a resolution put to the Independent Shareholders of the Company at a general meeting.

In giving the confirmations referred to above, each of the Independent Shareholders acknowledged:

4. that, if the Takeover Panel receives written confirmation from Independent Shareholders holding more than 50 per cent. of the shares capable of being voted on a Whitewash Resolution, the Takeover Panel will approve a waiver from the obligation for Teck to make a Rule 9 Offer, without the requirement for the waiver to be approved by Independent Shareholders of the Company at a general meeting (an "**Accelerated Panel Waiver**"); and
5. that, if no general meeting is held to approve the Whitewash Resolution:
  - (a) there would not be an opportunity for any other person to make any alternative proposal to the Company conditional on such Whitewash Resolution not being approved by Independent Shareholders of the Company;
  - (b) there would not be an opportunity for any other Shareholders to make known their views on the waiver of Rule 9; and
  - (c) there would be no requirement for the Company either (i) to obtain and make known to the Shareholders competent independent advice under Rule 3 of the City Code on either the Transaction or the waiver of the obligation for Teck to make a Rule 9 offer or (ii) to publish a circular to Shareholders in compliance with Appendix 1 of the City Code in connection with this matter.

Independent Shareholders also confirmed that they would not sell, transfer, pledge, charge or grant any option or other right over, or create any encumbrance over, or otherwise dispose of their Ordinary Shares until after the conclusion of the General Meeting to approve, *inter alia*, the Placing.

**Following completion of the Acquisition, the Quantum Transaction and the Placing, Teck will hold 50 per cent. of the Enlarged Share Capital. Any further increase in the interest in Ordinary Shares by Teck will be subject to Rule 9 of the City Code.**

## **12. General Meeting**

A notice convening the General Meeting to be held at 10 a.m. on 12 August 2010 at the offices of Westhouse Securities Limited, One Angel Court, London, EC2R 7HJ at which resolutions to: (a) approve the Acquisition; (b) amend the Company's articles of association to remove the concept of an 'authorised share capital' pursuant to section 21 of the Act; (c) authorise the Directors of the Company pursuant to section 551 of the Act to allot Ordinary Shares and grant rights to subscribe for Ordinary Shares in connection with the Acquisition, the Quantum Transaction, the Broker Shares and the Placing; and (d) disapply any pre-emption rights on the issue and allotment of Ordinary Shares pursuant to section 570 of the Act, will be proposed is set out at the end of this document.

## **13. Action to be taken**

You will find enclosed the form of proxy for use at the General Meeting. You are requested to complete and return the form of proxy in accordance with the instructions printed thereon as soon as possible and, in any event, so as to be received by the Company not later than 10 a.m. on 10 August 2010. Completion and return of the form of proxy will not preclude you from attending the General Meeting and voting in person, if you so wish.

## **14. Further Information**

Your attention is drawn to Parts II to X of this document, which provide further information on the Transaction. In particular, your attention is drawn to Part V of this document entitled "Risk Factors".

## **15. Taxation**

Information regarding UK taxation is set out in paragraph 11 of Part X of this document. This information is intended as a general guide only. If you are in any doubt as to your tax position, you should contact an independent professional adviser immediately.

## **16. Recommendation**

The Directors, who have been so advised by Westhouse, consider the Transaction and the Quantum Transaction to be in the best interests of the Company and its Shareholders as a whole.

Accordingly, the Directors recommend that Shareholders vote in favour of the Resolutions to be proposed at the General Meeting, as those directors who own Ordinary Shares have irrevocably undertaken to do so in respect of their own beneficial holdings, amounting in aggregate to 6,522,142 Ordinary Shares, representing 11.05 per cent. of the Existing Ordinary Shares.

Yours faithfully

**David J. Hall**  
**Non-Executive Chairman**



## PART II

### INFORMATION ON HORIZONTE

Horizonte is an exploration and development company with a portfolio of gold, silver and base metal projects in Brazil and Peru. Horizonte is focused on the discovery and development of new mineral projects which it aims to develop through joint-ventures with major mining companies.

Horizonte's two key projects in the Carajás mineral province of northern Brazil which are being advanced towards JORC resource definition are Lontra and the Tangara greenstone gold project, a joint venture with Troy (see below).



#### *Lontra*

A new discovery in 2008, Lontra is a 22,500ha exploration land position in the Araguaia mobile belt, a new nickel province. Lontra is serviced by good infrastructure and is located 80km to the south of Xstrata plc's Sierra do Tapa deposit (73Mt grading 1.7 per cent. Ni) and adjacent to Araguaia.

Lontra represents a new discovery of deeply weathered ultramafic bodies with laterite development containing potentially economic nickel mineralisation. The Lontra deposits were discovered by Horizonte as a result of a well designed and managed sequential exploration programme, progressing through the stages of stream sediment sampling, soil sampling, ground magnetometry, auger drilling and most recently core drilling. Three principal areas of ophiolite emplacement with associated laterite development have been established, namely:

- Northern target;
- Raimundo; and
- Southern and Morro target.

Brief descriptions of the three main targets are as follows:



- *Northern Anomaly*

The northern zone is a 3km by 1.5km area containing four anomalies, of which the main target is a 1,600m by 250m soil geochemical anomaly. The soil anomaly is over undulating terrain with dark red soils and termite mounds and is truncated to the northeast by wide flat residual lateritic plateaus. To date, 31 diamond drill holes have been completed which indicate the continuity of mineralisation along the main anomaly and the potential for mineralisation beneath the adjacent soil targets;

- *Raimundo Anomaly*

Two kilometres to the south of the Northern anomaly the Raimundo anomaly has a core zone of 1,600m by 1,000m which has been the focus of diamond drilling. To date, 31 holes have been drilled that indicate significant thicknesses of lateritic nickel mineralisation. As with the Northern anomaly, the average thickness of mineralisation varies from 11m to 6m depending on the minimum grade cut-off; and

- *Southern and Morro Anomaly*

This zone gave some of the best results in a shallow auger programme despite the fact that many of the holes had to be abandoned before reaching the target depth due to the presence of silcrete or saprolite. This target has not been tested by drilling and remains open.

#### *Lontra 2006 – 2009 Exploration*

Horizonte initiated exploration in late 2006 with a regional low threshold, multi-element, fine fraction, stream-sediment survey. This led to the definition of seven anomalous zones of which three were considered priority nickel targets. Initial field reconnaissance indicated the presence of previously unmapped ultramafic lithologies and produced a rock sample with visible garnierite indicating the potential for lateritic nickel.

In 2007, after formalising the joint venture with PST Empreendimentos and LGA Participações on Lontra (the “**Lontra Joint Venture**”), the stream sediment targets were followed up by regional (400m x 80m grid) multi-element soil sampling programmes.

In late 2007, an auger drilling programme was initiated to evaluate the principal soil anomalies at Raimundo, the Northern Zone and the Southern and Morro Zone. Exploration success continued in 2007 with a number of mineralised nickel intervals being intersected in the auger drilling. The rising water table associated with the on-set of the rainy season and the limited ability of the auger to penetrate to the saprock zone meant that many holes had to be abandoned above or within the mineralised interval. However, the results were considered by Horizonte to be sufficiently positive to warrant further drilling.

In 2008, Horizonte initiated the first of two phases of a diamond drilling programme. In total 63 diamond drill holes were completed totalling 1,317m to test the Northern and Raimundo Zone target anomalies. The programme consisted of:

- 31 holes completed on the Northern anomaly;
- 31 holes completed on the Raimundo anomaly; and
- one exploratory hole on the Southern and Morro anomaly.

Within the programme vertical holes were drilled to 15-25m in depth, ensuring that the saprock-fresh rock interface was intersected. Drill hole spacing was as follows:

- On 400m spaced lines with 80m hole centres (for geological sections and interpretation);
- On 200m x 200m centres (for resource potential identification); and
- On 100m x 100m centres (in the Raimundo high grade zone for definition of grade variation).

The diamond drilling programme was carried out with the objective of demonstrating the existence of lateritic nickel mineralisation over a significant area, and with the aim of demonstrating the potential of the area to contain a 30Mt lateritic Ni resource with a grade of more than 1.00 per cent. Ni.

No attempt was made to close off the mineralised bodies. The first phase holes were drilled by drill contractor, Pacheco e Filhos Ltda of Rio Grande do Sul, using a Sullivan diamond drill with conventional drilling techniques. The second phase was drilled by Mariana Drilling, Inc. of Goiania, Goias using a BBS-10 drill. The holes were drilled with HWT rods resulting in HQ core. High core recoveries were crucial to the reliability of the geochemistry and these were closely monitored, with less than 90 per cent. recovery being questioned and less than 80 per cent. not being accepted by Horizonte.

Holes were drilled through the lateritic profile to fresh rock where, in general, the hole was stopped after 3-5m of highly competent massive fresh rock in the first phase and at the contact in the second phase. Holes were typically between 15-25m long, but certain holes did reach over 30m in depth.

The best intersections from the 2008 diamond drill programme using a 1.2 per cent. Ni cut-off are given in the table below:

<b>Best Intersections from 2008 Drill Programme at &gt;1.2%Ni</b>				
<b>Hole ID</b>	<b>FROM(m)</b>	<b>TO(m)</b>	<b>INT(m)</b>	<b>Ni%</b>
LON_DD004	9	15.7	6.7	1.44
LON_DD007	6	16.5	10.5	1.65
LON_DD008	3.1	11	7.9	1.55
LON_DD010	2.97	9	6.03	1.31
LON_DD012	4	11.79	7.79	1.45
LON_DD026	6.1	13.77	7.67	1.60
LON_DD027	13.75	19.6	5.85	1.37
LON_DD029	8.5	16.25	7.75	1.29
LON_DD040	8.67	15.73	7.06	1.32
LON_DD041	5.35	19.18	13.83	1.38
LON_DD042	4.84	12.43	7.59	1.44
LON_DD044	11.43	16.26	4.83	1.44
LON_DD045	19.11	26.22	7.11	1.60
LON_DD051	8.84	16.16	7.32	1.32
LON_DD055	13.6	21.41	7.81	1.42
LON_DD058	8	13.27	5.27	1.39
LON_DD059	15	22.51	7.51	1.34

#### *Joint Ventures*

In addition to the Lontra Joint Venture, Horizonte has an exploration alliance with LGA and two further strategic partnerships with AngloGold and Troy.

#### *Tangara Gold Project*

Horizonte entered into a strategic alliance with Troy in 2007. This 300km<sup>2</sup> licence area is located to the south of the world class Carajás mineral province in northern Brazil, approximately 24km north west of Troy's Andorinas gold mine.

#### *Exploration Alliance in Brazil with AngloGold*

This three year, US\$5.3 million, joint venture with AngloGold was entered into with the objective of generating new targets in two areas of Brazil. This exploration alliance utilises Horizonte's technical and operational experience with funding provided by AngloGold. Newly defined projects resulting from the alliance are to be owned 49 per cent. by Horizonte and 51 per cent. by AngloGold, with AngloGold having

the option to fund the projects to a pre-feasibility stage in return for an additional equity position. Any projects below a minimum threshold size of less than 2Moz will revert back to 100 per cent. ownership by Horizonte.

*Exploration Alliance in Brazil with LGA*

This is a 50:50 joint venture agreement with LGA to finance the development of early stage projects in Brazil and identify and acquire other suitable projects. LGA is providing funding of US\$441,000 over the first year of the agreement.

Further details on the joint venture agreements with AngloGold, Troy and LGA are set out in Part IX and the material contract descriptions in Part X of this document.

The Company intends to advance the Pararapa gold-silver project in Peru in conjunction with partner Barrick. Depending on road access and approval of permits, it is intended to conduct resource drilling in the near future. With regard to El Aguila, it is the Company's intention to find a partner with which to fast track the project.

*Source: CPR, Part IX of this document*

## PART III

### INFORMATION ON TECK BRAZIL

Teck Brazil is an existing entity, which holds certain assets and liabilities other than those related to Araguaia. Teck has covenanted in the Acquisition Agreement that it shall use all reasonable endeavours to transfer the non-Araguaia assets and liabilities out of Teck Brazil pursuant to the Reorganisation prior to completion of the Acquisition. To the extent that the Reorganisation is not fully effected by completion of the Acquisition, the Company benefits from post-completion covenants provided by Teck and protection through indemnities.

The Teck exploration programme at Araguaia commenced in 2006 and is now at the advanced exploration stage with 10,314m of drilling completed across 492 drill holes. Due to the global financial crisis and resultant focus upon its core assets, following a three year exploration programme Teck ceased all works on the Araguaia project in November 2008.

A summary of exploration works conducted by Teck from 2006 to 2008 is given below. These included stream sediment, soil and rock sampling and auger, RC and diamond drilling.

Summary of Exploration Works (Teck Brazil 2006 – 2008)			
Type of Work	No	Total (m)	Notes
Stream Sediment, Soil and Rock Sampling (samples)	11,011		
Auger drill holes	7		
RC drill holes	69	1,190	
Diamond drill holes	492	10,314	200 x 200 grid

The Teck Brazil exploration licences were claimed over mafic/ultramafic bodies mapped in the regional geologic maps. Mapping and soil sampling quickly indicated the presence of new targets and focused the exploration programme on four key zones referred to as the Baiao, Piquizeiro, Central and Vila Oito zones. In contrast to the Lontra targets, which are long and narrow with a clear N-S orientation, the Teck Brazil targets, except for Piquizeiro, tend to be large equant shaped bodies. In the case of Piquizeiro, the zone appears to show a strong structural control and has a NW trend and consists of several narrow NW orientated bodies. Given the large size and generally equant shape of the soil targets, Teck Brazil opted to test the targets using a 200m x 200m spaced diamond drill programme.

Two features that have resulted from the Teck exploration activities are that, first, the Piquizeiro Trend, which exhibits signs of having a strong structural control, also has some of the best grade intersections with values of over 2 per cent. Ni. Interpretation of semi-detailed ground magnetics suggests that the degree of structural deformation may be reflected by the destruction of magnetite in the ultramafics, thus possibly providing a cheap technique for the definition of high grade target zones. Secondly, low order nickel geochemistry soil anomalies in areas with extensive lateritic duricrust have been tested with highly positive results. This extends the potential of some areas as well as confirming that at Lontra, there is potential to extend the current mineralisation zone of the main target at the Northern Zone, to the north below the lateritic plateau.

The quality of the drilling, sample collection, QA/QC procedures and storage during the Teck Brazil exploration programme is compliant with the highest international standards ensuring the integrity of the data generated.

The results of the exploration programme conducted by Teck Brazil have identified two important targets at Pequizeiro and Baião. Secondary targets have been identified in the Central Area and at Oito, and these require further drilling to define their potential.

### *Pequizeiro*

The drilling programme at Pequizeiro has identified an encouraging set of results, with a coherent zone with grades at over 0.8 per cent. Ni over 2m, considered indicative of mineralisation at mineable grades. Within this zone the ground magnetics suggest that higher grades can be directly correlated with E-W trending lineaments associated with zones of low magnetic intensity, when overlain with the ground magnetic survey results for the area.

The mineralised structures remain untested to the north, and high grades around the edges of the anomaly require further follow-up drilling. Horizonte is also considering a follow-up, ground-based magnetic survey that would have the potential to detect high grades that in turn would be the focus of infill drilling.

### *Baião*

The drilling programme at Baião has also identified an encouraging set of results. The structure remains untested to the north, and high grades around the edges of the anomaly require further follow-up drilling. Horizonte is also considering a follow-up, ground-based magnetic survey that would have the potential to detect high grades that in turn would be the focus of infill drilling.

*Source: CPR, Part IX of this document*

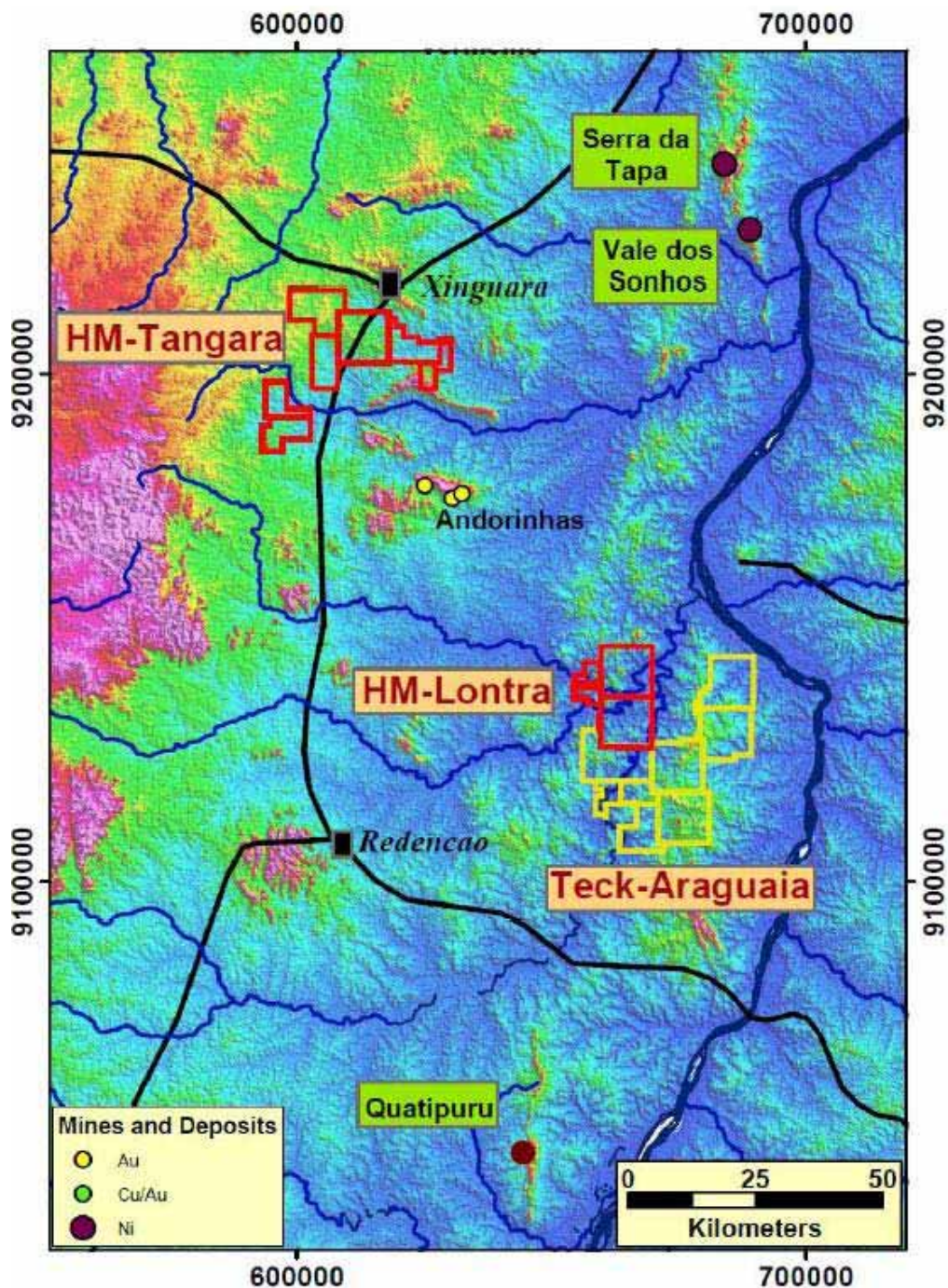


## PART IV

### INFORMATION ON THE COMBINED LONTRA AND ARAGUAIA PROJECTS

Currently there is no JORC or NI 43-101 compliant resource for either Lontra or Araguaia. On Araguaia the level of drilling completed by Teck Brazil to date has been sufficient for Teck Brazil to generate an exploration block model covering each of the four zones of mineralisation.

During 2008, Teck Brazil undertook 10,314m of drilling in 492 holes. The drill holes were spaced on 200m centres and locally at 100m centres.





In April 2010, Horizonte engaged Australian consultancy, Fredrickson Geological Solutions (FGS) to undertake a review of the block model generated by Teck Brazil which used soft estimation boundaries between lithology types and blocks of 25m x 25m x 2m. FGS completed an optimisation study for the development of a conceptual project plan and evaluation of conceptual project economics. This non-JORC compliant mineral inventory estimate completed for Horizonte relied upon assumptions in relation to minimum mineralised widths, internal dilution and mining parameters to produce open pit block models. The resulting quantity and grade values are conceptual in nature as the drilling density is insufficient for the delineation of an Inferred Mineral Resource. The results are shown below.

<b>Conceptual Mineral Inventory (FGS 2010)</b>					
<b>Cut-Off %</b>	<b>Tonnage (Mt)</b>		<b>Grade</b>		<b>Co%</b>
	<b>Low</b>	<b>High</b>	<b>Low Ni%</b>	<b>High Ni%</b>	
0.60	175	226	0.9	1.1	0.06
0.80	113	146	1.0	1.2	0.06
1.00	66	86	1.2	1.4	0.06
1.25	30	39	1.4	1.7	0.07
1.50	13	16.5	1.6	2.0	0.07
1.75	5.2	6.7	19	2.3	0.07
2.00	2.3	3	2.0	2.6	0.07

The potential quality and grade of this target is conceptual in nature and there has not yet been sufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource. The Directors believe, however, that only a minimal number of additional drill holes will be required to define an Inferred Mineral Resource.

On the Lontra licence block, Horizonte has completed a total of 63 diamond drill holes to date, totalling 1,300m and testing two of the targets within the licence block, Northern and Raimundo. Drilling densities vary from 400m x 80m grids to more localised 100m x 80m grids. The drill hole depths generally vary between 15m and 25m. The current drill hole spacing is insufficient for the delineation of an Inferred Mineral Resource; however, Horizonte has undertaken an internal non-JORC compliant mineral inventory estimate using the polygonal estimation method. The results of this estimation are conceptual in nature and require further drilling for resource definition. The results are given below.

<b>Lontra Mineral Inventory (Horizonte 2009)</b>			
<b>Cut-Off Grade (% Ni)</b>	<b>Tonnage (Mt)</b>	<b>Average Thickness (m)</b>	<b>Average Grade (% Ni)</b>
0.5	20	11.3	0.99
0.8	13	8.6	1.19
1.0	10	7.3	1.32
1.2	7	6.6	1.42

*Source: CPR, Part IX of this document*

## **PART V**

### **RISK FACTORS**

**AN INVESTMENT IN THE COMPANY IS HIGHLY SPECULATIVE AND INVOLVES A HIGH DEGREE OF RISK AS THE GROUP HAS A SHORT OPERATIONAL HISTORY AND ITS PRINCIPAL BUSINESS IS ONE OF MINERAL EXPLORATION AND EXPLOITATION.**

**In addition to all other information set out in this document, and the usual risks associated with an investment in a business at an early stage of development, potential investors should carefully consider the risk factors described below, which the Directors consider to be the most significant to potential investors in the Company, before making a decision to invest in the Company. If any events or circumstances giving rise to any of the following risks, together with the possible additional risks and uncertainties of which the Directors are currently unaware or which they consider not to be material in relation to the Group's business, actually occur, the Group's business, financial condition, results or future operations could be materially and adversely affected. In such circumstances, the price of the Company's shares could decline and investors could lose all or part of their investment. This document contains forward-looking statements that involve risks and uncertainties. The Group's results could actually differ materially from those anticipated in the forward-looking statements as a result of many factors, including, without limitation, the risks faced by the Group (which, where applicable, in this Part V shall be deemed also to refer to the Enlarged Group), which are described below and elsewhere in the document.**

#### **Exploration and mining risks**

The business of exploring for minerals and mining involves a high degree of risk. Only a small proportion of the properties that are explored are ultimately developed into producing mines. At present, none of the Group's properties have JORC or NI 43-101 Proven or Probable Reserves and the proposed programmes are an exploratory search for Indicated and Inferred Resources. It is uncertain as to whether further exploration will result in the determination of a JORC or NI 43-101 compliant Resource at any of the Group's properties. The mining areas presently being assessed by the Group may not contain economically recoverable volumes of minerals or metals. The operations of the Group may be disrupted by a variety of risks and hazards which are beyond the control of the Company, including geological, geotechnical and seismic factors, fires, power outages, labour disruptions, flooding, explosions, cave-ins, land-slides and the inability to obtain suitable or adequate machinery, industrial and mechanical accidents, equipment or labour and environmental hazards (including discharge of metals, pollutants or hazardous chemicals) and other risks involved in the operation of mines and the conduct of exploration programmes.

As is common with all mining operations there is uncertainty and therefore risk associated with the Group's operating parameters and costs. These are difficult to predict and are often affected by factors outside the Group's control. The Group has relied, and may continue to rely, upon consultants and others for operating expertise. Should economically recoverable volumes of minerals or metal be found, it can take a number of years from the initial phases of drilling and identification of mineralisation until production is possible, during which time the economic feasibility of production may change. Substantial expenditure is required to establish JORC or NI 43-101 Reserves through drilling, to develop metallurgical processes, and to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralised deposit, no assurance can be given that minerals will be discovered in sufficient quantities or having sufficient grade to justify commercial operations, or that funds required for development can be obtained on a timely basis. The economics of developing nickel, gold and other mineral properties is affected by many factors, including the cost of operations, variations of the grade of ore mined, fluctuations in the price of nickel, gold or other minerals produced, costs of processing equipment and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and

environmental protection. In addition, the grade of mineralisation ultimately mined may differ from that indicated by drilling results and such differences could be material. Short term factors, such as the need for the orderly development of ore bodies or the processing of new or different grades, may have an adverse effect on exploration or mining operations and on the results of operations.

**The Acquisition, the Quantum Transaction and the Placing are conditional and can be terminated and the conditions may not be satisfied**

The Acquisition, the Quantum Transaction and the Placing are conditional, amongst other things, upon Shareholder approval. The Acquisition is also conditional, amongst other things, on the Company raising at least £5 million (before expenses) in the Placing. In addition, both Teck and the Company are able to terminate the Acquisition Agreement in certain circumstances (see paragraph 8.3 of Section 8 in Part X of this document under the heading “Acquisition Agreement” for a description of the Acquisition Agreement). There can be no assurance that these conditions will be satisfied or that the Acquisition Agreement will not be terminated in accordance with its terms and that completion of the Acquisition will be achieved. The Quantum Transaction may also be terminated in certain circumstances.

**Risks relating to the Acquisition**

The Acquisition Agreement contains certain representations and warranties given by Teck about the business and affairs of each of Teck and Teck Brazil. There is also an associated tax indemnity. As Teck Brazil is an existing entity which holds certain other assets and liabilities, both current and historic, which do not relate to Araguaia, it is intended that the pre-acquisition Reorganisation will be carried out pursuant to which all other assets and liabilities of Teck Brazil not relating to Araguaia will be transferred out of Teck Brazil to a separate wholly owned Teck subsidiary in Brazil. Certain of the representations and warranties given by Teck in favour of the Company provide confirmation that Teck Brazil will at completion of the Acquisition own no assets or liabilities other than those intended to be acquired by Horizonte. The representations and warranties are given on an indemnity basis such that the Company will be entitled to recover, subject to certain limitations, an amount equal to any losses it or Teck Brazil suffers as a result of any matters constituting a breach of a representation or warranty. The Company’s ability to claim in respect of any breach of representation or warranty is limited in time such that tax related claims must be made before the date of expiry of the relevant statute of limitations, employment related claims must be made before the fifth anniversary of completion of the Acquisition, claims relating to the Reorganisation having resulted in Teck Brazil owning no assets or liabilities except in respect of Araguaia are unlimited in time and all other claims for breach of warranty must be made before the second anniversary of completion of the Acquisition. Teck’s liability in respect of breach of the warranties and representations other than those relating to the Reorganisation (which liability is uncapped as to amount) is capped at CAN\$4 million. There may be outstanding or unforeseen legal, regulatory, contractual or other issues arising from the acquisition of Teck Brazil. No assurance can be given that the Company will be successful in claiming against Teck in respect of any losses for breach of representation or warranty or that the amount of any losses will not exceed Teck’s cap on liability. There can be no certainty that the Reorganisation will have been completed prior to completion of the Acquisition and the Acquisition contains obligations on each party which will apply in such circumstances.

The Company has also given certain representations and warranties in respect of its business and affairs to Teck. These representations and warranties are also given on an indemnity basis such that Teck will be entitled to recover, subject to certain limitations, an amount equal to any losses it suffers as a result of any matters constituting a breach of a representation or warranty. Teck’s ability to claim in respect of any breach of representation or warranty is limited in time such that it must be made before the second anniversary of completion of the Acquisition. The Company’s liability in respect of breach of the warranties and representations is capped at CAN\$1 million. No assurance can be given that the Company will not be liable to Teck for claims resulting from these representations and warranties.

## **Major Shareholder**

On Admission, Teck will own beneficially 50 per cent. of the Enlarged Share Capital. Teck will be able to exercise a significant degree of influence over matters requiring Shareholder approval, including the approval of significant corporate transactions, and this may have the effect of delaying, preventing or deterring a change in control of the Enlarged Group, could deprive Shareholders of an opportunity to receive a premium for their Ordinary Shares as part of a sale of the Enlarged Group and might affect the market price of the Ordinary Shares and/or other securities of the Enlarged Group.

## **The Group will need additional access to capital in the future**

The Group's capital requirements depend on numerous factors, including whether a viable mineral find is located which could lead to commercially viable production. If its capital requirements vary materially from its current plans, the Group may require significant further financing. Any additional equity financing may be dilutive to Shareholders, and debt financing, if available, may involve restrictions on financing and operating activities. In addition, there can be no assurance that the Group will be able to raise additional funds when needed or that such funds will be available on terms favourable to the Group. If the Group is unable to obtain additional financing as needed, the Group may be required to reduce the scope of its operations or anticipated expansion or to cease trading.

## **The Company may face competition from competitors with much greater capital**

The Company may face significant competition, both actual and potential, including competition from competitors which have greater capital resources than those of the Company for the acquisition and exploitation of mineral concessions, as well as for the recruitment and retention of qualified employees. There is no assurance that the Company will be able to compete successfully with such persons.

## **No experience of development-stage mining operations**

The Group has no previous experience in placing resource properties into production and its ability to do so will be dependent upon using the services of appropriately experienced personnel or entering into agreements with other resource companies that can provide such expertise. There can be no assurance that the Group will have available to it the necessary expertise when and if it decides to place its resource properties into production.

## **Estimates of mineral inventory and production risks**

The mineral inventory included in this document is conceptual in nature and there has not yet been sufficient exploration to define a JORC or NI 43-101 compliant Resource. It is uncertain if further exploration will result in the determination of a JORC or NI 43-101 compliant Resource. No assurance can be given that any proven or probable reserves will be discovered, or that any particular level of recovery of minerals will in fact be realised, or that an identified target will ever qualify as a commercially mineable (or viable) deposit which can be economically exploited. Mineral exploration is speculative in nature and there can be no assurance that any mineralisation discovered will result in the establishment of Proven and Probable Reserves. Production can be affected by such factors as permitting regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations and work interruptions. The indication of the mineral inventory described in this document should not be interpreted as assurances of commercial viability, potential or profitability of any future operations.

## **Metal prices**

The metal exploration and development industry in general is intensely competitive and there is no assurance that, even if commercial quantities of Proven and Probable Reserves are discovered, a profitable market may exist for the sale of the same. Factors beyond the control of the Group may affect the marketability of any substances discovered. Metal prices have fluctuated widely, particularly in recent years. The marketability of metals is also affected by numerous other factors beyond the control of the

Group, including government regulations relating to price, royalties, allowable production and importing and exporting of minerals, the effect of which cannot accurately be predicted. A decline in the market price of metals mined by the Group may render ore Reserves containing relatively low grades of mineralisation uneconomic and may in certain circumstances ultimately lead to a restatement of Reserves.

### **Uninsured risks**

In the course of exploration, development and production of mineral properties, certain risks, and in particular, unexpected or unusual geological operating conditions including rock bursts, cave-ins, fire, flooding and earthquakes, as well as environmental pollution, may occur. It is not always possible to fully insure against such risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increased costs, have a material adverse effect on the Group's results and a decline in the value of the securities of the Company.

### **Environmental and other regulatory requirements**

The activities of the Group are subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation generally provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which would result in environmental pollution. A breach of such legislation may result in the imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner which means stricter standards, and enforcement and fines and penalties for non-compliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and their directors, officers and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations.

The current exploration activities of the Group require permits from various governmental authorities and such operations are and will be governed by laws and regulations governing prospecting, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, safety and other matters. Companies engaged in exploration activities generally experience increased costs and delays as a result of the need to comply with applicable laws, regulations and permits. There can be no assurance that all permits which the Group may require for exploration or exploitation will be obtainable on reasonable terms or on a timely basis or at all, or that such laws and regulations would not have an adverse effect on any project that the Group may undertake. The Group believes it is in substantial compliance with all material laws and regulations which currently apply to its activities. However, there may be unforeseen environmental liabilities resulting from exploration and/or mining activities and these may be costly to remedy or not capable of being remedied.

Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or to be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. There can be no assurance that compliance with these laws and regulations, permitting requirements or changes thereto or the cost of rehabilitation of site operations which have been closed down or the failure to obtain necessary permits, approvals or leases or successful challenges to the grant of such permits, approvals and leases will not adversely affect the results of operations or the financial condition of the Group. Parties engaged in exploration operations may be required to compensate those suffering loss or damage by reason of the exploration activities and may have civil or criminal fines or penalties imposed for violations of applicable laws, regulations or permitting requirements and, in particular, environmental laws.

Amendments to current laws, regulations and permits governing operations and activities of exploration companies, or more stringent implementation thereof, could have a material adverse impact on the Group and cause increases in expenditure and costs, or require abandonment, or cause delays in developing new mining properties.

### **Exploration, mining and other licences**

The Group's exploration and mining activities are dependent upon the grant of appropriate licences, concessions, leases, permits and regulatory consents ("Authorisations") which may be granted for a defined period of time, may not be granted or may be withdrawn or made subject to limitations. There can be no assurance that such Authorisations will be renewed following expiry or granted (as the case may be) or as to the terms of such grants or renewals. There is also no guarantee that the issue of a reconnaissance, prospecting or exploration licence will ensure the subsequent issue of an exploitation licence.

### **Risk of payment obligations**

Under the exploration licences and certain other contractual agreements to which companies in the Group are or may in the future become parties, such companies are or may become subject to payment and other obligations. If such obligations are not complied with when due, in addition to any other remedies that may be available to other parties, this could result in dilution or forfeiture of interests held by such companies. The Group may not have, or be able to obtain, financing for all such obligations as they arise.

### **Title matters and land access**

Title to, and the area of, mining concessions, may be disputed. While the Group has diligently investigated title to all of its mineral concessions and, to the best of its knowledge, title to all of its concessions is in good standing, the concessions may be affected by undisclosed and undetected defects. In addition, although the holder of a mineral concession in Brazil and Peru has relevant land access through private property, including the soil and subsoil in the area in question as well as in neighbouring areas, for performance of the relevant work, the Group has in the past experienced challenges from landowners relating to land access, rent and compensation for parts of property that are affected by exploration. There can be no assurance that the Group will not receive further challenges from landowners in the future. Any such challenges could prevent the Group from obtaining access to land in order to carry out exploration or mining works and could have a material effect on exploration or mining operations and on the results of operations.

### **Financing risks**

The Directors are of the opinion, having made due and careful enquiry, that taking account of the net proceeds of the Placing, the working capital available to the Company and the Enlarged Group will be sufficient for its present requirements, that is for a period of at least 12 months from Admission. Thereafter, further exploration and development of one or more of the Group's tenements will be dependent upon the Group's ability to obtain financing through joint ventures, equity or debt financing or other means. Significant inflation levels may have a detrimental effect on the Enlarged Group, and a significant increase in costs against the Directors' expectations may also have an adverse impact on the Enlarged Group's financial situation. There can be no assurance that the Group will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of its projects, with the possible loss of relevant concessions.

Any additional financing may be dilutive to Shareholders and debt financing, if available, may involve restrictions on other financing and operating activities.

### **Dependence on relations with third parties**

The Group's planned work programme will depend on the Company engaging contractors to carry out the work. The success of the planned work programme therefore depends in part on the Company's ability to employ or engage suitable people to carry out this work.



## **Joint ventures**

Members of the Group hold, and expect to hold in the future, interests in joint ventures. Joint ventures may involve special risks associated with the possibility that the joint venture partners may: (i) have economic or business interests or targets that are inconsistent with those of the Group; (ii) take action contrary to the Group's policies or objectives with respect to their investments, for instance by veto of proposals in respect of joint venture operations; (iii) be unable or unwilling to fulfill their obligations under the joint venture or other agreements; or (iv) experience financial or other difficulties. Any of the foregoing may have a material adverse effect on the results of operations or financial condition of the Group. In addition, the termination of certain of these joint venture agreements, if not replaced on similar terms, could have a material adverse effect on the results of operations or financial condition of the Group.

## **Foreign country and political risk**

All of the Group's interests are currently located in Brazil and Peru and, consequently, the Group is subject to certain risks, including currency fluctuations and possible political or economic instability in those countries or in the region which may result in the impairment or loss of metal concessions or other metal rights, and metal exploration and mining activities may be affected in varying degrees by political stability and government regulations relating to the mining industry. Any changes in regulations or shifts in political attitudes are beyond the control of the Group and may adversely affect its business. Exploration may be affected in varying degrees by government regulations with respect to restrictions on future exploitation and production, price controls, export controls, foreign exchange controls, income taxes, expropriation of property, environmental legislation and mine and/or site safety.

In addition, in view of the Group's activities in overseas jurisdictions, legal uncertainties, ambiguities, inconsistencies and anomalies, which would not necessarily exist in the UK, may arise. In particular, difficulties may arise in seeking to obtain redress through the legal courts in Brazil and Peru. There can be no assurance that joint ventures, licences, licence applications or other legal arrangements will not be adversely affected by the actions of governmental authorities or others and the effectiveness of and enforcement of such arrangements in these jurisdictions cannot be assured.

Although there are no longer restrictions on the foreign ownership of mining companies in Brazil and Peru, there can be no assurance that the requirements of the Brazilian and Peruvian governments as to the foreign ownership and control of mining companies will not change in the future.

## **Currency exchange risk**

The Group reports its financial results in £ sterling, while the markets for nickel, gold and silver are principally denominated in US dollars and a proportion of the Group's costs in relation to the Transaction and the Quantum Transaction and otherwise are incurred in local currencies, in particular the Brazilian real and the Canadian, Australian and US dollar. Accordingly, if any of these were to strengthen against the US dollar or sterling, this could have a detrimental effect on the Group's results or financial condition. The Group's assets and liabilities will be subject to the same exchange rate fluctuations which could also have a significant effect on the Group.

Fluctuations in exchange rates between currencies in which the Group operates relative to sterling may cause fluctuations in its financial results. The Group cannot predict the effect of exchange rate fluctuations upon future operating results and there can be no assurance that exchange rate fluctuations will not have a material adverse effect on its business, operating results or financial condition.

## **Management of future growth**

The Group's plans to continue its growth will place additional demand on the Group's management and administrative and technological resources. If the Group is unable to manage its growth effectively, its business operations or financial condition may deteriorate. To date, the Group has grown through acquisitions and through organic growth.

### **Project development risks**

The Group plans to continue to develop its operations and new projects. There can be no assurance that the Group's projects will be fully developed in accordance with the Group's current plans or completed on time or to budget or at all.

The Group's strategy depends, to a certain extent, on its ability to make additional acquisitions of mining rights or assets. The Group cannot guarantee that it will be able to identify appropriate properties or negotiate acquisitions on favourable terms or that it will be able to obtain the financing necessary to complete such future acquisitions.

### **Risks relating to the Reorganisation**

As part of the Reorganisation, all contractual and other liabilities not relating to the Araguaia Project either have been or will be terminated or are intended to be transferred out of Teck Brazil. To the extent that there are any residual liabilities, the Company has the benefit of an indemnity from Teck which is unlimited as to time and amount. There can be no assurance however that the Group would be successful in claiming under this indemnity and any failure to do so could have a material effect on the Group's operating results and financial condition.

### **Trading market for the Ordinary Shares**

The market price of the Ordinary Shares may be subject to wide fluctuations in response to many factors, including variations in the operating results of the Group, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, general economic conditions, legislative changes in the Group's sector and other events and factors outside of the Group's control.

In addition, stock markets have from time to time experienced extreme price and volume fluctuations, which, as well as general economic and political conditions, could adversely affect the market price for the Ordinary Shares.

**Admission of the Ordinary Shares to trading on AIM should not be taken as implying that there will be a liquid market for the Ordinary Shares and there is no guarantee that an active market will develop or be sustained after Admission. It may be more difficult for an investor to realise his investment in the Company than in a company whose shares are quoted on the Official List.**

### **Dependence on key personnel**

The Group's success depends to a significant extent upon a limited number of key employees. The loss of one or more key employees could have a material adverse effect on the Group. The Group has not taken out and does not intend to take out key man insurance in respect of any Directors or other employees. No assurances can be given that the loss of any executive officer of the Group would not have a material adverse effect on the business, financial condition or results of operations of the Group. The Group has endeavoured to ensure that the key employees are incentivised, but the retention of such staff cannot be guaranteed.

### **Legislation and regulation**

There can be no assurance that changes to the legal or regulatory framework within which the Group operates may not have an adverse effect on the Group's business.

The possibility exists that new legislation or regulations may be adopted in the future that may materially adversely affect the Group's operations or its cost structure. New legislation or regulations, or different or more stringent interpretation or enforcement of existing laws and regulations, may also require the Group or its customers to change operations significantly or incur increased costs which could have an adverse effect on the results of operations or the financial condition of the Group.

**Anti-trust considerations**

The Company has not sought Brazilian anti-trust advice in respect of the Acquisition and does not propose to make any filings with the relevant authorities in Brazil. Should the Acquisition be caught by Brazilian anti-trust legislation and restrictions, failure to carry out the mandatory filing requirements may result in fines.

*The above risk factors do not necessarily comprise all those associated with an investment in the Company.*

***Reference should also be made to the risks noted in the Competent Person's Report in Part IX of this document and to Parts VI and VII of this document which contain financial information on the Group.***

## PART VI(a)

### ACCOUNTANTS' REPORTS ON HORIZONTE

The following is the text of a report received from Littlejohn, reporting accountants:

**LITTLEJOHN**

The Directors  
Horizonte Minerals Plc  
One Berkeley Street  
London  
W1J 8DJ

The Directors  
Westhouse Securities Limited  
One Angel Court  
London  
EC2R 7HJ

26 July 2010

Dear Sirs

**Horizonte Minerals Plc (the “Company”, or “Horizonte”)**

#### **Introduction**

We report on the financial information set out in Part VI(b) “Financial Information” relating to the Company together with its subsidiary undertakings (together “the Group”). This information has been prepared for inclusion in the AIM admission document dated 27 July 2010 (the “Admission Document”) relating to the proposed admission to AIM of Horizonte Minerals plc and on the basis of the accounting policies set out in note 2. This report is given for the purpose of complying with Schedule Two of the AIM Rules for Companies and for no other purpose.

#### **Responsibility**

The Directors of the Company are responsible for preparing the Financial Information on the basis set out in the notes to the consolidated Financial Information and in accordance with International Financial Reporting Standards (“IFRS’s”).

It is our responsibility to form an opinion on the Financial Information as to whether the Financial Information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

Save for any responsibility arising under Schedule Two of the AIM Rules for Companies to any person as and to the extent provided, and save for any responsibility that we have expressly agreed in writing to assume, to the fullest extent permitted by law we do not assume responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Schedule Two of the AIM Rules for Companies, consenting to its inclusion in the Admission Document.

**Basis of opinion**

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the Financial Information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the Financial Information and whether the accounting policies are appropriate to the Company and Group consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Financial Information is free from material misstatement whether caused by fraud or other irregularity or error.

**Opinion**

In our opinion, the Financial Information set out in Part VI(b) “Financial Information” gives, for the purposes of the AIM Admission Document dated 27 July 2010, a true and fair view of the state of affairs of the Group as at 31 December 2007, 2008 and 2009, and of its results, cash flows and changes in equity for the periods then ended in accordance with the basis of preparation and in accordance with IFRS’s as described in note 2 of Part VI(b).

**Declaration**

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules we are responsible for this report as part of the Admission Document and declare we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules for Companies.

Yours faithfully

Littlejohn LLP

Chartered Accountants

## PART VI(b)

### FINANCIAL INFORMATION ON HORIZONTE

#### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December 2009 £	Year ended 31 December 2008 £	Year ended 31 December 2007 £
	Note			
<b>Continuing Operations</b>				
<b>Revenue</b>		—	—	—
Cost of sales		—	—	—
		—	—	—
<b>Gross Profit</b>		—	—	—
Administrative expenses	21	(893,805)	(1,011,054)	(462,663)
Project impairment		—	(545,310)	(50,888)
Gain/(loss) on foreign exchange		3,269	(9,073)	3,180
		—	—	—
<b>Loss from Operations</b>		(890,536)	(1,565,437)	(510,371)
Finance income	24	4,179	68,124	96,859
		—	—	—
<b>Loss Before Taxation</b>		(886,357)	(1,497,313)	(413,512)
Taxation		—	—	—
		—	—	—
<b>Loss for the Year from Continuing Operations</b>		(886,357)	(1,497,313)	(413,512)
		—	—	—
<b>Total comprehensive income for the year attributable to equity shareholders</b>		(886,357)	(1,497,313)	(413,512)
		—	—	—
<b>Loss per Share (pence) – Basic and Diluted</b>		(1.94)	(3.70)	(1.20)



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		31 December 2009	31 December 2008	31 December 2007
	Note	£	£	£
<b>Assets</b>				
<b>Non-Current Assets</b>				
Intangible assets	8	2,498,411	2,380,528	2,285,037
Property, plant & equipment	9	919	1,638	1,169
		<hr/>	<hr/>	<hr/>
		2,499,330	2,382,166	2,286,206
<b>Current Assets</b>				
Trade and other receivables	10	44,609	4,600	104,552
Cash and cash equivalents	12	1,281,410	1,043,502	2,390,398
		<hr/>	<hr/>	<hr/>
		1,326,019	1,048,102	2,494,950
		<hr/>	<hr/>	<hr/>
<b>Total Assets</b>		<u>3,825,349</u>	<u>3,430,268</u>	<u>4,781,156</u>
<b>Equity and liabilities</b>				
<b>Equity</b>				
Issued capital	13	590,191	404,477	404,477
Share premium	14	6,811,399	5,771,728	5,771,728
Other reserves	16	(1,048,100)	(1,048,100)	(1,048,100)
Accumulated losses		(2,867,224)	(1,995,264)	(618,755)
		<hr/>	<hr/>	<hr/>
<b>Total Equity</b>		<u>3,486,266</u>	<u>3,132,841</u>	<u>4,509,350</u>
<b>Current Liabilities</b>				
Trade and other payables		339,083	297,427	271,806
		<hr/>	<hr/>	<hr/>
<b>Total Liabilities</b>	11	<u>339,083</u>	<u>297,427</u>	<u>271,806</u>
		<hr/>	<hr/>	<hr/>
<b>Total Equity and Liabilities</b>		<u>3,825,349</u>	<u>3,430,268</u>	<u>4,781,156</u>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital £	Share Premium £	Accumulated Losses £	Other Reserves £	Total £
<b>As at 1 January 2007</b>	295,077	3,793,147	(255,687)	(1,048,100)	2,784,437
Issue of ordinary shares	109,400	2,078,600	–	–	2,188,000
Issue costs	–	(100,019)	–	–	(100,019)
Share options – value of employee services	–	–	50,444	–	50,444
Total comprehensive loss for the year	–	–	(413,512)	–	(413,512)
<b>As at 31 December 2007 and 1 January 2008</b>	404,477	5,771,728	(618,755)	(1,048,100)	4,509,350
Share options – value of employee services	–	–	120,804	–	120,804
Total comprehensive loss for the year	–	–	(1,497,313)	–	(1,497,313)
<b>As at 31 December 2008 and 1 January 2009</b>	404,477	5,771,728	(1,995,264)	(1,048,100)	3,132,841
Issue of ordinary shares	185,714	1,114,286	–	–	1,300,000
Issue costs	–	(74,615)	–	–	(74,615)
Share options – value of employee services	–	–	14,397	–	14,397
Total comprehensive loss for the year	–	–	(886,357)	–	(886,357)
<b>As at 31 December 2009</b>	590,191	6,811,399	(2,867,224)	(1,048,100)	3,486,266

## CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended 31 December 2009 £	Year ended 31 December 2008 £	Year ended 31 December 2007 £
<b>Cash flows from operating activities</b>			
Loss before taxation	(886,357)	(1,497,313)	(413,512)
Interest income	(4,179)	(68,124)	(96,859)
Employee share options charge	14,397	120,804	50,444
Project impairment	–	545,310	50,888
Depreciation	719	630	381
<b>Operating loss before changes in working capital</b>	<b>(875,420)</b>	<b>(898,693)</b>	<b>(408,658)</b>
(Increase)/decrease in trade and other receivables	(43,296)	103,238	(101,759)
Increase in trade and other payables	41,656	25,621	180,239
<b>Net cash outflow from operating activities</b>	<b>(877,060)</b>	<b>(769,834)</b>	<b>(330,178)</b>
<b>Cash flows from investing activities</b>			
Net purchase of intangible assets	(117,883)	(640,801)	(890,730)
Purchase of property, plant and equipment	–	(1,099)	(578)
Interest received	7,466	64,838	96,859
<b>Net cash used in investing activities</b>	<b>(110,417)</b>	<b>(577,062)</b>	<b>(794,449)</b>
<b>Cash flows from financing activities</b>			
Net proceeds from issue of ordinary shares	1,225,385	–	2,087,981
<b>Net cash inflow from financing activities</b>	<b>1,225,385</b>	<b>–</b>	<b>2,087,981</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>237,908</b>	<b>(1,346,896)</b>	<b>963,354</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>1,043,502</b>	<b>2,390,398</b>	<b>1,427,044</b>
<b>Cash and cash equivalents at end of the year</b>	<b>1,281,410</b>	<b>1,043,502</b>	<b>2,390,398</b>
<b>Consisting of:</b>			
Group cash	1,281,410	1,043,502	2,390,398

## NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

### 1. General Information

The principal activity of Horizonte Minerals Plc (“the Company”) and its subsidiaries (together “the Group”) is the exploration and development of precious and base metals. The Company’s shares are listed on the Alternative Investment Market of the London Stock Exchange. The Company is incorporated and domiciled in the UK.

The address of its registered office is 1 Berkeley Street, London W1J 8DJ.

### 2. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of this consolidated Financial Information are set out below. These policies have been consistently applied to all the years presented.

#### 2.1 Basis of Preparation

The Financial Information has been prepared in accordance with International Financial Reporting Standards (IFRSs), as adopted by the European Union (EU), IFRIC interpretations and those parts of the Companies Act 2006 applicable to companies reporting under IFRSs. The Financial Information has been prepared under the historical cost convention. A summary of the more important Group accounting policies is set out below.

The Group has adopted the following new and amended IFRSs as of 1 January 2009.

- IAS 1 (revised) “Presentation of Financial Statements” – effective 1 January 2009. The revised standard prohibits the presentation of items of income and expenses (that is ‘non-owner changes in equity’) in the Statement of Changes in Equity, requiring ‘non-owner changes in equity’ to be presented separately from owners changes in equity in a Statement of Comprehensive Income. As the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.
- IFRS 2 (amendment), “Share-based payment” – effective 1 January 2009. The amendment deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. All cancellations should receive the same accounting treatment. The Group and Company has adopted IFRS 2 (amendment) from 1 January 2009.

The above amendments do not have a material impact on the Financial Information.

The following standards and amendments to existing standards have been published and are mandatory for the Group’s accounting periods beginning on or after 1 January 2010 or later periods, but the Group has not adopted them early:

- IFRIC 17 “Distributions of non-cash assets to owners” (effective for annual periods beginning on or after 1 July 2009)
- IAS 27 (revised) “Consolidated and separate Financial Statements” (effective from 1 July 2009).
- IFRS 3 (revised) “Business combinations” and IAS 27 (amended) “Consolidated and separate Financial Statements” (effective from 1 July 2009).
- IAS 38 (amendment) “Intangible Assets” (effective from 1 July 2009).
- IFRS 5 (amendment) “Non-current assets held for sale and discontinued operations” (effective 1 January 2010).
- IAS 1 (amendment) “Presentation of Financial Statements” (effective 1 January 2010).
- IFRS 2 (amendment) “Group cash-settled share-based payments” (effective for annual periods beginning on or after 1 January 2010).

The Directors anticipate that the future adoption of these standards and interpretations will have no material impact on the Group’s Financial Statements.

## 2.2 Basis of Consolidation

Horizonte Minerals Plc was incorporated on 16 January 2006. On 23 March 2006 Horizonte Minerals Plc acquired the entire issued share capital of Horizonte Exploration Ltd (HEL) by way of a share for share exchange. The transaction was treated as a group reconstruction and was accounted for using the merger accounting method.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with policies adopted by the Group.

References to various joint venture arrangements do not meet the definition of joint ventures under IAS 31 "Interests in Joint Venture" and therefore this Financial Information does not reflect the accounting treatments required under IAS 31.

The following 100% owned subsidiaries have been included within the consolidated financial information:

Subsidiary undertaking	Parent company	Country of incorporation	Nature of business
Horizonte Minerals Exploration Ltd	Horizonte Minerals plc	England	Mineral exploration
Horizonte Minerals (IOM) Ltd	Horizonte Exploration Ltd	Isle of Man	Holding company
HM Brazil (IOM) Ltd	Horizonte Minerals (IOM) Ltd	Isle of Man	Holding company
HM Peru (IOM) Ltd	Horizonte Minerals (IOM) Ltd	Isle of Man	Holding company
HM do Brazil Ltda	HM Brazil (IOM) Ltd	Brazil	Mineral exploration
Minera El Aguila SAC	HM Peru (IOM) Ltd	Peru	Mineral exploration
Minera Cotahuasi SAC	HM Peru (IOM) Limited	Peru	Mineral exploration
South America Resources Ltd	Horizonte Minerals plc	Isle of Man	Holding company
Brazil Mineral Holdings Ltd	South America Resources Ltd	Isle of Man	Holding company
PMA Geoquimica Ltda	Brazil Mineral Holdings Ltd	Brazil	Mineral exploration
Horizonte Nickel (IOM) Limited	Horizonte Minerals (IOM) Limited	Isle of Man	Holding company

## 3.1 Summary of Significant Accounting Policies

### (a) Intangible Assets

The Group recognises expenditure as exploration and evaluation assets when it determines that those assets will be successful in finding specific mineral resources. Expenditure included in the initial measurement of exploration and evaluation assets and which are classified as intangible assets relate to the acquisition of rights to explore, topographical, geological, geochemical and geophysical studies, exploratory drilling, trenching, sampling and activities to evaluate the technical feasibility and commercial viability of extracting a mineral resource.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount. The assessment is carried out by allocating exploration and evaluation assets to cash generating units, which are based on specific projects or geographical areas.

Whenever the exploration for and evaluation of mineral resources in cash generating units does not lead to the discovery of commercially viable quantities of mineral resources and the Group has decided to discontinue such activities of that unit, the associated expenditures will be written off to the statement of comprehensive income.

### (b) Property, Plant and Equipment

Fixtures and equipment are stated at cost less accumulated depreciation.

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction, over their estimated useful lives, using the straight-line method, on the following basis:

Office equipment	25%
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### **3.1 Summary of Significant Accounting Policies (continued)**

#### **(c) Impairment**

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

#### **(d) Foreign Currency Translation**

##### *(i) Functional and Presentation Currency*

Items included in the Financial Information 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 sterling and the functional currency of the Brazilian and Peruvian entities is Brazilian Real and Peruvian Nuevo Sol respectively. The Financial Information is presented in sterling, which is the Group's presentation currency.

##### *(ii) Transactions and Balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

##### *(iii) Group Companies*

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (1) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (2) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and



**(d) Foreign Currency Translation (continued)**

*(iii) Group Companies (continued)*

- (3) all resulting exchange differences are recognised as a separate component of equity. On consolidation, exchange differences arising from the transaction of the net investment in foreign entities, and of monetary items receivable from foreign subsidiaries for which settlement is neither planned nor likely to occur in the foreseeable future are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the statement of comprehensive income as part of the gain or loss on sale.

**(e) Cash and Cash Equivalents**

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

**(f) Taxation**

The charge for current tax is based on the results for the period, as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial information and the corresponding tax basis used in the computation of taxable profit. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. Deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

**(g) Share capital**

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax, incremental costs directly attributable to the issue of equity instruments as consideration for the acquisition of a business are included in the cost of acquisition.

**(h) Operating leases**

Leases of assets under which a significant amount of the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Operating lease payments are charged to operating profit on a straight-line basis over the period of the respective leases.

**(i) Share based incentives**

Employee services received in exchange for the grant of share options are recognised as an expense. The total expense to be apportioned over the vesting period is determined by reference to the fair value of the options granted. At each balance sheet date the Group revises its estimate of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the statement of comprehensive income with a correspondence adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

**(j) Segment Reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Executive Officer, the Company's chief operating decision-maker.

**(k) Financial Instruments**

Financial assets are recognised in the balance sheet at the lower of cost and net realisable value. Provision is made for diminution in value where appropriate. Interest receivable and payable is accrued and credited/charged to the statement of comprehensive income in the period to which it relates.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost.

**(l) Going Concern**

The Financial Information has been prepared on a going concern basis notwithstanding that the Group incurred a net loss of £886,357 during the year ended 31 December 2009 (2008 loss: £1,497,213; 2007 loss: £413,512).

**3.2. Financial Risk Management**

The main financial risks that the Group's activity exposes it to are liquidity and currency fluctuations on foreign currency.

**(a) Liquidity**

In keeping with similar sized mineral exploration groups, its continued future operations depend on the ability to raise sufficient working capital through the issue of equity share capital.

All cash, with the exception of that required for immediate working capital requirements, is held on short-term deposit.

**(b) Foreign Currency Risks**

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Canadian dollar, Australian dollar, Brazilian real, Peruvian Nuevo Sol, US dollar and the UK pound. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The Group holds a proportion of its cash in US Dollars to hedge its exposure to foreign currency fluctuations and recognises the profits and losses resulting from currency fluctuations as and when they arise.

**(c) Interest Rate Risk**

As the Group has no borrowings, it is not exposed to interest rate risk on financial liabilities. The Group's interest rate risk arises from its cash held on short-term deposit.

**(d) Price Risk**

The Group is exposed to commodity price risk as a result of its operations. However, given the size of the Group's operations, the costs of managing exposure to commodity price risk exceed any potential benefits. The Directors will revisit the appropriateness of this policy should the Group's operations change in size or nature. The Group has no exposure to equity securities price risk as it has no listed or other equity investments in entities outside the Group.

**(e) Credit Risk**

No debt finance has been utilised and if required this is subject to pre-approval by the Board of Directors. The amount of exposure to any individual counter party is subject to a limit, which is assessed by the Board.

**(f) Capital Risk Management**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, in order to provide returns for shareholders and to enable the Group to continue its exploration and evaluation activities.

**4. Critical Accounting Estimates and Judgements**

The preparation of the Financial Information requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the balance sheet. Actual results may vary from the estimates used to produce this Financial Information. The most significant judgement for the Group is the assumption that exploration at the various sites will ultimately lead to a commercial mining operation. Failure to do so could lead to the write-off of the intangible assets relating to the particular site.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

## 5. Segmental Reporting

The Group operates in three geographical areas, UK, Brazil and Peru, with operations managed on a project by project basis within each geographical area. Activities in the UK are mainly administrative in nature, whilst the activities in Brazil and Peru relate to exploration and evaluation work. The reports used by the chief operating decision maker are based on these geographical segments.

	<b>UK 2009 £</b>	<b>Brazil 2009 £</b>	<b>Peru 2009 £</b>	<b>Total 2009 £</b>
Administrative expenses	(596,096)	(157,718)	(139,991)	(893,805)
Gain on foreign exchange	3,269	–	–	3,269
Loss from operations per operating segment	<u>(592,827)</u>	<u>(157,718)</u>	<u>(139,991)</u>	<u>(890,536)</u>
Inter segment revenues	–	108,842	45,116	153,958
Additions to non-current assets	–	117,883	–	117,883
Reportable segment assets	1,176,833	1,838,073	810,443	3,825,349
Reportable segment liabilities	<u>100,436</u>	<u>236,627</u>	<u>2,020</u>	<u>339,083</u>
	<b>UK 2008 £</b>	<b>Brazil 2008 £</b>	<b>Peru 2008 £</b>	<b>Total 2008 £</b>
Administrative expenses	(620,591)	(216,742)	(173,721)	(1,011,054)
Project impairment	–	(467,584)	(77,726)	(545,310)
Loss on foreign exchange	(9,073)	–	–	(9,073)
Loss from operations per operating segment	<u>(629,664)</u>	<u>(684,326)</u>	<u>(251,447)</u>	<u>(1,565,437)</u>
Inter segment revenues	–	102,965	38,378	141,343
Additions to non-current assets	1,099	484,377	156,424	641,900
Reportable segment assets	904,790	1,823,040	702,438	3,430,268
Reportable segment liabilities	<u>35,769</u>	<u>256,986</u>	<u>4,672</u>	<u>297,427</u>
	<b>UK 2007 £</b>	<b>Brazil 2007 £</b>	<b>Peru 2007 £</b>	<b>Total 2007 £</b>
Administrative expenses	(462,663)	–	–	(462,663)
Project impairment	–	(50,888)	–	(50,888)
Loss on foreign exchange	3,180	–	–	3,180
Loss from operations per operating segment	<u>(459,483)</u>	<u>(50,888)</u>	<u>–</u>	<u>(510,371)</u>
Inter segment revenues	–	54,198	26,987	81,185
Additions to non-current assets	–	617,014	288,837	905,851
Reportable segment assets	2,360,475	1,709,007	711,674	4,781,156
Reportable segment liabilities	<u>24,137</u>	<u>131,227</u>	<u>116,442</u>	<u>271,806</u>

## 6. Loss from Operations

Loss from operations is stated after charging the following:

	2009	2008	2007
	£	£	£
Depreciation	719	630	381
Project impairment	–	545,310	50,888
Auditors' remuneration			
Fees payable for the audit of parent and consolidated financial statements	14,000	13,500	13,000
Tax and other services	6,075	4,097	2,300
	<u>          </u>	<u>          </u>	<u>          </u>

## 7. Taxation

No charge to taxation arises due to the losses incurred. No deferred tax asset has been recognised on accumulated tax losses, as the recoverability of any assets is not likely in the foreseeable future.

### Income tax expense

Analysis of tax charge	2009	2008	2007
	£	£	£
UK Corporation tax charge for the year	–	–	–
Foreign tax			
Current tax charge for the year	–	–	–
Deferred tax charge for the year	–	–	–
	<u>          </u>	<u>          </u>	<u>          </u>
Tax on loss for the year	–	–	–
	<u>          </u>	<u>          </u>	<u>          </u>

The Group has not recognised deferred tax assets of £392,000 in respect of losses amounting to approximately £1,400,000 that can be carried forward against future taxable profits.

Reconciliation of current tax	2009	2008	2007
	£	£	£
Loss before income tax	886,357	1,497,313	413,512
Current tax credit at 28% (2007: 30%)	248,180	419,248	124,053
Effects of:			
Expenses not deductible for tax purposes, timing differences	(5,600)	(156,800)	(19,151)
Tax losses carried forward – UK	(111,918)	(153,118)	(104,902)
– Brazil and Peru	(130,662)	(109,330)	–
	<u>          </u>	<u>          </u>	<u>          </u>
Total current tax	–	–	–
	<u>          </u>	<u>          </u>	<u>          </u>

## 8. Intangible Assets- Exploration and Evaluation Assets

	<b>Cost £</b>
<b>Cost</b>	
At 1 January 2007	1,445,195
Additions	905,851
Disposals	(15,121)
Impairments	(50,888)
<b>At 31 December 2007</b>	<b>2,285,037</b>
Additions	640,801
Impairments	(545,310)
<b>At 31 December 2008</b>	<b>2,380,528</b>
Additions	117,883
<b>Net book amount at 31 December 2009</b>	<b>2,498,411</b>

Intangible assets represent internally generated exploration and evaluation costs. Additions are stated net of funds received from the Group's various joint venture partners in accordance with the terms of those agreements.

The impairment charge of £545,310 in 2008 and £50,888 in 2007 relates to the write off of exploration and evaluation costs incurred on projects that have been discontinued by the Group.

Impairment reviews for exploration and evaluation assets are carried out either on a project by project basis or by geographical area, which represent potential single cash generating units. The Group's exploration and evaluation projects are at an early stage of development and no JORC compliant resource estimates are available to enable value in use calculations to be prepared. The Directors therefore undertook an assessment of the following areas and circumstances which could indicate the existence of impairment:

- The Group's right to explore in an area has expired, or will expire in the near future without renewal.
- No further exploration or evaluation is planned or budgeted for.
- A decision has been taken by the Board to discontinue exploration and evaluation in an area due to the absence of a commercial level of reserves.
- Sufficient data exists to indicate that the book value will not be fully recovered from future development and production.

Following their assessment the Directors concluded that no impairment or exploration and evaluation assets arose as at 31 December 2009.



## 9. Property, Plant and Equipment

Group	Office equipment £	Software £	Total £
<b>Cost</b>			
At 1 January 2007 and 2008	1,779	25	1,804
Additions	1,099	–	1,099
	<hr/>	<hr/>	<hr/>
At 31 December 2008 and 2009	2,878	25	2,878
	<hr/>	<hr/>	<hr/>
<b>Accumulated depreciation</b>			
At 1 January 2007	245	9	254
Charge for the year	373	8	381
	<hr/>	<hr/>	<hr/>
At 31 December 2007	618	17	635
Charge for the year	622	8	630
	<hr/>	<hr/>	<hr/>
At 31 December 2008	1,240	25	1,265
Charge for the year	719	–	719
	<hr/>	<hr/>	<hr/>
As at 31 December 2009	1,959	25	1,959
	<hr/>	<hr/>	<hr/>
<b>Net book amount</b>			
At 31 December 2009	919	–	919
	<hr/>	<hr/>	<hr/>
At 31 December 2008	1,638	–	1,638
	<hr/>	<hr/>	<hr/>
At 31 December 2007	1,161	8	1,169
	<hr/>	<hr/>	<hr/>

## 10. Trade and Other Receivables

	2009 £	2008 £	2007 £
Trade receivables	40,885	300	100,300
Other receivables	3,724	4,300	4,252
	<hr/>	<hr/>	<hr/>
	44,609	4,600	104,552
Less: non-current portion	–	–	–
	<hr/>	<hr/>	<hr/>
Current portion	44,609	4,600	104,552
	<hr/>	<hr/>	<hr/>

## 11. Trade and Other Payables

	2009 £	2008 £	2007 £
Trade and other payables	97,517	46,004	154,541
Deferred income	220,732	220,732	100,000
Social security and other taxes	6,834	5,691	3,498
Accrued expenses	14,000	25,000	13,767
	<u>339,083</u>	<u>297,427</u>	<u>271,806</u>

Deferred income relates to stage payments receivable on the Tangara Project in accordance with the terms of the underlying earn-in agreement. After three years from the date of the agreement, when the option to take over the licence is either exercised or not, the deferred income will be recognised in the statement of comprehensive income.

All of the other payables are expected to be settled within one year of each balance sheet date.

## 12. Cash and Cash Equivalents

	2009 £	2008 £	2007 £
Cash at bank and in hand	202,159	82,444	124,673
Short term deposits	1,079,251	961,058	2,265,725
	<u>1,281,410</u>	<u>1,043,502</u>	<u>2,390,398</u>

## 13. Share Capital

Company	2009 Number	2009 £	2008 Number	2008 £	2007 Number	2007 £
<b>Authorised</b>						
Ordinary shares of 1p each	<u>100,000,000</u>	<u>1,000,000</u>	<u>100,000,000</u>	<u>1,000,000</u>	<u>100,000,000</u>	<u>1,000,000</u>
<b>Issued and fully paid</b>						
Ordinary shares of 1p each						
At 1 January	40,447,666	404,477	40,447,666	404,477	29,507,666	295,077
Issue of ordinary shares	<u>18,571,430</u>	<u>185,714</u>	<u>–</u>	<u>–</u>	<u>10,940,000</u>	<u>109,400</u>
At 31 December	<u>59,019,096</u>	<u>590,191</u>	<u>40,447,666</u>	<u>404,477</u>	<u>40,447,666</u>	<u>404,477</u>

## 14. Share Premium

Company	2009 £	2008 £	2007 £
At 1 January	5,771,728	5,771,728	3,793,147
Premium arising on issue of ordinary shares	1,114,286	–	2,078,600
Issue costs	<u>(74,615)</u>	<u>–</u>	<u>(100,019)</u>
At 31 December	<u>6,811,399</u>	<u>5,771,728</u>	<u>5,771,728</u>

## 15. Share Options

The Directors have discretion to grant options to the Group employees to subscribe for Ordinary shares up to a maximum of 10% of the Company's issued share capital. The options are exercisable two years from the date of grant and lapse on the tenth anniversary of the date of grant or the holder ceasing to be an employee of the Group. Neither the Company nor the Group has any legal or constructive obligation to settle or repurchase the options in cash.

Movements on number of share options and their related exercise price are as follows:

	<b>Number of options 2009 £</b>	<b>Weighted average exercise price 2009 £</b>	<b>Number of options 2008 £</b>	<b>Weighted average exercise price 2008 £</b>	<b>Number of options 2007 £</b>	<b>Weighted average exercise price 2007 £</b>
Outstanding at 1 January	3,060,000	0.168	900,000	0.247	1,040,000	0.250
Cancelled	(3,060,000)	(0.168)	—	—	—	—
Granted	4,050,000	0.095	2,780,000	0.145	50,000	0.190
Forfeited	—	—	(620,000)	0.181	(190,000)	0.250
At 31 December	<u>4,050,000</u>	<u>0.095</u>	<u>3,060,000</u>	<u>0.168</u>	<u>900,000</u>	<u>0.247</u>

During 2009, the Company cancelled all options granted under the existing unapproved share option scheme that had fully vested at prices ranging from 13.2 pence per share to 25.0 pence per share. They were replaced with options at a price of 9.5 pence per share, a premium of 19% to the market price at the date of issue. The replacement of the options did not give rise to an increase in the total fair value of the options.

The total number of options in issue during 2009 has given rise to a charge to the statement of comprehensive income of £14,397 (2008: £120,804, 2007: £50,444) based on the fair values at the time the options were granted.

The fair value of the share options was determined using the Black Scholes valuation model. The parameters used are detailed below. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of the daily share prices over a 100 day period.

	<b>2009 options</b>	<b>2008 options</b>	<b>2007 options</b>
Weighted average fair value	4.0 pence	4.0 pence	9.0 pence
Weighted average share price	8.0 pence	13.0 pence	18.0 pence
Exercise price	9.5 pence	15.0 pence	19.0 pence
Expiry date	2019	2018	2017
Vesting period	2 years	1 year	1 year
Volatility	50%	27%	27%
Dividend yield	nil	nil	nil
Expected option life	8 years	8 years	8 years
Annual risk free interest rate	3.30%	4.47%	4.86%

The options outstanding at 31 December 2009 had a weighted average remaining contractual life of 9.75 years. None of the options were exercisable at 31 December 2009.

## 16. Other Reserves

	<b>Merger reserve £</b>
At 31 December 2007, 2008 and 2009	<u>1,048,100</u>

The merger reserve arose on consolidation as a result of merger accounting for the acquisition of the entire issued share capital of Horizonte Exploration Limited during 2006 and represents the difference between the value of the share capital and premium issued for the acquisition and that of the acquired share capital and premium of Horizonte Exploration Limited.

## 17. Dividends

No dividend has been declared or paid by the Company during the year ended 31 December 2009 (2008: nil, 2007: nil).

## 18. Loss per Share

The basic loss per share is 1.94p (2008: 3.70p, 2007: 1.20p) and the diluted loss per share is 1.94p (2008: 3.70p, 2007: 1.20p).

The basic loss per share is calculated by dividing the loss for the year of £886,357 (2008: £1,497,313, 2007: £413,512) by 45,790,132 (2008: 40,447,666, 2007: 34,513,091) ordinary shares, being the weighted average number of shares in issue.

The diluted loss per share is the same as the basic loss per share as the options that were in existence have an anti-dilutive effect on the loss per share and therefore have not been taken into account.

## 19. Related Party Transactions

The following transactions took place with subsidiaries in the year:

A fee totaling £108,842 (2008: £102,965, 2007: £54,197) was charged to HM do Brazil Ltda and £45,116 (2008: £38,878, 2007: £26,987) to Minera El Aguila SAC by Horizonte Minerals Plc in respect of consultancy services provided and funding costs.

An amount of £441,996 (2008: £1,104,696, 2007: £911,584) was lent to HM do Brazil (IOM) Ltd, HM Brazil Ltda, Minera El Aguila SAC and Minera El Cotahuasi SAC to finance exploration work during 2009. Interest is charged at an annual rate of 4% on balances outstanding.

## 20. Ultimate Controlling Party

The Directors believe there to be no ultimate controlling party.

## 21. Expenses by Nature

	<b>2009 £</b>	<b>2008 £</b>	<b>2007 £</b>
Employee benefit expense	298,298	393,374	198,182
Exploration related costs expensed	297,709	390,463	—
Depreciation (see note 9)	719	630	381
Other expenses	297,079	226,587	264,100
Total administrative expenses	<u>893,805</u>	<u>1,011,054</u>	<u>462,663</u>

## 22. Director's remuneration

	2009	2008	2007
Director's remuneration	£	£	£
Emoluments	198,752	166,003	136,795
Social security	15,371	12,388	10,943
Benefits in kind	1,181	975	—
	<u>215,304</u>	<u>179,366</u>	<u>147,738</u>

Remuneration of the highest paid director was £114,433 (2008: £93,975, 2007: £78,395). The Company does not operate a pension scheme and no contributions were made to pension schemes during the year (2008: nil, 2007: nil) on behalf of the Directors.

## 23. Employee Benefit Expense (including Directors)

	2009	2008	2007
Staff costs (including Directors)	£	£	£
Wages and salaries	261,252	254,368	136,795
Social security costs	22,649	18,202	10,943
Share options granted to directors and employees (note 15)	14,397	120,804	50,444
	<u>298,298</u>	<u>393,374</u>	<u>198,182</u>
Average number of employees including Directors	<u>11</u>	<u>9</u>	<u>3</u>

## 24. Finance Income

	2009	2008	2007
	£	£	£
Interest income on cash and short-term bank deposits	<u>4,179</u>	<u>68,124</u>	<u>96,859</u>

## 25. Contingencies and Capital Commitments

The Group has no contingent liabilities or capital commitments.

## 26. Events after the Balance Sheet Dates

No material events have occurred after the balance sheet date.

## 27. Auditors

The consolidated financial statements of Horizonte Minerals plc in respect of the years ended 31 December 2007, 2008 and 2009 were audited by Littlejohn LLP, Chartered Accountants. The statutory financial statements carried an unqualified audit report. Littlejohn LLP's address is 1 Westferry Circus, Canary Wharf, London E14 4HD.

## **PART VII(a)**

### **ACCOUNTANTS' REPORTS ON TECK BRAZIL**

The following is the text of a report received from Littlejohn, reporting accountants:

**LITTLEJOHN**

The Directors  
Horizonte Minerals Plc  
One Berkeley Street  
London  
W1J 8DJ

The Directors  
Westhouse Securities Limited  
One Angel Court  
London  
EC2R 7HJ

26 July 2010

Dear Sirs

**Teck Cominco Brasil S.A (“Teck Brazil”)**

#### **Introduction**

We report on the Special Purpose IFRS Historical Financial Information set out in Part VII(b) “Special Purpose Financial Information” relating to Teck Brazil. This information has been prepared for inclusion in the AIM admission document dated 27 July 2010 (the “Admission Document”) relating to the proposed admission to AIM of Horizonte Minerals plc and on the basis of the accounting policies set out in note 2. This report is given for the purpose of complying with Schedule Two of the AIM Rules for Companies and for no other purpose.

#### **Responsibility**

The Directors of Horizonte Minerals plc are responsible for preparing the special purpose financial information on the basis set out in the notes to the Special Purpose Financial Information and in accordance with International Financial Reporting Standards (“IFRSs”). The administrative council of Teck Brazil is responsible for ensuring that proper accounting records are maintained that fairly reflect the assets, liabilities, income and expenditure of Teck Brazil under Brazilian Generally Accepted Accounting Practice (“Brazilian GAAP”).

It is our responsibility to form an opinion on the Special Purpose Financial Information as to whether the financial information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

Save for any responsibility arising under Schedule Two of the AIM Rules for Companies to any person as and to the extent provided, and save for any responsibility that we have expressly agreed in writing to assume, to the fullest extent permitted by law we do not assume responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Schedule Two of the AIM Rules for Companies, consenting to its inclusion in the Admission Document.



**Basis of opinion**

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the special purpose financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the Special Purpose Financial Information and whether the accounting policies are appropriate to Teck Brazil consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error. However, because it was not required by local law, the results up to 31 December 2006 were unaudited. We were unable to satisfy ourselves as to the accuracy of the policy for capitalisation of exploration and evaluation costs up to 31 December 2006 and therefore the accumulated losses of Teck Brazil brought forward at 1 January 2007 by other audit procedures.

**Qualified opinion arising from limitation in scope**

Except for the financial effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to the accuracy of the opening balances as at 1 January 2007 in our opinion, the financial information set out in Part VII(b) "Special Purpose Financial Information" gives, for the purposes of the AIM Admission Document dated 27 July 2010, a true and fair view of the state of affairs of Teck Brazil as at 31 December 2007, 2008 and 2009, and of its results, cash flows and changes in equity for the periods then ended in accordance with the basis of preparation and in accordance with IFRS as described in note 2 of Part VII(b).

In respect solely of the limitation of our work relating to the verification of opening balances, we have not obtained all the information and explanations that we considered necessary for the purpose of our report.

**Declaration**

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules we are responsible for this report as part of the Admission Document and declare we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules for Companies.

Yours faithfully

Littlejohn LLP  
Chartered Accountants

## PART VII(b)

### SPECIAL PURPOSE FINANCIAL INFORMATION ON TECK BRAZIL

#### STATEMENT OF COMPREHENSIVE INCOME

		For the year ended 31 December 2009 R\$	For the year ended 31 December 2008 R\$	For the year ended 31 December 2007 R\$
	Note			
Administration expenses	21	(16,730,814)	(6,188,904)	(4,648,643)
Other income	6	680	892,716	2,507,460
<b>Operating Loss</b>	7	<u>(16,730,134)</u>	<u>(5,296,188)</u>	<u>(2,141,183)</u>
<b>Loss Before Taxation</b>		<u>(16,730,134)</u>	<u>(5,296,188)</u>	<u>(2,141,183)</u>
Taxation	10	—	—	—
<b>Loss for the Year</b>		<u>(16,730,134)</u>	<u>(5,296,188)</u>	<u>(2,141,183)</u>
<b>Total comprehensive Income for the year</b>		<u><u>(16,730,134)</u></u>	<u><u>(5,296,188)</u></u>	<u><u>(2,141,183)</u></u>

All activities are classified as continuing.

## STATEMENT OF FINANCIAL POSITION

	Note	31 December 2009 R\$	31 December 2008 R\$	31 December 2007 R\$
<b>Assets</b>				
Unpaid share capital	11	—	—	7,283,307
<b>Non-Current Assets</b>				
Intangible Assets	12	11,704,837	24,717,547	19,437,809
Property, Plant & Equipment	13	380,788	1,522,638	1,461,276
		<u>12,085,625</u>	<u>26,240,185</u>	<u>20,899,085</u>
<b>Current Assets</b>				
Trade and Other Receivables	14	70,976	841,852	476,346
Cash and Cash Equivalents	15	15,595	740,896	403,884
		<u>86,571</u>	<u>1,582,748</u>	<u>880,230</u>
<b>Total Assets</b>		<u><u>12,172,196</u></u>	<u><u>27,822,933</u></u>	<u><u>29,062,622</u></u>
<b>Equity and liabilities</b>				
<b>Capital and Reserves Attributable to Equity Holders of Teck Brazil</b>				
Issued Capital	16	62,033,944	60,271,449	56,000,000
Retained Earnings		(56,628,469)	(39,898,335)	(34,602,147)
<b>Total Equity</b>		<u>5,405,475</u>	<u>20,373,114</u>	<u>21,397,853</u>
<b>Current Liabilities</b>				
Trade and Other Payables	17	6,766,721	7,449,819	7,664,769
<b>Total Equity and Liabilities</b>		<u><u>12,172,196</u></u>	<u><u>27,822,933</u></u>	<u><u>29,062,622</u></u>

## STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Share Capital R\$	Accumulated losses R\$	Total R\$
As at 1 January 2007	33,000,000	(32,460,964)	539,036
Issue of Ordinary Shares	23,000,000	–	23,000,000
Total comprehensive loss for the year	–	(2,141,183)	(2,141,183)
<b>As at 31 December 2007 and 1 January 2008</b>	<b>56,000,000</b>	<b>(34,602,147)</b>	<b>21,397,853</b>
Issue of Ordinary Shares	4,271,449	–	4,271,449
Total comprehensive loss for the year	–	(5,296,188)	(5,296,188)
<b>As at 31 December 2008 and 1 January 2009</b>	<b>60,271,449</b>	<b>(39,898,335)</b>	<b>20,373,114</b>
Issue of Ordinary Shares	1,762,495	–	1,762,495
Total comprehensive loss for the year	–	(16,730,134)	(16,730,134)
<b>As at 31 December 2009</b>	<b>62,033,944</b>	<b>(56,628,469)</b>	<b>5,405,475</b>

## CASH FLOW STATEMENT

### Consolidated Cash Flow Statement

	Year ended 31 December 2009 R\$	Year ended 31 December 2008 R\$	Year ended 31 December 2007 R\$
<b>Cash flows from operating activities</b>			
Loss before taxation	(16,730,134)	(5,296,188)	(2,141,183)
Loss/(profit) on disposal of Property, Plant and Equipment	589,147	(77,343)	(2,877)
Project impairment	13,279,857	790,469	–
Depreciation	103,720	86,869	138,307
Decrease/(increase) in trade and other receivables	770,878	(365,506)	574,497
(Decrease)/increase in trade and other payables	(574,792)	(90,484)	318,373
<b>Net cash outflow from operating activities</b>	<b>(2,561,324)</b>	<b>(4,952,183)</b>	<b>(1,112,883)</b>
<b>Cash flows from investing activities</b>			
Net purchase of intangible assets	(375,455)	(5,966,387)	(12,720,776)
Purchase of Property, Plant and Equipment	–	(445,518)	(443,630)
Proceeds from sale of Property, Plant and Equipment	448,983	146,344	37,600
<b>Net cash generated by/(used in) investing activities</b>	<b>73,528</b>	<b>(6,265,561)</b>	<b>(13,126,806)</b>
<b>Cash flows from financing activities</b>			
Cash received from payment for shares	1,762,495	11,554,756	14,639,049
<b>Net cash inflow from financing activities</b>	<b>1,762,495</b>	<b>11,554,756</b>	<b>14,639,049</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(725,301)</b>	<b>337,012</b>	<b>399,360</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>740,896</b>	<b>403,884</b>	<b>4,524</b>
<b>Cash and cash equivalents at end of the year</b>	<b>15,595</b>	<b>740,896</b>	<b>403,884</b>

### Major Non-Cash Transactions

During the year ended 31 December 2009, Teck Brazil accrued liabilities for the purchase of intangible assets of R\$116,448 (2008: R\$224,756, 2007: R\$349,221) and paid R\$224,756 (2008: R\$349,221, 2007: R\$177,204) for additions that were accrued for in the prior period.

In the year ended 31 December 2008 Teck Brazil capitalised depreciation charges of R\$228,285 (2007: R\$138,947) as part of intangible non-current asset additions.

## ACCOUNTING POLICIES

### 1. General Information

Teck Cominco Brasil S.A. undertakes to explore and evaluate mineral deposits in Brazil in order to identify and define these deposits and determine whether their extraction is economically viable.

Teck Brazil is incorporated and domiciled in Brazil. The registered office is Av. Francisco Sá, 787, Sala 511 Shopping Barroca, Bairro Prado, Belo Horizonte – MG, CEP 30411-186.

The Special Purpose Financial Information is presented in Brazilian real rounded to the nearest real.

### 2. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of the Special Purpose Financial Information are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The underlying accounting records and systems are designed to record the assets, liabilities, income and expenditure of Teck Brazil in accordance with Brazilian GAAP. The Directors of Horizonte Minerals plc are responsible for the Special Purpose Financial Information and the adjustments from the financial statements prepared in accordance with Brazilian GAAP by the administrative council of Teck Brazil.

#### (a) Basis of preparation

The Special Purpose Financial Information has been prepared in accordance with International Financial Reporting Standards (IFRSs), International Financial Reporting Interpretations Committee (IFRIC) interpretations and applicable law. The Special Purpose Financial Information has also been prepared under the historical cost convention other than financial assets and financial liabilities at fair value through profit or loss.

References to various joint venture arrangements in the notes to the Special Purpose Financial Information do not meet the definition of joint ventures under IAS 31 “Interests in Joint Ventures” and, therefore, the Special Purpose Financial Information does not reflect the accounting treatments required under IAS 31.

The preparation of financial information in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Special Purpose Financial Information are disclosed in Note 4.

#### (b) New and amended standards adopted by Teck Brazil

Teck Brazil has adopted the following new and amended IFRSs as of 1 January 2009:

IFRS 8 “Operating Segments” requires companies to adopt a management approach to reporting on their operating segments. This standard is effective for periods beginning on or after 1 January 2009 and has been adopted by Teck Brazil for all periods under review.

A revised version of IAS 1 “Presentation of Financial Statements” requires information in financial Information to be aggregated on the basis of shared characteristics, and introduces a statement of comprehensive income. This standard is effective for periods beginning on or after 1 January 2009 and has been adopted by Teck Brazil for all periods under review.

A revised version of IAS 23 “Borrowing Costs” removes the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. This standard is effective for periods beginning on or after 1 January 2009. The standard does not have a material impact on Teck Brazil’s Special Purpose Financial Information.



**(b) New and amended standards adopted by Teck Brazil (continued)**

An amendment to IFRS 2 “Share-based Payment” clarifies that vesting conditions are service conditions and performance conditions only, and specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. This amendment is effective for periods beginning on or after 1 January 2009. The amendment does not have a material impact on Teck Brazil’s Special Purpose Financial Information.

Amendments to IFRS 7 “Financial Instruments: Disclosures” require enhanced disclosures about fair value measurements and liquidity risk. These amendments are effective for periods beginning on or after 1 January 2009 and have been adopted by Teck Brazil for all periods under review.

Amendments to IAS 32 “Financial Instruments: Presentation” and IAS 1 “Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation” improve the accounting for particular types of financial instruments that have characteristics similar to ordinary shares but are at present classified as financial liabilities. These amendments are effective for periods beginning on or after 1 January 2009. The amendments do not have a material impact on Teck Brazil’s Special Purpose Financial Information.

IFRIC 13 “Customer Loyalty Programmes” addresses accounting by entities that grant loyalty award credits to customers who buy goods or services. This interpretation is effective for periods beginning on or after 1 July 2008. The interpretation does not have a material impact on Teck Brazil’s Special Purpose Financial Information.

IFRIC 15 “Agreements for the Construction of Real Estate” provides guidance on how to determine whether an agreement for the construction of real estate is within the scope of IAS 11 Construction Contracts or IAS 18 Revenue and when revenue from the construction should be recognised. This interpretation is effective for periods beginning on or after 1 January 2009. The interpretation does not have a material impact on Teck Brazil’s Special Purpose Financial Information.

IFRIC 16 “Hedges of a Net Investment in a Foreign Operation” clarifies:

- whether risk arises from the foreign currency exposure to the functional currencies of the foreign operation and the parent entity, or from the foreign currency exposure to the functional currency of the foreign operation and the presentation currency of the parent entity’s consolidated financial statements;
- which entity within a group can hold a hedging instrument in a hedge of a net investment in a foreign operation, and in particular whether the parent entity holding the net investment in a foreign operation must also hold the hedging instrument;
- how an entity should determine the amounts to be reclassified from equity to profit or loss for both the hedging instrument and the hedged item when the entity disposes of the investment.

This interpretation is effective for periods beginning on or after 1 October 2008. The interpretation does not have a material impact on Teck Brazil’s Special Purpose Financial Information.

Amendments to IFRIC 9 “Reassessment of Embedded Derivatives” and IAS 39 “Financial Instruments: Recognition and Measurement” clarify the accounting treatment of embedded derivatives for entities that make use of the reclassification amendment issued by the IASB in October 2008. These amendments are effective for periods ending on or after 30 June 2009. The amendments do not have a material impact on Teck Brazil’s Special Purpose Financial Information.

**(c) Standards and interpretations in issue but not yet effective or not yet endorsed**

The following standards and amendments to existing standards have been published and are mandatory for Teck Brazil’s accounting periods beginning on or after 1 January 2010 or later periods, but Teck Brazil has not early adopted them:

**(c) Standards and interpretations in issue but not yet effective or not yet endorsed (continued)**

IFRS 9 “Financial Instruments” specifies how an entity should classify and measure financial assets, including some hybrid contracts, with the aim of improving and simplifying the approach to classification and measurement compared with IAS 39. This standard is effective for periods beginning on or after 1 January 2013. The management are assessing the possible impact of this standard on Teck Brazil’s financial statements.

Amendments to IFRS 1 “First-time Adoption of International Financial Reporting Standards” and IAS 27 “Consolidated and Separate Financial Statements” address concerns that retrospectively determining the cost of an investment in separate financial statements and applying the cost method in accordance with IAS 27 on first-time adoption of IFRSs cannot, in some circumstances, be achieved without undue cost or effort. These amendments are effective for periods beginning on or after 1 July 2009 and are not expected to have a material impact on Teck Brazil’s financial statements.

A revised version of IFRS 3 “Business Combinations” and amendments to IAS 27 “Consolidated and Separate Financial Statements” ensure that the accounting for business combinations is the same whether an entity is applying IFRSs or US GAAP. This standard and amendments are effective for periods beginning on or after 1 July 2009 and are not expected to have a material impact on Teck Brazil’s financial statements.

An amendment to IFRS 1 “First-time Adoption of International Financial Reporting Standards” relieves first-time adopters of IFRSs from providing the additional disclosures introduced in March 2009 by “Improving Disclosures about Financial Instruments” (Amendments to IFRS 7). This amendment is effective for periods beginning on or after 1 July 2010 and is not expected to have a material impact on Teck Brazil’s financial statements.

A revised version of IAS 24 “Related Party Disclosures” simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party. This standard is effective for periods beginning on or after 1 January 2011 and is not expected to have a material impact on Teck Brazil’s financial statements.

Amendments to IFRS 1 “First-time Adoption of International Financial Reporting Standards” address the retrospective application of IFRSs to particular situations (oil and gas assets and leasing contracts), and are aimed at ensuring that entities applying IFRSs will not face undue cost or effort in the transition process. These amendments are effective for periods beginning on or after 1 January 2010 and are not expected to have a material impact on Teck Brazil’s financial statements.

Amendments to IFRS 2 “Share-based Payment” clarify the accounting for group cash-settled share-based payment transactions. These amendments are effective for periods beginning on or after 1 January 2010 and are not expected to have a material impact on Teck Brazil’s financial statements.

Further amendments to IAS 32 address the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. These amendments are effective for periods beginning on or after 1 January 2010 and are not expected to have a material impact on Teck Brazil’s financial statements.

Amendments to IAS 39 “Financial Instruments: Recognition and Measurement” provide additional guidance on what can be designated as a hedged item. These amendments are effective for periods beginning on or after 1 July 2009 and are not expected to have a material impact on Teck Brazil’s financial statements.

“Improvements to IFRSs” are collections of amendments to IFRSs resulting from the annual improvements project, a method of making necessary, but non-urgent, amendments to IFRSs that will not be included as part of another major project. These improvements have various implementation dates, for April 2009 improvements, the amendments are effective for periods beginning on or after 1 January 2010. The Directors are assessing the possible impact of these improvements on Teck Brazil’s financial statements.

**(c) Standards and interpretations in issue but not yet effective or not yet endorsed (continued)**

IFRIC 17 “Distributions of Non-cash Assets to Owners” standardises practice in the measurement of distributions of non cash assets to owners. This interpretation is effective for periods beginning on or after 1 July 2009 and is not expected to have a material impact on Teck Brazil’s financial statements.

IFRIC 18 “Transfers of Assets from Customers” clarifies the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). This interpretation is effective for periods beginning on or after 1 July 2009 and is not expected to have a material impact on Teck Brazil’s financial statements.

IFRIC 19 “Extinguishing Financial Liabilities with Equity Instruments” clarifies the treatment required when an entity renegotiates the terms of a financial liability with its creditor, and the creditor agrees to accept the entity’s shares or other equity instruments to settle the financial liability fully or partially. This interpretation is effective for periods beginning on or after 1 January 2010 and is not expected to have a material impact on Teck Brazil’s financial statements.

An amendment to IFRIC 14 “IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction”, on prepayments of a minimum funding requirement, applies in the limited circumstances when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover those requirements. The amendment permits such an entity to treat the benefit of such an early payment as an asset. This standard is effective for periods beginning on or after 1 January 2011 and is not expected to have a material impact on Teck Brazil’s financial statements.

**(d) Segmental reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

**(e) Going concern**

The Financial Information has been prepared on a going concern basis notwithstanding that Teck Brazil incurred a net loss of R\$16,730,134 during the year ended 31 December 2009 (loss for year ended 31 December 2008: R\$5,296,188, loss for the year ended 31 December 2007: R\$2,141,183) and has net current liabilities of R\$6,680,150 as at 31 December 2009 (31 December 2008: R\$5,867,071, 31 December 2007: R\$6,784,539).

**(f) Intangible assets**

Teck Brazil recognises expenditure as exploration and evaluation assets when it determines that those assets will be successful in finding specific mineral resources. Expenditure included in the initial measurement of exploration and evaluation assets and which are classified as intangible assets relate to the acquisition of rights to explore, topographical, geological, geochemical and geophysical studies, exploratory drilling, trenching, sampling and activities to evaluate the technical feasibility and commercial viability of extracting a mineral resource.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount. The assessment is carried out by allocating exploration and evaluation assets to cash generating units, which are based on specific projects or geographical areas.

**(f) Intangible assets (continued)**

Whenever the exploration for and evaluation of mineral resources in cash generating units does not lead to the discovery of commercially viable quantities of mineral resources and Teck Brazil has decided to discontinue such activities of that unit, the associated expenditures will be written off to the Comprehensive Statement of Income.

**(g) Property, plant and equipment**

Property, plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is provided on all tangible assets to write off the cost less estimated residual value of each asset over its expected useful economic life on a straight line basis at the following annual rates:

Real estate	–	4% straight line
Furniture and equipment	–	10% straight line
Computer equipment and software	–	10-20% straight line
Motor vehicles	–	20% straight line

All assets are subject to annual impairment reviews.

**(h) Impairment**

At each balance sheet date, Teck Brazil reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, Teck Brazil estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount.

Impairment losses are recognised as an expense immediately, unless the relevant asset is land or buildings at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

**(i) Foreign currency translation**

*(i) Functional and presentation currency*

Items included in the financial information of Teck Brazil are measured using the currency of the primary economic environment in which the entity operates (the ‘functional currency’). The functional and presentational currency of Teck Brazil is the Brazilian real.

*(ii) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

**(i) Foreign currency translation (continued)**

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

**(j) Financial assets**

Financial assets consist of loans and receivables.

All financial assets are recognised when Teck Brazil becomes a party to the contractual provisions of the instrument.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Any change in their value through impairment or reversal of impairment is recognised in the Statement of Comprehensive Income.

Provision for impairment of trade receivables is made when there is objective evidence that Teck Brazil will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The amount of the write-down is the difference between the receivable's carrying amount and the present value of the estimated future cash flows.

An assessment for impairment is undertaken at least annually.

**(k) Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

**(l) Taxation**

The charge for current tax is based on the results for the period, as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the Special Purpose Financial Information and the corresponding tax basis used in the computation of taxable profit. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction, which affects neither the tax profit nor the accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. Deferred tax is charged or credited in the Statement of Comprehensive Income, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and Teck Brazil intends to settle its current tax assets and liabilities on a net basis.

**(m) Share capital**

Ordinary shares are classified as equity. Mandatorily redeemable preference shares are classified as liabilities (see “Borrowings” below).

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

**(n) Trade payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

**(o) Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Statement of Comprehensive Income over the period of the borrowings, using the effective interest method.

Preference shares that are mandatorily redeemable on a specific date are classified as liabilities. The dividends on these preference shares are recognised in the Statement of Comprehensive Income as interest expense.

**(p) Operating leases**

Leases of assets under which a significant amount of the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Operating lease payments are charged to operating profit on a straight-line basis over the period of the respective leases.

**3. Financial risk management**

The main financial risks that Teck Brazil’s activity exposes it to are liquidity and price risk due to fluctuations in commodity values.

**Liquidity risk**

In keeping with similar sized mineral exploration companies, its continued future operations depend on the ability to raise sufficient working capital. Teck Brazil finances itself through the issue of redeemable preference shares and equity share capital.

**Price risk**

Teck Brazil is exposed to commodity price risk as a result of its operations. However, given the size of Teck Brazil’s operations, the costs of managing exposure to commodity price risk exceed any potential benefits. The Directors will revisit the appropriateness of this policy should Teck Brazil’s operations change in size or nature. Teck Brazil has no exposure to equity securities price risk as it has no listed or other equity investments.

**Credit risk**

Credit risk arises from cash and cash equivalents.

Teck Brazil considers the credit ratings of banks in which it holds funds in order to reduce exposure to credit risk.



### 3. Financial risk management (continued)

#### Capital risk management

Teck Brazil's objectives when managing capital are to safeguard the company's ability to continue as a going concern, in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, Teck Brazil may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

### 4. Critical accounting estimates

The preparation of the Special Purpose Financial Information in conformity with IFRSs requires Horizonte Minerals plc to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Special Purpose Financial Information and the reported amount of expenses during the year. Actual results may vary from the estimates used to produce the Special Purpose Financial Information. The most significant judgement for Horizonte Minerals plc is the assumption that exploration at various sites will ultimately lead to a commercial mining operation. Failure to do so could lead to the write off of the intangible assets relating to a particular site.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### Impairment of exploration costs

Management tests annually whether exploration costs have future economic value in accordance with the accounting policy stated in note 2f. Each exploration project is subject to regular laboratory analysis in order to assess the extent and quality of the mineral resources available. Based on this analysis the recoverable amounts of each project's defined reserves are estimated by the management and a decision made to continue or otherwise with the exploration. The Directors of Horizonte Minerals plc have reviewed the estimated value of each project prepared by the management and have made an impairment charge where appropriate.

### 5. Segmental reporting

Teck Brazil operates in one geographical area, Brazil, and Teck Brazil's operations are managed on a project by project basis within this geographical area. The following segmental information is based on the management reports received by the administrative council and used to make strategic decisions.

All assets, liabilities and expenditure are attributable to Teck Brazil's operations in Brazil and are disclosed in the balance sheet and statement of comprehensive income.

Additions and capitalised costs of the principal projects within Brazil are as follows:

Project	Additions in year			Capitalised costs		
	2009 R\$	2008 R\$	2007 R\$	2009 R\$	2008 R\$	2007 R\$
Goiás Regional	–	369,270	1,315,598	39,802	3,984,638	3,615,368
Rio Novo	113,643	1,600,858	3,125,956	121,566	6,703,671	5,102,813
Araguaia	153,504	2,205,662	7,054,861	11,543,469	11,389,965	9,184,303
Nickel Compilation	–	1,738,751	737,823	–	2,476,574	737,823
Lara	–	–	790,469	–	–	790,469
Inaja Codelco	–	155,666	7,033	–	162,699	7,033
Total intangible assets	267,147	6,070,207	13,031,740	11,704,837	24,717,547	19,437,809



## 6. Other income

	2009 R\$	2008 R\$	2007 R\$
Management charges receivable	–	892,716	2,507,460
Other income	680	–	–
	<u>680</u>	<u>892,716</u>	<u>2,507,460</u>

## 7. Operating loss

Loss from operations is stated after charging/(crediting) the following:

	2009 R\$	2008 R\$	2007 R\$
Depreciation	103,720	315,154	277,254
Impairment of Intangible assets	13,279,857	790,469	–
Loss/(profit) on disposal of property, plant and equipment	589,147	(77,343)	(2,877)
Exchange loss	8,227	71,642	12,949
Operating lease rentals – Land and buildings	150,149	711,174	743,996
– Other	22,349	54,843	175,510
	<u>13,963,442</u>	<u>1,956,939</u>	<u>1,106,986</u>

Included within depreciation is R\$Nil (2008: R\$228,285, 2007: R\$138,947) that has been capitalised within intangible non-current assets.

Included within operating lease rentals is R\$36,383 (2008: R\$445,357, 2007: R\$707,517) that has been capitalised within intangible non-current assets.

## 8. Employee benefit expense (including senior management)

	For the year ended 31 December 2009 R\$	for the year ended 31 December 2008 R\$	For the year ended 31 December 2007 R\$
<b>Staff Costs (including senior management)</b>			
Wages and salaries	1,053,963	2,931,876	2,456,285
Social security costs	306,582	1,003,580	906,712
Statutory redundancy payments	120,821	307,975	160,158
Meals, health insurance and other staff benefits	177,965	518,277	439,508
	<u>1,659,331</u>	<u>4,761,708</u>	<u>3,962,663</u>

Staff costs include R\$Nil (2008: R\$2,169,607, 2007: R\$1,182,778) of costs capitalised and included within intangible non-current assets.

	For the year ended 31 December 2009	for the year ended 31 December 2008	For the year ended 31 December 2007
<b>Average Number of Employees</b>			
Management and administration	5	20	14
Geologists and technicians	1	7	8
	<u>6</u>	<u>27</u>	<u>22</u>
Total average headcount			

## 9. Senior management's remuneration

	For the year ended 31 December 2009 R\$	for the year ended 31 December 2008 R\$	For the year ended 31 December 2007 R\$
<b>Senior management's remuneration</b>			
Remuneration	292,106	472,169	664,582
Compensation for loss of office	22,859	6,399	102,405
Fees	49,000	77,476	125,413
	<u>363,965</u>	<u>556,044</u>	<u>892,400</u>

Remuneration of the highest paid senior manager, including compensation for loss of office, for the year was R\$314,965 (2008: R\$368,442, 2007: R\$526,766). Teck Brazil does not operate a pension scheme and no contributions were made to pension schemes during the year (2008: nil, 2007: nil) on behalf of senior management.

Senior management's remuneration includes R\$Nil (2008: R\$80,414, 2007: R\$45,235) of costs capitalised and included within intangible non-current assets.

## 10. Taxation

No charge to taxation arises due to the tax losses incurred. No deferred tax asset has been recognised on accumulated tax losses, as the recoverability of any assets is not likely in the foreseeable future.

### Income tax expense

<b>Analysis of tax charge</b>	<b>2009 R\$</b>	<b>2008 R\$</b>	<b>2007 R\$</b>
Corporation tax charge for the year	—	—	—
Current tax charge for the year	—	—	—
Deferred tax charge for the year	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>
<b>Tax on loss for the year</b>	<u>—</u>	<u>—</u>	<u>—</u>

No tax charge or credit arises on the loss for the year.

Teck Brazil made tax losses for the year of R\$3,202,561 (2008: R\$10,312,007; 2007: R\$2,260,627). Teck Brazil's tax loss for each year represents its accounting loss for that year under local accounting standards.

At 31 December 2009 Teck Brazil has tax losses of approximately R\$55,193,587 (2008: R\$ 55,193,587; 2007: R\$41,679,019) available to carry forward against future taxable profits. A deferred tax asset has not been recognised in respect of these losses because of uncertainty over the timing of future taxable profits against which the losses may be offset.

## 11. Unpaid share capital

	As at 31 December 2009 R\$	As at 31 December 2008 R\$	As at 31 December 2007 R\$
Ordinary shares	–	–	7,283,307
	–	–	7,283,307

Unpaid share capital represents amounts due from Teck Resources Limited, Teck Brazil's ultimate controlling party.

## 12. Intangible Assets – exploration and evaluation assets

Intangible assets represent internally generated exploration and evaluation costs. Additions are net of funds received from Teck Brazil's strategic partners under various joint venture agreements.

	Cost R\$
Cost	
At 1 January 2007	6,406,069
Additions	13,031,740
<b>Net book amount at 31 December 2007</b>	<b>19,437,809</b>
Additions	6,070,207
Impairment	(790,469)
<b>Net book amount at 31 December 2008</b>	<b>24,717,547</b>
Additions	267,147
Impairment	(13,279,857)
<b>Net book amount at 31 December 2009</b>	<b>11,704,837</b>

### Impairment review

Impairment reviews for exploration and evaluation assets are carried out either on a project by project basis or by geographical area, which represent potential single cash generating units. Teck Brazil's exploration and evaluation projects are at an early stage of development and no JORC compliant resource estimates are available to enable value in use calculations to be prepared. Management therefore, undertook an assessment of the following areas and circumstances which could indicate the existence of impairment:

- Teck Brazil's right to explore in an area has expired, or will expire in the near future without renewal.
- No further exploration is planned or budgeted for.
- A decision has been taken by the administrative council to discontinue exploration and evaluation in an area due to the absence of a commercial level of reserves.
- Sufficient data exists to indicate that the book value will not be fully recovered from future development and production.

The impairment write-offs represent, a) the writing down to nil carrying value for those projects where the management have decided that no further exploration or evaluation work will be undertaken as these projects are no longer considered commercially viable, and b) the writing down to expected realisable values for projects available for sale.

Subsequent to 31 December 2009, certain intangible assets were de-merged from Teck Brazil, see note 25.

### 13. Property, Plant and Equipment

	Real Estate R\$	Furniture and equipment R\$	Computer equipment and software R\$	Motor vehicles R\$	Total R\$
<b>Cost</b>					
Balance as at 1 January 2007	251,924	345,134	493,088	658,146	1,748,292
Additions	8,550	52,111	166,969	216,000	443,630
Disposals	–	(2,600)	–	(102,000)	(104,600)
As at 31 December 2007	260,474	394,645	660,057	772,146	2,087,322
Additions	–	111,190	60,538	273,790	445,518
Disposals	–	(23,171)	(10,771)	(174,378)	(208,320)
As at 31 December 2008	260,474	482,664	709,824	871,558	2,324,520
Additions	–	–	–	–	–
Disposals	–	(331,448)	(673,038)	(717,258)	(1,721,744)
As at 31 December 2009	260,474	151,216	36,786	154,300	602,776
<b>Depreciation</b>					
Balance as at 1 January 2007	3,359	44,939	135,835	234,534	418,667
Charge for the year	10,191	36,886	88,780	141,399	277,256
Disposals	–	(477)	–	(69,400)	(69,877)
As at 31 December 2007	13,550	81,348	224,615	306,533	626,046
Charge for the year	10,419	44,278	100,661	159,795	315,153
Disposals	–	(8,945)	(10,472)	(119,900)	(139,317)
As at 31 December 2008	23,969	116,681	314,804	346,428	801,882
Charge for the year	10,419	22,994	27,492	42,814	103,719
Disposals	–	(91,534)	(319,350)	(272,729)	(683,613)
As at 31 December 2009	34,388	48,141	22,946	116,513	221,988
<b>Net book value as at 31 December 2007</b>	246,924	313,297	435,442	465,613	1,461,276
<b>Net book value as at 31 December 2008</b>	236,505	365,983	395,020	525,130	1,522,638
<b>Net book value as at 31 December 2009</b>	226,086	103,075	13,840	37,787	380,788

#### 14. Trade and other receivables

	As at 31 December 2009 R\$	As at 31 December 2008 R\$	As at 31 December 2007 R\$
Other debtors	–	103,690	63,110
Amounts due from Group undertakings	62,617	695,405	105,012
Prepayments and accrued income	8,359	42,757	308,224
	<u>70,976</u>	<u>841,852</u>	<u>476,346</u>

The fair value of all current receivables is as stated above. Trade and other receivables do not include any impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. Teck Brazil does not hold any collateral as security.

The carrying amounts of Teck Brazil's trade and other receivables are denominated in Brazilian reais.

#### 15. Cash and cash equivalents

	As at 31 December 2009 R\$	As at 31 December 2008 R\$	As at 31 December 2007 R\$
Cash at bank and in hand	<u>15,595</u>	<u>740,896</u>	<u>403,884</u>

#### 16. Share capital

	Number	R\$
<b>Authorised</b>		
Ordinary shares of R\$1.00 each	<u>70,000,000</u>	<u>70,000,000</u>

There has been no movement in the authorised share capital during the periods under review.

	Number of shares	Ordinary Shares R\$
<b>Issued</b>		
At 1 January 2007	33,000,000	33,000,000
Shares issued	23,000,000	23,000,000
<b>At 31 December 2007</b>	<u>56,000,000</u>	<u>56,000,000</u>
Shares issued	4,271,449	4,271,449
<b>At 31 December 2008</b>	<u>60,271,449</u>	<u>60,271,449</u>
Shares issued	1,762,495	1,762,495
<b>31 December 2009</b>	<u>62,033,944</u>	<u>62,033,944</u>

At 31 December 2007 7,283,307 of the issued share capital was unpaid (refer note 11). These shares were fully paid up in 2008 and at 31 December 2008 and 31 December 2009 all issued share capital was fully paid.

## 17. Trade and other payables

	As at 31 December 2009 R\$	As at 31 December 2008 R\$	As at 31 December 2007 R\$
Trade creditors	11,045	12,075	446,178
Social security and other taxes	320,733	508,506	358,666
Accruals	341,485	835,780	766,467
Preference shares	6,093,458	6,093,458	6,093,458
	<u>6,766,721</u>	<u>7,449,819</u>	<u>7,664,769</u>

Included within trade and other payables are mandatorily redeemable preference shares. The shares have no voting rights and are redeemable subject to conditions determined by the Board of Directors. These conditions were met on 21 December 2003 when the shares were transferred from equity.

If declared, preference shareholders are entitled to receive a dividend at least 10% more than that due to the ordinary shareholders. The shares are not convertible.

The fair value of the preference shares equals their carrying amount, as the impact of discounting is not significant. The fair values are based on the face values of the shares.

Trade and other payables are denominated in Brazilian Reals.

Trade and other payables at 31 December 2009 includes R\$116,448 (2008: R\$36,156, 2007: R\$371,084) relating to capitalised exploration costs.

## 18. Dividends

No dividend has been declared or paid by Teck Brazil during the year ended 31 December 2009 (2008: R\$nil, 2007: R\$nil).

## 19. Related party transactions

During the year ended 31 December 2009 Teck Brazil incurred fees of R\$40,000 (2008: R\$Nil, 2007: R\$Nil) for consultancy services provided by Enzo Garayp, a director of Teck Brazil. At 31 December 2009 R\$22,364 of these fees were outstanding (2008: R\$Nil, 2007: R\$Nil)

During the year ended 31 December 2009 Teck Brazil sold a car to Enzo Garayp for R\$56,000. The net book value of the car at the date of disposal was R\$80,383. The loss on disposal of R\$24,383 has been charged to the Statement of Comprehensive Income and is included within administrative expenditure.

During the year ended 31 December 2009 Teck Brazil incurred fees of R\$9,000 (2008: R\$77,476, 2007: R\$125,414) for consultancy services provided by Roberto Frias, a director of Teck Brazil. At 31 December 2009 R\$9,000 of these fees were outstanding (2008: R\$Nil, 2007: R\$Nil).

Included within other operating income for the year ended 31 December 2009 is R\$Nil (2008: R\$892,716, 2007: R\$2,507,460) of fees charged to Mineradora Invi Ltda for project management services. At the 31 December 2009 amounts outstanding from Mineradora Invi Ltda were R\$62,617 (2008: R\$695,405, 2007: R\$105,012) (refer note 14). Enzo Garayp is a director of Mineradora Invi Ltda which has the same ultimate controlling party as Teck Brazil.

## 20. Ultimate controlling party

Throughout the period 1 January 2007 to 31 December 2009 the ultimate controlling party was Teck Resources Limited, a company incorporated in Canada, which owns 100% of the ordinary share capital of Teck Brazil.

## 21. Expenses by nature

	As at 31 December 2009 R\$	As at 31 December 2008 R\$	As at 31 December 2007 R\$
Staff costs	1,659,331	2,738,118	3,017,182
Contract services	–	403,396	230,683
Training and conferences	–	209,785	141,513
Change of office	–	221,629	–
Other	1,098,759	1,815,981	1,123,834
Depreciation	103,720	86,869	138,308
Loss/(profit) on disposal and impairment of non-current assets	13,869,004	713,126	(2,877)
	<u>16,730,814</u>	<u>6,188,904</u>	<u>4,648,643</u>

## 22. Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	For the year ended 31 December 2009 R\$	for the year ended 31 December 2008 R\$	For the year ended 31 December 2007 R\$
<b>Land and buildings</b>			
No later than 1 year	<u>–</u>	<u>47,300</u>	<u>–</u>

## 23. Contingencies and capital commitments

The Group has no contingent liabilities or capital commitments.

## 24. Contingent assets

Teck Brazil has various net smelter royalty agreements in place for exploration sites where exploration work has ceased or the licences have been assigned to a third party. Teck Brazil has not recognised the financial impact of these agreements as any potential benefit to Teck Brazil is remote and cannot be quantified at the balance sheet date.

## 25. Events after the balance sheet dates

Teck Brazil's ultimate parent has agreed to use all reasonable endeavours to take, or cause to be taken, and do, or cause to be done, all actions necessary to redeem, or acquire and convert into ordinary shares, all the preference shares outstanding at the date of this document. The parent also agreed to indemnify Teck Brazil against all liabilities and costs arising.



Teck Brazil will hold an extraordinary shareholders' meeting to agree to de-merge Teck Brazil's interest in certain intangible assets. As a result intangible assets to the value of R\$206,284 will be transferred to a new entity owned by Teck Resources Ltd and the Teck Brazil's share capital will be proportionally reduced. Under Brazilian tax law the accumulated tax losses of Teck Brazil will be reduced in proportion to the net value of the transferred assets and liabilities.

## **26. Auditors**

Under Brazilian commercial law there is no requirement for Teck Brazil's financial statements to be audited.

## PART VIII

### UNAUDITED PRO FORMA STATEMENT OF CONSOLIDATED NET ASSETS OF THE ENLARGED GROUP

Set out below is an unaudited pro forma consolidated statement of net assets of Horizonte Minerals plc (“the Company”) and Teck Cominco Brasil S.A (“Teck Brazil”) (together “the Enlarged Group”) which has been prepared for illustrative purposes only to show the effect of the acquisition of Teck Brazil, the de-merger of certain intangible assets of Teck Brazil, the transfer of the preference shares of Teck Brazil, the Company’s acquisition of LGA’s interest in Lontra and the Placing and the acquisition of LGA’s interest in Lontra as if they had occurred on 31 December 2009. The pro forma statement of net assets has been prepared for illustrative purposes only, and because of its nature, it may not give a true reflection of the Enlarged Group’s financial position or results.

	Horizonte net assets as at 31 December 2009 (Note 1) £	Teck Brazil net assets as at 31 December 2009 (Note 2) £	De-merger of various assets and transfer of preference shares of Teck Brazil (Note 5 & 6) £	Issue of shares on aquisition of Teck Brazil (Note 4) £	Issue of Placing Shares net of costs (Note 7) £	Acquisition of LGA's interest in Lontra (Note 8) £	Unaudited pro forma adjusted net assets of the Enlarged Group on admission to AIM £
<b>Assets</b>							
<b>Non-current assets</b>							
Intangible assets	2,498,411	4,240,882	20,548,235	(58,467)	–	1,000,000	28,229,061
Property, plant and equipment	919	137,967	–	–	–	–	138,886
	<u>2,499,330</u>	<u>4,378,849</u>	<u>20,548,235</u>	<u>(58,467)</u>	<u>–</u>	<u>1,000,000</u>	<u>28,367,947</u>
<b>Current assets</b>							
Trade and other receivables	44,609	25,716	–	–	–	–	70,325
Cash and cash equivalents	1,281,410	6,650	–	–	4,686,114	–	5,973,174
	<u>1,326,019</u>	<u>31,366</u>	<u>–</u>	<u>–</u>	<u>4,686,114</u>	<u>–</u>	<u>6,043,499</u>
<b>Total assets</b>	<u>3,825,349</u>	<u>4,410,215</u>	<u>20,548,235</u>	<u>(58,467)</u>	<u>4,686,114</u>	<u>1,000,000</u>	<u>34,411,446</u>
<b>Liabilities</b>							
<b>Current liabilities</b>							
Trade and other payables	339,083	2,451,710	–	(2,207,775)	–	–	583,018
<b>Total liabilities</b>	<u>339,083</u>	<u>2,451,710</u>	<u>–</u>	<u>(2,207,775)</u>	<u>–</u>	<u>–</u>	<u>583,018</u>
<b>Total assets less total liabilities</b>	3,486,266	1,958,505	20,548,235	2,149,308	4,686,114	1,000,000	33,828,428

## Notes

The pro forma statement of net assets has been prepared on the following basis:

1. The consolidated net assets of the Company as at 31 December 2009 have been extracted without adjustment from Financial Information included in Part VII(b) of this document.
2. The net assets of Teck Brazil as at 31 December 2009 have been extracted without adjustment from the Special Purpose Financial Information included in Part VIII(b) of this document.
3. The net assets of Teck Brazil have been converted into Pounds Sterling at 2.76 Brazilian Reals to One Pound Sterling, being the mid market exchange rate at the close of business on 31 December 2009.
4. An adjustment has been made to reflect the proposed issue of 246,560,480 Ordinary Shares of the Company valued at £24,656,048 to be issued to the shareholders of Teck Brazil in consideration for 100% of the equity of Teck Brazil. An adjustment has been made to reflect the estimated goodwill arising upon consolidation calculated on the issue of 246,560,480 new Ordinary Shares. This is an approximation only and may differ from the goodwill in the consolidated financial statements of the Enlarged Group.
5. In consideration for the issue of new Ordinary Shares in the Company (note 4), on 26 July Teck Brazil's ultimate parent agreed to use all reasonable endeavours to take, or cause to be taken, and do, or cause to be done, all actions necessary to redeem, or acquire and convert into ordinary shares, all the preference shares of Teck Brazil outstanding at the date of this document. The parent also agreed to indemnify Teck Brazil against all liabilities and costs arising in respect of these preference shares.
6. In consideration of the issue of new Ordinary Shares in the Company (note 4), Teck Brazil will hold an extraordinary shareholders' meeting to agree to de-merge Teck Brazil's interest in certain intangible assets. As a result intangible assets to the value of R\$206,284 will be transferred to a new entity owned by Teck Resources Ltd and Teck Brazil's share capital will be proportionally reduced. The amounts included within the Special Purpose Financial Information as at 31 December 2009 was R\$161,368, for intangible assets so transferred.
7. An adjustment has been made to reflect the proceeds of a placing of 51,261,144 Ordinary Shares of the Company at an issue price of 10 pence per Ordinary Share net of an adjustment to reflect the payment in cash of admission costs estimated at £440,000 inclusive of any non recoverable VAT.
8. The Company has agreed to acquire LGA's interest in Lontra for £1,000,000 to be satisfied by the issue of 10,000,000 Ordinary Shares at an issue price of 10p per Ordinary Share.
9. No adjustments have been made to reflect the trading or other transactions of the Company and its subsidiaries since 31 December 2009.
10. No adjustments have been made to reflect the trading or other transactions of Teck Brazil since 31 December 2009 other than those items detailed within notes 5 and 6.
11. The pro forma statement of net assets does not constitute financial statements within the meaning of section 434 of the 2006 Act.

## **PART IX**

### **COMPETENT PERSON'S REPORT ON HORIZONTE'S ASSETS AND THE ASSETS OF TECK BEING ACQUIRED AS PART OF THE ACQUISITION**

*Our Ref:* 61-0744 *Date:* 26 July 2010

*Your Ref:*

The Directors  
Horizonte Minerals Plc  
1 Berkeley Street  
London  
W1J 8DJ

The Directors  
Westhouse Securities Ltd  
One Angel Court  
London  
EC2R 7HJ

Dear Sirs,

### **Horizonte Minerals Plc Competent Person's Report**

At your request, Wardell Armstrong International ("WAI") has prepared a Competent Person's Report ("CPR") on the gold and nickel assets of Horizonte Minerals Plc ("HM"), located in Brazil. It is our understanding that this report will be used as part of HM's re-admission to the London Stock Exchange's AIM market.

WAI hereby consents to the inclusion of this letter and the CPR in the Admission Document, with the inclusion of its name, in the form and context in which it appears in the Admission Document, to be published in connection with HM's AIM application.

HM is an AIM quoted exploration and development company with a portfolio of gold, silver and base metal projects in Brazil and Peru. HM is focussed on the discovery and development of new mineral projects, which it looks to develop through joint-ventures with major mining companies.

HM's focus in Brazil is the world class Carajás Mineral Province, where its core gold and nickel projects are located. The Carajás Mineral Province contains significant reserves of iron, copper, gold, manganese and bauxite. The geological evolution of this province occurred almost entirely in the Archean and is host to a wide range of gold and base metal deposits.

WAI has been engaged by HM to undertake a review of HM's existing nickel and gold assets and of a nickel concession (the "Araguaia Nickel Project") which will be acquired by HM and which was previously owned and explored by Teck Resources Limited ("Teck") through its wholly owned subsidiary Teck Cominco Brasil S.A. ("Teck Brazil"). The assets reviewed within this report are all situated in the southern part of Para State, Northern Brazil. WAI has been commissioned to assess the potential of the licences and review the status of exploration works undertaken to date.

HM's core assets include the Lontra nickel laterite project, which represents a significant greenfield discovery. The Lontra project is 50% owned by HM with Quantum Holdings Limited ("Quantum"), a private Brazilian company, holding the remaining 50% interest. It is proposed that HM will acquire the remaining interest in the Lontra nickel laterite project from Quantum as part of the proposed transaction.





Adjacent to the Lontra property is the advanced exploration stage Araguaia nickel laterite project owned and explored, to date, by Teck Brazil. The Araguaia nickel project is located directly to the south east of the licences held by HM at Lontra. The proposed transaction will involve HM acquiring Teck Brazil from Teck in exchange for an equity interest in HM. On completion of the proposed transaction, HM will own 100% of the enlarged Araguaia and Lontra nickel project comprising 11 licences across 73,000ha and containing 8 significant nickel laterite targets.

This report relies upon information provided by HM, on WAI's site visit to the Brazilian projects in January 2010; on detailed discussions with the management of HM; and a review of technical information provided by HM as well as published technical and various other reports.

HM has confirmed to WAI that to its knowledge the information provided by HM is true, accurate and complete and not incorrect, misleading or irrelevant in any aspect. WAI has no reason to believe that any facts have been withheld. A draft copy of this report was provided to the directors of HM along with a request to confirm that there are no material errors or omissions in the report and that the information in the report is factually accurate.

WAI will receive a fee for the preparation of this report in accordance with normal professional consulting practice. This fee is not contingent on the outcome of the listing or value of HM and WAI will receive no other benefit.

WAI does not have, at the date of this letter, and has not had within the previous two years, any shareholding in or other relationship with HM or the principal current assets in which HM is interested and consequently considers itself to be independent of HM.

WAI is responsible for this letter and the CPR as part of the Admission Document and declares that it has taken all reasonable care to ensure that the information contained in this letter and the CPR is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

Neither the whole nor any part of this letter and the CPR nor any reference thereto may be included in any other document without the prior written consent of WAI regarding the form and context in which it appears.

Copyright of all text and other matter in this document, including the manner of presentation, is the exclusive property of WAI. It is an offence to publish this document or any part of the document under a different cover, or to reproduce and or use, without written consent, any technical procedure and or technique contained in this letter and the CPR. The intellectual property reflected in the contents resides with WAI and shall not be used for any activity that does not involve WAI, without the written consent of WAI.

WAI accepts responsibility for the CPR for the purposes of a Competent Person's Report under the AIM Note for Mining and Oil & Gas Companies. The Competent Person's Report is complete up to and including 31 May 2010. Having taken all reasonable care to ensure that such is the case, WAI confirms that, to the best of its knowledge, the information contained in the Competent Person's Report is in accordance with the facts, contains no omission likely to affect its import, and no material change has occurred from 31 May 2010 to the date hereof that would require any amendment to the Competent Person's Report.

WAI comprises over 50 staff, offering expertise in a wide range of resource and engineering disciplines. WAI's independence is ensured by the fact that it holds no equity in any project. This permits WAI to provide its clients with conflict-free and objective recommendations on crucial judgment issues. WAI has a demonstrated track record in undertaking independent assessments of resources and reserves, project evaluations and audits, MER's and CPR's, and independent feasibility evaluations to bankable standards on behalf of exploration and mining companies and financial institutions worldwide.



The CPR has been prepared based on a technical review by a team of consultants sourced from the WAI offices in Truro. These consultants are specialists in the fields of geology, resource and reserve estimation and classification, open pit mining, rock engineering, mineral processing and mineral economics.

The individuals listed below have provided input to the CPR and have extensive experience in the mining industry and are members in good standing of appropriate professional institutions:

- Phil Newall, MCSM, BSc, PhD , CEng, FIMMM, is Director of Minerals and Geologist with WAI and has practised his profession as a mine and exploration geologist for over 25 years for both base and precious metals;
- Mark Owen, MCSM, BSc, MSc, CGeol, EurGeol, FGS, is a Technical Director and Geologist with WAI and has over 25 years' international experience as a mine and exploration geologist in both surface and underground mining operations;
- Owen Mihalop, MCSM, BSc, MSc, CEng, MIMMM, is a Technical Director and Mining Engineer with WAI and has over 15 years' broad based experience in the mining and quarrying industries; and
- Phil King, ARSM, BSc, FIMMM is a Technical Director and Metallurgist with WAI and has over 25 years' experience within the minerals industry in both process testwork and design for metallic and industrial minerals worldwide.

The Competent Person who has supervised the production of the CPR is Dr Phil Newall who is Director of Minerals with WAI and a Geologist with over 25 years' experience in the mining industry.

Yours faithfully,  
**for Wardell Armstrong International Ltd**

PHIL NEWALL  
Director  
pnewall@wardell-armstrong.com



wardell-armstrong.com

ENERGY AND CLIMATE CHANGE  
ENVIRONMENT AND SUSTAINABILITY  
INFRASTRUCTURE AND UTILITIES  
LAND AND PROPERTY  
MINING, QUARRYING AND MINERAL ESTATES  
WASTE RESOURCE MANAGEMENT



## **HORIZONTE MINERALS PLC**

**Competent Person's Report on the assets of Horizonte Minerals Plc,  
Brazil**

**26 July 2010**

*your earth our world*



## **HORIZONTE MINERALS PLC**

### **Competent Person's Report on the assets of Horizonte Minerals Plc, Brazil**

**26 July 2010**

**PREPARED BY:**

M L Owen BSc (Hons), MSc, MCSM, CGeol, EurGeol, FGS

O Mihalop BSc, MSc, MCSM, CEng, MIMMM

P King BSc (Eng) Mineral Technology (Hons), FIMMM

**APPROVED BY:**

Dr P S Newall Director of Minerals

*This report has been prepared by Wardell Armstrong International with all reasonable skill, care and diligence, within the terms of the Contract with the Client. The report is confidential to the Client and Wardell Armstrong International accepts no responsibility of whatever nature to third parties to whom this report may be made known.*

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## EXECUTIVE SUMMARY

### Introduction

Wardell Armstrong International (“WAI”) has been engaged by Horizonte Minerals plc (“HM”) to undertake a review of HM’s existing nickel and gold assets and of a nickel project (the “Araguaia Nickel Project”) which will be acquired by HM and which is currently owned by Teck Resources Limited (“Teck”) via its local subsidiary Teck Cominco Brasil S.A. (“Teck Brazil”). The assets reviewed within this report are all situated in the southern part of Para State, Northern Brazil. WAI has been commissioned to assess the potential of the licences and review the status of exploration works undertaken to date.

HM is an AIM quoted exploration and development company with a portfolio of gold, silver and base metal projects in Brazil and Peru. HM is focussed on the discovery and development of new mineral projects which it looks to develop through joint-ventures with major mining companies.

HM’s focus in Brazil is the world class Carajás Mineral Province, where its core gold and nickel projects are located. The Carajás Mineral Province contains significant reserves of iron, copper, gold, manganese and bauxite. The geological evolution of this province occurred almost entirely in the Archean and is host to a wide range of gold and base metal deposits.

### *The Proposed Transaction*

HM’s core assets include the Lontra nickel laterite project, which represents a significant greenfield discovery. The Lontra project is 50 per cent. owned by HM with its Brazilian partners holding the remaining 50 per cent. interest. It is proposed that HM will acquire the remaining interest in the Lontra nickel laterite project from Quantum as part of the proposed transaction, resulting in HM owning 100 per cent. of the Lontra project.

Adjacent to the Lontra property is the advanced exploration stage Araguaia nickel laterite project owned and explored, to date, by Teck. The Araguaia nickel project is located directly to the south east of the licences held by HM at Lontra. The proposed transaction will involve HM acquiring Teck Brazil from Teck in exchange for an equity interest in HM. On completion of the proposed transaction, HM will own 100 per cent. of the enlarged Araguaia Nickel Project comprising 11 licences across 73,000ha and containing 8 significant nickel laterite targets.

### Nickel Projects

The Araguaia Nickel Project will combine the exploration licences of HM’s Lontra project with Teck’s Araguaia Nickel Project. The Lontra licence block consists of four exploration licences covering 22,500ha where four principal nickel anomalies/targets have been identified. The Araguaia licence block consists of seven exploration licences covering 52,000ha and also contains 4 principal anomalies/targets.

### *The Lontra Nickel Project*

Since 2007, HM has conducted regional stream sediment sampling across the Lontra licence block which led to the discovery of four principal targets. Two of these targets were subsequently tested with auger and diamond drilling and a significant mineralised inventory of nickel laterite material identified. The licence block contains potential for both further discoveries of new mineralised nickel laterite material and expansion of the currently identified mineralised material, as not all the anomalies have been closed-off through diamond drilling. The table below shows the tonnage, grade and thickness of the mineralised inventory so far identified by HM at Lontra at various cut-off grades.

<b>Lontra Mineral Inventory (HM 2009)</b>			
<b>Tonnage (Mt)</b>	<b>Average Thickness (m)</b>	<b>Average Grade (% Ni)</b>	<b>Cut-Off Grade (% Ni)</b>
20	11.3	0.99	0.5
13	8.6	1.19	0.8
10	7.3	1.32	1.0
7	6.6	1.42	1.2

### *The Araguaia Nickel Project*

Teck completed a number of phases of exploration work on the Araguaia licence block between 2006 and 2008, including stream sediment, rock and soil sampling to identify four principal targets, followed by auger, RC and Diamond Drilling to test those targets. In total over 10,300m of drilling was completed in 492 drill holes. This work has resulted in the grass-roots discovery of a significant zone of nickel mineralisation. HM engaged Fredrickson Consulting Services ("FGS"), who completed an initial block model to examine the mineral potential over the project area. The table below shows the tonnage and grade of the mineralised inventory so far defined on the Araguaia Project at various cut-off grades. The Araguaia licence block also contains considerable potential for the identification of new targets and the expansion of the mineralised nickel laterite inventory at the targets already identified.

<b>Araguaia Conceptual Mineral Inventory (FGS 2010)</b>					
<b>Cut-off %</b>	<b>Tonnage</b>		<b>Grade</b>		
	<b>Low Tonnes</b>	<b>High Tonnes</b>	<b>Low Ni%</b>	<b>High Ni%</b>	<b>Co%</b>
0.60	175,000,000	226,000,000	0.9	1.1	0.06
0.80	113,000,000	146,000,000	1.0	1.2	0.06
1.00	66,000,000	86,000,000	1.2	1.4	0.06
1.25	30,000,000	39,000,000	1.4	1.7	0.07
1.50	13,000,000	16,500,000	1.6	2.0	0.07
1.75	5,200,000	6,700,000	1.9	2.3	0.07
2.00	2,300,000	3,000,000	2.0	2.6	0.07

The potential quality and grade of this target is conceptual in nature and there has not yet been sufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of Mineral Resource

Neither the Lontra licence block nor the Araguaia licence block contains JORC or CIM classified Mineral Resources. The current mineral inventory is conceptual in nature as there has been insufficient exploration to define a classified Mineral Resource. WAI is of the opinion that further infill drilling will enable a Mineral Resource to be defined and there is a very high probability that HM will be able to define a significant Mineral Resource for the combined Araguaia Lontra Nickel Project. It is estimated that a further 15-20 drill holes will be required to define a JORC compliant *Inferred* Mineral Resource at Araguaia.



## HM Gold JV Agreements

In addition to its core nickel asset HM is involved in a number of gold projects which it is developing in conjunction with joint venture partners. The most developed of these projects is the Tangara Gold Project, which is being developed in partnership with Troy Resources NL ("Troy"). In addition to the Tangara Gold Project, HM has entered into joint venture agreements with AngloGold Ashanti Limited ("AngloGold") and LGA.

**Tangara Gold Project in Brazil** – A three year Earn-In agreement was executed with Troy in 2007 to earn to 100 per cent. of the project: this 300km<sup>2</sup> licence area is located to the south of the world class Carajás mineral province in northern Brazil. The project is located approximately 24km north west of Troy's Andorinhas gold mine. The principal terms of the agreement specify that Troy's wholly owned subsidiary, Reinarda Mineração Ltda (RM), spend a minimum of US\$2 million over a three year earn-in period which will be used to fund further exploration.

To date, Troy has completed the minimum work commitment expenditure of US\$2 million in ground spend. The work focussed on the Malvinas Trend in particular the Gerson Zone, with the aim to delineate a resource/reserve statement. This exploration drilling programme resulted in 264 holes (13,180m) as well as extensive surface work and technical studies to complete the final reporting. Other areas tested were the Americo and West Rio Maria targets. Troy has applied for a mining licence application over the Gerson target area.

**Exploration Alliance in Brazil with AngloGold** – This three year, US\$5.3M, JV with AngloGold was entered into with the objective of to generating new targets in two areas of Brazil. The exploration alliance was to utilise HM's technical and operational experience with funded to be provided by AngloGold.

Since initiation of field work in late 2009, a total of 485 stream sediment samples together with 613 rock geochemical samples have been collected in the two target areas, Santana in northern Brazil and Campestre in southern Brazil. As a result of the sampling programme a number of new multi-element gold targets have been generated on open ground. In total, 54 new exploration licences have been applied for, over the target areas, covering 160,000 Ha. A full review of the Year 1 work programme and new target areas will take place in July 2010.

**Exploration Alliance in Brazil with LGA** – This is a 50:50 JV agreement with LGA to finance the development of early stage projects in Brazil and identify and acquire other suitable 'bolt-on' projects. LGA is providing funding of US\$441,000 over the first year of the agreement.

***WAI Comment:** WAI believes that the combined Araguaia Lontra nickel projects represent a significant new mid-sized nickel project in Brazil. HM are poised to begin an infill drilling programme with the aim of defining a JORC classified Mineral Resource. WAI is certain that, subject to further infill drilling, HM will be able to delineate a JORC compliant resource on the Araguaia Lontra licence block.*

*WAI believes that through its JV agreements with AngloGold and Troy, HM has an excellent opportunity to potentially discover and acquire an interest in new gold mineral projects at no cost, whilst at the same time generating an income through exploration programme management.*

## **1 INTRODUCTION**

### **1.1 Terms of Reference**

WAI has been commissioned by HM to undertake a review of its nickel and gold assets, situated in the southern part of Para State, in northern Brazil, in order to assess the potential of the licences and review the status of exploration works undertaken to date.

The study was undertaken as part of the preparation of a Competent Person's Report ("CPR") for HM of its nickel and gold assets in Brazil for inclusion in HM's AIM re-admission document. The AIM re-admission document is being prepared in connection with HM's acquisition of a Brazilian nickel laterite asset; the acquisition of which will constitute a reverse takeover under the AIM Rules for Companies.

The company's principal asset is its 50 per cent. holding in the Lontra lateritic nickel project which is a significant greenfield discovery made by HM. The Lontra asset was identified by HM using a regional multi element stream sediment survey and follow-up geologic mapping and soil sampling programme undertaken in 2007. The Lontra project is 50%-controlled by HM with certain Brazilian partners holding the remaining 50 per cent. interest. It is proposed that HM will acquire the remaining interest in the Lontra nickel laterite project from those partners as part of the proposed transaction.

Adjacent to HM's Lontra property is the advanced exploration stage Araguaia lateritic nickel project owned by Teck. The respective locations of the two properties are illustrated in Figure 1.1 below. Teck's project comprises 7 licences, with an aggregate land area of 57,000ha, which lies directly to the south east of the licences held by HM at Lontra. WAI understands that the proposed transaction will involve HM acquiring Araguaia from Teck in exchange for an equity interest in HM.

On completion of the proposed transaction, HM will own 100 per cent. of the new enlarged Araguaia Lontra Nickel Project comprising 11 licences across 73,000ha and containing 8 significant nickel laterite targets. The Teck project area contains over 11,000m of wide spaced diamond drilling and there is potential for a lateritic nickel resource of in excess of 70 to 80Mt at a grade of between 1.2 and 1.4 per cent. Ni (at a 1 per cent. Ni cut-off). The combined Lontra and Araguaia assets should enable HM to work towards delineating a resource of >100Mt of high grade nickel laterite in a world class mining district of Brazil. This resource will then be the focus of a scoping study and subsequently a full feasibility study.

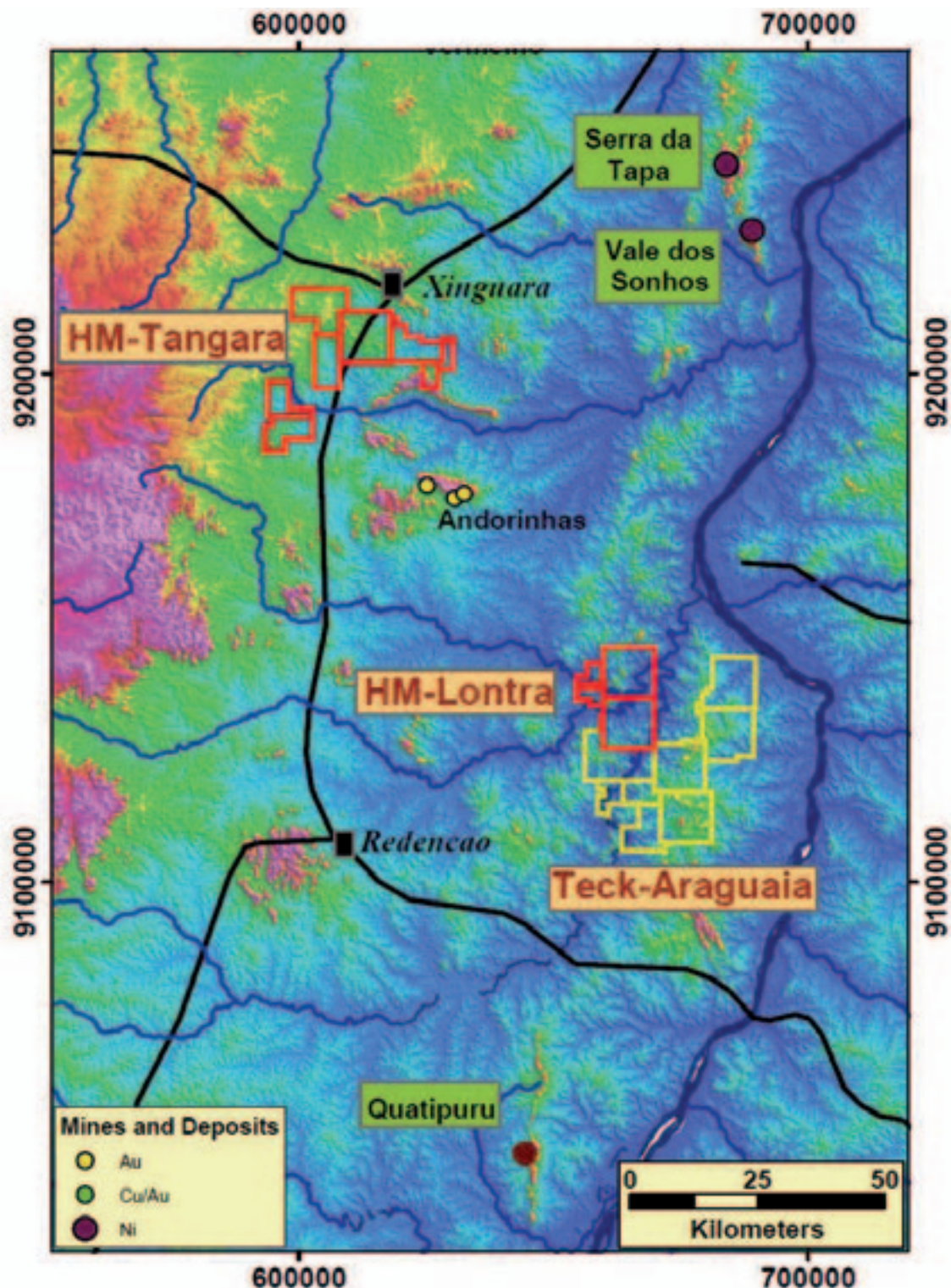


Figure 1.1: Project Location

WAI has prepared this report on completion of a site visit, during which WAI has essentially audited and scrutinised the current exploration practices within the assets licences, including the former and proposed exploration programmes, the results of laboratory analysis and test work, methods and procedures used in recording information and interpretation of results.

## 1.2 Site Visit

Mark Owen, Technical Director and Geologist with WAI, together with Owen Mihalop, Technical Director and Mining Engineer with WAI, visited the Lontra, Teck and Tangara licences during the period 21 - 23 January 2010. During the site visit, WAI inspected some of the aspects of the exploration activities undertaken on each licence area, including the results from geological mapping, geophysical and geochemical surveys and diamond drilling and discussed many aspects of the project with HM technical staff, which included Nick Winer, Exploration Manager for all projects in Brazil.

## 1.3 Disclaimer

WAI has utilised data provided by HM on the nickel and gold assets situated in the southern Para State located in northern Brazil, and has analysed and commented upon the information provided, augmented by a site visit. WAI has not carried out any independent exploration work, drilled any holes nor carried out any sampling and assaying.

## 1.4 Company Background

HM is an AIM quoted exploration and development company with a portfolio of gold, silver and base metal projects in Brazil and Peru. HM is focussed on the discovery and development of new mineral projects which are then joint-ventured to major mining companies.

HM's focus in Brazil is the world class Carajás Mineral Province, where its core gold and nickel projects are located. The Carajás Province contains significant reserves of iron, copper, gold, manganese and bauxite. The geological evolution of this province occurred almost entirely in the Archean and is host to a wide range of gold and base metal deposits.

In addition to the transaction with Teck in relation to the Araguaia property, HM has three principal strategic partnerships with the following companies: AngloGold; Troy; and LGA with whom HM is working together to develop its multi commodity portfolio and explore further development opportunities in Brazil.

HM has two key projects situated in the Carajás mineral province of Northern Brazil which are being advanced towards JORC resource definition: the 22,500ha, Lontra nickel laterite project in the Araguaia mobile belt and the Tangara greenstone gold project, over which HM signed a US\$2.8M earn-in option agreement in December 2007 to advance the project with Troy.

In September 2009, HM signed a US\$5.3M three year JV agreement with AngloGold to focus on greenfield target generation and potential acquisition of gold projects in Brazil. This transaction gives HM exposure to new gold discoveries at no cost until the feasibility stage.

Additionally, HM has a generative pipeline of early stage projects under development and has formed a 50:50 joint venture company with LGA to finance the development of projects concentrated in the southern Para and Goias states and including the Crixas, Goias Velho, and Carajás Norte pipeline projects, and to identify and acquire suitable 'bolt-on' mineral projects in Brazil.

The JV agreements with AngloGold, Troy and LGA are examined further in Section 4 of this report.

The current key business areas of the company include:

**Lontra Nickel Project in Brazil – A new discovery in 2008** – This is a 22,500ha exploration land position in the Araguaia mobile belt – a new major nickel province. The Lontra project is serviced by good infrastructure and is located 80km to the south of Xstrata's Sierra do Tapa deposit (*Inferred* resource of 73Mt grading 1.7 per cent. Ni) and adjacent to Teck's Araguaia project;

**Tangara Gold Project in Brazil** – A strategic alliance with Troy in 2007: this 300km<sup>2</sup> licence area is located to the south of the world class Carajás mineral province in northern Brazil, approximately 24km north west of Troy's Andorinas gold mine;



**Exploration Alliance in Brazil with AngloGold** – This three year, US\$5.3M, JV with AngloGold was entered into with the objective of to generating new targets in two areas of Brazil. The exploration alliance was to utilise HM's technical and operational experience with funded to be provided by AngloGold. Newly defined projects resulting from the alliance are to be owned 49 per cent. by HM and 51 per cent. by AngloGold, with the later having the option to fund the projects to a pre-feasibility stage in return for an additional equity position. Any projects below a minimum threshold size of <2Moz will revert back to 100 per cent. HM; and

**Exploration Alliance in Brazil with LGA** – This is a 50:50 JV agreement with LGA to finance the development of early stage projects in Brazil and identify and acquire other suitable projects. LGA is providing funding of US\$441,000 over the first year of the agreement.

## 1.5 Brazil

Brazil has a population of approximately 180 million and with an area of just over 8 million square kilometres, is larger than Australia and slightly smaller than the U.S.A. Brazil is one of the world's most economically polarised societies in terms of unequal income distribution, but is now a rapidly evolving economy undergoing fundamental and positive economic, social and political changes creating a favourable investment climate. Its resilient primary product and industry driven economy was one of the least effected and quickest to recover after the world financial crisis at the end of 2008. This resilience is in contrast to the 1980s when Brazil relied on the World Bank to survive the financial crises of the period, Brazil is now a contributor to the World Bank fund and has taken a pro-active role in international affairs on the back of its strong economy, exemplary social initiatives and role as technology leader in a number of fields including aircraft manufacture, deep sea drilling and medical procedures and technology.

The most active miner and explorer in Brazil is Vale which ranks as one of the five largest diversified miners in the world. After its privatisation, Vale focused on upgrading its Brazilian operations but more recently has been placing more emphasis on global diversification from a predominantly Brazilian asset-base as part of its growth-strategy. The majority of international mining companies have a presence in Brazil, some since the 1970s, and several have substantial operations in the country. Majors who operate in Brazil include: BHP Billiton, Rio Tinto plc, Anglo American, Vale, Xstrata (Noranda-Falconbridge), Teck Resources Limited, AngloGold, Kinross, Alcoa Inc., Aura Minerals Inc., and Yamana Gold Inc.

Brazil is a major producer of primary products and exporter of iron ore, niobium, manganese, aluminium, kaolin and tin and is poised to become a major nickel and copper producer with the development of world-class nickel projects such as Onca-Puma (Vale), Niquelandia (Votorantin - expansion), Barro Alto (Anglo American) and copper and copper-gold projects at Cristalina, Salobo and "118" (Vale). In the gold sector, new development projects have included: AngloGold (Cuiaba mine expansion and Corrego do Sitio) and Kinross (Rio Paracatu mine expansion).

The Brazilian government is now creating mechanisms and incentives to increase the upstream processing of these primary materials in Brazil thus creating new markets within the country and further strengthening the Brazilian economy.

## 1.6 Climate

The climate of the State of Para is classified as equatorial/tropical. The municipality of Conceição do Araguaia, specifically, has a mean annual daytime temperature of approximately 33°C, ranging from between 32°C and 35°C annually with the coldest and warmest months of the year typically being January and August respectively. The mean annual night time temperature is approximately 20°C, with the coldest and warmest months of the year typically being August and April, respectively.

The average annual rainfall is approximately 1,450mm, with the highest rainfall occurring between December and March (approximately between 200mm/month and 270mm/month) and the lowest rainfall between the months of June and August, approximately 20mm/month<sup>1</sup>.

## 2 NICKEL PROJECTS

### 2.1 Overview

HM has focused its exploration activities on the Carajás Mineral Province and specifically the Araguaia mobile belt. This region is a world class mining province with major iron, nickel, copper and gold deposits. As a result it has excellent infrastructure to service the mining activity. The region has typically been dominated by iron and gold deposits; however, a major exploration drive over the last 15 years has led to the discovery and development of a number of nickel laterite projects. As a result a number of major companies are present; Vale, Anglo American and Xstrata all have significant nickel projects in the region, which are in the advanced exploration or development stage. Of note is Vale's acquisition of the Onça-Puma ferro-nickel project at the Feasibility Study stage in late 2005, through the takeover of Toronto-listed Canico Resource Corporation for C\$876M.

#### 2.1.1 Location and Access

The Araguaia Lontra Nickel Project is situated in the Tocantins-Araguaia thrust and fold (mobile) belt which flanks the eastern margin of the Carajás Mineral Province. The province hosts three major nickel projects in the phase of advanced exploration or development as shown in Figure 2.1 below. These include the Jacare deposit of Anglo American, the nickel Vermelho and Onça-Puma projects of Vale, the last of which is in construction, and Xstrata's Serra do Tapa deposit. The Serra do Tapa and Vale dos Sonhos nickel laterite projects are located approximately 70km to the north of the Araguaia Lontra Nickel Project.

The major nickel projects located in Brazil which are either in advanced resource definition, feasibility or preliminary production phases, are set out in Table 2.1. The Araguaia project is shown in the table for comparative purposes.

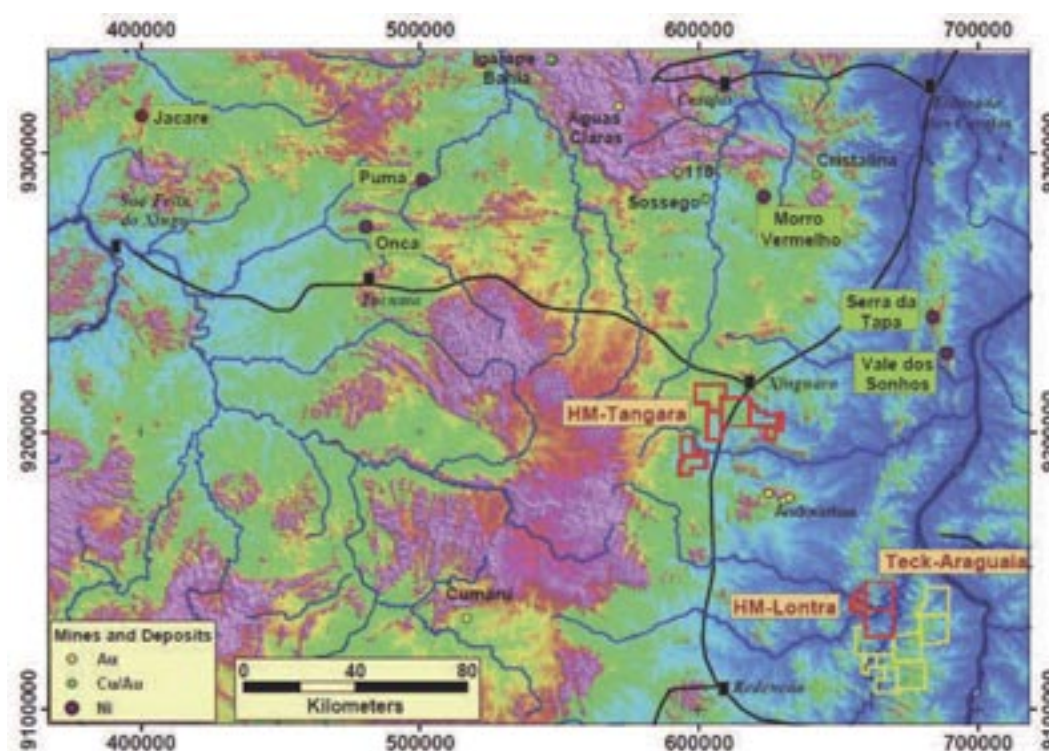


Figure 2.1: Carajás Mineral Province – Major Ni Deposits and Key HM Projects

**Table 2.1: Major Nickel Projects in Brazil**

PROJECT	COMPANY	TONNES	GRADE	STAGE	TYPE
Barro Alto <sup>(1, 2)</sup>	Anglo Am.	116Mt	1.50%	Prodn	FeNi
Jacare <sup>(2, 3)</sup>	Anglo Am.	290Mt	1.30%	Feas	FeNi
Niquelandia	Votorantim	60Mt	1.40%	Dev.	FeNi
Onca Puma <sup>(1)</sup>	Vale	83Mt	1.70%	Dev.	FeNi
S. Do Tapa <sup>(2)</sup>	Xstrata	123Mt	1.30%	Feas	FeNi
Santa Fe/Ipora <sup>(2)</sup>	Teck	140Mt	1.10%	Scoping	HPAL
Vermelho <sup>(2)</sup>	Vale	124Mt	1.2%	Feas	HPAL

Source MEG , company AR's

(1) – P&P

(2) – MI&I

(3) – Saprolite only

### 2.1.2 Location and Infrastructure

The Araguaia Project is located in the northern Brazilian state of Para, approximately 2,100km north of São Paulo. The project area is just 25km north of the sealed road through the towns of Conceição de Araguaia and Redenção. This is the main access route from the major centres of Brasília, São Paulo and Belo Horizonte to Carajás. The project area is cut by an all weather unsealed road between Conceição and Floresta and various secondary farm access roads. Regular scheduled flights are available at the airports in Marabá, Palmas, Carajás, Conceição and Redenção.

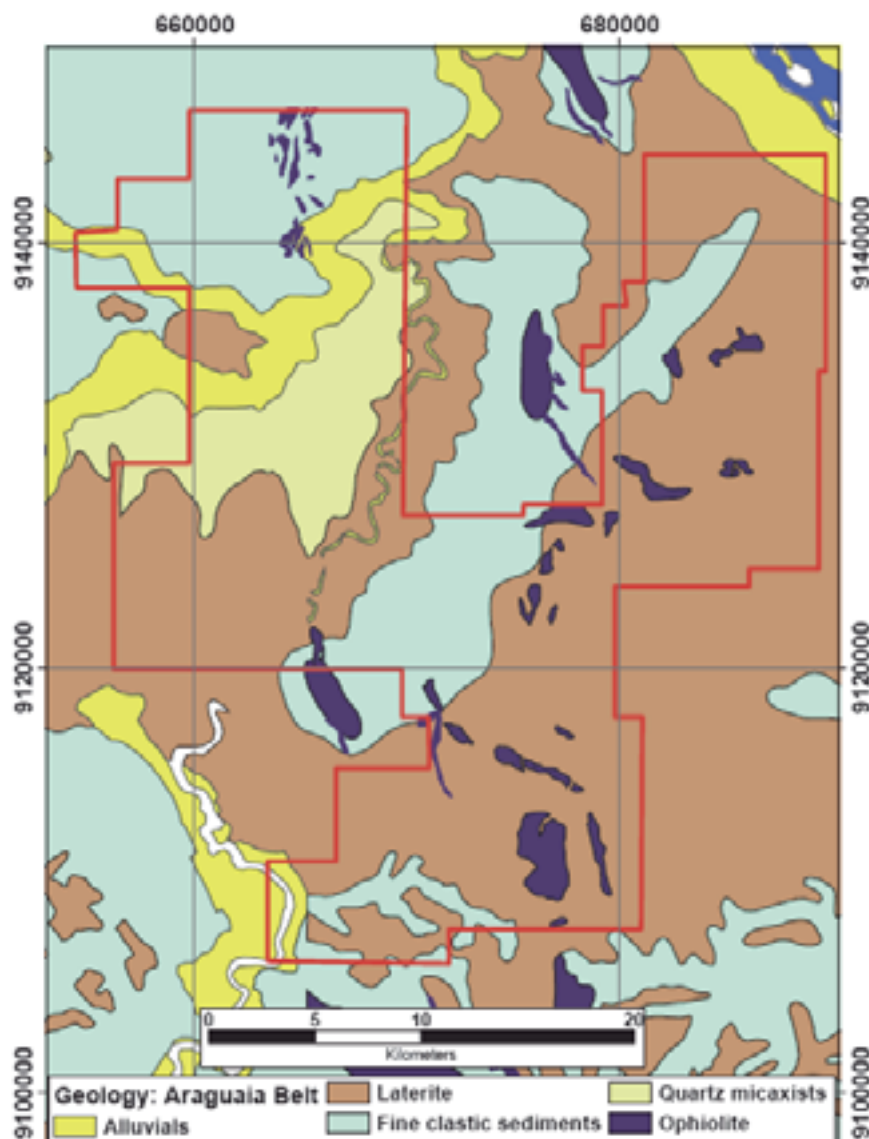
Carajás, 200km to the north, is the railhead and point of loading of the iron ore to be embarked at the deepwater port facilities of São Luis. The Araguaia River is being developed as a water transport route with locks currently under construction at the Tucuruí dam allowing barging between Marabá and the shipping port of Macarena on the mouth of the Amazon. There are also plans of building a spur line from the north-south railway line currently under construction and linking Goiania with Belem. This is due for completion in 2015.

The area is well serviced with power. Electricity would be derived from a major dam and power station at Tucuruí, which is linked into the national grid. The dam lies on the Rio Tocantins, about 185km north of Marabá. This has 6,000MW of installed capacity and can be expanded to 12,000MW. This energy source supplies power to the region, including Vale's iron mining complex at Carajás (230kV lines) and to the major substation at Colinas, 100km east of the project, which distributes power to and from eight, 500kV lines.

## 2.2 Regional Geology and Nickel Potential

The Araguaia Project lies within the Araguaia mobile belt which is a north to northwest trending graben filled with Proterozoic fine to coarse metasediments hosting a series of ophiolite thrust slices. Ophiolites are slices of an old ocean floor consisting of mafic to ultramafic volcanic/intrusive lithologies including tholeiitic basalts, pyroxenites, peridotites, harzburgites and dunites. It is the ultramafic units that can have elevated background values of nickel which, under the tropical weathering conditions found in northern Brazil, can be mobilised and re-concentrated in the deep weathering profiles to form lateritic nickel and cobalt deposits.





**Figure 2.2: Regional Geological Setting (CPRM)**

The nickel mineralisation is hosted above these ophiolites of the Quatipuru and Serra do Tapa series. These bodies have a general north – south orientation with an easterly dip and are hosted by phyllites, arkoses and quartzites of the Couto Magalhães Formation of meso to neo-Proterozoic age. These sediments have very low metamorphic grades and are generally gently folded, although tight folding can be observed near major structures.

### 2.3 Geological Model

A geological model for the Araguaia Mobile Belt interprets the underlying ultramafic protomylonites of the laterites as parts of an ophiolitic complex obducted along shallow dipping thrusts over the metasediments of the belt. A schematic interpreted section through the Serra do Tapa and Vale dos Sonhos nickel laterites, located approximately 70km to the north of the Araguaia Project, is shown in Figure 2.3 below.

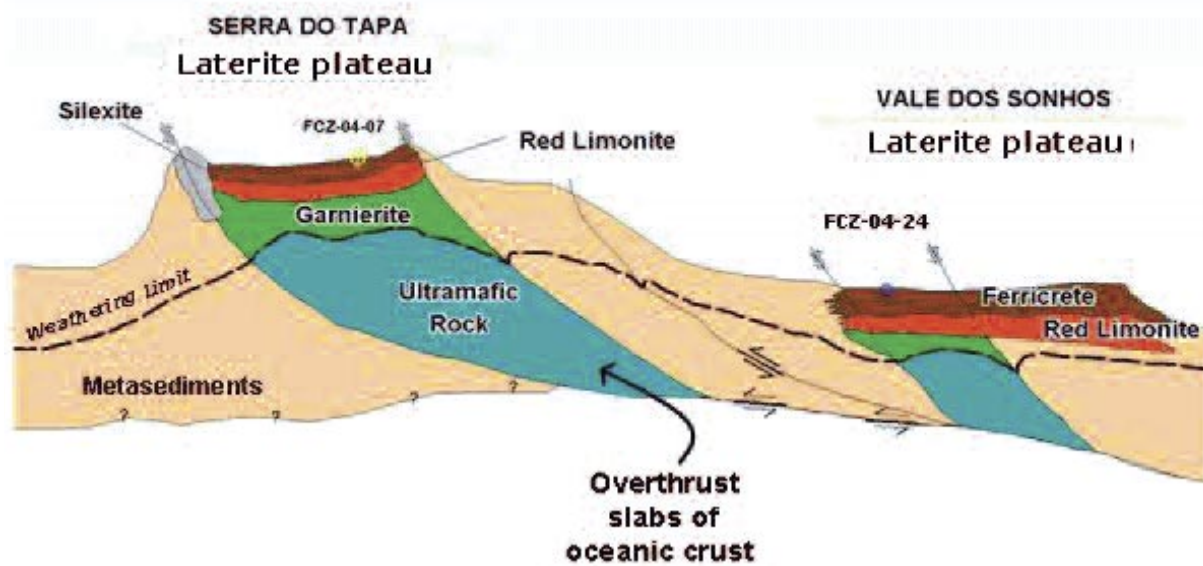


Figure 2.3: Section through the Serra do Tapa and Vale dos Sonhos Nickel Laterites  
(Xstrata 2006)

## 2.4 Project Geology

In the region of the lateritic nickel deposits, outcrops are rare and surface geologic mapping is restricted to the mapping of soil types and the level within the lateritic profile. This is consistent with the model for lateritic nickel and cobalt deposits that requires intense weathering of the host rocks to liberate and then re-concentrate the nickel and cobalt in the weathering profile formed over the fresh rock. A typical cross section through a laterite profile of this type is shown in Figure 2.4 below.

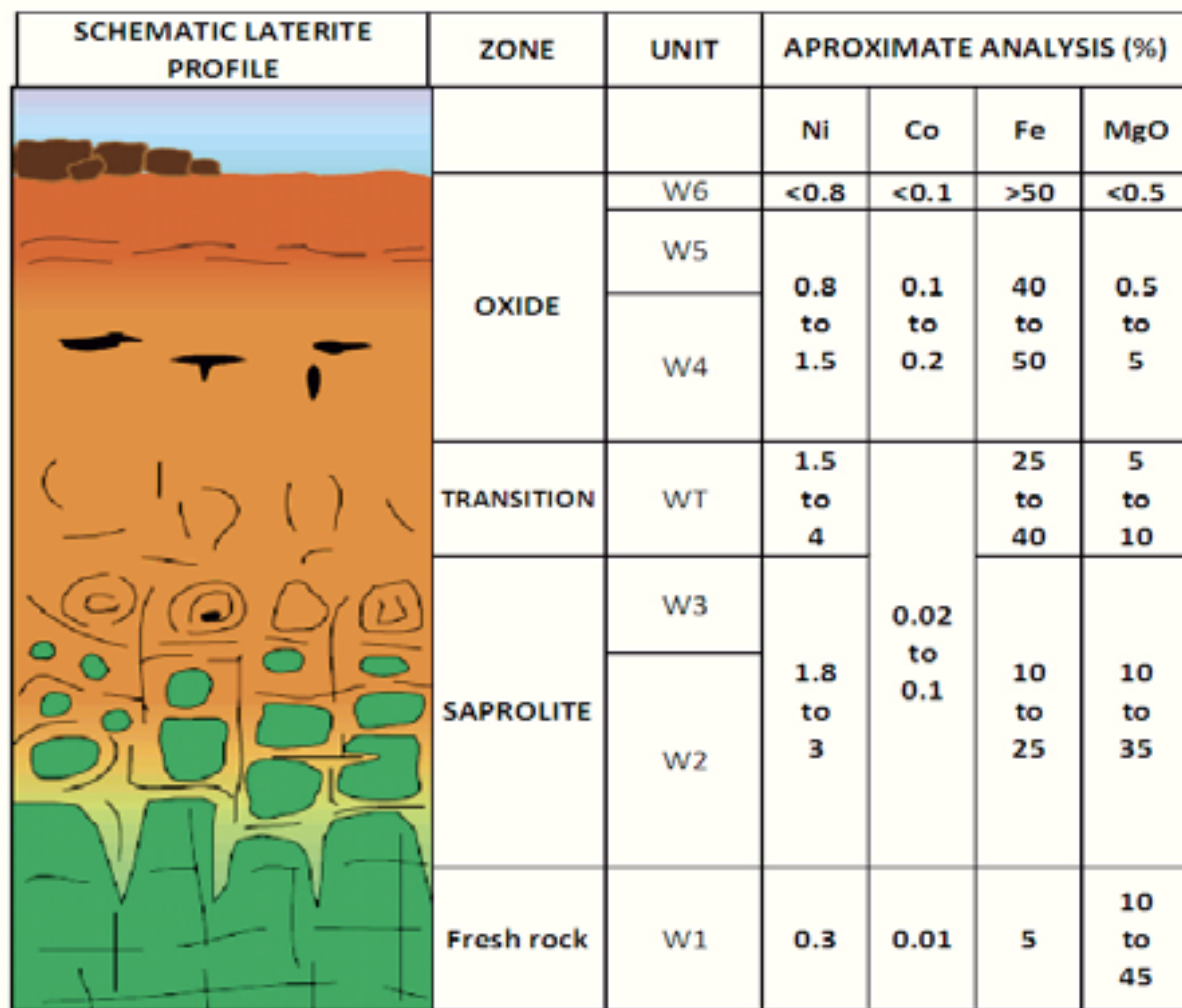


Figure 2.4: Typical Laterite Profile (Elias 2006)

#### 2.4.1 Laterite Profile

Understanding the laterite profile is crucial to mapping and understanding the nickel and cobalt mineralisation. Therefore, all drill holes are visually logged and subsequently confirmed using multi-element geochemistry. The weathered zone is divided into two parts:

- The Oxide Zone, which comprises the upper part of the profile dominated by limonite, goethite and hematite and varying from ochre to chocolate brown and reddish brown in colour due to the oxidation of iron; and
- The Saprolite Zone, beneath the oxide zone and overlying the fresh rock, is marked by dull blue-green to blue-grey colours, reflecting the weathered to fresh silicate mineralogy.

Between the Saprolite and Oxide zones, a Transition Zone is often present. The Transition Zone, where present, stands out very clearly geochemically, as a zone of rapidly increasing MgO values and decreasing Fe<sub>2</sub>O<sub>3</sub> values.

To assist in defining mineralisation styles and likely processing characteristics the Oxide and Silicate zones are both sub-divided into horizons. The Oxide Zone comprises the W6, W5, W4 and WT horizons, whilst the Silicate Zone comprises the W3, W2 & W1 horizons. These are described further below and are shown in Figure 2.4.

General descriptions of the zones which characterise the lateritic profile observed in the project area are as follows:

**Oxide Zone** consisting of:

W6 – Plasma Zone: In-situ, strongly magnetic, chocolate brown, and highly leached zone with strong oxidation to iron-rich minerals. Material is unconsolidated and poorly sorted marked by the presence of hematite nodules (millimetric to centrimetric). This zone is strongly leached with very low Ni and Co values;

W5 – Upper Limonite Zone: Dark red-brown with strong oxidation to iron-rich magnetic clays. Few hematite nodules but manganese and limonite zones may be common. Generally sub-economic Ni and Co values however in some areas this material may be stockpiled for later treatment;

W4 – Lower Limonite Zone: Light brown clays with strong oxidation to yellowish iron-rich (goethite, limonite) clays. Generally mineralised in both Ni and Co; and

WT – Transition Zone: Transition zone between the silicate and limonitic zone at times is difficult to identify visually, but is more clearly apparent from the geochemistry. It is generally strongly mineralised in Ni with significant credits in Co.

**Silicate Zone** consisting of:

W3 – Silicate Transition Zone: Transition from greenish saprolite zone with relic textures to saprock. Iron-rich clays are rare but the rock is strongly weathered to clays. Strongly magnetic with fine mesh veining of magnetite. Locally, presence of vermiculite or garnierite. This is the dominant ore type in the Araguaia Project area with strong Ni mineralisation;

W2 – Saprock Zone: Greenish grey consolidated unit with partial alteration of silicates to clays. Primary fabrics present include coarse equigranular cumulate textures, magnetite mesh veining and serpentine/magnetite veins. Locally garnierite may be observed along fracture planes. This unit can be mineralised although in general mining would stop at this level; and

W1 – Fresh Rock: Bluish grey, highly magnetic rock (mainly serpentinised peridotite and locally magnesium schists) with cumulate, equigranular texture reflecting olivines and pyroxenes. Interstitial very fine grained magnetite/chromite. Locally traces of pyrrhotite, pentlandite and chalcopryrite are found disseminated in the matrix. The unit often shows varying degrees of serpentinisation.

***WAI Comment:** WAI considers that HM has a very good understanding of the geological model for the project area, including morphology and structure, together with the main controls to mineralisation.*

## **2.5 Araguaia Lontra Nickel Project**

The combined Araguaia Lontra Nickel Project brings together the Lontra licence block (discovered and explored by HM) and the Teck licence block (discovered and explored by Teck Brazil).

### **2.5.1 Combined Project Areas**

The enlarged Araguaia Lontra Nickel Project will comprise the combined exploration licences of HM's Lontra project and Teck Brazil licences. The Lontra licence block consists of four exploration licences registered in the name of HM do Brasil Ltda, a wholly owned Brazilian subsidiary of HM. HM has a 50 per cent. interest in the two principal exploration licences and a 100 per cent. interest in the remaining two exploration licences. The Teck Brazil licence block consists of six exploration licences and one licence application registered in the name of Teck Cominco Brasil SA, a wholly owned Brazilian subsidiary of Teck (which will be acquired by HM as part of the proposed transaction). The current status of all licence areas is as indicated in Table 2.2 below.

Table 2.2: Status of Licences for the Combined Araguaia Licence Block						
Process	Licence	Area (há)	Phase	Date of Publication	Date of expiry	Comments
850.277/2004	HM do Brasil	10,000	2 <sup>nd</sup> Phase	05/03/2010	05/03/2013	
850.278/2004	HM do Brasil	10,000	2 <sup>nd</sup> Phase	05/03/2010	05/03/2013	
851.026/2006	HM do Brasil	88	Application	Awaiting	+3yrs	Awaiting publication of licence
851.025/2006	HM do Brasil	1,970	1 <sup>st</sup> Phase	14/07/2008	14/07/2011	
850.514/2004	TeckResources Brasil SA	9,861	2 <sup>nd</sup> Phase	08/09/2009	08/09/2012	
850.515/2004	TeckResources Brasil SA	9,361	2 <sup>nd</sup> Phase	08/09/2009	08/09/2012	
850.516/2004	TeckResources Brasil SA	10,000	2 <sup>nd</sup> Phase	08/09/2009	08/09/2012	
850.517/2004	TeckResources Brasil SA	9,657	2 <sup>nd</sup> Phase	08/09/2012	08/09/2009	
850.518/2004	TeckResources Brasil SA	9,985	2 <sup>nd</sup> Phase	Awaiting publication	+3 years	Exploration Report submitted 07/10/2008
850.501/2008	TeckResources Brasil SA	2,560	1 <sup>st</sup> Phase	16/09/2009	16/09/2012	

The area is not subject to any environmental or native title reserves. There is a proposal to construct a hydroelectric dam (Barragem Santa Isabel) on the Rio Araguaia. This would inundate some of the river margins associated with the Pau d'Arco river; however, this may also provide a significant opportunity as a local source of hydro-electric energy.

**WAI Comment:** WAI has been presented with the licence documentation by HM as issued by the Departamento Nacional de Produção Mineral (DNPM) and has no reason to doubt its legitimacy.

## 2.6 Araguaia Lontra Nickel Project Exploration History

The following sections describe the exploration work conducted to date on both the Lontra and Araguaia licence block areas by HM and Teck.

### 2.6.1 Lontra Licence Block (HM)

The Lontra licence block represents an exciting new discovery of deeply weathered ultramafic bodies with laterite development containing potentially economic nickel mineralisation. The Lontra deposits were discovered by HM as a result of a well designed and managed sequential exploration programme, progressing through the stages of stream sediment sampling, soil sampling, ground magnetometry, auger drilling and most recently core drilling. Three principal areas of ophiolite emplacement with associated laterite development have been established, namely:

- Northern target;
- Raimundo; and
- Southern and Morro target.

Brief descriptions of the three main targets are given below:

**Northern Anomaly:** The northern zone is a 3km by 1.5km area containing four anomalies, of which the main target is a 1,600m by 250m soil geochemical anomaly. The soil anomaly is over undulating terrain with dark red soils and termite mounds and is truncated to the northeast by wide flat residual lateritic plateaus. To date, 31 diamond drill holes have been completed which indicate the continuity of mineralisation along the main anomaly and the potential for mineralisation beneath the adjacent soil targets;

**Raimundo Anomaly:** 2km to the south of the Northern anomaly the Raimundo anomaly has a core zone of 1,600m by 1,000m which has been the focus of diamond drilling. To date, 31 holes have been drilled that again indicate significant thicknesses of lateritic nickel mineralisation. As with the Northern anomaly, the average thickness of mineralisation varies from 11m to 6m depending on the minimum grade cut-off; and

**Southern and Morro Anomaly:** This zone gave some of the best results in a shallow auger programme despite the fact that many of the holes had to be abandoned before reaching the target depth due to the presence of silcrete or saprolite. This target has not been tested by drilling and remains open.

#### *2.6.1.1 Lontra 2006 – 2009 Exploration*

Exploration was initiated by HM in late 2006 with a regional low threshold, multi-element, fine fraction, stream-sediment survey. This led to the definition of seven anomalous zones of which three were considered priority nickel targets. Initial field reconnaissance indicated the presence of previously unmapped ultramafic lithologies and produced a rock sample with visible garnierite indicating the potential for lateritic nickel.

In 2007, after formalising the JV on the Lontra Project, the stream sediment targets were followed up by regional (400m x 80m grid) multi-element soil sampling programmes.

In late 2007, an auger drilling programme was initiated to evaluate the principal soil anomalies at Raimundo, the Northern Zone and the Southern Zone. Exploration success continued in 2007 with a number of mineralised nickel intervals being intersected in the auger drilling. However, the rising water table associated with the on-set of the rainy season and the limited ability of the auger to penetrate to the saprock zone meant that many holes had to be abandoned above or within the mineralised interval. However, the results were considered by HM to be sufficiently positive to warrant further drilling.

In 2008 HM initiated the first of two phases of a diamond drilling programme. In total 63 diamond drill holes were completed totalling 1,317m to test the Northern and Raimundo Zone target anomalies. The programme consisted of:

- 31 holes completed on the Northern anomaly;
- 31 holes completed on the Raimundo anomaly; and
- one exploratory hole on the Southern anomaly.

Within the programme vertical holes were drilled to 15-25m in depth, ensuring that the saprock-fresh rock interface was intersected. Drill hole spacing was as follows:

- On 400m spaced lines with 80m hole centres (for geological sections and interpretation);
- On 200m x 200m centres (for resource potential identification); and
- On 100m x 100m centres (in the Raimundo high grade zone for definition of grade variation).

The diamond drilling programme was carried out with the objective of demonstrating the existence of lateritic nickel mineralisation over a significant area, and with the aim of demonstrating the potential of the area to contain a 30Mt lateritic Ni resource with a grade of >1.00 per cent. Ni.



No attempt was made to close off the mineralised bodies. The first phase holes were drilled by drill contractor, Pacheco e Filhos Ltda of Rio Grande do Sul, using a Sullivan diamond drill with conventional drilling techniques. The second phase was drilled by Mariana Drilling, Inc. of Goiania, Goias using a BBS-10 drill. The holes were drilled with HWT rods resulting in HQ core. High core recoveries were crucial to the reliability of the geochemistry and these were closely monitored, with less than 90 per cent. recovery being questioned and less than 80 per cent. not being accepted by HM.

Holes were drilled through the lateritic profile to fresh rock where, in general, the hole was stopped after 3-5m of highly competent massive fresh rock in the first phase and at the contact in the second phase. Holes were typically between 15-25m long, but did reach over 30m in depth.

Figure 2.5 below shows diamond drilling activities on the Lontra licences during 2008.



**Figure 2.5: Diamond Drilling at Araguaia during 2008**

### ***2.6.2 Lontra Exploration Results to Date***

A simplified plot showing the distribution of drill holes with +2m at +0.8 per cent. Ni are presented for the Northern and Raimundo anomalies in Figure 2.6 below. Soil geochemistry for the untested Southern and Morro anomalies are also presented at the same scale.

The best intersections from the 2008 diamond drill programme using a 1.2 per cent. Ni cut-off are given in Table 2.3 below.



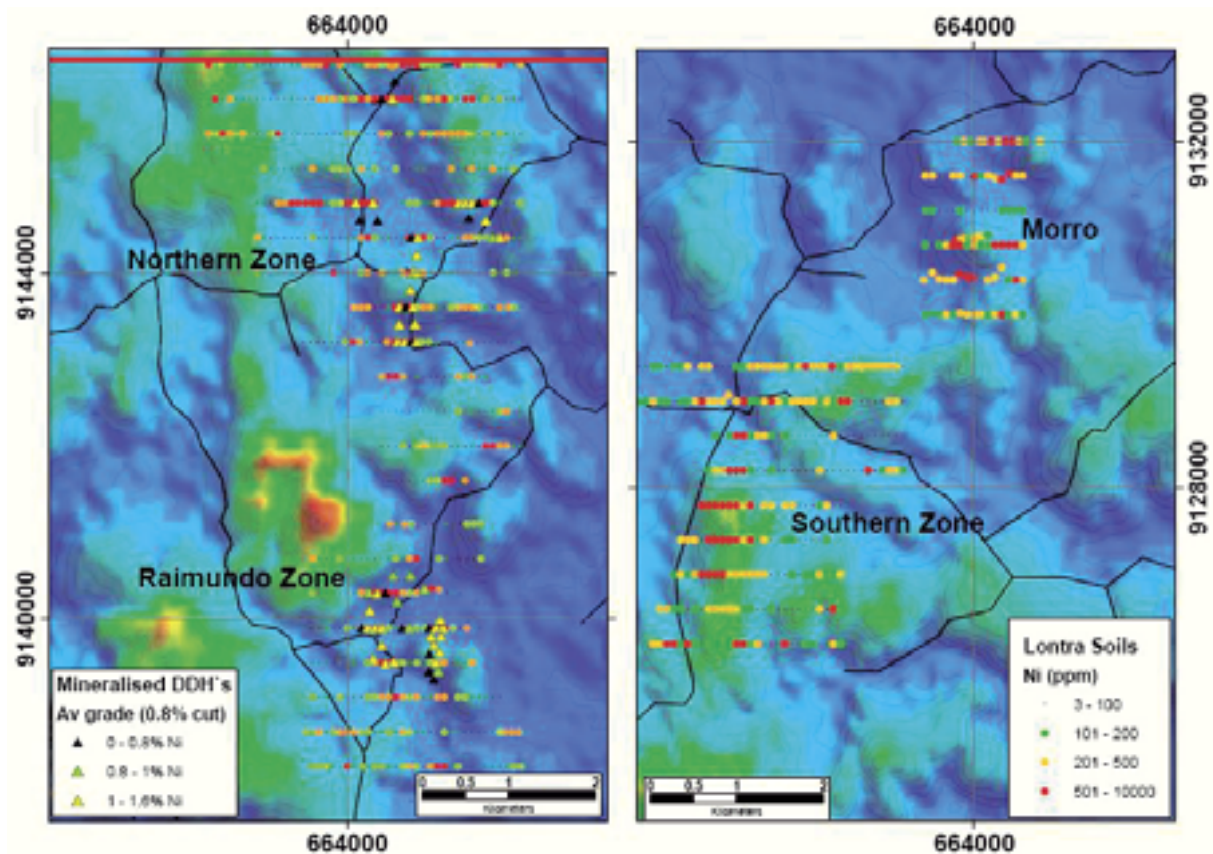


Figure 2.6: Lontra Soil Anomalies and Mineralised Drill Holes

Table 2.3: Best Intersections from 2008 Drill Programme at >1.2%Ni				
Hole ID	FROM(m)	TO(m)	INT(m)	Ni%
LON_DD004	9	15.7	6.7	1.44
LON_DD007	6	16.5	10.5	1.65
LON_DD008	3.1	11	7.9	1.55
LON_DD010	2.97	9	6.03	1.31
LON_DD012	4	11.79	7.79	1.45
LON_DD026	6.1	13.77	7.67	1.60
LON_DD027	13.75	19.6	5.85	1.37
LON_DD029	8.5	16.25	7.75	1.29
LON_DD040	8.67	15.73	7.06	1.32
LON_DD041	5.35	19.18	13.83	1.38
LON_DD042	4.84	12.43	7.59	1.44
LON_DD044	11.43	16.26	4.83	1.44
LON_DD045	19.11	26.22	7.11	1.60
LON_DD051	8.84	16.16	7.32	1.32
LON_DD055	13.6	21.41	7.81	1.42
LON_DD058	8	13.27	5.27	1.39
LON_DD059	15	22.51	7.51	1.34

The results of drilling for Raimundo on E-W profile number 9139900N are shown in Appendix 5.

**WAI Comment:** WAI considers that the results of the drilling programme, as presented in Table 2.3, are very encouraging and demonstrate that the near surface laterite developments at the Northern and Raimundo zones could potentially contain a sizeable nickel resource. The targets remain open and extensions and subsidiary targets at both sites have not been tested. It should also be noted that the Southern and Morro target anomalies remain untested.

The results of drilling for Raimundo on E-W profile number 9139900N are shown in Appendix 5.

### 2.6.3 Exploration Conducted by Teck

The Teck exploration programme at Araguaia commenced in 2006 and is now at the advanced exploration stage with over 10,300m of drilling completed across 492 drill holes. Due to the global financial crisis and resultant focus upon its core assets; following a three year exploration programme, Teck ceased all works on the Araguaia project in November 2008.

A summary of exploration works conducted by Teck from 2006 to 2008 is given in Table 2.4 below. These

<b>Table 2.4: Summary of Exploration Works (Teck 2006 – 2008)</b>			
<b>Type of Work</b>	<b>No</b>	<b>Total (m)</b>	<b>Notes</b>
<b>Stream Sediment, Soil and Rock Sampling (Samples)</b>			
<b>Auger drill holes</b>	7		
<b>RC drill holes</b>	69	1,190	
<b>Diamond drill holes</b>	492	10,314	200 x 200 grid

The Teck exploration licences were claimed over mafic/ultramafic bodies mapped in the regional geologic maps. However mapping and soil sampling quickly indicated the presence of new targets and focused the exploration programme on four key zones referred to as the Baiao, Piquizeiro, Central and Vila Oito zones. In contrast to the Lontra targets which are long and narrow with a clear N-S orientation, the Teck targets, except for Piquizeiro, tend to be large equant shaped bodies. In the case of Piquizeiro, the zone appears to show a strong structural control and has a NW trend and consists of several narrow NW orientated bodies. Given the large size and generally equant shape of the soil targets, Teck opted to test the targets using a 200m x 200m spaced diamond drill programme. Figure 2.7 below shows the location of drill holes and emphasises those that have minimum intersections of 0.8 per cent. Ni over 2m. This is considered indicative of the quality of the anomalies given the apparent continuity of mineralisation over large areas.

Two interesting features that have resulted from the Teck exploration activities are that the Piquizeiro Trend, which exhibits signs of having a strong structural control, also has some of the best grade intersections with values of over 2 per cent. Ni. Interpretation of semi-detailed ground magnetics suggests that the degree of structural deformation may be reflected by the destruction of magnetite in the ultramafics, thus possibly providing a cheap technique for the definition of high grade target zones. Secondly, low order nickel geochemistry soil anomalies in areas with extensive lateritic duricrust have been tested with highly positive results. This extends the potential of some areas as well as confirming that at Lontra, there is potential to extend the current mineralisation zone of the main target at the Northern Zone, to the north below the lateritic plateau.

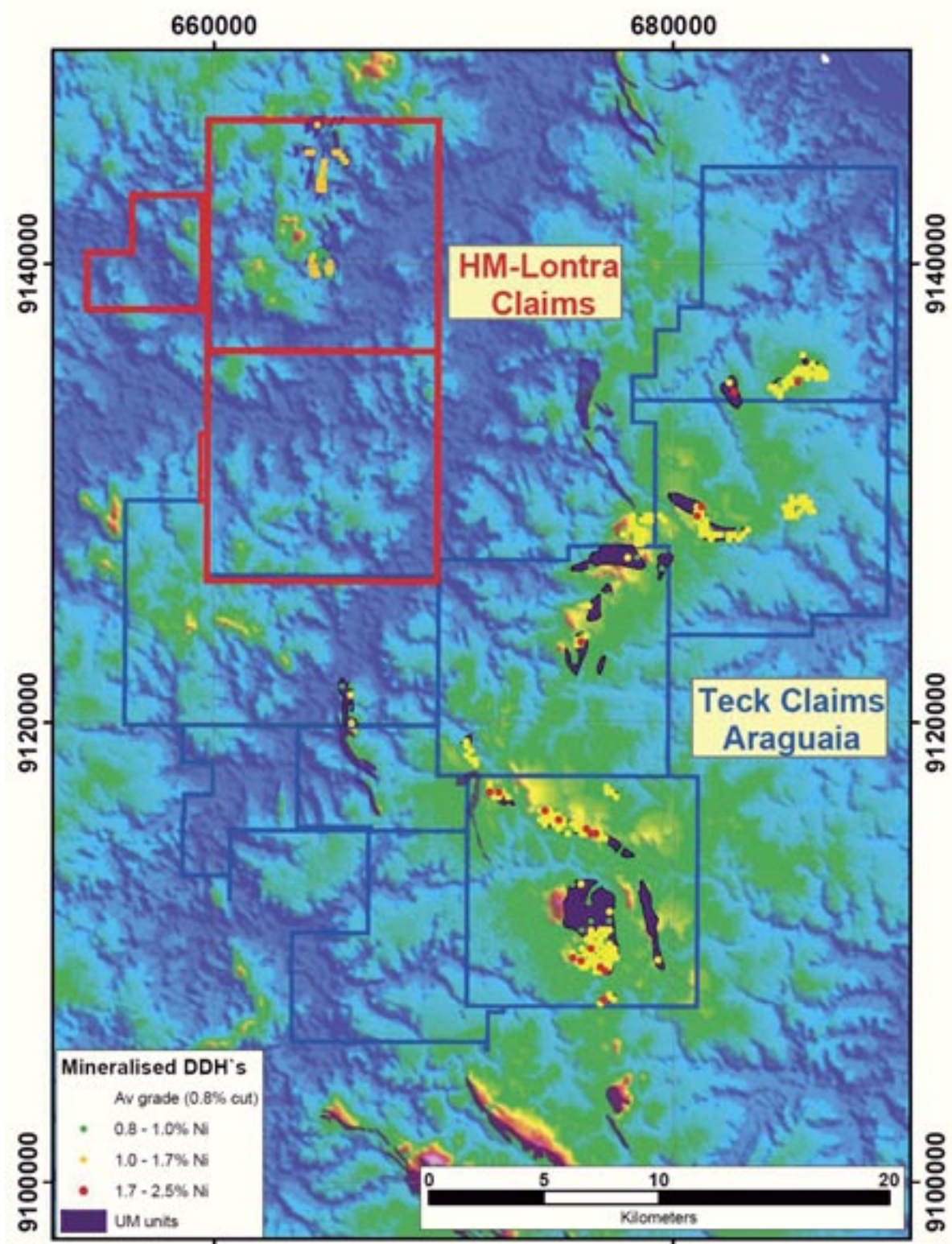


Figure 2.7: Location of the Prospective Areas based on Drill Results and Licence Boundaries



The quality of the drilling, sample collection, QA/QC procedures and storage during the Teck exploration programme is compliant with the highest international standards ensuring the integrity of the data generated. Figure 2.8 and Figure 2.9 below give an illustration of the quality of the core and the storage facilities.



**Figure 2.8: Core Storage Facilities in Conceição de Araguaia**



**Figure 2.9: Example of Drill Core from the Araguaia Licence Block**

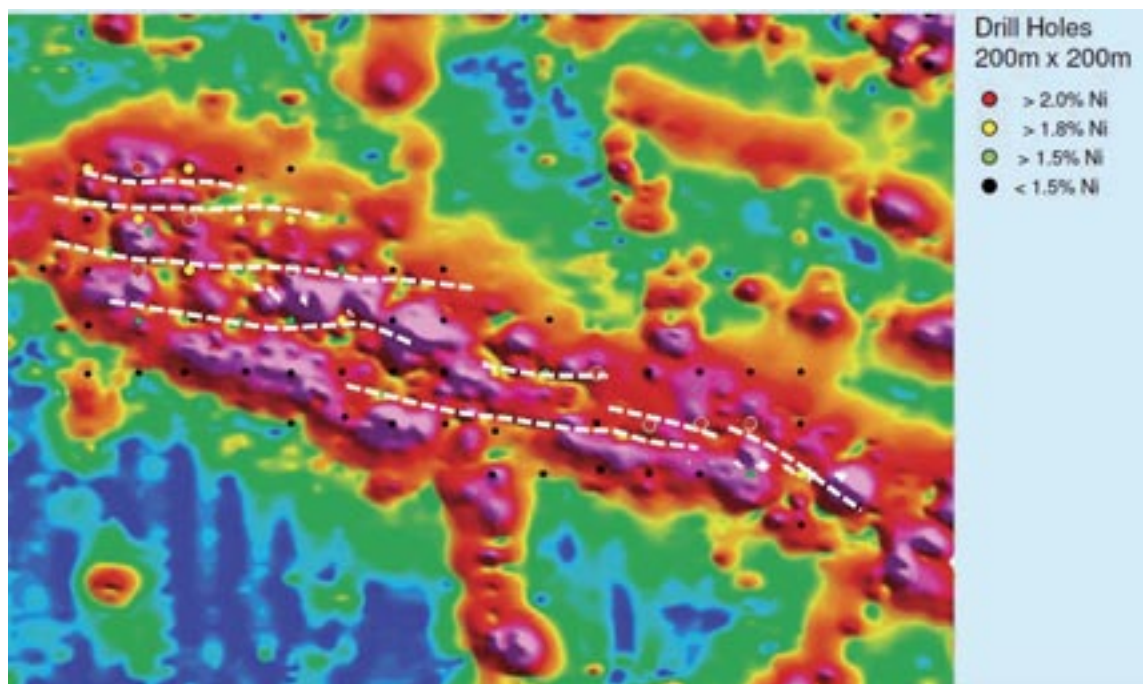
#### ***2.6.4 Teck Exploration Results to Date***

The results of the exploration programme conducted by Teck have identified two important targets at Pequizeiro and Baião. Secondary targets have been identified in the Central Area and at Oito, and these require further drilling to define their potential.

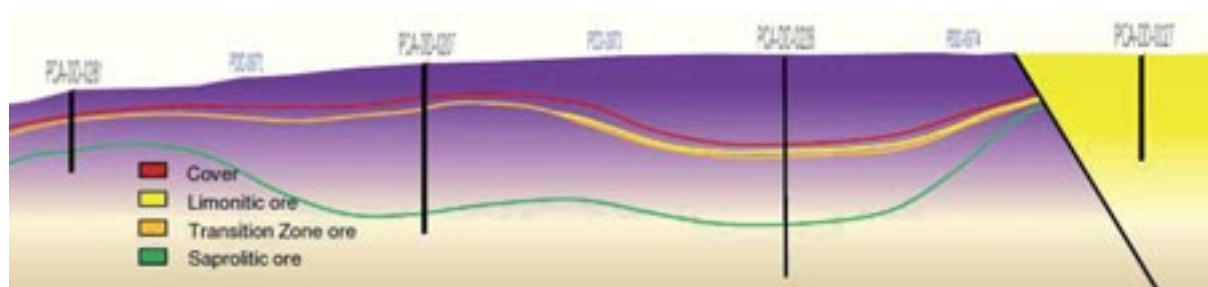
##### ***2.6.4.1 Pequizeiro***

The drilling programme at Pequizeiro has identified an encouraging set of results, with a coherent zone with grades at over 0.8 per cent. Ni over 2m, considered indicative of mineralisation at mineable grades. Within this zone the ground magnetic suggests that higher grades can be directly correlated with E-W trending lineaments associated with zones of low magnetic intensity, when overlain with the ground magnetic survey results for the area (see Figure 2.10 and Figure 2.11 below).

The mineralised structures remain untested to the north, and high grades around the edges of the anomaly require further follow-up drilling. HM is considering a follow-up, ground-based magnetic survey that would have the potential to detect high grades that in turn would be the focus of infill drilling.



**Figure 2.10: Location of Diamond Drill Holes at the Pequizeiro Prospect**  
(Overlain on a ground magnetic survey showing well defined E-W lineaments)



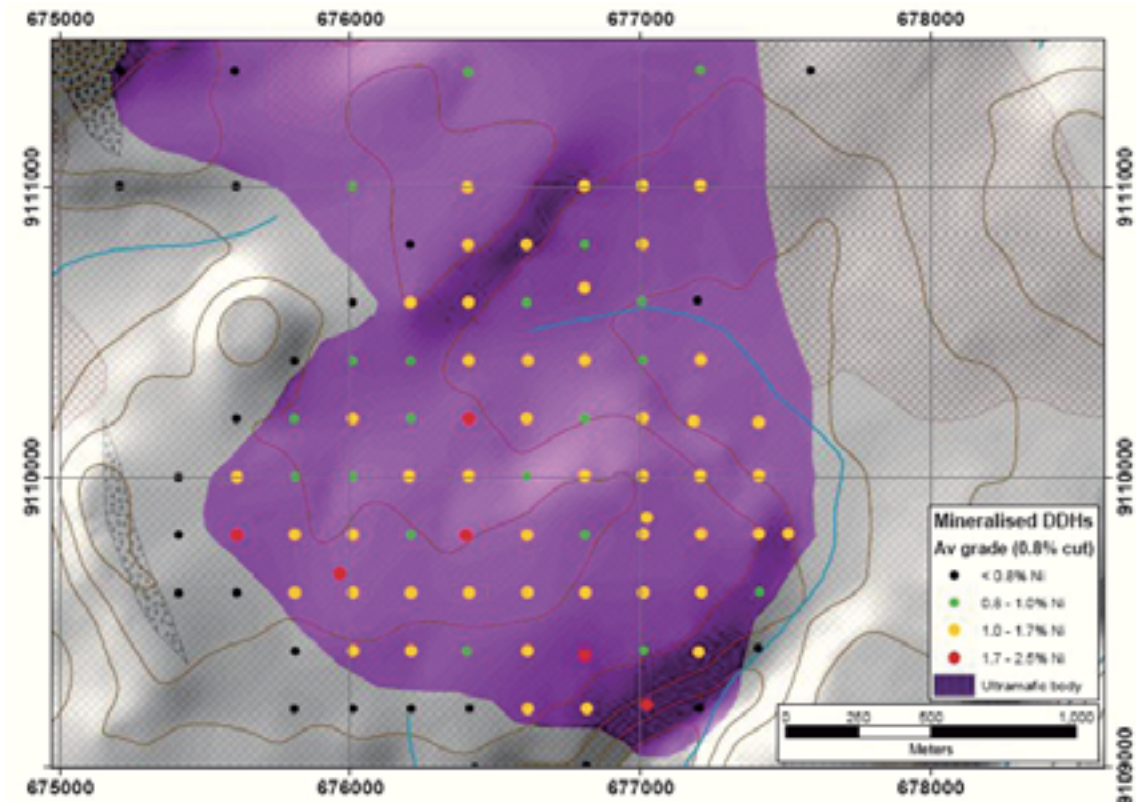
**Figure 2.11: Idealised E-W Section through the Main Part of the Pequizeiro Anomaly**

#### 2.6.4.2 Baião

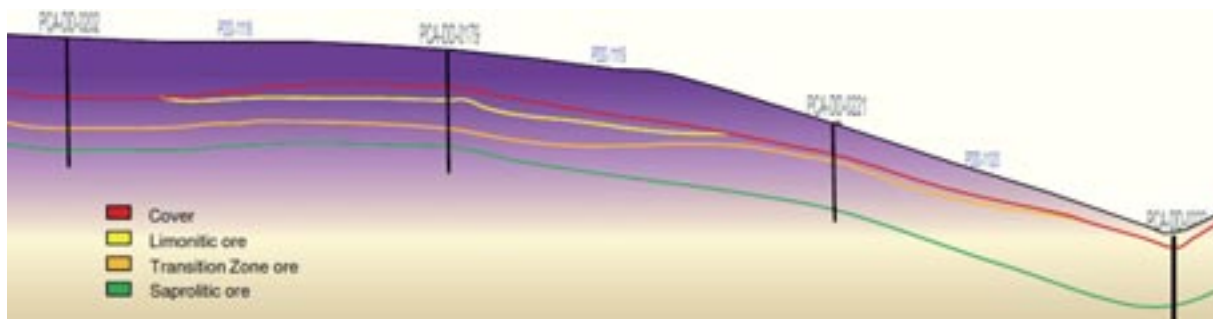
The drilling programme at Baião has identified an encouraging set of results (see Figure 2.12).

The structure remains untested to the north, and high grades around the edges of the anomaly require further follow-up drilling. HM is also considering a follow-up, ground-based magnetic survey that would have the potential to detect high grades, as at Pequizeiro.





**Figure 2.12: Location of Diamond Drill Holes at the Baião Prospect**



**Figure 2.13: Idealised E-W Section through the Main Part of the Baião Anomaly**

## 2.7 Araguaia Lontra Nickel Project Mineral Inventory

Currently there is no JORC or NI 43-101 compliant resource for either the Lontra or the Araguaia licence blocks. On the Araguaia property the level of drilling completed by Teck to date has been sufficient for Teck to generate an exploration block model covering each of the four zones of mineralisation.

During 2008, Teck undertook 10,300m of drilling in 492 holes. The drill holes were spaced on 200m centres and locally at 100m centres. The block size used in the exploration block model is 25m x 25m x 2m. Soft estimation boundaries were used between lithology types.

In April 2010, HM engaged Australian consultancy, Fredrickson Geological Solutions (FGS) to undertake a review of the block model generated by Teck. FGS completed an optimisation study for the development of a conceptual project plan and evaluation of conceptual project economics. This internal HM non-JORC

compliant mineral inventory estimate relied upon assumptions in relation to minimum mineralised widths, internal dilution and mining parameters to produce open pit block models. The resulting quantity and grade values are conceptual in nature as the drilling density is insufficient for the delineation of an *Inferred* Mineral Resource. The results are shown in Table 2.5 below.

Table 2.5: Araguaia Conceptual Mineral Inventory (FGS 2010)					
Cut-off	Tonnage		Grade		
	Low Tonnes	High Tonnes	Low Ni%	High Ni%	Co%
0.60	175,000,000	226,000,000	0.9	1.1	0.06
0.80	113,000,000	146,000,000	1.0	1.2	0.06
1.00	66,000,000	86,000,000	1.2	1.4	0.06
1.25	30,000,000	39,000,000	1.4	1.7	0.07
1.50	13,000,000	16,500,000	1.6	2.0	0.07
1.75	5,200,000	6,700,000	19	2.3	0.07
2.00	2,300,000	3,000,000	2.0	2.6	0.07

The potential quality and grade of this target is conceptual in nature and there has not yet been sufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of Mineral Resource

On the Lontra licence block, HM has completed a total of 63 diamond drill holes to date, totalling 1,300m and testing two of the targets within the licence block; Northern and Raimundo. Drilling densities vary from 400m x 80m grids to more localised 100m x 80m grids. The drill hole depths generally vary between 15m and 25m. The current drill hole spacing is insufficient for the delineation of an Inferred Mineral Resource, however, HM has undertaken an internal non-JORC compliant mineral inventory estimate using the polygonal estimation method. The results of this estimation are conceptual in nature and require further drilling for resource definition; the results are given in Table 2.6 below.

Table 2.6: Lontra Mineral Inventory (HM 2009)			
Tonnage (Mt)	Average Thickness (m)	Average Grade (% Ni)	Cut-Off Grade (% Ni)
20	11.3	0.99	0.5
13	8.6	1.19	0.8
10	7.3	1.32	1.0
7	6.6	1.42	1.2

**WAI Comment:** *The exploration results to date strongly suggest that the combined licence areas contain potential for the delineation of a significant nickel laterite resource with between 120Mt and 160Mt of material at a grade of between 1.1 per cent. Ni and 1.2 per cent. Ni, using a cut-off grade of 0.8 per cent. Ni. Using a 1.0 per cent. Ni cut-off grade, the potential tonnage range reduces to between 70Mt and 100Mt and the grade increases to between 1.2 per cent. Ni and 1.4 per cent. Ni. WAI is of the opinion that, subject to further infill drilling, HM will be able to delineate a JORC compliant resource on the Araguaia licence block in the order of magnitude as outlined above. It is estimated that 15-20 drill holes will be required to define an Inferred Mineral Resource.*

*In addition, WAI believes that there is significant further potential for the discovery of more mineralised lateritic material across the combined licence block. For example, on the Lontra area to date only two of the four targets have been drill tested. The untested Southern and Morro anomalies both returned good nickel grades in auger drilling and require follow up*

*diamond drilling. On the Teck project, two of the four targets drilled to date show potential for mineralisation open along strike.*

*The current mineral inventory, however, is conceptual in nature as there has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource.*

### **2.7.1 Araguaia Lontra Nickel Project Potential and Planned Exploration**

WAI has had sight of the proposed exploration programme for the enlarged Araguaia Lontra Nickel Project. Figure 2.14 below indicates areas where considerable potential exists to expand the zones of mineralisation indicated by the current drilling. Targets sites include:

- Extensions of the Pequizeiro target to the north west;
- Northern extension to the Baião target;
- The Lontra Southern target; and
- Extensions to Poco and Jacutinga targets.

An additional target has been identified at Oito West; this had previously been tested only by auger drilling. In many cases, auger holes only test the oxide zone as they run into difficulties within the saprolite zone due to water or poorly weathered patches of saprolite, thus not reaching the targeted depths of high grade saprock mineralisation. A single diamond hole drilled into the centre of this anomaly recorded 12.67m at a grade of 1.77 per cent. Ni.

HM proposes the following further exploration works:

- Ground based magnetic survey over the mineralised zones;
- Conversion of the mineralisation to an inferred resource using a 200m x 100m offset grid (nominal 140m grid);
- Definition of high grade ore zones to the indicated resource level by diamond drilling on a 100 x 100m grid (nominal 80m grid);
- Drilling of the Oito West and Southern targets;
- Metallurgical testwork by drilling 1m diameter auger holes to obtain a 190t bulk sample.

The budget for defining a JORC classified Mineral Resource is CAN\$6.2M with the breakdown shown in Table 2.7.

A detailed ground magnetic survey over the Pequizeiro target indicated a strong correlation between drill holes with high grade nickel intersections and magnetic features within the ultramafic body. While the drilling is wide spaced, the observed correlation warrants further evaluation. Ground magnetic surveys are an extremely cheap exploration methodology and if the correlation can be confirmed, would result in optimisation of the drilling programme.

The resource drilling programme involves intermediary holes in the centre of the original 200m x 200m grid resulting in an effective 140m grid. HM will drill these holes within the areas defined by the current drill programme as having resource potential along strike of known mineralisation or to test new zones of mineralisation. A total of 8,850m of diamond drilling, using HQ core, have been allocated for this phase of the drilling. HM anticipates that it will have three drill rigs operating two shifts per day during six and a half months. Drill core will be photographed and logged in the field. All analyses will be performed on half core over nominal 1m intervals using borate fusion with XRF finish at an accredited geochemical laboratory. QA/QC protocols are discussed below.

HM will interpret and integrate the resultant geologic and grade models using a recognised 3D modelling software package and will contract an independent consultant to prepare a JORC or CIM classified resource.

HM will use the results of the above drilling phase to guide a second and third phase of resource drilling which will involve 8,850m of in-fill drilling on a 100m x 100m grid in areas with high grade potential, with the objective of each phase to define a 20Mt indicated resource. Again, an independent consultant will carry out the final verification of the geological and ore resource models.

The metallurgical sample programme involves drilling of approximately 500m of 0.90m to 1.00m diameter auger holes with the objective of collecting sufficient material to generate three bulk samples with the overall geochemical characteristics of the mineralisation of the Araguaia project. HM will transport these samples to Canada for trial processing and metallurgical studies. The bulk samples will be generated by sampling of the wide diameter auger holes on 1m x 1m intervals with each interval being categorised by the mineralisation type and physical characteristics as well as geochemical composition. The intervals will then be selectively combined to generate the three representative bulk samples. Intervals not used will be stored for later use as required.



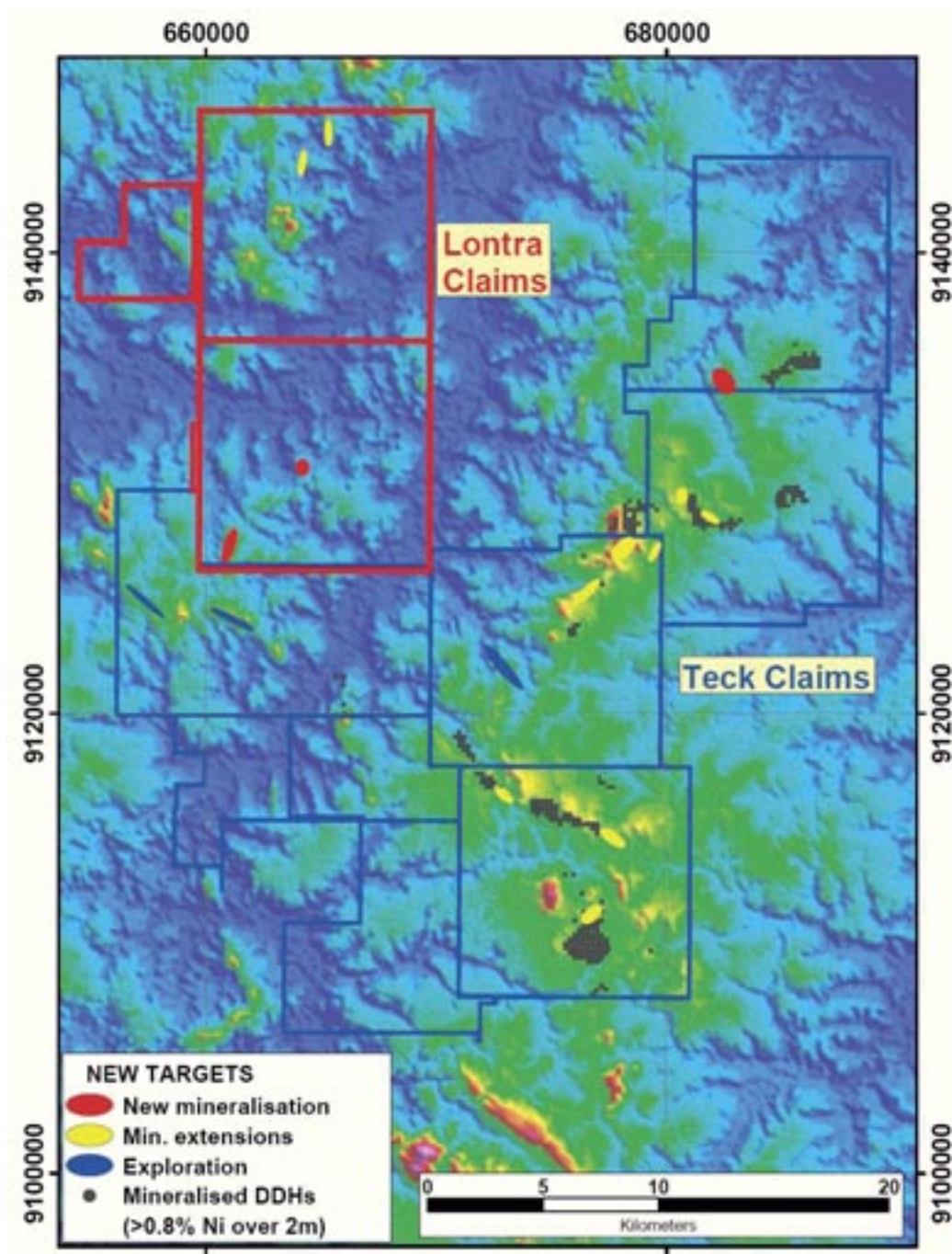


Figure 2.14: Exploration Potential within the Northern Part of the Licence Area

<b>Table 2.7: HM Budget for Classifying a JORC Compliant Resource at Araguaia (2010/11)</b>	
	<b>Budget Cost CAN\$<sup>k</sup></b>
Administration Costs	358.33
Operating Costs	860.55
<b>Total Management Charges</b>	<b>1,218.88</b>
Programme Costs	
- Drilling	3,744.50
- Bulk Sampling	143.29
- Mineralogy Studies	95.66
- Environmental & Airborne Surveys	452.83
<b>Total Programme Costs</b>	<b>4,436.28</b>
Capital Expenditure	255.29
Contingency (5%)	298.68
<b>Total Budget</b>	<b>6,209.13</b>

## 2.8 QA/QC

During the site visit WAI had the opportunity to discuss the QA/QC practices applied by HM to all of its exploration programmes including the Lontra and Tangara projects. WAI also visited the Teck core storage facility, located in the town of Conceição de Araguaia, which is used for storing HQ drill core from the Araguaia nickel exploration programme. WAI found that the auger, RC samples and core to have been dressed and stored in an efficient and well laid out manner.

In addition, WAI discussed logging and sampling procedures with former members of the Teck exploration team and viewed core log strips, logging protocols and lithocodes. All of the above works appear to have been conducted to a very high standard.

**WAI Comment:** *The logging practices and facies description appear to be performed to a very high standard. The sampling method and security procedures also appear to be performed to a very high standard.*

WAI understands that both Teck and HM have employed rigorous QA/QC protocols to all of their exploration drilling campaigns, including the use of standards, blank samples and insertion of duplicate samples at regular intervals. Samples were taken at nominal 1m intervals with breaks occurring at geological contacts. In both exploration programmes, sample preparation was carried out locally in a dedicated sample preparation facility, and samples were assayed using X-Ray Fluorescence methods at the commercial SGS-Geosol Laboratory in Belo Horizonte, Minas Gerais State.

**WAI Comment:** *The SGS-Geosol laboratory and sample preparation facilities are internationally accredited and comply with all international standards.*

### 2.8.1 Evaluation of QA/QC Data

Over 300 analyses have been carried out, of which some 76 represent quality control analyses, either of samples inserted by HM or as routine QA/QC procedures adopted by the laboratory. Results from the laboratory geochemical certificates were only accepted following confirmation that the QA/QC data was within acceptable limits.

### 2.8.2 Blank Samples

No anomalous results indicating contamination were indicated by the blank samples introduced either by HM or by SGS.

**WAI Comment:** *The QA/QC implemented on the project appears to indicate excellent results. The Ni values were repeatable (precision) and the SGS 1.5 per cent. Ni standard was continually within a 10 per cent. error envelope, suggesting good precision. There is no indication of contamination of samples or sample order mishaps.*

*The accuracy of the high Ni results will have to be evaluated, using official Ni Standards and check laboratories in a programme of selective re-analysis of mineralised zones.*



### **3 TANGARA GOLD PROJECT**

#### **3.1 Introduction**

Located in southern Para state, the Tangara Project is a 344km<sup>2</sup> exploration block covering an Archean aged greenstone belt in the Carajás Mineral Province. The Carajás mining district is one of the world's major iron, manganese, copper and gold districts, centred 100km north of the Tangara project.

In the 1980s the Tangara area was the focus of extensive Garimpeiros (Brazilian small scale miners) activity over a 5km trend but then lay largely dormant for 20 years. In 2005, HM initiated an extensive soil, stream and auger programme compiled with aero-geophysical data that demonstrated that the mineralisation along the trend was probably genetically related to previously un-recognised Proterozoic porphyry intrusives, emplaced within a major flexure zone within the greenstone package. The event resulted in various styles of mineralisation, often in multiple, sub-parallel structures along a 15km trend.

In 2008, after delineating multiple drill targets, the project was joint-ventured to a Brazilian subsidiary of Troy Resources, which was in the process of commissioning a gold plant at its Andorinhas project, some 20km south east of the project block. Troy initially concentrated on evaluating the resource potential of the main targets with an extensive RC drilling programme and is now in the process of re-prioritising the additional targets.

##### **3.1.1 Location and Access**

The Tangara Project is located approximately 8km south of the town of Xinguara, within a region of extensive cattle farming and is bisected by the main north-south road in the region (PA-150). The regional centre, Marabá, is approximately 250km to the north and provides railway access to the coast, and an airport with regular daily flights to the hub airports of Brasilia and Belem.

##### **3.1.2 Climate and Topography**

The licence areas are characterised by gently rolling pasture and forest with low relief. The climate is tropical with a hot, humid rainy season between October and March and a dry season from April to September. Annual precipitation is around 1,800mm, with the majority occurring during the rainy season which peaks in mid-January. Annual temperatures range from 17°C to 35°C with an average of 28°C.

#### **3.2 Regional Geology**

The Tangara project area is located on a northern arm of the generally east-west trending Identidade Greenstone Belt of the Andorinhas Super Group of Archean age (>2.9Ga based on intrusive dacitic dykes). The Tangara Project covers approximately 30km strike length of the Identidade Belt which is dominated by mafic to ultramafic volcanics intruded by small, late stage felsic intrusives stocks and dykes, and wedged between Proterozoic granodioritic to granitic intrusives.

Units are steeply dipping and gold mineralisation appears to be associated with intrusives and controlled by structures subsidiary to the main shear zone, as shown in Figure 3.1 below.

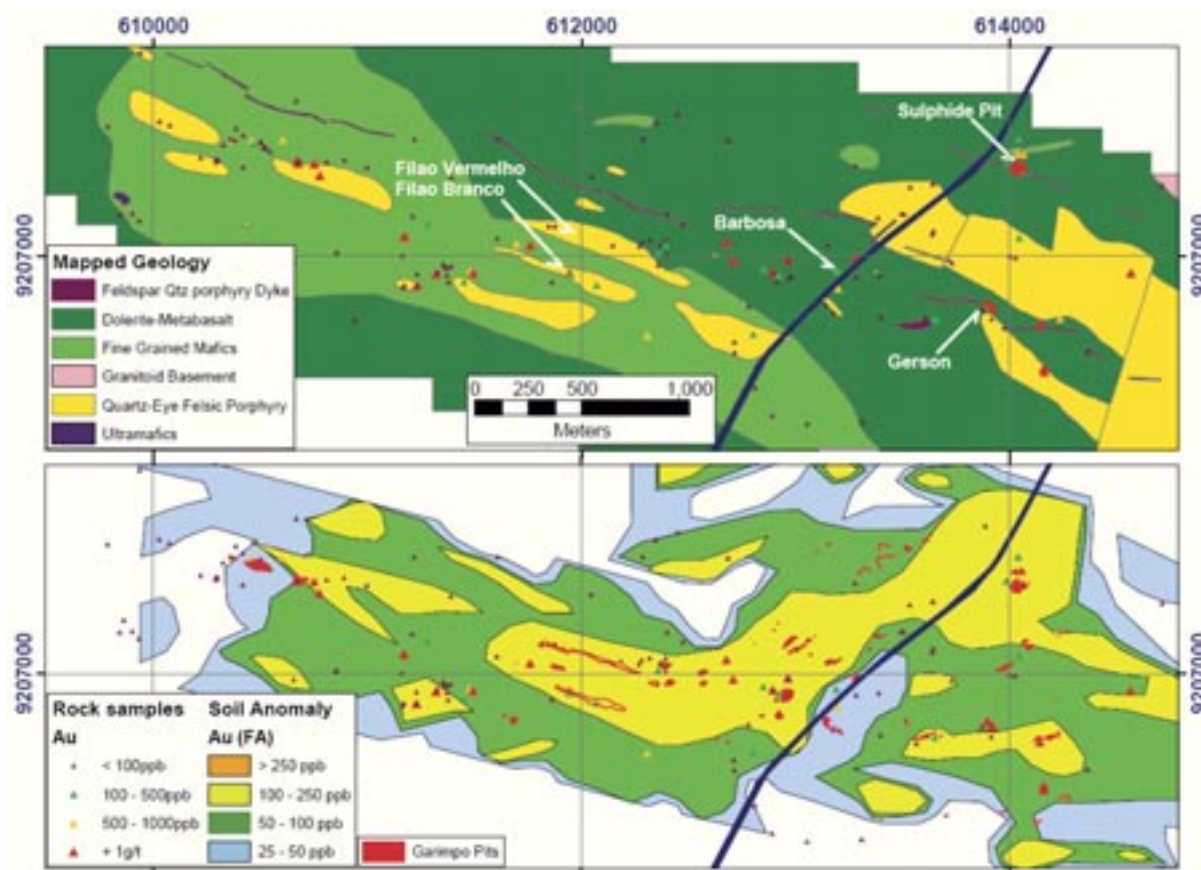


Figure 3.1: Geology and Anomalies of the Tangara Project Area

### 3.2.1 Mineralisation

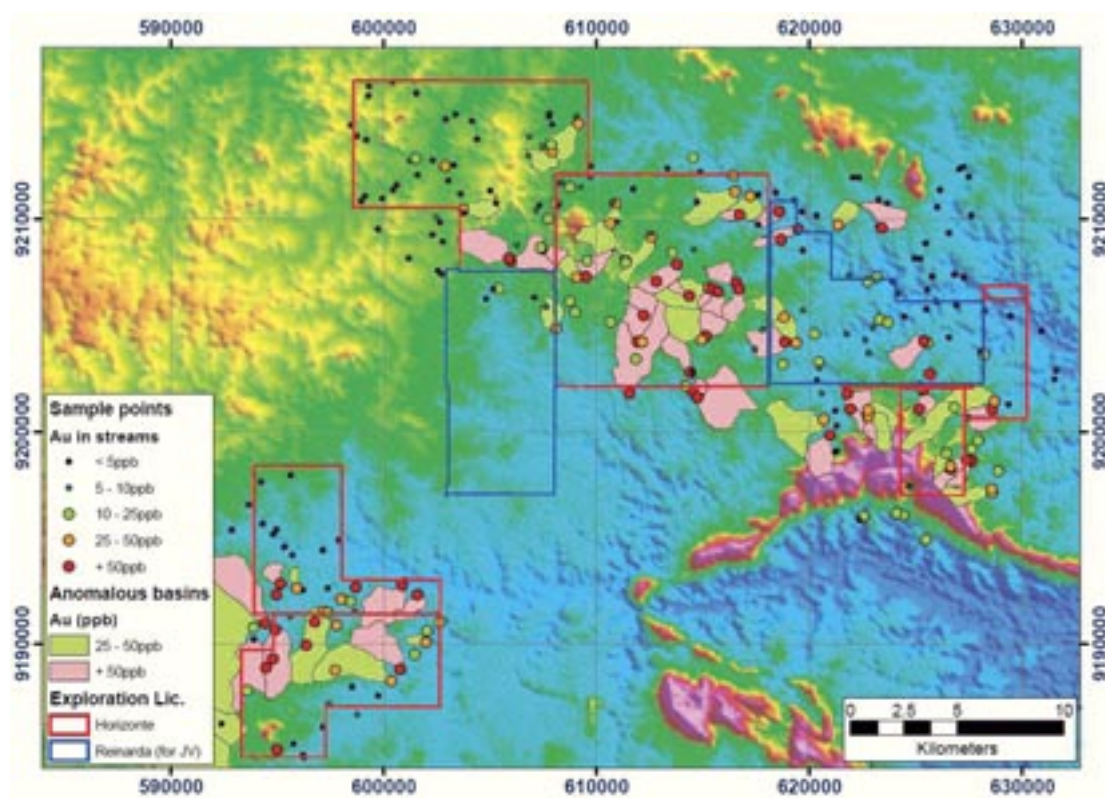
The mineralisation at Tangara is believed to be related to magmatically derived hydrothermal fluids associated with post-tectonic felsic intrusive activity. This intrusive event was associated with the generation of large amounts of hydrothermal fluids enriched in base and precious metals. Around the Malvinas porphyry, it resulted in a large geochemical halo within which gold and levated base metal mineralisation occurs as quartz veinlets/disseminated sulphides in shear zones, quartz/base metal veins, replacement quartz sericite sulphide bodies and zones of disseminated sulphides associated with bleaching and silicification.

### 3.3 Tangara Project Licences Areas

The Tangara gold project is 100 per cent. owned by HM. It comprises 8 licences totalling 34,393ha. Table 3.1 lists the current licence details and Figure 3.2 illustrates the licence boundaries along with the locations of the original stream sediment anomalies.

Licence No.	Licencee	Area (ha)	Phase	Date of Publication	Date of Expiry	Comments
850.410/2000	HM do Brasil	10,000	Mining Application	Mining Application	-	Positive Final Exploration Report submitted 17/02/2009
850.103/2004	HM do Brasil	1,364	1 <sup>st</sup> Phase	04/04/2008	04/04/2011	Publication of redefined limits on 04/04/2008.
850.141/2004	HM do Brasil	7,716	2 <sup>nd</sup> Phase	08/09/2009	08/09/2012	
850.276/2004	HM do Brasil	1,500	2 <sup>nd</sup> Phase	08/09/2009	08/09/2012	
850.428/2004	HM do Brasil	4,771	2 <sup>nd</sup> Phase	04/11/2008	04/11/2011	
851.053/2007	HM do Brasil	127	1 <sup>st</sup> Phase	16/09/2009	16/09/2012	
850.074/2009	HM do Brasil	3,612	1 <sup>st</sup> Phase	14/08/2009	14/08/2012	
850.063/2009	Reinarda Mineração	5,303	Application	-	+3 years	Application made on behalf of JV on 18/02/2009
<b>Total Area (ha)</b>		<b>34,393</b>				

Detailed licence co-ordinates and location plans for the Tangara Exploration Licences are shown in Appendix 3.



**Figure 3.2: Tangara Licence Areas with Stream Sediment Anomalies**



### 3.4 Exploration Conducted by HM

HM began its exploration activities at Tangara in 2005. Initially exploration activity was focused on the central, 500m long, MA trend – the main garimpeiro trend. As a consequence of the positive results, the exploration programme was quickly broadened through stream sediment sampling, float rock mapping and systematic soil sampling along most of the 30km long greenstone trend within the licence area. This data was integrated with ground magnetic and IP data and regional aero-geophysical survey data (magnetic & EM) to define target areas. In total 15 targets were identified of which 4 were drill tested by HM before signing the JV with Troy in late 2007.

The characteristics of the main targets are summarised below.

#### 3.4.1 Sulphide Pit Anomaly

This was the first zone to be drill tested (in 2006) and is named due to the spectacular quartz, sericite, pyrite gossan, which averaged 5g/t Au over 10m in channel samples and up to 9.2g/t Au in a single interval. Three holes were drilled beneath the Sulphide Pit, but neither the structure nor mineralisation style is fully understood and this target remains open, see Figure 3.3 below.

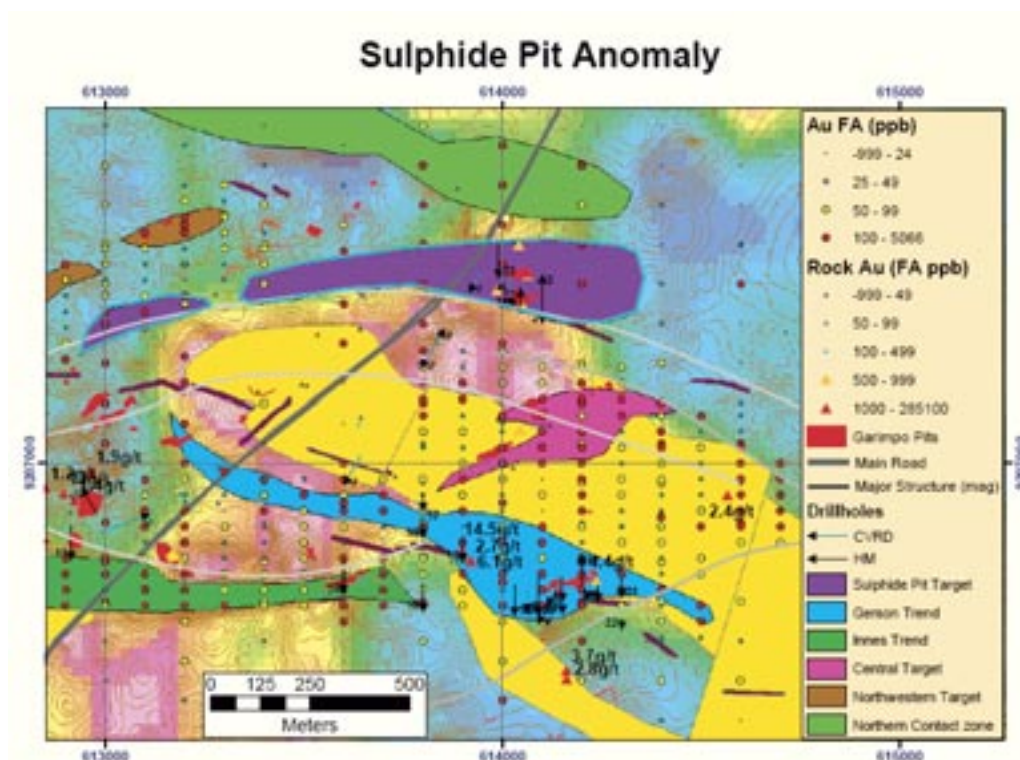


Figure 3.3: Sulphide Pit and Gerson – Relationship of Anomaly to HEM Resistivity Zone

#### 3.4.2 Gerson Trend

The Gerson trend lies 700m south of the Sulphide Pit, see Figure 3.3 above, on the southern side of the Malvinas porphyry. It is an ESE trending zone of mineralisation that lies in the hanging wall of a steep, south dipping tongue of porphyry.

The gold anomaly associated with the Gerson trend is a 300m x 100m, ESE trend. The gold anomaly has strong elevated arsenic (As) (301ppm) and antimony (Sb) (4.9ppm) values. At lower levels the anomaly forms part of a general gold and base metal trend with a strong WNW orientation that extends for over 800m along the porphyry mafic volcanic contact. Due to the weak gold soil geochemistry this target was

considered low priority, but was drill tested due to its proximity (eastern side of main road) to the sulphide anomaly. The results of the drilling demonstrated the complexity of attempting to prioritise the surface geochemical anomalies.

After completing the first three holes on the Sulphide Pit anomaly, the Gerson target was first tested by a single drill hole, TGA:DDH-04, which intercepted a 35m alteration zone averaging 2.5g/t Au, including high grade intercepts of 6.75m @ 9.7g/t Au, 2m @ 6g/t Au and 4m @ 1.4g/t Au.

Later, DDH-13 was located 60m west of DDH-04, the discovery hole. The assays mimic the wide alteration envelope encapsulating one or more high grade zones found in DDH-04, but with this last interval having high Zn (+1%) and Ag (39g/t) credits. Mineralisation in DDH-13 is similar in style and produced 12m @ 5.0g/t Au, that also include 2m @ 18.7g/t Au, all within a 16m wide alteration zone. These two holes demonstrate the potential for mineralisation to generate ore zones of significant width for open pit mining, and high grades amenable to underground mining.

Hole DDH-14, 60m further to the west of DDH-13, hit a wide zone of sulphide mineralisation from 38m to 86.4m and included a 12m zone @ +0.7 per cent. Zn with 0.47g/t Au on the hangingwall side of an intrusive dyke.

Drill hole DDH-24 gave a 17m zone with sulphides including 4m @ 2.5g/t Au at 122m within a 6.5m wide 0.4 per cent. Zn halo and DDH-25 gave an 11.7m zone with sulphides including 4m @ 1.4g/t Au at 128m, above a 4m wide 0.3 per cent. Zn halo. Although disappointing, the results demonstrate that the mineralised zone has continuity and may be expected to pinch and swell and have a plunge.

### **3.4.3 Filão Vermelho and Filão Branco**

Limited drilling (five holes) indicated that the mineralisation is hosted by a package of mafic volcanics extensively intruded by a swarm of narrow east-west trending felsic dykes. These are more abundant in the Filão Branco zone. The mineralisation is associated with quartz veins (rarely greater than 10cm wide and in general comprised of broken veinlets) hosted by narrow sub-vertical shear zones which can be within either the mafic or felsic units but are most commonly on the contact zones.

The zone has multiple sub-parallel structures, is over 500m long and could be interpreted as extending all the way to the Sulphide Pit Zone, which would give it a length of around 1,500m. The five holes drilled by HM on two structures, over a 300m strike length, had disappointing results, the best intersections comprising 3.9g/t Au over 2m and 3.3g/t over 1.5m. However, given the length of the zone and presence of multiple structures hosting quartz veins with free gold, this zone needs to be re-evaluated.

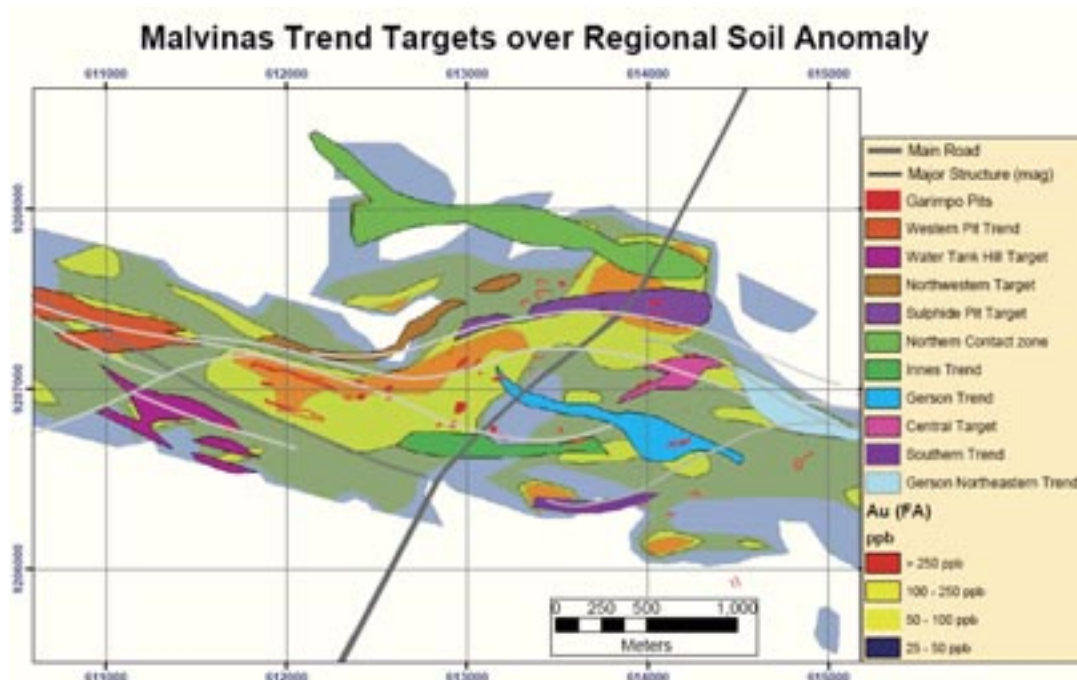
### **3.4.4 Barbosa Pit**

Situated between the Sulphide Pit and the Filão Branco and Vermelho targets, the Barbosa Pit is approximately 30m in diameter and 10m to 15m deep. Waste rock around the pit assays up to 13g/t Au and suggest that the mineralisation consisted of a sulphide rich quartz vein. The quartz vein contains 'blebby' areas of pyrite, galena and sphalerite material and is hosted by fine grained mafic volcanics.

Two holes were drilled by HM at Barbosa, the first to intersect an ENE structure postulated to be associated with the quartz vein. The second was to the south and drilled to test an E-W structure. The first hole, TGA:DDH-10 went directly under the middle of the pit but did not hit the quartz vein, significant alteration, or a structure that could be attributed to the mineralisation. The second hole on the E-W structure to the south hit several wide zones of disseminated sulphides containing low grade base metal mineralisation, although no significant gold was encountered.

### 3.4.5 Targets Untested by HM

Numerous targets within the Tangara Licence block remain untested. The locations of these targets are shown in Figure 3.4 below and described further in the following sections of the report.



**Figure 3.4: Malvinas Trend Targets**

#### 3.4.5.1 Western Pit Trend

The Western Pit is a large pit, 70m long, 20m wide and over 10m deep, and marks the western end of the 5,000m long +50ppb Au, MA soil trend. This zone is 1,250m long by 400m wide, with soil values over 100ppb Au and 6 samples over 0.25g/t Au. The western end of the zone has elevated Bi & W geochemistry. Rock float samples on the trend gave values of 5.4g/t, 4.5g/t, 4.4g/t, 3.7g/t, 1.9g/t & 1.4g/t Au. Apart from the soil and rock chip sampling, no additional work was carried out by HM on this trend, see Figure 3.5 below.

#### 3.4.5.2 Water Tank Hill Trend

Identified in 2006 after regional geologic mapping and float sampling resulted in assays of 40g/t, 7.6g/t, 2.2g/t and 1.1g/t Au. Additional sampling of float of highly foliated, fine grained mafic schists with extensive very fine quartz sulphide veinlets, often with disseminated sulphide haloes, confirmed the results. As a result an infill soil sampling programme was carried out that resulted in a narrow (100-200m), 700m long Au anomaly which includes highly anomalous soil values of 2.9g/t, 1.4g/t, 1.2g/t, 0.3g/t and 0.06g/t Au, see Figure 3.6 below.

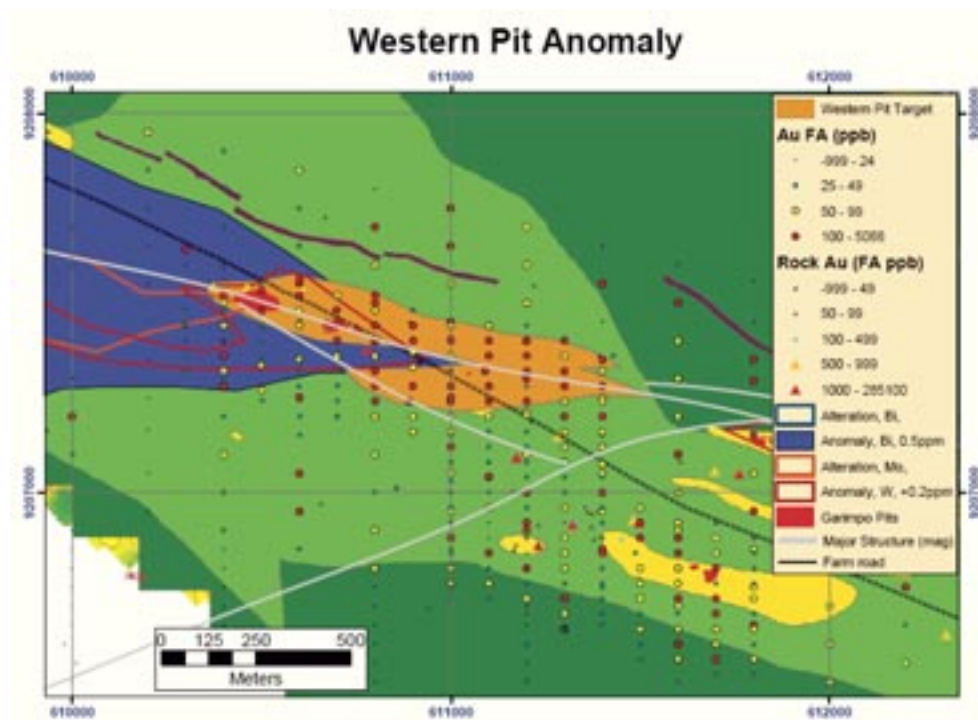


Figure 3.5: Western Pit Anomaly

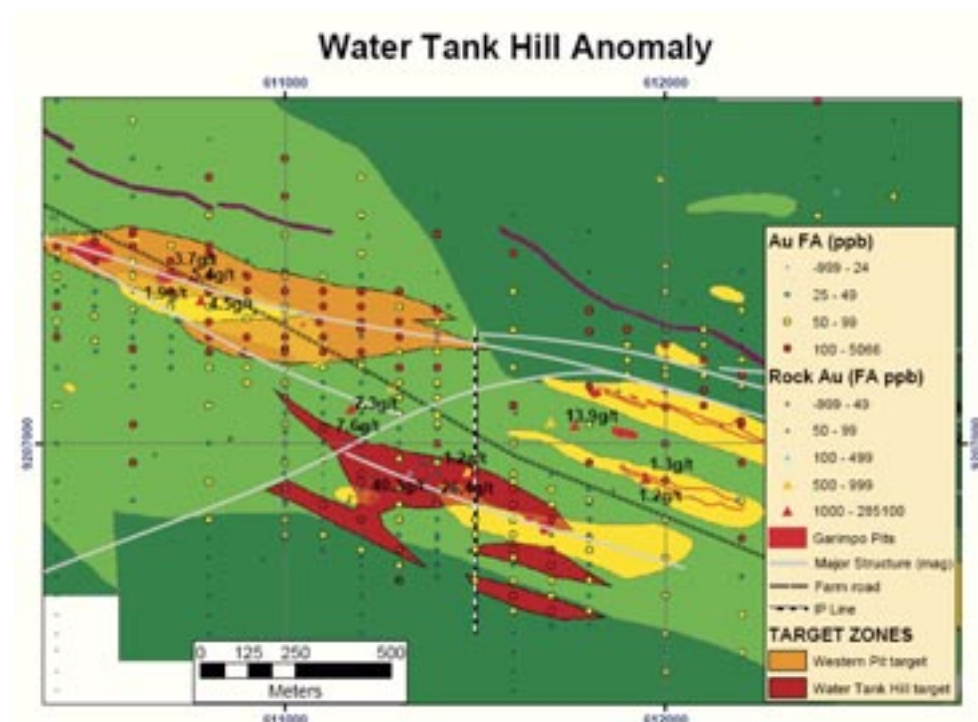


Figure 3.6: Water Tank Hill Anomaly



#### *3.4.5.3 Northern Contact Zone*

The Northern Contact Anomaly is a series of +0.5g/t Au soil values within a 50 - 100ppb gold anomaly envelope along a 2km long trend associated with the northern edge of the greenstone terrain. It is characterised by Zn soil values over 300ppm (max 875ppm), spotty Ag values over 0.5g/t (max 5.7g/t) and Pb values over 100ppm, see Figure 3.7 below.

#### *3.4.5.4 Northwestern Target*

An arcuate shaped zone marked by Sb & As, associated with W, Zn, Pb and Cd within which is a narrower trend of elevated Au and Cu values (peak soil values are 0.8g/t, 0.24g/t and 0.2g/t Au). The lack of garimpeiro workings enhance the potential of this target.

#### *3.4.5.5 Innes Trend*

A geochemically anomalous zone with over 800m strike length and values up to 0.5g/t Au in soils. It shows a close correlation with a magnetic trend that may be associated with pyrrhotite such as found in the mineralised zone at Gerson.

#### *3.4.5.6 Southern Anomaly*

A 600m long trend on an E-W trending magnetic structure approximately 200m south of the Gerson Trend. Is marked by highly anomalous gold soil values including 4.3g/t, 0.7g/t, 0.4g/t and 0.3g/t Au. These are associated with anomalous Zn values up to 720ppm, 0.7g/t Ag and anomalous Cd (1.8ppm). No follow-up work has been carried out on this anomaly to date.

#### *3.4.5.7 Central Target*

A 250m long Au soil anomaly with a maximum value of 0.6g/t Au and associated with elevated Zn, Ag, Pb, Cu, Bi, Ti with similar levels and a real extent as at Gerson, see Figure 3.8 below.

#### *3.4.5.8 Gerson Northeastern Trend*

A contact related 600m x 200m gold zone with values reaching 1.2g/t Au.

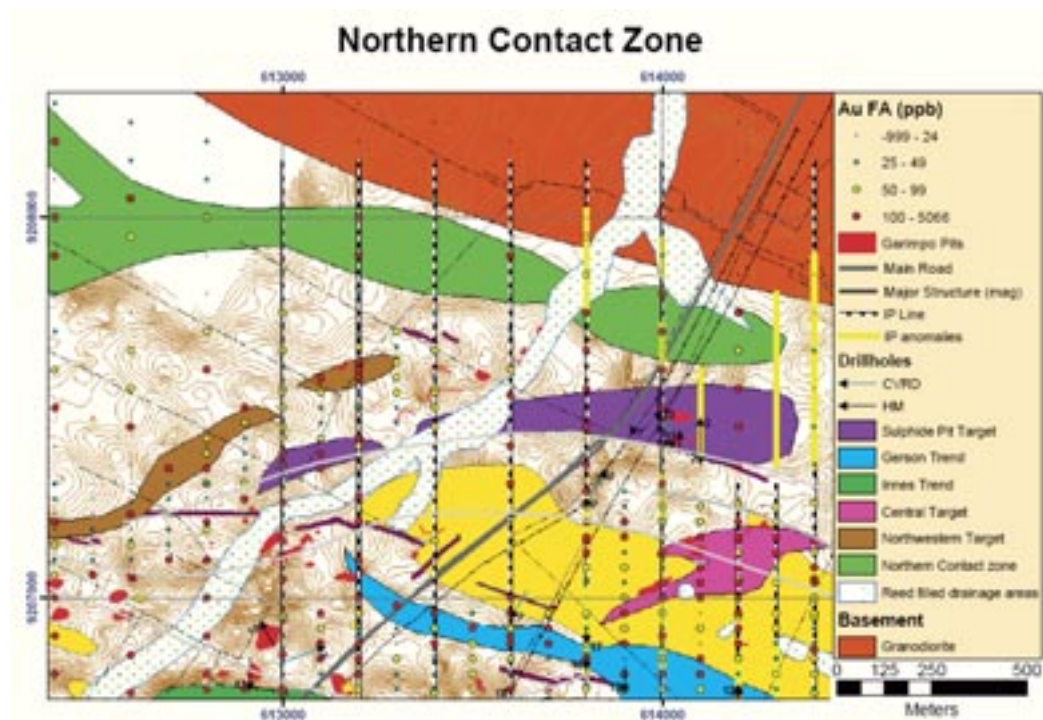


Figure 3.7: Northern Contact Zone

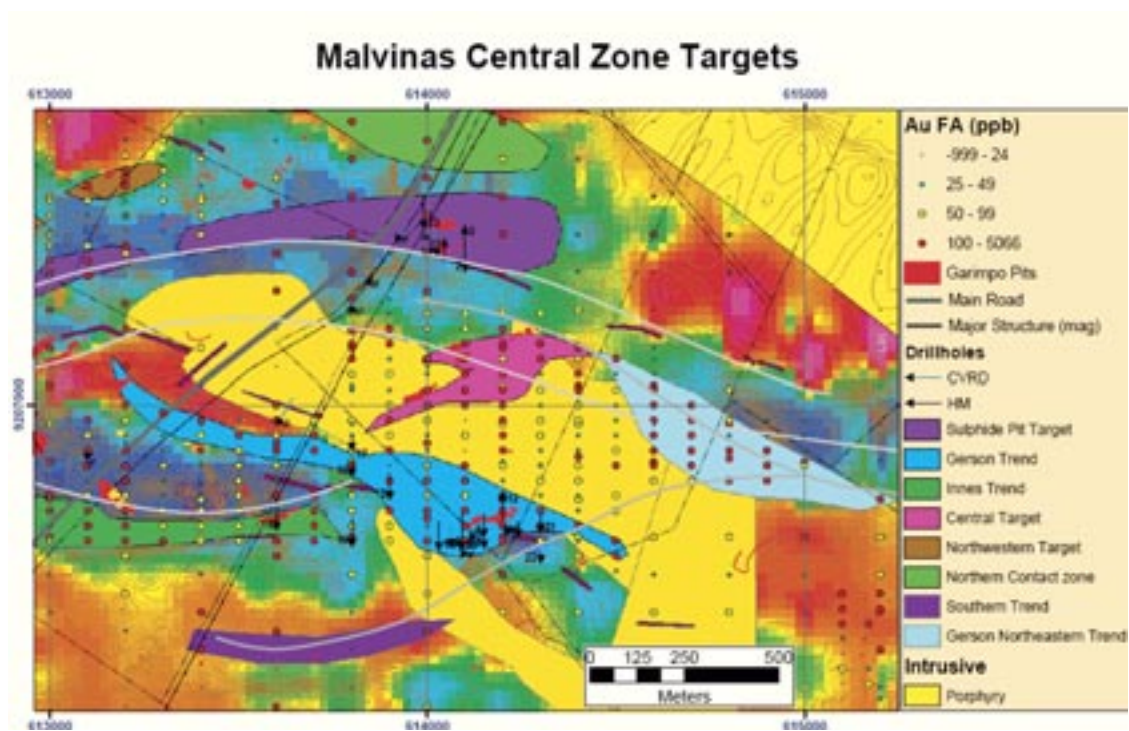


Figure 3.8: Targets in the Malvinas Central Zone

### 3.4.6 Other Targets in the Tangara Belt

#### 3.4.6.1 The Pampeanas Project

Historical trenching data indicates some impressive intersections:

- TP-02 – 3m @ 3.55g/t Au on a 1.35g/t Au soil anomaly;
- TP-03 – 3m @ 5.3g/t Au , 6m @ 3.7g/t Au and a rock sample of 28g/t Au;
- TP-11 – rock samples of 27, 41, 36, 18 & 2g/t Au;
- TP-16 – 2m @ 2.3g/t Au and rock samples of 11, 10, & 4g/t Au;
- TP-17 – 10m @ 5.7g/t Au, 6m @ 11g/t and rock samples: 36, 13, 7 & 2g/t Au;
- TP-21 – 8m @ 4.4g/t Au; and
- TP-10 – 4m @ 3.7g/t Au.

This led HM to carry out a regional soil sampling programme on a 400m x 80m grid, with 200m x 40m infill in the key areas indicated by the above results. The targets were not followed up prior to the area being joint ventured due to priorities on the Malvinas trend. See Figure 3.9.

#### 3.4.6.2 MAE Target

The MAE target consists of an irregular 800m x 300m zone of elevated Au soil values, including two over 0.6g/t Au. Interpretation of the regional geochemistry and geophysics suggests that it is associated with a large felsic intrusive. No more work has been conducted on this anomaly to date. See Figure 3.9.

#### 3.4.6.3 MAW Ultramafic Trend

A coincident, discrete magnetic, EM and Ni/Cu soil anomaly is located on the southern end of a magnetic/geochemical trend suggesting ultramafic lithologies. This may have sulphide Ni potential. See Figure 3.9.

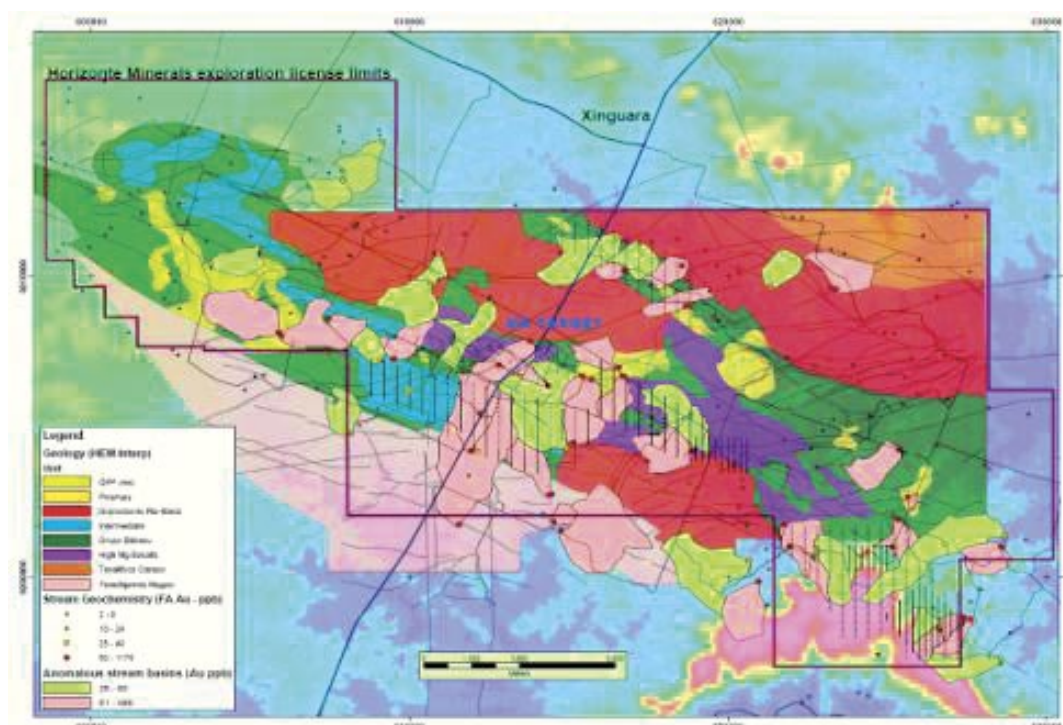


Figure 3.9: Tangara Belt Regional Targets

### 3.4.7 Joint Venture Agreement

HM has entered into a joint venture agreement with Troy concerning the Tangara project licence areas which is reviewed and discussed in Section 4 of this report.

***WAI Comment:** WAI considers that highly prospective gold mineralisation is to be found within these licences. A number of tested targets have shown good gold grades, lying near to surface that may justify mining by simple open pit methods. A significant amount of further work is both required and justified by HM to identify and estimate potential mineable resources.*

*The northern contact zone and the northwest target zone are attractive areas for priority follow-up work. In addition, a large number of exciting targets remain untested and of these the Pampeanas Project is evidently one that should be followed up in detail by HM.*



## **4 JOINT VENTURE AGREEMENTS**

### **4.1 AngloGold Farm-In and Joint Venture Agreements**

In September 2009, HM entered into a farm-in and joint venture agreement with AngloGold with the aim of generating new gold targets in Brazil in excess of one million ounces.

WAI has reviewed the joint venture contract and documentation but has not undertaken any legal due diligence and, therefore, cannot confirm the validity of the contract from a legal perspective.

The agreement between HM and AngloGold is essentially in two parts. The first agreement is the joint venture agreement, whereby HM and AngloGold agree to work together to generate exploration targets and discover economic orebodies within two specified areas of interest ("AOI") called Santana, located in Para in north central Brazil, and Campestre, located in Rio Grande do Sul, south Brazil.

Within each AOI, HM will aim to generate specific exploration targets via a regional stream sediment sampling programme. AngloGold will then have the option to fund further exploration of the targets under the terms of a farm-in agreement. The farm-in agreement specifies that AngloGold will, over a three year period, fund the exploration activities and in doing so earn a 51 per cent. equity interest in the property. Separate JVs will be entered into in respect of each separate target area.

#### **4.1.1 Farm-in Period**

Under the terms of the agreement, AngloGold may earn a 51 per cent. interest in each target area JV through funding the project expenditure to the sum of US\$5.3M within 36 months from the commencement date. The expenditure requirements are further defined as being a minimum of US\$0.9M within the first year, US\$1.4 million within the second year and US\$3.0 million in the final year. AngloGold may provide one employee to the exploration team during the farm-in period. Following satisfactory funding of the project HM must transfer a 51 per cent. interest in the project to AngloGold.

AngloGold is not entitled to any interest in the project during the farm-in period nor if they do not fulfil the full funding requirements. During the farm-in period, HM must work exclusively with AngloGold inside the JV areas but AngloGold are free to form agreements with other parties in all respects except for target generation. Both parties are free to act independently on any properties outside the JV areas.

Since initiation of field work in late 2009, a total of 485 stream sediment samples together with 613 rock geochemical samples have been collected in the two target areas; Santana in northern Brazil and Campestre in southern Brazil. As a result of the sampling programme a number of new multi-element gold targets have been generated on open ground. In total, 54 new exploration licences have been applied for, over the target areas, covering 160,000ha. A full review of the Year 1 work programme and new target areas will take place in July 2010.

#### **4.1.2 Management**

The exploration of the projects within the JV agreement will be managed by HM during the farm-in period; however, all exploration budgets and expenditure must be approved by an exploration management committee comprising two representatives of each party. In return for managing the projects AngloGold will pay HM a management fee calculated as 10 per cent. of the project exploration funded during each 12 months of the farm-in period.

#### **4.1.3 Formation of Joint Ventures**

Subject to full earn-in funding and satisfactory exploration results, HM and AngloGold will form separate target area joint ventures at the end of the farm-in period in respect of each target area nominated by AngloGold. Under the terms of the agreement, each party in the newly formed joint ventures will have a

shareholding, comprising 49 per cent. for HM and 51 per cent. for AngloGold. New agreements will be made at that time to govern the workings of the JV.

**WAI Comment:** *The JV with AngloGold gives HM a valuable opportunity to identify and explore targets in two prospective areas of Brazil. AngloGold will fund the exploration activities and HM will continue to concentrate on exploration management and target generation. The contract appears to be fair and not weighted in favour of either party and contains sensible clauses governing disputes, force majeure and exclusivity. WAI is of the opinion that HM has negotiated an excellent opportunity to potentially acquire an interest in a mineral project, while at the same time generating an income through exploration programme management.*

#### 4.2 Tangara Joint Venture Agreement

HM has a project specific earn-in agreement with Reinarda Mineração Ltda (RM), a subsidiary of Troy, in respect of the Tangara Gold Project. Under the terms of the agreement HM granted RM the sole and exclusive right and option to acquire an undivided 100 per cent. interest in the Tangara property on an earn-in basis. The principal terms of the agreement are that RM will spend a minimum of US\$2.0M over a three year earn-in period which will be used to fund further exploration.

On completion of the three year Earn-In period, if RM decide to exercise their option to acquire the project a further payment of US\$2.0M will be payable to HM. In addition, HM will receive a production net smelter royalty for any subsequent production from the project. The production royalty will be US\$30/oz of gold produced from the property up to a maximum of 0.5Moz. The net smelter royalty will be a payment of 1 per cent. of net smelter returns on gold production in excess of 0.5Moz and up to 1.0Moz, and 2 per cent. of net smelter returns on gold production in excess of 1.0Moz.

The contract contains an abandonment clause if RM wishes to opt out of the agreement, and they can do so by giving 30 days notice but not within the 90 days of any tenements concessions expiring. If RM fails to make an option payment, they will have been deemed to have abandoned the option.

WAI has reviewed the JV contract and documentation but has not undertaken any legal due diligence and, therefore, cannot confirm the validity of the contract from a legal perspective.

To date Troy have completed the minimum work commitment expenditure of US\$2.0M in ground spend. The work focussed on the Malvinas Trend in particular the Gerson Zone, with the aim to delineate a resource/reserve statement. This exploration drilling programme resulted in 264 holes (13,180m) as well as extensive surface work and technical studies to complete the final reporting. Other areas tested were the Americo and West Rio Maria targets. Troy has applied for a mining licence application over the Gerson target area.

Troy has contracted the Centre for Exploration Targeting ('CET') of Western Australia to compile all available regional and project data, followed by a re-interpretation and re-processing of various data sets to generate a series of new conceptual and empirical targets on the main project area. The preliminary target results are expected in June 2010.

**WAI Comment:** *The JV with RM has given HM a valuable opportunity to further explore the Tangara concessions without spending any more money on the projects. The contract between HM and RM appears to be fair and not weighted in favour of either party. Should RM choose to exercise their option on the Tangara property, HM will receive a cash payment and a valuable royalty from any subsequent production. This will enable HM to concentrate on exploration and exploration management along with the development of the Lontra and Araguaia Lontra Nickel Projects.*



## **5 WAI CONCLUSIONS**

WAI has reviewed the considerable amount of data pertaining to the exploration activities within the licences held by HM and have the following comments:

### **5.1 Araguaia Lontra Nickel Project**

#### **5.1.1 Lontra Licence Block**

The Lontra licences contain a substantial area of ultramafic rocks; which are the principal lithology from which the nickel mineralisation is derived. Several of these target areas have the potential to hold significant resources of nickel, but WAI considers that considerable exploration effort and budget will be required before the magnitude of such resources can be quantified.

WAI considers that the results of the 2008 drilling programme are very encouraging and demonstrate that the near surface laterite developments at the Northern and Raimundo zones could potentially contain a sizeable nickel resource. The targets remain open, and extensions and subsidiary targets at both sites are as yet untested.

WAI has reviewed the HM exploration programmes for 2010 and concur with both the proposed budget spend and level of exploration defined within each programme.

#### **5.1.2 Araguaia Licence Block**

Identical to the licences at Lontra, the target geology here is mafic and ultramafic intrusions that are part of the Araguaia Ophiolite Sequence, which is known host to several large nickel deposits in this region.

The results of the exploration programme, to date, have identified two important targets at Pequizeiro and Baião. The drilling programme at Pequizeiro has identified an encouraging set of results, which suggests that grades can be directly correlated with E-W trending lineaments. The structure remains untested to the north and high grades around the edges of the anomaly, which require further follow-up drilling. Similarly, the drilling programme at Baião has identified an encouraging set of results, which requires further follow-up drilling. HM are also considering a follow-up, ground based magnetic survey, to potentially detect high grades that would then be the focus of infill drilling. WAI agrees with this approach.

An additional target has been identified at Oito West; this has previously been explored by auger drilling only. In many cases the auger holes were not completed to a depth to reach the high grade saprock mineralisation.

HM proposes the following further exploration works:

- Ground based magnetic survey over the mineralised zones;
- Definition of high grade ore zones by diamond drilling on a 100m x 100m grid;
- Drilling of the Oito West target;
- Refinement of the Mineral Inventory based on the new drill data where appropriate; and
- Undertaking metallurgical testwork by drilling PQ drill holes to obtain a 50t sample.

WAI concurs with the approach to all of the above proposed exploration works and believes that the two licence blocks together represent a very significant nickel laterite resource within this region of Brazil.

Given further exploration and feasibility studies, with the aim of proving up viable reserves, WAI believes that the Araguaia Lontra Nickel Project has the potential to become an important nickel producer.

## **5.2 Tangara Gold Project**

The Tangara licences cover a comparatively large area of prospective mineralised ground, within which a number of different types of ore body and vein morphology of different mineralisation styles have been identified. Several of these ore types have the potential to hold significant resources of gold, but WAI is of the opinion that considerable exploration effort and budget will be required before the magnitude of such resources can be quantified.

WAI recommends that a comprehensive re-interpretation of all geological, geophysical, geochemical and analytical information obtained by all parties involved in the Tangara project be completed, in order to both clearly define and prioritise selected targets for further ground exploration. This work should seek to utilise all of the data obtained from litho-geochemical studies, geophysical surveys (magnetic surveys, electrical surveys, gamma-spectrometry), as well as lithological, structural and mineralogical-geochemical studies which have been undertaken.

## PART X

### ADDITIONAL INFORMATION

#### 1 INCORPORATION AND STATUS OF THE COMPANY

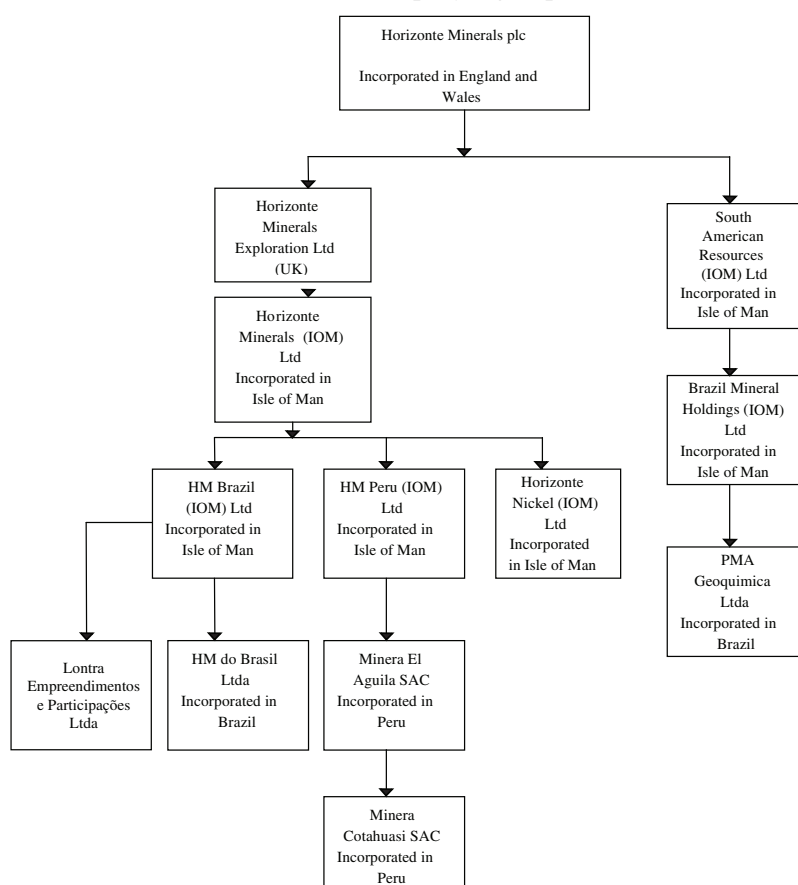
The Company was incorporated in England and Wales under the Companies Act 1985 as a public company with limited liability under the Act on 16 January 2006 with registered number 5676866.

The principal legislation under which the Company operates and under which the Ordinary Shares are regulated is the Act and where issues of Ordinary Shares were made prior to 28 May 2009, the principal legislation under which those shares were issued was the Companies Act 1985. The Company is also obliged to comply with specific obligations arising from other laws that relate to its activities. The liability of the Shareholders is limited.

The address of the Company's registered office is at 1 Berkeley Street, London, W1J 8DJ, United Kingdom. The telephone number of the Company is +44 (0)207 016 9132.

- (a) The Company has the following subsidiaries, each of which is directly or indirectly wholly owned, save as disclosed below, details of which are as follows:
- (i) **Horizonte Exploration Limited ("HE Limited")**, a private limited company incorporated in England and Wales with registration number 5480064 and its registered office at 1 Berkeley Street, London W1J 8DJ, United Kingdom.
  - (ii) **Horizonte Minerals (IOM) Limited ("HMIOM")**, a private limited company incorporated in the Isle of Man with registration number 114274C and its registered office at 15 St Georges Street, Douglas, Isle of Man IM1 1AJ. Windwood Nominees Limited ("**Windwood**") holds the sole issued share in the capital of HMIOM as a nominee of HE Limited and is entitled to exercise voting rights in respect of that share. Windwood must exercise all voting rights in accordance with the direction of HE Limited, under the terms of a trust declaration dated 5 June 2009.
  - (iii) **HM Peru (IOM) Limited**, a private limited company incorporated in the Isle of Man with registration number 114945C and its registered office at 15 St Georges Street, Douglas, Isle of Man IM1 1AJ.
  - (iv) **HM Brasil (IOM) Limited**, a private limited company incorporated in the Isle of Man with registration number 114970C and its registered office at 15 St Georges Street, Douglas, Isle of Man IM1 1AJ.
  - (v) **Minera El Aguila SAC ("MEA")**, a private limited company incorporated in Peru with registration number (ORLC): Partida 11412808 and its registered office at Av. 28 de Julio 250, Of. 203, Miraflores Lima 18, Peru. One share in MEA is registered in the name of Maria Rosa Haro Bustamante as nominee of HM Peru (IOM) Limited.
  - (vi) **HM do Brazil Ltda**, a private limited company incorporated in Brazil with registration number 07.819.038/000130 and its registered office at Rua 242 No 977, Qd 42, Lts 33/34, Casa 01, Setor Univesitário, Goiânia-Goiás. Cep: 74.603.190, Brazil. One share in HM do Brazil Ltda is registered in the name of Antonio Valerio da Silva as nominee of HM Brazil (IOM) Limited.
  - (vii) **South America Resources Limited**, a private limited company incorporated in the Isle of Man with registration number 123386C and its registered office at 15 St Georges Street, Douglas, Isle of Man, IM1 1AJ. Windwood holds one of the two issued shares in the capital of South America Resources Limited and Leawood Nominees Limited ("**Leawood**") holds the other share, each as nominees of the Company. Windwood and Leawood must exercise all voting rights in accordance with the direction of the Company, under the terms of two trust declarations each dated 8 May 2009.

- (viii) **Brazil Mineral Holdings Limited**, a private limited company incorporated in the Isle of Man with registration number 123387C and its registered office at 15 St Georges Street, Douglas, Isle of Man IM1 1AJ. Windwood holds one of the two issued shares in the capital of Brazil Mineral Holdings Limited and Leawood holds the other share, each as nominees of South America Resources Limited. Windwood and Leawood must exercise all voting rights in accordance with the direction of South America Resources Limited, under the terms of two trust declarations each dated 8 May 2009.
- (ix) **PMA Geoquímica Ltda**, a private limited company incorporated in Brazil with registration number 11.169.797/000171 and its registered office at Rua 242 No 977, Qd 42, Lts 33/34, Casa 01, Setor Univesitário, Goiânia-Goiás. Cep: 74.603.190, Brazil. One share in PMA Geoquímica Ltda is registered in the name of Antonio Valerio da Silva as nominee of Brazil Mineral Holdings Limited.
- (x) **Minera Cotahuasi SAC**, a private limited company incorporated in Peru with registration number (ORLC): Partida 12243561 and its registered office at Av. 28 de Julio 250, Of. 203, Miraflores, Lima 18, Peru. One share in Minera Cotahuasi SAC is registered in the name of Maria Rosa Haro Bustamante as nominee of HM Peru (IOM) Limited.
- (xi) **Horizonte Nickel (IOM) Limited**, a private limited company incorporated in the Isle of Man with registration number 124757C and its registered office at 15 St. Georges Street, Douglas, Isle of Man IM1 1AJ.
- (xii) **Lontra Empreendimentos e Participações Ltda**, a company incorporated under the laws of Brazil on 22 June 2010 with its registered office at Avenida Brigadeiro Luis Antonio, No. 300, 13th Floor, Suite 133, room 26, Bela Vista, 01318-000. One share is registered in the name of Antonio Valerio da Silva as nominee.
- (b) Set out below is an illustration of the Company's group as at the date of this document.



**Note:** The chart shows the beneficial ownership structure only. Some holdings are held through nominees as described in paragraph 1(a) above.

- (c) Save as set out above the Company has no other subsidiaries or subsidiary undertakings.

## 2 SHARE CAPITAL

- (a) On incorporation, the authorised share capital of the Company was £3,000,000 divided into 300,000,000 Ordinary Shares, of which two Ordinary Shares were issued at par fully paid up to the subscribers.
- (b) On 19 March 2006, by a resolution duly passed by the Shareholders, the authorised share capital of the Company was reduced from £3,000,000 divided into 300,000,000 Ordinary Shares to £1,000,000 divided into 100,000,000 Ordinary Shares.
- (c) On 19 March 2006, pursuant to the terms of a share exchange agreement dated 19 March 2006, the Company allotted and issued 21,840,998 Ordinary Shares in the capital of the Company to the then shareholders of HE Limited.
- (d) On 8 May 2006, pursuant to a placing described in the Company's admission document dated 2 May 2006, the Company allotted and issued 7,666,667 Ordinary Shares at a price of 30 pence per share for an aggregate cash consideration of approximately £2,300,000.
- (e) On 17 July 2007, pursuant to a post-admission placing agreement, the Company allotted and issued 10,940,000 Ordinary Shares at a price of 20 pence per share for an aggregate cash consideration of approximately £2,190,000.
- (f) On 15 September 2009, pursuant to a placing agreement dated of 15 September 2009, the Company allotted and issued 18,571,429 Ordinary Shares at a price of 7 pence per share for an aggregate cash consideration of approximately £1,300,000.
- (g) The authorised and issued share capital of the Company as at the close of business on 23 July 2010 (being the latest practicable date prior to the publication of this document) and as it will be immediately following Admission is as follows:

	<b>Authorised Number</b>	<b>Amount £</b>	<b>Issued and Fully Paid Number</b>	<b>Amount £</b>
<i>At date of this document</i>				
Ordinary Shares	100,000,000	1,000,000	59,019,096	590,191
<i>On Admission</i>				
Ordinary Shares	N/A	N/A	246,560,480	2,465,604

- (h) On completion of the Placing, the Acquisition and the Quantum Transaction, the issued share capital of the Company will be increased by 417.76 per cent. which will result in an immediate dilution of existing Shareholders.
- (i) 51,261,144 Placing Shares are to be issued by the Company under the Placing, 123,280,240 Ordinary Shares will be issued to Teck under the Acquisition, 3,000,000 Ordinary Shares will be issued to Westhouse under the Placing Agreement and 10,000,000 Ordinary Shares will be issued to Quantum pursuant to the Quantum Transaction. All these Ordinary Shares will be allotted, conditional upon Admission, pursuant to the Resolutions. On Admission, the Placing Shares, Consideration Shares and Quantum Shares will rank equally in all respects with the Existing Ordinary Shares. The Enlarged Share Capital will be in registered form and will be capable of being held in certificated form or uncertificated form in CREST. An application will be made to the London Stock Exchange for the Enlarged Share Capital to be readmitted to trading on AIM. It is expected that Admission will become effective and dealings will commence on 13 August 2010.
- (j) The Company is proposing resolutions at the General Meeting to:
  - (1) approve the Acquisition;
  - (2) amend the Company's articles of association to remove the concept of an 'authorised share capital' pursuant to section 21 of the Act;

- (3) authorise the Directors of the Company pursuant to section 551 of the Act to allot Ordinary Shares and grant rights to subscribe for Ordinary shares in connection with the Transaction, the Quantum Transaction, the Broker Shares and the Placing; and
- (4) disapply any pre-emption rights on the issue and allotment of Ordinary Shares pursuant to section 570 of the Act.
- (k) Save as disclosed in this document no share or loan capital of the Company or its subsidiaries has been issued in the two years preceding the publication of this document or is being prepared to be issued for cash or other consideration and no commissions, discounts, brokerages or other special terms have been granted by the Company or any of its subsidiaries in connection with any such issue or sale.
- (l) The provisions of Section 561(1) of the Act (which confer on Shareholders rights of pre-emption in respect of the allotment of equity securities, which are, or are to be, paid up in cash (other than shares allotted under an employees' share option scheme)), apply to the authorised but unissued share capital of the Company.
- (m) The rights attaching to the Ordinary Shares following Admission are summarised in paragraph 8 of this Part X. The Ordinary Shares are issued in registered form and the ISIN of the Ordinary Shares is GB00B11DNM70.

### 3 DIRECTORS' AND PROPOSED DIRECTOR'S SHAREHOLDINGS

As at 23 July 2010 (the latest practicable date prior to the publication of this document), the interests of the Directors (including any connected person of a Director within the meaning of Section 252 of the Act) in the issued share capital of the Company, (which have been notified to the Company or could, with reasonable diligence, be ascertained by the Directors) and as they are expected to be immediately before and following Admission are as follows (not including Directors' interests in options to acquire Ordinary Shares as set out below):

	<b>Ordinary Shares at date of this document</b>	<b>% of Existing Issued Share Capital</b>	<b>Number of Ordinary Shares following Admission</b>	<b>% of Enlarged Share Capital</b>
Alexander Christopher	nil	nil	nil	nil
David Hall	528,571	0.9%	528,571	0.21
Jeremy Martin	493,571	0.81%	493,571	0.20
Nicholas Winer*	5,500,000	9.3%	5,500,000	2.23
Allan Walker	nil	nil	nil	nil

\* Nicholas Winer owns 500,000 Ordinary Shares in his own right. MVR holds 5,000,000 Ordinary Shares. Nicholas Winer owns 49 per cent. of the equity share capital of MVR and is accordingly interested in 5,500,000 Ordinary Shares.

The Directors and the Company Secretary hold the following options in the EMI Scheme over Ordinary Shares, which may be exercised two years from the grant date (being September 2009), or before such date in certain circumstances such as a sale or liquidation of the Company (in which case they are exercisable immediately), and must be exercised within 10 years of the grant date:

<b>Name</b>	<b>Number of Ordinary Shares</b>
David Hall	500,000
Jeremy Martin	750,000
Gary Townsend	400,000
Allan Walker	400,000
Nicholas Winer	550,000



#### 4 DIRECTORS' OTHER INTERESTS

##### (a) Directorships and Partnerships

The directorships and partnerships currently held by the Directors, in addition to that in the Company and any of its subsidiaries, and directorships and partnerships previously held within the five years prior to publication of this Document, are as follows:

Name of Director	Current Directorships and Partnerships	Previous Directorships and Partnerships
Alexander Christopher	International Nickel Ventures Inc	Association for Mineral Exploration British Columbia
David Hall	Stratex International Plc Horizonte Exploration Limited	Minmet Plc Exploration and Discovery Limited (Irl) Lapp Plats Plc North American Gold Inc. GoldQuest Mining Corporation
Jeremy Martin	Northern Minerals Ltd Tera Energy Ltd Horizonte Exploration Limited Sahara Mines Limited 762 Club Ltd	Ovoca Resources Plc Lapp Plats AB Klippen Guld AB Barsele Exploration AB Bjorkdal Exploration AB Steam Engineering Ltd
Nicholas Winer	Mineracao Vale dos Reis Ltda Horizonte Exploration Limited	—
Allan Walker	Jantus S.A. Blackriver CEI Subsidiary Horizonte Exploration Limited	—

##### (b) Other Matters

None of the Directors identified above has:

- (i) any unspent conviction in relation to indictable offences; or
- (ii) had any bankruptcy order made against him or entered into any individual voluntary arrangement; or
- (iii) been a director of any company placed in receivership, compulsory liquidation, creditors voluntary liquidation, administration, or which has entered into any company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors of any company where such person was a director at the time of or within the 12 months preceding such events; or
- (iv) been a partner of any partnership which has been put into compulsory liquidation, administration or entered into partnership voluntary arrangements at the time of or within the 12 months preceding such events; or
- (v) been involved in receivership of any of his assets or of a partnership of which he was a partner at the time of or within 12 months preceding such events; or
- (vi) been publicly criticised by statutory or regulator authorities (including recognised professional bodies) nor has such Director ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

- (c) Save as disclosed in this document, no Director has or has had, any direct or indirect interest in any:
- (i) transaction which is or was unusual in its nature or conditions or significant to the business of the Group taken as a whole and which has been effected by any member of the Group in the current or immediately preceding financial period or was effected during any earlier financial period and remains in any respect outstanding or unperformed;
  - (ii) asset which has been acquired or disposed, or leased to, any member of the Group or which is proposed to be so acquired, disposed of, or leased; or
  - (iii) contract of arrangement existing at the date of this document which is significant to the business of the Group.

## **5 DIRECTORS' SERVICE AGREEMENTS AND LETTERS OF APPOINTMENT**

- (a) The Group has entered into service agreements and letters of appointment with the executive Directors, being Jeremy Martin and Nicholas Winer, as follows:

(i) *Jeremy Martin*

Jeremy Martin entered into a service agreement with the Company dated 25 April 2006, under which he was appointed as chief executive officer of the Company, effective from 8 May 2006. This service agreement was for an initial period of 12 months after which it may be terminated by 12 months' written notice from either party. The Company may at its discretion make a payment in lieu of notice equal to the basic salary, and the payment in lieu of notice does not include benefits for the notice period (or any unexpired part thereof). This service agreement may also be terminated without notice, or payment in lieu of notice, in certain circumstances, and will terminate automatically if Jeremy Martin resigns his directorship or is disqualified from holding such office.

Jeremy Martin's current salary is £95,000 per annum and is subject to an annual salary review on or around 1 April each year. He is entitled to medical, life and disability insurance but does not receive a pension contribution. He is entitled to 25 working days' holiday each calendar year. In the event of illness he is entitled to receive full salary for any continuous period of six months, or an aggregate period of 45 days' absence in any consecutive twelve month period.

Jeremy Martin is subject to a contractual duty of confidentiality to the Company and is subject to a non-competition covenant and non-solicitation and non-dealing covenants in relation to certain persons employed or engaged by the Company and certain customers, clients and suppliers in contract with the Company during the period of 12 months prior to termination of employment which last for a period of 12 months after such termination. Save for any statutory claims or entitlements, the only entitlement upon termination of employment is the payment of 12 months' salary in lieu of notice.

In addition to his service contract with the Company, Jeremy Martin was appointed to the Board pursuant to a letter of appointment dated 17 March 2006. He receives a fixed annual fee of £8,000 from the Company for providing these services. He is required to provide the services on such dates as are reasonably agreed between the Company and himself subject to a minimum commitment of 12 days during a calendar year (including attendance at a minimum of four Board meetings). Jeremy Martin's appointment continues until six months' notice of termination is given by either party.

(ii) *Nicholas Winer*

Nicholas Winer entered into a service agreement with HMIOM dated 25 April 2006 under which he was appointed chief operations officer, which was effective from 8 May 2006.

The service agreement may be terminated by six months' written notice from either party. HMIOM may at its discretion make a payment in lieu of notice equal to the basic salary, and the payment in lieu of notice does not include benefits for the notice period (or any unexpired part thereof).

The service agreement may also be terminated without notice, or payment in lieu of notice, in certain circumstances, and will terminate automatically if Nicholas Winer resigns his directorship or is disqualified from holding such office.

Nicholas Winer's current salary is US\$108,000 per annum and is subject to an annual salary review on or around 1 April of each year. He is entitled to medical, life and disability insurance but does not receive a pension contribution. He is entitled to 25 working days' holiday each calendar year.

Nicholas Winer is subject to a contractual duty of confidentiality to HMIOM and is subject to a non-competition covenant and non-solicitation and non-dealing covenants in relation to certain persons employed or engaged by HMIOM and certain customers, clients and suppliers in contract with HMIOM during the period of 12 months prior to termination of employment which last for a period of 12 months after such termination.

In addition to his service contract with HMIOM, Nicholas Winer was appointed to the Board of the Company pursuant to a letter of appointment dated 18 March 2006. He receives a fixed annual fee of £8,000 from the Company for providing his services as an executive Director. He is required to provide the services on such dates as are reasonably agreed between the Company and himself subject to a minimum commitment of 12 days during a calendar year (including attendance at a minimum of four Board meetings). Nicholas Winer's appointment continues until six months' notice of termination is given by either party.

- (b) The Group has entered into service agreements and letters of appointment with the non-executive chairman, David Hall, and a non-executive director, Allan Walker as follows:

(i) *David Hall*

David Hall entered into a consultancy agreement dated 25 April 2006 with HMIOM to provide consultancy services, which was effective from 8 May 2006.

This consultancy agreement is for an indefinite period but may be terminated by either party after the first twelve months at any time by giving not less than six months' written notice. HMIOM may also terminate this agreement in certain circumstances, without notice.

David Hall's current fee is £58,000 per annum for 10 working days per month and he is also entitled to the reimbursement of certain business related expenses.

David Hall is subject to a contractual duty of confidentiality to HMIOM and to a non-competition covenant and non-solicitation and non-dealing covenants in relation to certain persons employed or engaged by HMIOM and certain customers, clients and suppliers in contract with HMIOM during the period of 12 months prior to termination of employment which last for a period of 12 months after such termination.

In addition to his service contract with HMIOM, David Hall was appointed as non-executive chairman of the Company pursuant to a letter of appointment dated 17 March 2006. He receives a fixed annual fee of £8,000 from the Company for providing these services, which is reviewed annually by the Company. He serves on the Board's audit and remuneration committees and provides his services on such dates as are reasonably agreed between the Company and himself subject to a minimum commitment of 20 days during a calendar year. David Hall's appointment was for an initial period of 12 months and thereafter continues until six months' notice of termination is given by either party.

(ii) *Allan Walker*

Mr Walker was engaged as a non-executive Director of the Company pursuant to the terms of a letter of appointment dated 17 March 2006. He receives a fixed annual fee of £16,000 from the Company for providing these services. He serves on the Board's audit and remuneration committees and provides his services on such dates as are reasonably agreed between the Company and himself subject to a minimum commitment of 20 days during a calendar year (including attendance at a minimum of four Board Meetings). Allan Walker's appointment was for an initial period of twelve months and thereafter continues until six months' notice of termination is given by either party. The Company also reimburses Allan Walker for all expenses reasonably incurred in the proper performance of his duties.

- (c) Save as set out in this Section 5, there are no service agreements existing between any of the Directors and any member of the Group.
- (d) Save as disclosed in this document, none of the Directors has or has had any interest in any transactions effected by the Company since its incorporation which are or were unusual in their nature or conditions or which are or were significant to the business of the Company.

## 6 SIGNIFICANT SHAREHOLDERS

- (a) So far as the Directors are aware, the names of persons other than the Directors who, directly or indirectly, are interested in 3 per cent. or more of the Company's issued share capital as at 23 July 2010, (being the latest practicable date prior to the publication of this document) are, as follows:

	Number of Ordinary Shares at the date of this document	% of Existing Issued Share Capital	Number of Ordinary Shares following Admission	% of Enlarged Issued Share Capital
Anglo Pacific Group plc	9,150,000	15.90	34,470,717	13.98%
Mineracao Vale Dos Reis	5,000,000	8.47	5,000,000	2.03%
Gartmore Investment Management	2,820,717	4.78	2,820,717	1.14%
Hawkwood Capital LLP	2,814,287	4.77	2,814,287	1.14%
J M Finn and Company	2,342,856	3.97	3,054,000	1.24%
Williams de Broë	1,845,000	3.13	2,345,000	0.95%
Standard Bank	1,796,667	3.04	1,796,667	0.73%
Teck Resources Limited	nil	nil	123,280,240	50.00%
Quantum Holdings Limited*	nil	nil	30,000,000	12.17%

\* This includes 10,000,000 Ordinary Shares issued to Quantum Holdings Limited as part of the Quantum Transaction.

- (b) Save as disclosed above, the Group is not aware of and has not received any notification from any person confirming that such person is interested, directly or indirectly, in 3 per cent. or more of the Company's issued share capital, nor is it aware of any person who directly or indirectly, jointly or separately, exercises or could exercise control over the Company.
- (c) No Shareholders have different voting rights to other Shareholders.

## 7 SUMMARY OF THE COMPANY'S ARTICLES OF ASSOCIATION

The following is a summary of certain of the principal provisions of the Articles:

(a) *Share Capital*

The Company may, by ordinary resolution, alter its share capital and issue shares to increase its share capital. The Company may, by special resolution, reduce its share capital or any capital redemption reserve or share premium amount in any manner prescribed by the Act. Without

prejudice to any special rights previously conferred on the holders of any existing shares or class of shares, and subject to the provisions of the Act and of the Articles, any shares may be issued with such preferential, deferred, qualified or other special rights, privileges or conditions, whether in regard to dividend, voting, return of capital or otherwise (including, but without prejudice to the generality of the foregoing, and subject to the provisions of the Act, shares which are to be redeemed or are liable to be redeemed at the option of the Company or the holders) as the Company may from time to time in general meeting determine or, if the Company does not so determine, as the Board may determine.

(b) *Purchase of own Shares*

The Company may purchase any of its shares subject to the provisions of and to the extent permitted by the Act.

(c) *Dividends*

Subject to the provisions of the Act, the Company may declare dividends in general meeting, but no dividend shall exceed the amount recommended by the Board. Subject to the aforesaid, the Board may pay such interim dividends as appear to be justified by the profits of the Company available for distribution. Should at any time the share capital of the Company be divided into different classes the Board may pay such interim dividends in respect of those shares which confer on the holders thereof deferred or non-preferential rights as well as in respect of those shares which confer on the holders thereof preferential rights with regard to dividend but no interim dividend shall be paid on shares carrying deferred or non-preferential rights if at the time of payment any preferential dividend is in arrears. There is no fixed date on which an entitlement to dividend arises. Subject to the rights of those entitled to shares with special rights as to dividend, all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid. No amount paid up on a share in advance of calls may be treated as paid up on the share.

(d) *Voting*

Votes at general meetings may be given either personally or by proxy. Subject to any rights or restrictions attached to any class of shares, on a show of hands, every person present who is either a member entitled to vote in his own right or a duly authorised representative of a corporation shall have one vote, and on a poll, every member who is present in person or by proxy shall have one vote per share.

(e) *Transfer of shares*

Any member may transfer all or any of his shares: (i) in the case of certificated shares, by instrument, in writing in any usual or common form, or in such other form as the Board shall from time to time approve; and (ii) in the case of uncertificated shares, in accordance with and subject to the CREST Regulations and the facilities and requirements of the relevant scheme concerned. The Board may at any time after the allotment of any share but before any person has been entered in the members' register as the holder thereof recognise a renunciation thereof by the allottee in favour of some other person and may accord to any allottee of a share a right to effect such renunciation upon and subject to such terms and conditions as the Board may think fit to impose. Save as referred to below, the Articles contain no restrictions on the free transferability of fully paid shares provided that the transfer is in respect of only one class of share and is accompanied by the share certificate and any other evidence of title required by the Directors and that the provisions in the Articles relating to the deposit of instruments for transfer have been complied with. The Board may, in its absolute discretion and without giving any reason, refuse to register a transfer of any share:

- (i) to more than four joint holders; or
- (ii) where the share is not fully paid up provided that such action does not prevent dealings in the shares from taking place on an open and proper basis; or
- (iii) on which the Company has a lien.

Shareholders will not have any pre-emption rights under the Articles in respect of transfers of issued ordinary shares in the Company.

(f) *Suspension of Rights*

If any member, or any other person appearing to be interested in any shares in the Company held by that member, has been duly served with a notice under Section 793 of the Act (a “**Section 793 Notice**”) and is in default for the prescribed period in supplying to the Company the information thereby required, then at any time thereafter the Board may at its absolute discretion by notice to such member (a “**direction notice**”) direct:

- (i) that in respect of the shares in relation to which the default occurred (“**default shares**”, which expression shall include any further shares issued after the date of the Section 793 Notice in respect of the first-mentioned shares) such member shall not be entitled to vote at any general meeting either personally or by proxy or at any separate meeting of the holders of any class of shares or to exercise any other rights conferred by membership in relation to any such meeting; and/or
- (ii) if the default shares represent, at the date of the direction notice, 0.25 per cent. or more in nominal value of the issued shares of the relevant class of shares in the Company that:
  - (1) any dividend (or part thereof) or other monies which would otherwise be payable on such shares shall be retained by the Company until such time as the direction ceases to have effect (without any liability on the part of the Company to pay interest thereon) and that prior to such time the acceptance of an offer made by the Company under article 159(B) in respect of any such dividend shall be of no effect; and/or
  - (2) no transfer, other than an excepted transfer, of any of the default shares shall be registered unless:
    - (i) the member is not himself in default as regards supplying the information required: and
    - (ii) the member proves to the satisfaction of the Board that no person in default as regards supplying such information is interested in any of the shares the subject of the transfer.

(g) *Unclaimed dividends*

All unclaimed dividends may be invested or otherwise made use of by the Company as the Board shall see fit. Any unclaimed dividends or sums remaining for a period of 12 years after having been declared shall be forfeited and shall revert to the Company.

(h) *Lien*

The Company shall have a first and paramount lien on its shares (not being fully paid shares) for all monies called (whether immediately payable or not) or payable at a fixed time in respect of that share. The Board may waive any lien which has arisen and may resolve that any share shall be (or be issued on terms that it is) wholly or partially exempt from the lien.

(i) *Management*

The business of the Company shall be managed by the Board, which may exercise all such powers of the Company and do on behalf of the Company all such acts as may be exercised and done by the Company and as are not by law or by the Articles required to be exercised or done by the Company in general meeting, subject nevertheless to the provisions of law and of the Articles and to such regulations (not being inconsistent with such aforesaid provisions) as may be prescribed by the Company in general meeting, but no regulation made by the Company in general meeting shall invalidate any prior act of the Board which would have been valid if such regulation had not been



made. These general powers are not limited or restricted by any special authority or power given to the Board by any other Article. The Articles also allow for the establishment by the Board of local boards for managing the affairs of the Company, whether in the United Kingdom or elsewhere. The Board may from time to time appoint any one of its number to the office of managing director.

(j) *General meetings*

Subject to the provisions of the Act, an annual general meeting shall be called by at least 21 days' notice and all general meetings shall be called by at least 14 days' notice specifying the place, the day and the hour of meeting, the general nature of the business to be dealt with and, in the case of an annual general meeting, must state that the meeting is an annual general meeting.

Notice of a general meeting shall be given to the Company's auditors and to such persons as are under the provisions of the Articles entitled to receive notice of general meetings from the Company, but with the consent of all persons for the time being entitled as aforesaid, or of such proportion thereof as is prescribed by Section 307 of the Act, a meeting may be convened on a shorter notice, and in such manner as such persons may approve. The accidental omission to give such notice to, or the non-receipt of such notice by, any such person shall not invalidate any resolution passed or proceeding at any such meeting. Where the Company has given an electronic address in any notice of meeting, any document or information relating to proceedings at the meeting may be sent by electronic means to that address subject to any conditions or limitation specified in the relevant notice of meeting.

(k) *Conversion of Shares into Stock*

The Articles allow for the conversion of shares into stock.

(l) *Directors*

(1) *Rotation of Directors*

At every annual general meeting of the Company one third of the Directors or, if their number is not three or a multiple of three, then the number nearest one third shall retire from office. A Director retiring at an annual general meeting shall retain office until the close or adjournment of the meeting. A Director is not obliged by the Articles to retire at any specific age. The Directors to retire in every year shall be those who have been longest in office since their last election but as between persons who become Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot. A retiring Director shall be eligible for re-election.

(2) *Remuneration of Directors*

Unless otherwise decided by the Company by ordinary resolution, the remuneration of the Directors (save alternate Directors, a managing director or an executive director) shall be fixed by the Board. The aggregate fees payable to the Directors shall be divisible among them in the proportions which the Directors may agree, or, failing agreement, equally, except that any Director who holds office for part only of a period shall be entitled only to a proportion related to the period during which he held office. The Directors may also be paid all travelling, hotel and other expenses properly incurred by them in attending and travelling to meetings of the Directors or any committee of the Directors or general meetings of the Company or in connection with the business of the Company. The fees payable to the Directors in accordance with the Articles are distinct from any salary, remuneration or other amount payable to a Director under a contract of employment or otherwise.

(3) Managing Director

The Directors may from time to time appoint one or more of themselves to the office of managing director for such period and on such terms as to remuneration and otherwise as they think fit, and subject to the terms of any agreement entered into in any particular case, may revoke such appointment.

(4) Qualifying Shares

There is no share qualification for a Director.

(5) Proceedings of Directors

The Directors may meet together for the dispatch of business, adjourn and otherwise regulate their meetings as they may think fit. The quorum necessary for the transaction of the business of the Directors shall be two or such higher number as may be fixed by the Directors. Questions arising at any meeting shall be decided by a majority vote. In the case of an equality of votes, the Chairman of the Meeting shall have a casting vote.

(6) Disclosure of Interests and Voting Rights

A Director who is any way, whether directly or indirectly, interested in a proposed contract with the Company or a contract that has been entered into by the Company, must declare the nature and extent of that interest to the Directors in accordance with the Act. Save as otherwise provided in the Articles, a Director shall not vote in respect of any contract or arrangement or any other proposal whatsoever in which he has any material interest otherwise than by virtue of his interests in shares or debentures or other securities of or otherwise in or through the Company. A Director shall not be counted in the quorum at a meeting in relation to any resolution from which he is debarred from voting.

(7) The number of Directors shall not be less than two.

(m) *Borrowing Powers*

Subject to the Act, the Directors may exercise all the powers of the Company to borrow money, and to mortgage or charge its undertaking, property and assets and uncalled capital or any part thereof and to issue debentures, debenture stock and other securities whether outright or as collateral security for any debt, liability or obligation of the Company or any third party up to an amount equal to four times the net asset value of the Company or £20,000,000 (or such increased amount as is sanctioned by the members in general meeting).

## 8 MATERIAL CONTRACTS

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company or another member of the Group: (i) within the two years immediately preceding the date of this document and are, or may be, material; or (ii) at any time and contain provisions under which any member of the Group has an obligation or entitlement which is material to the Group at the date of this document:

### 8.1 Placing Agreement

The Company, the Directors, the Proposed Director and Westhouse have entered into a placing agreement dated 26 July 2010 (the “**Placing Agreement**”) pursuant to which Westhouse has agreed to use its reasonable endeavours to procure subscribers for the Placing Shares at the Placing Price. The Company, the Directors and the Proposed Director have given certain warranties, and the Company has given indemnities, to Westhouse. If Admission has not occurred by 8.00 a.m. on 3 September 2010 (or such later time and or date as the Company, Westhouse and the Directors may agree being no later than 10 September 2010) the Placing Agreement will cease to have any further force or effect. In addition Westhouse can terminate the Placing Agreement prior to completion of the Placing in certain circumstances.

Under the terms of the Placing Agreement, conditional upon Admission, the Company has agreed to pay Westhouse an aggregate corporate finance fee of £170,000 plus VAT of which £150,000 will be satisfied by the allotment and issue to Westhouse of 1,500,000 Broker Shares credited as fully paid up at the Placing Price payable on Admission (and VAT will be paid in cash) and a commission of £150,000 to be satisfied by the allotment and issue to Westhouse of 1,500,000 Broker Shares credited as fully paid up at the Placing Price payable on Admission.

In addition, if the Placing Agreement does not become unconditional by 10 September 2010 for a reason connected to the Company, any Director, the Company's business or its substantial shareholders or otherwise through the fault of the Company then a corporate finance advisory fee of £50,000 (plus VAT) shall be payable.

## **8.2 Nominated Adviser and Broker Agreement**

The Company and Westhouse have entered into a nominated adviser and broker agreement (the "**Nomad and Broker Agreement**") dated 26 July 2010 pursuant to which, and conditional upon Admission, the Company has appointed Westhouse to act as nominated adviser and broker to the Company as required by the AIM Rules for Companies. Under the Nomad and Broker Agreement, Westhouse has agreed, inter alia, to provide general corporate advice and advice and guidance to the Directors as they may require to ensure compliance by the Company on a continuing basis with the AIM Rules for Companies and to act as the Company's nominated broker for the purposes of the AIM Rules for Companies and act as a point of contact between the investment community and the Company and will act as the Company broker. The Company has agreed to pay Westhouse a fee of £45,000 per annum for its services as nominated adviser and broker under this agreement. The Nomad and Broker Agreement contains certain undertakings and indemnities given by the Company in respect of, inter alia, compliance with all applicable laws and regulations. The Nomad and Broker Agreement can be terminated by either party on three months' notice (or forthwith in certain circumstances, including material breach of the agreement).

## **8.3 Acquisition Agreement**

Under the terms of the Acquisition Agreement dated 26 July 2010 the Company has agreed to acquire the Araguaia nickel concession rights (together with certain other related assets) held by Teck Brazil by virtue of the acquisition of the entire issued share capital of Teck Brazil. The Acquisition Agreement is governed by the laws of the Province of British Columbia, Canada.

The acquisition is conditional on: (i) Admission; (ii) the Company having raised at least £5 million (before expenses) pursuant to the Placing; (iii) the passing of the Resolutions; (iv) the Panel granting a waiver in favour of Teck in respect of any obligation on them to make an offer for the entire issued share capital of the Company under Rule 9 of the City Code; and (v) no material adverse change having occurred in respect of Teck Brazil or the Company in the period between the date of the Acquisition Agreement and completion of the Acquisition. Teck may waive any of these conditions (other than that relating to a material adverse change in Teck Brazil) and the Company may waive the condition relating to a material adverse change in Teck Brazil only.

As consideration for the acquisition of Teck Brazil, the Company will issue to Teck the Consideration Shares.

The Acquisition Agreement contains certain representations and warranties given by Teck about the business and affairs of each of Teck and Teck Brazil. There is also an associated tax indemnity under which Teck covenants to pay to Horizonte amounts equal to any pre-completion tax liabilities of Teck Brazil as well as any post-completion tax liabilities relating to the preferred shares in Teck Brazil or assets or liabilities and non-Araguaia assets removed from Teck Brazil pursuant to the Reorganisation. As Teck Brazil is an existing entity which holds certain other assets and liabilities, both current and historic, which do not relate to Araguaia, a Reorganisation will be carried out

pursuant to which all other assets and liabilities of Teck Brazil not relating to Araguaia will be transferred out of Teck Brazil to a separate wholly owned Teck subsidiary in Brazil or terminated. Certain of the representations and warranties given by Teck in favour of the Company provide confirmation that Teck Brazil will at completion of the acquisition own no assets or liabilities other than those intended to be acquired by Horizonte. The representations and warranties are given on an indemnity basis such that the Company will be entitled to recover, subject to certain limitations, an amount equal to any losses it or Teck Brazil suffers as a result of any matters constituting a breach of a representation or warranty. The Company's ability to claim in respect of any breach of representation or warranty is limited in time such that tax related claims must be made before the date of expiry of the relevant statute of limitations, employment related claims (other than those relating to the Reorganisation) must be made before the fifth anniversary of completion of the Acquisition, claims relating to the Reorganisation (including tax) are unlimited in time and all other claims for breach of warranty must be made before the second anniversary of completion of the Acquisition. Teck's liability (other than any liability in respect of the Reorganisation including the acquisition, redemption, conversion and/or cancellation of the preferred shares) under the Acquisition Agreement is capped at CAN\$4 million. A claim for breach of warranty or representation shall not be capable of being validly made unless it is in an amount of £100,000 or over and until all such claims exceed £250,000 after which Teck's liability is limited to the amount by which the threshold is exceeded.

The Company also gives certain representations and warranties in respect of its business and affairs to Teck. These representations and warranties are also given on an indemnity basis such that Teck will be entitled to recover, subject to certain limitations, an amount equal to any losses it suffers as a result of any matters constituting a breach of a representation or warranty. Teck's ability to claim in respect of any breach of representation or warranty is limited in time such that it must be made before the second anniversary of completion. The Company's liability in respect of breach of the warranties and representations is capped at CAN\$1 million. The same small claim and aggregate claim thresholds referred to above also apply to claims made by Teck against the Company.

The representations and warranties given by each of Teck and the Company are given on the date of the Acquisition Agreement and are deemed repeated on each date up until the date of completion of the Acquisition. The parties' sole remedy for breach of the repeated representations and warranties is a right not to complete the transaction.

The Company has the benefit of certain covenants given by Teck which govern the operation of Teck Brazil and its business in the period prior to completion of the Acquisition and which relate to the manner in which the Reorganisation will be carried out including in respect of the redemption of the preferred shares in Teck Brazil and the Reorganisation to the extent that these are not complete by completion of the Acquisition. In addition, the Company gives certain covenants to Teck around its representation and warranties and its efforts to obtain such regulatory approvals as are required in connection with the Transaction.

The Acquisition Agreement also contains a number of post completion covenants given by the Company including an obligation to use reasonable endeavours to procure a listing on TSX or TSX-Venture exchanges during the first quarter of 2011 and to use reasonable endeavours to provide Teck with first and second stage qualified resource estimates in the last quarter of 2010 and the first quarter of 2011 respectively in respect of Araguaia.

If Teck Brazil is able to utilise certain tax pools, Teck will be entitled to 50 per cent. of the value utilised by Teck Brazil by way of a reduction in any amount which Teck owes to the Company under an indemnity, a repayment of any such amount already paid or a straight cash payment from the Company to Teck.

The Acquisition Agreement may be terminated prior to completion of the Acquisition:

- (i) by mutual agreement;
- (ii) if completion has not taken place by 31 December 2010;
- (iii) if either party is unable to deliver a certificate confirming repetition of representations and warranties at completion of the Acquisition; or
- (iv) if the conditions have not been satisfied or waived by 31 December 2010.

#### 8.4 Relationship Agreement

The Company is a party to a Relationship Agreement dated 26 July 2010 between it and Teck which regulates the degree of control that Teck may exercise over the management of the Company. The principal purposes of the Relationship Agreement are to ensure that:

- (i) the Company is capable of carrying on its business independently of Teck and its affiliates; and
- (ii) the Company's transactions and relationships with Teck and its affiliates are at arm's length and on a normal commercial basis.

The Relationship Agreement is conditional on Admission occurring before 10 September 2010.

The Relationship Agreement will continue until the earlier of: (i) the Ordinary Shares ceasing to be admitted to trading on AIM; or (ii) Teck ceasing to be a controlling shareholder in the Company provided that Teck's right to appoint a Director shall continue for so long as it holds 20 per cent. of the Company (see below). For these purposes a "**controlling shareholder**" is any person (or persons acting jointly by agreement whether formal or otherwise) who is entitled to exercise, or to control the exercise, of 30 per cent. or more of the rights to vote at the Company's general meetings or able to control the appointment of directors who are able to exercise a majority of votes at the Company's board meetings.

Under the Relationship Agreement, Teck undertakes that (and in relation to its affiliates, will use all reasonable efforts to procure, so far as it is properly able and subject to all applicable law and regulation, that each affiliate will comply with the following):

- (i) it will not take action which restricts the Company from carrying on its business independently of Teck;
- (ii) all transactions and relationships with the Company will be at arm's length and on a normal commercial basis;
- (iii) it will not vote in support of any amendment to the Company's articles of association which would breach any of the provisions of the Relationship Agreement;
- (iv) it will vote in favour of any issue of Ordinary Shares made on a pre-emptive basis to all Shareholders on the same terms; and
- (v) for a period of two years from the date of the Relationship Agreement, it will support or abstain from any decision relating to the Company's gold activities.

In addition, the entry into, amendment or termination of any transaction, agreement or relationship between the Company and Teck (or any of its affiliates) will require the approval of a majority of directors or are independent from Teck and any other controlling shareholder ("**Independent Directors**").

Teck undertakes that it will exercise its voting rights to support the following:

- (i) there will at all times be a majority of Independent Directors on the Board and any standing committee of the Board;

- (ii) the chairman of the Board and any committee of the Board will at all times be an Independent Director and such chairman will have a casting vote on resolutions of the Board and any committee of the Board;
- (iii) at any meeting of Shareholders, the chairman of the meeting shall at all times be independent from Teck;
- (iv) the Company is managed in accordance with the corporate governance principles set out in this document or otherwise as may be approved by the majority of Independent Directors;
- (v) the Company is managed in a way in which all holders of Ordinary Shares are treated equally in respect of the rights attaching to such Ordinary Shares; and
- (vi) the Company will at all times be a company to which the City Code applies unless otherwise approved by the majority of the Independent Directors.

Teck has the right to appoint a director to the Board for so long as it is entitled to exercise or control the exercise of 20 per cent. or more of the rights to vote at the Company's general meetings. To the extent that there are any members of the Board who have been appointed by Teck, Teck undertakes that it will procure that such director will not vote at meetings of the Board on matters in which Teck or its affiliates, or such director is in any way directly or indirectly interested.

The Relationship Agreement is governed by the laws of England and Wales.

## 8.5 Quantum Agreement

The Company has entered into an agreement on 26 July 2010 with Olídio Carlos Blanc Gomes (“**Olídio**”), Quantum, HM do Brasil, LGA Participações, e PST Empreendimentos and Lontra Ltda to acquire the 50 per cent. interest in Lontra in which the Horizonte group is not currently interested.

The agreement is conditional upon:

- (i) the Resolutions having been passed;
- (ii) the reorganisation (see below) having been completed in accordance with its terms; and
- (iii) the Placing Agreement becoming unconditional in accordance with its terms save as to: (i) Admission and (ii) each of the Quantum Agreement and the Acquisition Agreement becoming unconditional.

Quantum is a newly incorporated company in the British Virgin Islands which is owned by members of the Brazilian Toledo family (the family behind PST Empreendimentos), the Brazilian Amaral family (the family behind LGA Participações) and Mr Olidio Carlos Blanc Gomes (“**Olidio**”). Pursuant to the pre-sale reorganisation currently being carried out: (i) LGA Participações and PST Empreendimentos are transferring to Olidio their interests in the unincorporated joint venture (Sociedade em Contra de Participação) under which the Lontra interests are held by LGA Participações, PST Empreendimentos and HM do Brasil (the “**SCP**”); (ii) the SCP is being dissolved and the Lontra interests are being transferred to Lontra Ltda which will be owned 50 per cent. by HM do Brasil and 50 per cent. by Olidio; and (iii) Olidio is then transferring his 50 per cent. holding in Lontra Ltda to Quantum.

Following the reorganisation, the Company will acquire, directly or through a wholly owned subsidiary, the shares in Lontra Ltda held by Quantum and in consideration for which it will issue the Quantum Shares to Quantum. Quantum gives certain covenants to the Company in respect title to its interests in Lontra Ltda.



With effect from completion of the Quantum Transaction:

- (i) Horizonte will have, through Lontra Ltda, the benefit of and assume all the liabilities in respect of the Lontra mineral concessions;
- (ii) LGA Participações and PST Empreendimentos, Olídio and Quantum will cease to have any benefit of or any liabilities in respect of the Lontra mineral concessions;
- (iii) Horizonte releases LGA Participações and PST Empreendimentos, Olídio and Quantum from any and all claims any of them may have in respect of the Lontra mineral concessions and/or the interests in Lontra Ltda;
- (iv) LGA Participações and PST Empreendimentos, Olídio and Quantum each confirm that they will have no further financial or other rights in the Lontra mineral concessions and/or the interests in Lontra Newco except in respect of any ownership of shares in Horizonte;

provided that nothing will create any liability on the part of LGA Participações and PST Empreendimentos, Olídio and Quantum for any liabilities of Horizonte in respect of the Lontra mineral concessions and/or the interests in Lontra Ltda incurred or in relation to the period prior to the date of the agreement which liabilities shall remain with HM do Brasil.

HM do Brasil warrants to the other parties that (i) it holds exclusive rights and title over the Lontra mineral concessions; (ii) its title and rights over the Lontra mineral concessions are free and clear of any encumbrances; and (iii) the Lontra mineral concessions are legal, valid and in effect in accordance with their respective terms and with the applicable law.

Each party indemnifies the other parties, their affiliates and their respective officers, directors, partners, employees, agents and representatives from any and all liabilities, damages, claims, demands, assessments, penalties, fines, judgements, awards, settlements, taxes, costs, fees (including, but not limited to, reasonable attorneys' fees), expenses and disbursements, actually incurred by the innocent party resulting from any breach, inaccuracy or omission in any representation or warranty contained in the agreement, and (b) any breach of any obligation, covenant or agreement made by the indemnifying party in the agreement.

Each party's maximum liability under the agreement will not exceed £1,000,000. Horizonte and HM do Brasil are jointly liable for any Horizonte and/or HM do Brasil's liabilities and Olídio and LGA Participações and PST Empreendimentos are jointly liable for their liabilities under the agreement.

The Quantum Agreement is governed by Brazilian law and the parties submit to the Brazilian-Canadian Chamber of Commerce for the purposes of arbitrating any dispute between them.

## **8.6 Teck lock-in Agreement**

On 26 July 2010, Teck signed a lock-in agreement undertaking not to sell, transfer, grant any option over, pledge, assign, hypothecate or otherwise dispose of any Ordinary Shares in the Company for a period of twelve months from Admission in accordance with (and subject to the exemptions set out in) Rule 7 of the AIM Rules. Teck Limited also agreed under the terms of the lock-in agreement that if any Ordinary Shares that are beneficially owned by it is registered in the name of another person, that it will ensure that such legal owners of Ordinary Shares will comply with the undertaking given by Teck.

## **8.7 Quantum Lock-In Agreement**

On 26 July 2010, Quantum signed a lock-in agreement undertaking not to sell, transfer, grant any option over, pledge, assign, hypothecate or otherwise dispose of any Quantum Shares in the Company for a period of twelve months from Admission in accordance with (and subject to the exemptions set out in) Rule 7 of the AIM Rules. Quantum also agreed under the terms of the lock-in agreement that if any Quantum Shares that are beneficially owned by it are registered in the name of another person, that it will ensure that such legal owners of Ordinary Shares will comply with the undertaking given by Quantum.

## **8.8 Jeremy John Martin Lock-In Agreement**

On 26 July 2010, Jeremy John Martin signed a lock-in agreement undertaking not to sell, transfer, grant any option over, pledge, assign, hypothecate or otherwise dispose of any Ordinary Shares in the Company for a period of twelve months from Admission in accordance with (and subject to the exemptions set out in) Rule 7 of the AIM Rules. Jeremy John Martin also agreed under the terms of the lock-in agreement that if any Ordinary Shares that are beneficially owned by him are registered in the name of another person, that he will ensure that such legal owners of Ordinary Shares will comply with the undertaking given by Jeremy John Martin.

## **8.9 David John Hall Lock-In Agreement**

On 26 July 2010, David John Hall signed a lock-in agreement undertaking not to sell, transfer, grant any option over, pledge, assign, hypothecate or otherwise dispose of any Ordinary Shares in the Company for a period of twelve months from Admission in accordance with (and subject to the exemptions set out in) Rule 7 of the AIM Rules. David John Hall also agreed under the terms of the lock-in agreement that if any Ordinary Shares that are beneficially owned by him are registered in the name of another person, that he will ensure that such legal owners of Ordinary Shares will comply with the undertaking given by David John Hall.

## **8.10 Nicholas Michael Winer Lock-In Agreement**

On 26 July 2010, Nicholas Michael Winer signed a lock-in agreement undertaking not to sell, transfer, grant any option over, pledge, assign, hypothecate or otherwise dispose of any Ordinary Shares in the Company for a period of 12 months from Admission in accordance with (and subject to the exemptions set out in) Rule 7 of the AIM Rules. Nicholas Michael Winer also agreed under the terms of the lock-in agreement that if any Ordinary Shares that are beneficially owned by him are registered in the name of another person, that he will ensure that such legal owners of Ordinary Shares will comply with the undertaking given by Nicholas Michael Winer.

## **8.11 Earn-in Agreement Relating to the Tangara Gold Project**

On 5 December 2007, the Company, HM do Brazil Ltda (“**HM do Brasil**”) and Reinarda Mineracao Ltda (“**Reinarda**”) (a wholly owned subsidiary of Troy) entered into an earn-in agreement (the “**Earn-In Agreement**”) as amended on 3 February 2009 by an amendment agreement, to operate and develop the Company’s Tangara gold project in the Carajas Mineral Province, Brazil (“**Tangara**”). The Earn-In Agreement entitles Reinarda to acquire 100 per cent. of Tangara by making scheduled payments for the option amounting to US\$400,000 in aggregate and funding a minimum of US\$2,000,000 exploration expenditure into Tangara within three years of the date of the Earn-In Agreement. On the date on which Reinarda has made all the relevant payments the parties will take actions to transfer Tangara to Reinarda. If Reinarda exercises its option to purchase 100 per cent. of Tangara it will be required to pay a further US\$2,000,000 to HM do Brazil. Reinarda will also pay a royalty of US\$30 per ounce of gold up to a maximum of 500,000 ounces. If more than 500,000 ounces of gold are produced a royalty of 1 per cent. of the net smelter returns will be payable up to a maximum of 1,000,000 ounces, a royalty of 2 per cent. will be payable on any amount in excess of 1,000,000 ounces. During the earn in period the Company agrees to deal exclusively with Reinarda in respect of Tangara. During the earn in period Reinarda will have the exclusive right to explore Tangara and will pay all licence fees and charges in respect of it.

## **8.12 Joint Venture Agreement with LGA**

On 10 January 2009, HM do Brazil and LGA entered into a joint venture agreement (the “**JV Agreement**”) to establish a 50:50 joint venture company to finance the development of certain of the Company’s pipeline projects (the “**Joint Venture**”). The Company contributed six early stage pipelines to the Joint Venture (Crixas, Goias Velho, Carajas Norte, Lobo, Araguaui and Itajobi) for a 50 per cent. interest in the Joint Venture with LGA having provided funding of R\$1 million for its

50 per cent. of the interest in the Joint Venture. Both parties will look to identify and acquire suitable bolt on mineral projects in Brazil. The Company and LGA agreed to establish a technical team to evaluate and manage new opportunities in the mining sector. The Company manages and administers the Joint Venture for a fee of 10 per cent. of the monthly expenses incurred. The Company manages the exploration team responsible for the evaluation of projects submitted by the parties. On the identification of a potential project, the Company will carry out a compilation and evaluation of available data and will recommend a strategy to gain control of the project and a proposed exploration programme. Each party is entitled to generate projects of its own interest in the minerals sector. Projects selected for development are to be spun out into a separate vehicle into which three parties may be invited to participate pursuant to which HM do Brasil and LGA would elect to dilute or maintain their respective 50 per cent. holdings. The term of the joint venture is open-ended.

### **8.13 Farm-in and Joint Venture Agreement with AngloGold**

On 4 September 2009, the Company and AngloGold entered into a farm-in and joint venture agreement (the “**SFJV Agreement**”) to form an exploration alliance with a view to entering into one or more joint ventures to generate exploration targets and discover economic ore bodies in the ‘Santana Area’ and ‘Campestre Area’ (the “**JV Areas**”). Under the terms of the SFJV Agreement, AngloGold may earn a 51 per cent. participating interest in joint ventures to be set up in relation to the JV Areas by funding US\$5,300,000 of project expenditure in the ‘farm in’ period which will last until the earlier of the date on which AngloGold notifies the Company that it has paid the US\$5,300,000, the date on which AngloGold withdraws from the SFJV Agreement and three years from the date of the SFJV Agreement. The expenditure is to be paid: (i) US\$900,000 during the first twelve months; (ii) a further US\$1,400,000 during the next 12 months; and (iii) a further US\$3,000,000 in the final 12 months; provided that any expenditure over the specified amounts during a period will be deemed to be expenditure attributable to the following period. If AngloGold becomes entitled to receive a participating interest, the Company must transfer its relevant interests in the applicable JV Area into a joint venture vehicle which will be held 49 per cent. by the Company and 51 per cent. by AngloGold subject to terms set out in the SFJV Agreement. AngloGold may elect in its absolute discretion to earn up to an additional 19 per cent. interest in a joint venture vehicle by funding ongoing exploration expenditure to complete a pre-feasibility study in that area within three years. AngloGold may withdraw from the SFJV Agreement at any time but will be required to pay at least the first US\$900,000 of exploration expenditure in any event. The Company manages the JV Areas during the farm in period after which time AngloGold is entitled to become manager at its election. AngloGold has a casting vote in the event of deadlock and may make the final decision in respect of programs and budgets during the farm in period. The Company remains responsible for all liabilities and obligations in respect of the JV Area and the mining rights until such time as a joint venture in respect of that area is established. The Company agrees to work exclusively with AngloGold in the JV Areas for the farm in period and from the end of a farm in period each joint venture will be conducted on an exclusive basis.

### **8.14 Heads of Agreement with Placer Dome del Peru S.A.C. (“Placer Dome”)**

On 14 July 2008, the Company signed a heads of agreement (the “**HoA**”) with Placer Dome, a subsidiary of Barrick Gold Corporation, under the terms of which the Company is entitled to earn up to 100 per cent. interest in the Pararapa gold property held by Placer Dome and located in the Department of Arequipa, Peru (the “**Property**”) by completing certain work and financial commitments within three years from the date on which a formal option agreement (“**Option Agreement**”) is entered into between the parties. The work commitments would comprise: (i) a minimum of 1,000m of diamond core drilling by the first anniversary of the Option Agreement; (ii) an additional minimum of 2,000m of diamond core drilling by the second anniversary of the Option Agreement; and (iii) an additional minimum of 4,000m of diamond core drilling by the third anniversary of the Option Agreement. The financial commitments comprise: (i) the issue of 1,500,000 Ordinary Shares to Placer by the first anniversary of the Option Agreement; (ii) the issue

of 2,000,000 Ordinary Shares to Placer by the second anniversary of the Option Agreement and (iii) if a definition of resource is made in a report presented by the Company in the first three year period, the payment to Placer of US\$25 per ounce above 250,000 ounces to 1,000,000 ounces of gold equivalent resource as defined by JORC standards and US\$ 30 per ounce of gold equivalent according to JORC standards from 1,000,001 to 2,000,000 ounces. Placer Dome will be entitled by serving notice on the Company within 90 days of receiving the report to retain up to a 70 per cent. interest in the Property even if the Company has an entitlement to 100 per cent. of it if a report produced by the Company states that the Property has a potential resources of more than 2,000,000 gold ounces. If Placer Dome exercises its rights a new 70:30 owned company will be incorporated for the Property and Placer shall pay 3 times the expense incurred by Horizonte in respect of the Property. Placer Dome will retain the responsibility for developing and financing 100 per cent. of the costs of a feasibility study aimed at establishing a mineral operation on the Project and will act as operator. If Placer Dome decides not to exercise such rights it will be entitled to a net smelter royalty of the gold and silver at 2 per cent. and 5 per cent. net profit interest of any base metal commercial products above the 2,000,000 gold ounces threshold. Horizonte will be responsible for the validity fees and environmental liabilities in respect of the Property from the date of the HoA.

#### **8.15 Termination of Lontra SCP**

By an instrument of dissolution of a joint venture agreement dated 23 June 2010 between HM do Brasil Ltda and Olidio, the parties agree that the unincorporated joint venture (Sociedade em Contra de Participação) between Olido and HM do Brasil (relating to Lontra and originally established on 21 March 2007 between (1) HM do Brasil and (2) Carajas Empreendimentos Imobiliarios SA and VMC Empreendimentos Imobiliários Ltda who subsequently transferred their interests to PST Empreendimentos and LGA Participações and who subsequently transferred their interests to Olidio) was dissolved and all related rights and obligations (including the mineral rights 850.277/2004 and 850.278/2004 relating to Lontra valued at R\$1 774 596 and a debt of R\$887 348 owed to Olidio) were transferred to HM do Brasil.

#### **8.16 Quantum reorganisation documents**

By a document dated 8 June 2010 effecting an amendment to the Articles of Association of Lontra Ltda Ivan dos Santos Freire and Valdison Amorim dos Santos transfer and assign their quotas in Lontra Ltda to HM Brazil (IOM) Limited and Antonio Valério da Silva following which the corporate capital is distributed among the shareholders as follows: (i) HM Brazil (IOM) Limited owns 99 quotas; and (ii) Antonio Valério da Silva owns 1 quota.

By a document dated 23 June 2010 effecting an amendment to the Articles of Association of Lontra Ltda executed by HM do Brasil and Antonio Valerio da Silva, HM do Brasil increases the corporate capital of Lontra Ltda from R\$100.00 to R\$1,774,696.00 and contributes the Lontra Mineral Rights to Lontra Ltda's corporate capital. Following the capital increase, HM do Brasil transfers and assigns 887,348 quotas of Lontra Ltda to Olídio following which the corporate capital of Lontra Ltda is distributed among the shareholders as follows: (i) HM do Brasil owns 887,348 quotas; and (ii) Olidio owns 887,348 quotas.

By a document dated 6 July 2010 effecting an amendment to the Articles of Association of Lontra Ltda executed by HM do Brasil and Olidio, Olidio transfers and assigns his interests in Lontra Ltda to Quantum following which the corporate capital of Lontra Ltda is distributed among the shareholders as follows: (i) HM do Brasil owns 887,348 quotas; and (ii) Quantum owns 887,348 quotas.

### **9 SHARE OPTION SCHEME**

The share option scheme (the “**Share Option Scheme**”) was established by resolution of the Company passed on 19 March 2006 (“**Adoption Date**”) for the purpose of incentivising Directors, officers and employees of the Company and its subsidiaries. As at the date of this document, options over 3,230,000 Ordinary Shares have been issued in accordance with the Share Option Scheme.

Under the terms of the Share Option Scheme, the remuneration committee (a duly constituted committee of the Company comprising non-executive directors) may grant options to acquire Ordinary Shares to any employees, Directors (including non-executive Directors) or company officers in the service of the Company or any subsidiary of the Company (within the meaning of Section 1159 of the Act).

Each option shall be personal to the option holder and shall be non-assignable save that if a participant dies at a time when an option is still capable of being exercised by him, his personal representative may exercise the option within twelve months from the date of death. The exercise price for each option shall be determined by the remuneration committee from time to time by reference to the higher of: (1) the middle market quotation for an Ordinary Share on the dealing day immediately preceding the date upon which the option is granted (or such value as may be determined by the Company's auditors); or (2) the par value of an Ordinary Share.

Under the terms of reference of the Board's remuneration committee, the committee is charged with reviewing all elements of the operation of the Scheme, including the overall amount of awards to be made to eligible persons under the Share Option Scheme and the quantum of options to be granted on an individual basis. In determining the limits of any individual's participation, the committee shall ensure that available options are distributed such that executive Directors receive 40 per cent. of such options, senior management also receive 40 per cent. and employees and consultants (who satisfy eligibility criteria) receive 20 per cent.

No option shall be capable of being acquired under the Share Option Scheme more than 10 years after the Adoption Date. During the period of 10 years from the Adoption Date the aggregate number of shares issued pursuant to options granted under the Share Option Scheme shall not exceed 10 per cent of the Ordinary Shares in issue from time to time. Options may be exercised in whole or in part at any time from 24 months (at the earliest) to 10 years (at the latest) after their date of grant. All Ordinary Shares issued under the Share Option Scheme shall rank equally in all respects with the shares of the Company for the time being in issue.

Special provisions apply in the event of an offer being made to acquire the whole or a specified proportion of the shares held by each holder of shares.

In the event of the Company going into liquidation, all options shall ipso facto cease to be exercisable and Participants (as defined in the Share Option Scheme) shall not be entitled to damages or other compensation of any kind. The Company may at any time by resolution of the Board vary, amend or revoke any provisions of the Share Option Scheme in such manner as the remuneration committee may consider necessary provided that: (a) the purpose of the Share Option Scheme is not altered; (b) except with the sanction of the Company in general meeting, no alternation shall be made to the definitions of "**Market Value**" and "**Subscription Price**" or to the clauses relating to, inter alia, eligibility, limitation of issue, limitation on participation and period for exercise of options; and (c) no such variations, amendments or revocations shall increase the amount payable by any Participant or impose more onerous obligations on any Participant in respect of the exercise of an option which has already been granted.

The Share Option Scheme may be terminated at any time by ordinary resolution of the Company or by resolution of the Board and in any event shall expire 10 years after the Adoption Date. Subsequent to any such termination the Company shall not grant any further options under the Share Option Scheme, but no such termination shall affect or modify any subsisting rights or obligations of, the Participants in relation to the options.

## **10 EMI OPTION SCHEME**

### *General*

The Company established the enterprise management incentive option scheme ("**EMI Scheme**") in September 2009 in order to enable employees and executive directors who are employees of the Group to acquire Ordinary Shares. The Company granted options to Gary Townsend over 400,000



Ordinary Shares and options to Jeremy Martin over 750,000 Ordinary Shares. No other options have been granted or remain outstanding. Further details of the options granted to Gary Townsend and Jeremy Martin are set out in paragraph 3 of this Part X of this document.

#### *Administration*

The EMI Scheme is a qualifying scheme under Schedule 5 of the Income Tax (Earnings and Pensions) Act 2003 (“**Schedule 5**”).

#### *Eligibility*

The Company may at the discretion of the Board grant options to acquire Ordinary Shares in the Company to any employees (whether or not directors) of the Company and those of its subsidiaries permitted by Schedule 5 who at the date of grant of the option devote at least 25 hours per week or 75 per cent of their working time to the Company.

No employee or director may participate if he has a material interest (an interest in 30 per cent. or more of the issued share capital of the Company) on the intended date of grant of an option.

Options are personal to the option holder to whom they are granted, and may not be assigned or transferred and will lapse on any attempt by the option holder to do so.

#### *Grant of options*

The Company may in its absolute discretion grant options pursuant to these rules of the EMI Scheme by way of an option agreement to any eligible employee at any time following the adoption of the rules of the EMI Scheme.

The Company may in its absolute discretion impose performance conditions on the exercise of an options as it sees fit. Such conditions will be advised to the option holders at the grant of the option and must not be waived, varied or amended by the Company unless the it has approved such waiver.

#### *Exercise price*

The exercise price per Ordinary Share is determined by the Company. Options granted pursuant to the EMI Scheme rules are granted under the provisions of the Schedule 5 and, insofar as the market value does not exceed the limits specified in paragraphs 5 and 6 of Schedule 5, are intended to be qualifying options for the purposes of Schedule 5. To the extent that the market value exceeds the limits specified in paragraphs 5 and 6 of Schedule 5 the option concerned shall take effect as an unapproved share option.

#### *Individual limits*

An individual’s overall participation is limited so that the aggregate market value at the date of grant of the shares over which options have been granted to him under schemes satisfying the requirements of Schedule 5 cannot exceed £120,000 from time to time.

#### *Exercise and lapse of options*

##### *General position*

In normal circumstances, an option may (to the extent that any performance conditions have been satisfied) be exercised at any time after the date of grant (unless otherwise specified in the particular option agreement) and (except as otherwise provided below) may only be exercised while the option holder is an employee of the Group. Options may not be exercised more than ten years after the date of grant.



### *Special circumstances*

If an option holder ceases to be an eligible employee with respect to the Group for the purposes of Schedule 5 where such cessation is for any reason other than death, and the Board determines, in its absolute discretion, that it is appropriate in the circumstances that the option holder should be permitted to exercise the option, the option holder shall be entitled to exercise the option over such number of Ordinary Shares for which such permission is granted by the Board. If the Board does not exercise its discretion within 14 days after such cessation, the option shall lapse and cease to be exercisable.

In the case of death, options may normally be exercised within the following twelve months. In all these cases (other than death), options will not normally be exercisable except to the extent that any the performance conditions set in relation to that option has been satisfied.

### *Exchange of options on a takeover*

#### *Changes in control, Sale, Listing and winding-up*

If under section 899 of the Act, the court sanctions a compromise or arrangement proposed for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies, options shall lapse six months after the court sanctions the compromise or arrangement.

If any person becomes bound or entitled to acquire shares in the Company under sections 979 to 982 of the Act, the Board shall so notify the option holders and the options shall remain exercisable for so long as that person remains so bound or entitled and thereafter the options shall lapse.

In the event of a change of control in the Company as result of a general offer, options may be exercised with six months of the change of control.

In the above circumstances, existing options may be released in exchange for options of equivalent value over shares in the acquiring company or another eligible company.

If another company obtains all the shares of the Company as a result of a qualifying exchange of shares, with “qualifying exchange of shares” for this purpose having the meaning used for the purposes of paragraph 40 of Schedule 5, existing options may be released in exchange for options of equivalent value over shares in the acquiring company or another eligible company.

If any person makes an offer which, if accepted would result in a sale of all of the shares of the Company, then the Board shall give notice of such offer to the option holders, following which the those option holders’ rights to exercise their options shall be subject to the Company’s right to make such exercise conditional upon the option holders agreeing to sell all shares acquired pursuant to the options to the person who obtains control of the Company on the same date and on the same terms as have been agreed by the other shareholders.

If the Board does not give notice to the option holders before completion of a sale of all of the shares of the Company, the options shall remain exercisable for 30 days following the sale (and shall lapse thereafter) provided that the option holder agreed prior to exercise to sell all the shares the option holders acquire on exercise of their options to the purchaser on no less favourable terms that those offered to holders of ordinary shares on the sale.

In the event of any voluntary winding up of the Company, voluntary arrangement under the Insolvency Act 1986 or administration order, the Board shall so notify the option holders and the options shall lapse immediately after the commencement of the winding-up.

### *Variations of Share Capital*

If an increase or variation in the capital of the Company occurs by reason of a capitalisation or rights issue (including an increase or variation having an effect similar to a rights issue) or a sub-division,

consolidation or reduction or otherwise, then the Board will make appropriate adjustments to the exercise price and the number of shares under option provided that the Board have been advised by the auditors of the Company in writing that such adjustments are fair and reasonable.

#### *Amendment*

The Board may amend the EMI Scheme from time to time save that no amendment may be made which would result in an EMI option ceasing to be a qualifying option for the purposes of Schedule 5.

#### *Final grant of options*

No option may be granted after the tenth anniversary of the adoption of the EMI Scheme.

## **11 TAXATION**

### **11.1 General**

The following statements are intended to apply only as a general guide to current UK tax law and to the current practice of the HM Revenue & Customs and incorporates the announcement made by the Chancellor of the Exchequer on 22 June 2010 but not yet enacted into law. They are intended to apply only to shareholders who are resident in the United Kingdom for UK tax purposes, who (unless the position of non-resident shareholders is expressly referred to) hold Placing Shares as an investment and who are the beneficial owners of Placing Shares. The statements may not apply to certain classes of shareholders such as dealers in securities, collective investment vehicles and insurance companies. Holders of Placing Shares who are in any doubt as to their tax position regarding the acquisition, ownership and disposition of Placing Shares or who are subject to tax in a jurisdiction other than the UK should consult their own tax advisers.

### **11.2 Dividend**

Under current tax law, the Company will not be required to withhold tax at source from dividend payments it makes.

#### *11.2.1 Individuals*

An individual shareholder who is resident in the UK for tax purposes and who receives a dividend from the Company will be entitled to a tax credit which may be set off against his total income tax liability on the dividend. Such an individual shareholder's liability to income tax is calculated on the aggregate of the dividend and the tax credit (the "**gross dividend**") which will be regarded as the top slice of the individual's income. The tax credit will be equal to 10 per cent. of the gross dividend (i.e. the tax credit will be one-ninth of the amount of the dividend). Generally, a UK resident individual shareholder who is not liable to income tax in respect of the gross dividend will not be entitled to reclaim any part of the tax credit. A UK resident shareholder who is liable to income tax at the lower or basic rate will be subject to income tax on the dividend at the rate of 10 per cent. of the gross dividend so that the tax credit will satisfy in full such shareholder's liability to income tax on the dividend. A UK resident individual shareholder liable to income tax at the higher rate will be subject to income tax on the gross dividend at 32.5 per cent. After taking into account the tax credit, such a shareholder will have to account for additional tax equal to 22.5 per cent. of the gross dividend (an effective tax rate of 25 per cent. of the net cash dividend received). From 6 April 2010, individuals will be subject to income tax at the rate of 50 per cent. on income exceeding £150,000. Dividends falling within this new top rate bracket will be taxed at the rate of 42.5 per cent. on dividends plus the tax credit. This will give an effective tax rate of 36 per cent. on the net dividend.

### *11.2.2 Companies*

A corporate shareholder resident in the UK for tax purposes will not normally be subject to corporation tax on any dividend received from the Company.

### *11.2.3 Pension Funds*

UK pension funds will not be entitled to reclaim the tax credit attaching to any dividend paid by the Company.

## **11.3 Capital gains**

A disposal of Placing Shares by a shareholder who is either resident or ordinarily resident in the UK for tax purposes, or is not UK resident but carries on a trade, profession or vocation in the UK through a branch, agency or permanent establishment and has used, held or acquired Placing Shares for the purposes of such trade, branch, agency or permanent establishment may, depending on the shareholder's circumstances and subject to any available exemption or relief, give rise to a chargeable gain or an allowable loss for the purposes of the taxation of capital gains.

A shareholder who is an individual and who has, on or after 17 March 1998, ceased to be resident and ordinarily resident in the UK for tax purposes for a period of less than five years and who disposes of Placing Shares during that period may also be liable on his return to the UK to tax on any capital gain realised (subject to any available exemption or relief).

For shareholders within the charge to corporation tax on chargeable gains, indexation allowance should be available to reduce the amount of chargeable gain realised on a disposal of Placing Shares (but not to create or increase any loss). For shareholders holding 10 per cent. or more of the Company's ordinary share capital, a gain on the sale of Placing Shares will be exempt from corporation tax on chargeable gains provided certain conditions are met.

For individual shareholders, the principal factors that will determine the extent to which any such gain will be subject to UK tax on chargeable gains are: (a) the extent to which they realise any other chargeable gains in the tax year in which the disposal takes place; (b) the extent to which they have incurred and not previously utilised allowable losses in that or an earlier tax year; and (c) the quantum and availability of the annual allowance of tax-free gains in the year in which the disposal takes place (the "**Annual Exempt Amount**"). Subject to the availability of any such exemptions, reliefs and/or allowable losses, a disposal of Placing Shares by individuals who are liable to income tax at the lower or basic rate will be subject to capital gains tax at a rate of 18 per cent., other individuals, trustees and personal representatives will generally be subject to capital gains tax at a rate of 28 per cent.

The Annual Exempt Amount for individual shareholders is £10,100 for the 2010-11 tax year.

A corporate shareholder who is not resident in the UK for tax purposes will not be subject to UK tax on a gain arising on a disposal of Placing Shares unless such shareholder carries on a trade in the UK through a permanent establishment and has used Placing Shares in or for the purposes of the trade or used, held or acquired Placing Shares for the purposes of the permanent establishment.

## **11.4 Stamp duty and stamp duty reserve tax**

No liability to stamp duty or stamp duty reserve tax ("**SDRT**") will arise on the issue of, or on the issue of definitive share certificates in respect of, Placing Shares by the Company (unless issued into a clearance system or depositary arrangement, on which see below).

The subsequent conveyance or transfer on sale of Placing Shares outside the CREST system will generally be subject to ad valorem stamp duty on the instrument of transfer at the rate of 0.5 per cent. of the amount or value of the consideration given rounded up to the nearest £5. Stamp duty is normally the liability of the purchaser or transferee of Placing Shares. An unconditional agreement

to transfer Placing Shares will normally give rise to a charge to SDRT at the rate of 0.5 per cent. of the amount or value of the consideration for those Placing Shares. However, where within six years of the date of the agreement, an instrument of transfer is executed and duly stamped, the SDRT liability will be cancelled and any SDRT which has been paid will be repaid. SDRT is normally the liability of the purchaser or transferee of Placing Shares.

Under the CREST system for paperless share transfers, deposits of Placing Shares into CREST will generally not be subject to stamp duty or SDRT unless such a transfer is made for a consideration in money or money's worth, in which case a liability of the purchaser to SDRT will arise usually at the rate of 0.5 per cent. of the value of the consideration given. Subsequent paperless transfers of Placing Shares within CREST are generally liable to SDRT, rather than stamp duty, at the rate of 0.5 per cent. of the amount or value of the consideration payable. CREST is obliged to collect SDRT from the purchaser of Placing Shares on relevant transactions settled within the system.

Where Placing Shares are issued or transferred (i) to, or to a nominee for, a person whose business is or includes the provision of clearance services or (ii) to, or to a nominee or agent for, a person whose business is or includes issuing depositary receipts, stamp duty (in the case of a transfer only to such persons) or SDRT may be payable at a rate of 1.5 per cent. of the amount or value of the consideration payable or, in certain circumstances, the value of Placing Shares or, in the case of an issue to such persons, the issue price of Placing Shares. However, the ECJ has found in C-569/07 *HSBC Holdings Plc, Vidacos Nominees Limited v The Commissioners of Her Majesty's Revenue & Customs* (the "**HSBC Holdings Case**") that the 1.5 per cent. charge is contrary to EU law where shares are issued to a Clearance Service, and HMRC has subsequently indicated that it will not levy the charge on shares issued to a Clearance Service within the EU. The reasoning in the *HSBC Holdings Case* may apply where shares are issued to a depositary receipts system, although this is currently untested in the courts. Any liability for stamp duty or SDRT which does arise will strictly be accountable by the Clearance Service or Depositary Receipts System operator or their nominee, as the case may be, but will, in practice, be payable by the participants in the clearance service or depositary receipt scheme. Under current UK tax legislation, an unconditional agreement to transfer shares within a Depositary Receipts System, or within a Clearance Service which has not made an election under Section 97A of the Finance Act 1986, will not be subject to SDRT. Following the *HSBC Holdings Case*, HMRC have announced that they will determine whether and how to amend the SDRT rules to ensure movements of shares into and within Clearance Services bear their fair share of tax, whilst ensuring the rules are compatible with EU law. The law in this area may therefore be particularly susceptible to change.

The above statements are intended as a general guide to the current position. Certain categories of person, including market makers, brokers, dealers and persons connected with depositary arrangements and clearance services are not liable to stamp duty or SDRT and others may be liable at a higher rate or may although not primarily liable for tax be required to notify and account for it under the Stamp Duty Reserve Tax Regulations 1986.

Any person who is in any doubt as to his tax position or who may be subject to tax in any other jurisdiction should consult his professional tax adviser.

## **12 WORKING CAPITAL**

In the opinion of the Directors, having made due and careful enquiry, taking into account the net proceeds of the Placing, the working capital available to the Company and the Enlarged Group will be sufficient for its present requirements, that is for a period of at least 12 months from Admission.

## **13 LITIGATION**

- (a) There are no legal or arbitration proceedings (including any proceedings which are pending or threatened by or against the Company or its subsidiaries of which the Company is aware), which may have or have had during the 12 months preceding the date of this document, a significant effect on the financial position of the Company and its subsidiaries taken as a whole.

- (b) There are no legal or arbitration proceedings (including any proceedings which are pending or threatened by or against Teck Brazil of which the Company or Teck Brazil is aware), which may have or have had during the twelve months preceding the date of this document, a significant effect on the financial position of Teck Brazil taken as a whole.

## **14 MANDATORY BIDS, SQUEEZE-OUT AND BUY-OUT RULES**

### **(a) Mandatory bid**

The City Code will apply to the Company. Under the City Code, if an acquisition of Ordinary Shares were to increase the aggregate interest of the acquirer and its concert parties to Ordinary Shares carrying 30 per cent. or more of the voting rights in the Company, the acquirer and, depending on the circumstances, its concert parties, would be required (except with the consent of the Takeover Panel) to make an offer in cash for the outstanding shares at a price not less than the highest price paid for Ordinary Shares by the acquirer or its concert parties during the previous 12 months. This requirement would also be triggered by the acquisition by any person (together with its concert parties) who is interested in Ordinary Shares which in aggregate carry not less than 30 per cent. of the voting rights of the Company but does not hold more than 50 per cent. of such voting rights if the effect of such acquisition were to increase that person's percentage of the voting rights.

Please refer to Part I of this document for details of the mandatory bid implications in respect of the Transaction.

### **(b) Squeeze-out**

Under the Act, if an offeror were to acquire not less than 90 per cent. of the Ordinary Shares within four months of making its offer, it could then compulsorily acquire the remaining 10 per cent. or less (as the case may be). It would do so by giving notice to the non-accepting shareholders informing them that it desires compulsorily to acquire their shares and then, unless any of the non-accepting shareholders has applied to the High Court of England and Wales within a period of six weeks from the date of the notice for an order disentitling the offeror from acquiring any Ordinary Shares held by them, it would execute a transfer of the outstanding shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for the non-accepting shareholders.

### **(c) Buy-out**

The Act also gives minority shareholders in the Company a right to be bought out in certain circumstances by an offeror who has made a takeover offer. If a takeover offer related to all the shares in the Company, or to any shares of a particular class in issue by the Company, and at any time before the end of the period within which the offer could be accepted, the offeror held or had agreed to acquire not less than 90 per cent. in value of the shares, or as the case may be 90 per cent. of the shares of the class to which the offer relates, any holder of shares, or as the case may be a holder of a particular class of shares, to which the offer related and who had not accepted the offer, could by a written communication to the offeror require it to acquire his shares. The offeror would be required to give any shareholder notice of his right to be bought out within one month of that right arising.

## **15 CONSENTS**

- (a) Littlejohn LLP, auditors and reporting accountants, who are a member of the Institute of Chartered Accountants in England and Wales, has given and has not withdrawn its written consent to the issue of this document with the inclusion herein of its reports and of the references to its name in the form and context in which it appears and has authorised the contents of Parts VI to VIII of this Document and in accordance with Schedule Two to the AIM Rules for Companies (and paragraph 1.2 Annex 1 of the Prospectus Regulation) confirm that, to best of its knowledge, (having taken all reasonable care to ensure such is the case), the information contained in the reports set out in Parts VI to VIII of this document is in accordance with facts and does not omit anything likely to affect the import of such information.

- (b) Wardell Armstrong has given and has not withdrawn its written consent to the inclusion in this document of its report set out in Part IX of this document and references thereto in the form and context in which they are included. Furthermore, Wardell Armstrong has confirmed, for the purposes of paragraph (a) of Schedule Two of the AIM Rules for Companies, that it is responsible for the information contained in the Competent Person's Report set out in Part IX of this document and declare that it has taken all reasonable care to ensure that the information contained in the Competent Person's Report is, to the best of its knowledge, in accordance with the facts and does not omit anything likely to affect the import of such information.
- (c) Westhouse, which is regulated by the Financial Services Authority, has given and has not withdrawn its written consent to the issue of this document with the inclusion herein of the references to its name in the form and context in which it appears.

## **16 GENERAL**

- (a) Save as disclosed in this document, there has been no significant change in the trading or financial position of Horizonte since 31 December 2009, the date to which the Accountants' Report on the Company in Part VI of this document was prepared.
- (b) Save as disclosed in this document, there has been no significant change in the trading or financial position of Teck Brazil since 31 December 2009, the date to which the Accountants' Report on Teck Brazil in Part VII of this document was prepared.
- (c) Save as disclosed in this document, no Directors were involved in any unusual or significant transactions with the Company in the current or immediately preceding financial year. In addition, no such transaction from an earlier financial year remains outstanding or unperformed.
- (d) There are no loans or guarantees granted or provided by the Company and/or any of its subsidiaries to or for the benefit of any Directors which are now outstanding.
- (e) There is no arrangement whereby any Director has waived or agreed to waive any future emoluments nor has there been any waiver of emoluments during the financial year immediately preceding the date of this document.
- (f) The aggregate remuneration payable by any member of the Company (including benefits in kind) to the Directors in respect of the current financial year ending 31 December 2010 under the arrangements in force or proposed at the date of this document is expected to amount to approximately £265,000.
- (g) The total expenses of or incidental to the application for admission to dealing of the Enlarged Share Capital and the Placing contemplated in this Document are estimated to amount to approximately £740,000 (excluding VAT and capital duty) and are payable by Horizonte. £300,000 of fees payable to Westhouse Securities in connection with the Placing will be satisfied by issuing the Broker Shares at the Placing Price.
- (h) The Company has no convertible debt securities, exchangeable debt securities or debt securities with warrants in issue.
- (i) There are no arrangements in place under which future dividends are waived or agreed to be waived.
- (j) Save as disclosed in this document, the Directors are not aware of any exceptional factors which have influenced the Company's activities.
- (k) Save as set out in this document, the Directors are not aware of any patents or other intellectual property rights, licences or particular contracts which are or may be of fundamental importance to the Company's business.
- (l) Save as disclosed in this document, as far as the Directors are aware, there are no arrangements relating to the Company, the operation of which may at a subsequent date result in a change of control of the Company.



- (m) Save as disclosed in this document, as far as the Directors are aware, the Company is not directly or indirectly controlled by any one person.
- (n) As far as the Directors are aware there are no environmental issues that may affect the Company's utilisation of its tangible fixed assets.
- (o) Save as disclosed in this document, with regard to each financial year covered by the historical financial information, the Company has no principal investments and there are no principal investments in progress and there are no principal future investments on which the Board has made a firm commitment.
- (p) Save as disclosed in this document, the Company is not aware of the existence of any takeover bid pursuant to the provision of the Code, or any circumstances which may give rise to any takeover bid, and the Company is not aware of any public takeover bid by third parties for the Ordinary Shares.
- (q) Save as disclosed in this document, no person (excluding a professional adviser referred to in this document and trade suppliers) in the 12 months preceding the Company's application for Admission received, directly or indirectly, from the Company or has entered into any contractual arrangements to receive, directly or indirectly, from the Company on or after Admission any of the following:
  - (i) fees totalling either £10,000 or more;
  - (ii) securities in the Company with a value of either £10,000 or more; or
  - (iii) any other benefit with a value of either £10,000 or more at the date of Admission.
- (r) No new Ordinary Shares are being made available, in whole or in part, to the public in conjunction with the application for Admission.
- (s) As at the date of this document, the Company remains the holding company of HE Limited, HMIOM, HM Peru (IOM) Limited, HM Brazil (IOM) Limited, MEA, HM do Brazil Ltda, South America Resources Limited, Brazil Mineral Holdings Limited, PMA Geoquímica Ltda, Minera Cotahuasi SAC, Horizonte Nickel (IOM) Limited and Lontra Empreendimentos e Participações Ltda and has not acquired any other subsidiaries.
- (t) The liability of the members of the Company is limited to the amount (if any) unpaid on the shares held by them in the capital of the Company.
- (u) There is no fixed date on which any Shareholders' entitlements to dividends arise.
- (v) The accounting reference date for the Company is 31 December.

## **17 AVAILABILITY OF THE ADMISSION DOCUMENT**

Copies of this document will be available to the public, free of charge, at the offices of the Company and Westhouse from the date of this document until at least one month after Admission and on the Company's website at [www.horizonteminerals.com](http://www.horizonteminerals.com).

The date of this document is 27 July 2010.

## PART XI

### DEFINITIONS

The following definitions apply throughout this document, unless the context requires otherwise:

<b>“Acquisition”</b>	has the meaning given to it on page 6 in Part I of this document
<b>“Acquisition Agreement”</b>	has the meaning given on page 9 in Part I of this document
<b>“Act”</b>	the Companies Act 2006 (as amended)
<b>“Admission”</b>	admission of the Enlarged Share Capital to trading on AIM becoming effective in accordance with the AIM Rules for Companies
<b>“AIM”</b>	the market of that name, owned and operated by the London Stock Exchange
<b>“AIM Rules for Companies”</b>	the rules for Companies published by the London Stock Exchange in February 2010 governing admission to, and the operation of, AIM
<b>“AIM Rules for Nominated Advisers”</b>	the rules for nominated advisers published by the London Stock Exchange in February 2007
<b>“Aker Solutions”</b>	Aker Solutions ASA
<b>“AngloGold”</b>	AngloGold Ashanti Limited
<b>“Anglo Pacific Option”</b>	the net smelter option the subject of the memorandum of understanding described on page 15 of this document between the Company and Anglo Pacific Group Plc
<b>“AOI”</b>	the Enlarged Group's area of influence as described in Part I, paragraph 2(d)(i) of this document
<b>“Araguaia”</b>	Teck Brazil's nickel laterite project situated within the Araguaia mobile belt
<b>“Articles”</b>	the articles of association of the Company
<b>“AUD” or “AUS\$”</b>	Australian dollars
<b>“Authorisations”</b>	has the meaning given to it on page 37 in Part V of this document
<b>“Barrick”</b>	Barrick Gold Corporation
<b>“Board”</b>	the Board of Directors
<b>“Broker Shares”</b>	3,000,000 Ordinary Shares to be issued to Westhouse pursuant to the Placing Agreement
<b>“City Code” or “Code”</b>	the City Code on Takeovers and Mergers
<b>“Company” or “Horizonte”</b>	Horizonte Minerals plc

<b>“Consideration Shares”</b>	has the meaning given to it on page 6 of Part 1 of this document
<b>“CREST”</b>	the computerised system for trading shares in uncertificated form in the UK operated by CRESTCo
<b>“CRESTCo”</b>	Euroclear UK & Ireland Limited, the operator of the system for trading shares in uncertificated form known as “CREST”
<b>“Directors”</b>	the directors of the Company from time to time including, where the context so requires, the Proposed Director
<b>“Enlarged Group”</b>	the Company and its subsidiaries following the completion of the Acquisition and the Quantum Transaction
<b>“Enlarged Share Capital”</b>	the issued ordinary share capital of the Company at Admission as enlarged by the Transaction and the Quantum Transaction comprising the Existing Ordinary Shares, the Consideration Shares, the Broker Shares, the Quantum Shares and the Placing Shares
<b>“Existing Ordinary Shares”</b>	the Ordinary Shares in issue immediately prior to the date of this document
<b>“form of proxy”</b>	the form of proxy enclosed with this document for use in connection with the General Meeting
<b>“FSA”</b>	The Financial Services Authority
<b>“General Meeting”</b>	the general meeting of the Company convened for 10 a.m. on 12 August 2010 (or any adjournment thereof) to be held at the offices of Westhouse Securities Limited, One Angel Court, London EC2R 7HJ, notice of which is set out at the end of this document
<b>“Group”</b>	the Company and its subsidiaries from time to time including, where the context so requires, the Enlarged Group
<b>“HE Limited”</b>	Horizonte Exploration Limited
<b>“HM do Brasil”</b>	HM do Brasil Ltda
<b>“HMIOM”</b>	Horizonte Minerals (IOM) Limited
<b>“Inco”</b>	has the meaning given to it in paragraph 2(g) of Part I of this document
<b>“Independent Shareholders”</b>	has the meaning given to it in paragraph 11 of Part I of this document
<b>“Leawood”</b>	Leawood Nominees Limited
<b>“LGA”</b>	LGA Mineração e Siderurgia Ltda
<b>“LGA Participações”</b>	LGA Participações e Empreendimentos Ltda
<b>“London Stock Exchange”</b>	London Stock Exchange plc

<b>“Lontra”</b>	the nickel laterite project currently situated within the Araguaia mobile belt described in detail in the CPR
<b>“Lontra Ltda”</b>	has the meaning given to it in paragraph 2(b) of Part I of this document
<b>“MEA”</b>	Minera El Aguila SAC
<b>“MVR”</b>	Mineração Vale dos Reis Ltda
<b>“Official List”</b>	the Official List of the UK Listing Authority
<b>“Olidio”</b>	Olidio has the meaning given to it in paragraph 8.5 of Part X of this document
<b>“Ordinary Shares”</b>	ordinary shares of 1 pence each in the Company in issue from time to time
<b>“Panel” or “Takeover Panel”</b>	the Panel on Takeovers and Mergers
<b>“Placing”</b>	the conditional placing by Westhouse of the Placing Shares, pursuant to the Placing Agreement
<b>“Placing Agreement”</b>	the agreement dated 26 July 2010, between the Company, the Directors and Westhouse relating to the Placing and Admission, further details of which are set out in paragraph 8.1 of Part X of this document
<b>“Placing Price”</b>	10 pence per Placing Share
<b>“Placing Shares”</b>	the 51,261,144 new Ordinary Shares to be issued pursuant to the Placing
<b>“Proposed Director”</b>	Mr Alexander Christopher
<b>“PST Empreendimentos”</b>	PST Empreendimentos e Participações Ltda.
<b>“Quantom”</b>	Quantom Holdings Limited, a newly incorporated entity in the British Virgin Isles
<b>“Quantom Shares”</b>	the 10,000,000 Ordinary Shares to be issued to Quantom in consideration for the Quantom Transaction being such number of Ordinary Shares as are equal to an aggregate value of £1 million at the Placing Price
<b>“Quantom Transaction”</b>	has the meaning given to it in paragraph 2(b) of Part I of this document
<b>“Relationship Agreement”</b>	has the meaning given to it in Part I, paragraph 2(d)(ii) of this document
<b>“Reorganisation”</b>	has the meaning given to it in Part I paragraph 2(g) of this document
<b>“Resolutions”</b>	the resolutions to be proposed at the General Meeting as detailed in the notice set out on page 179 of this document
<b>“R\$”</b>	Brazilian reais
<b>“Shareholder(s)”</b>	holder(s) of Ordinary Shares from time to time

<b>“Teck Brazil”</b>	Teck Cominco Brasil S.A.
<b>“Teck”</b>	Teck Resources Limited
<b>“Transaction”</b>	has the meaning given to it on page 7 of Part I of this document
<b>“Transaction Documents”</b>	has the meaning given to it in Part I, paragraph 2(d) of this document
<b>“Troy”</b>	Troy Resources NL
<b>“UK”</b>	the United Kingdom of Great Britain and Northern Ireland
<b>“United States” or “US”</b>	the United States of America, its territories and possessions, any state of the United States and the District of Columbia
<b>“US\$”</b>	United States dollars
<b>“Westhouse”</b>	Westhouse Securities Limited, the nominated adviser and broker to the Company
<b>“Windwood”</b>	Windwood Nominees Limited

## PART XII

### GLOSSARY OF TECHNICAL TERMS

#### Definitions

“JORC”	The Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy
“MHP”	Mixed Hydroxide Product
“MSP”	Mixed Sulphide Product
Units“°C”	degrees Celsius
“Ga”	billion years
“GJ”	giga-joules
“g/t”	grammes per tonne
“ha”	hectare
“hr”	hour
“kg”	kilogramme
“km <sup>2</sup> ”	square kilometres
“kV”	kilo-volt
“kWh”	kilo-watt hour
“lb”	pounds
“M”	millions
“m”	metres
“ml”	millilitres
“Mt”	million tonnes
“mm”	millimetres
“Mtpa”	million tonnes per annum
“MW”	mega-watt
“MWh”	mega-watt hour
“ppm”	parts per million
“t”	a metric tonne (1,000kg)
“tpa”	tonnes per annum



## Technical Terms

“acid”	a classification of substances that liberate hydrogen ions in water and are normally sour and corrosive, with a pH lower than 7
“Al <sub>2</sub> O <sub>3</sub> ”	aluminium oxide
“alteration”	changes in the chemical or mineralogical composition of a rock, generally produced by weathering or hydrothermal solutions
Archean	the earlier part of Precambrian time
“arkose”	a feldspar-rich sandstone, typically coarse-grained and pink or reddish, that is composed of angular to subangular grains that may be either poorly or moderately well sorted; usually derived from the rapid disintegration of granite or granitic rocks.
“As”	chemical symbol for arsenic
“assay”	to test an ore or mineral for composition, purity, weight, or other properties of commercial interest
“atmospheric leach tests”	leach test carried out at atmospheric pressure
“Au”	chemical symbol for gold
“auger”	tool designed for boring holes into soil or soft/weak rock
“autoclave”	mineral processing equipment for heating and pressurising material
“barren solution”	solution containing no mineral value
“basalt”	fine-grained igneous rock dominated by dark-coloured minerals, consisting of plagioclase feldspars (over 50 per cent.) and ferromagnesian silicates
“Caledonian”	major mountain building episode which took place during the lower Palaeozoic Era
“carbonate”	refers to a carbonate mineral such as calcite
“chalcopyrite”	the mineral sulphide of iron and copper, CuFeS
“channel sample”	continuous rock samples, where an even channel is cut into the rock to obtain the sample. If competently sampled, the quality of such sampling is comparable to drill-hole assays
“chloride”	a compound of chlorine with another element or radical
“Co”	chemical symbol for cobalt
“composites”	a mixture of different components
“concentrate”	the clean product recovered from a treatment plant
“concession”	a grant of mining rights especially by a government in return for services or for a particular use

“Cu”	chemical symbol of copper
“cut-off grade”	lowest grade of mineralised material considered economic, used in the calculation of ore resources
“deposit”	mineral deposit or ore deposit is used to designate a natural occurrence of a useful mineral, or an ore, in sufficient extent and degree of concentration
“diamond drilling”	drilling method which obtains a cylindrical core of rock by drilling with an annular bit impregnated with diamonds
“dilution”	the contamination of ore with barren wall rock in stopping
“dip”	the true dip of a plane is the angle it makes with the horizontal plane
“drill hole”	hole in rock or other material made by a rotational and downward force, to recover a sample of the material
“drive”	a horizontal underground tunnel
“dunite”	Periodotite in which the mafic mineral is almost entirely olivine, with accessory chromite almost always present
“dyke”	a sheet like body of igneous rock which is discordant
“exploration”	method by which ore deposits are evaluated
“Fe”	chemical symbol for iron (total Fe content)
“Fe <sub>2</sub> O <sub>3</sub> ”	chemical symbol for ferric oxide
“feasibility study”	an extensive technical and financial study to assess the commercial viability of a project
“felsic”	an acronymic word derived from feldspar and silica, and used to describe light-coloured silicate minerals such as quartz, feldspar and feldspapathoids
“ferronickel”	a crude ferroalloy containing nickel
“FGS”	fellow of the Geological Society
“FIMMM”	fellow of the Institute of Material, Minerals and Mining
“filtration”	removal of suspended and/or colloidal material from a liquid by passing the suspension through a relatively fine porous medium
“flexure”	general term for a fold, warp, or bend in rock strata
“float”	general term for loose fragments of ore or rock, especially on a hillside below an outcropping ledge or vein
“flowsheet”	diagram showing progress of material or ore through a preparation or treatment plant
“fold”	bend, flexure or wrinkle in rock produced when rock was in a plastic state

“foliated”	foliation is any penetrative planar fabric present in rocks
“galena”	lead sulphide, chemical symbol PbS; principal ore of lead
“garnierite”	name given for a green nickel ore which is found in pockets and veins within weathered and serpentinized ultramafic rocks
“geochemical”	prospecting techniques which measure the content of specified metals in soils and rocks; sampling defines anomalies for further testing
“geological”	the scientific study of the origin, history, and structure of the earth
“geophysical”	prospecting techniques which measure the physical properties (magnetism, conductivity, density, etc.) of rocks and define anomalies for further testing
“goethite”	an iron oxyhydroxide mineral
“graben”	a downthrown block between two parallel faults
“grade”	relative quantity or the percentage of ore mineral or metal content in an ore body
“greenstone belt”	field term applied to a band or zone of any compact dark-green altered or metamorphosed basic igneous rock
“grizzly”	device comprised of fixed or moving bars, disks, or shaped tumblers or rollers for the coarse screening or scalping of bulk materials
“halo”	circular or crescent distribution pattern about the source or origin of a mineral
“hangingwall”	rock mass above a fault, vein, bed or mineralisation, or an ore deposit
“harzburgite”	an ultrabasic rock composed of olivine and orthopyroxene
“hematite”	mineral form of iron(III) oxide ( $\text{Fe}_2\text{O}_3$ ), one of several iron oxides
“hopper”	a general term for a chute with additional width and depth to provide a volume for temporary storage of material(s)
“hydrolysis”	hydrolysis is a chemical reaction during which molecules of water ( $\text{H}_2\text{O}$ ) are split into hydrogen cations ( $\text{H}^+$ ) (conventionally referred to as protons) and hydroxide anions ( $\text{OH}^-$ ) in the process of a chemical mechanism
“hydrometallurgical”	hydrometallurgy is part of the field of extractive metallurgy involving the use of aqueous chemistry for the recovery of metals from ores, concentrates, and recycled or residual materials

“hydrothermal”	refers in the broad sense to the process associated with alteration and mineralization by a hot mineralised fluid (water)
“hydroxide”	hydroxide is the name for the diatomic anion OH <sup>-</sup> , consisting of covalently bonded oxygen and hydrogen atoms, usually derived from the dissociation of a base
“igneous”	rock or mineral that solidified from molten or partly molten material, i.e., from a magma
“ <i>Indicated Resource</i> ”	as defined in the JORC Code, is that part of a Mineral Resource which has been sampled by drill holes, underground openings or other sampling procedures at locations that are too widely spaced to ensure continuity but close enough to give a reasonable indication of continuity and where geoscientific data are known with a reasonable degree of reliability. An Indicated Mineral resource will be based on more data and therefore will be more reliable than an Inferred Resource estimate
“ <i>Inferred Resource</i> ”	as defined in the JORC Code, is that part of a Mineral Resource for which the tonnage and grade and mineral content can be estimated with a low level of confidence. It is inferred from the geological evidence and has assumed but not verified geological and/or grade continuity. It is based on information gathered through the appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes which may be of limited or of uncertain quality and reliability
“intrusive”	of or pertaining to intrusion – both the processes and the rock so formed
“IOM <sub>3</sub> ” or “IMMM”	Institute of Materials, Minerals and Mining
“ion”	an ion is an atom or molecule in which the total number of electrons is not equal to the total number of protons, giving it a net positive or negative electrical charge
“Joint Venture” or “JV”	contractual agreement joining together two or more parties for the purpose of executing a particular business undertaking
“JORC Code”	Joint Ore Reserve Committee of the Australian Institute of Mining and Metallurgy; for reporting of mineral resources and ore reserves which sets out the minimum standards, recommendations and guidelines for the public reporting of exploration results, mineral resources and ore reserves
“leachate”	solution obtained by leaching
“lithocode”	codes denoting different lithology

“lithology”	a term usually applied to sediments, referring to their general characteristics. It is used in several rather loose senses, “lithology variation” referring to variation in composition and texture and “lithology formation” meaning the rock types present in a stratigraphic sub-division
“limonite”	the omnibus term used for a range of mixtures of hydrated iron oxide and iron hydroxides
“lineament”	a large scale linear structural feature
“MIMMM”	Member of the Institute of Material, Minerals and Mining
“MgO”	magnesium oxide, or magnesia, is a white solid mineral that occurs naturally as periclase and is a source of magnesium
“mafic”	pertaining to or composed dominantly of the ferromagnesian rock-forming silicates; said of some igneous rocks and their constituent minerals
“magnetite”	an important iron ore mineral, $\text{Fe}_3\text{O}_4$
“manganese”	grey-white, hard, brittle metallic element; chemical symbol Mn
“massive”	<ol style="list-style-type: none"> <li>said of a mineral deposit characterised by a great concentration of ore in one place, as opposed to a disseminated or vein deposit</li> <li>said of any rock that has a homogeneous texture or fabric over a wide area, with an absence of layering, foliation, cleavage or any similar directional structure</li> </ol>
“meso”	prefix meaning in the middle
“meta”	prefix that indicates that the rock has been metamorphosed
“metamorphic rock”	metamorphic rock is the result of the transformation of an existing rock type, the protolith, in a process called metamorphism, which means “change in form”. The protolith is subjected to heat and pressure (temperatures greater than 150 to 200 °C and pressures of 1500 bars) causing profound physical and/or chemical change. The protolith may be sedimentary rock, igneous rock or another older metamorphic rock. Metamorphic rocks make up a large part of the Earth’s crust and are classified by texture and by chemical and mineral assemblage (metamorphic facies). They may be formed simply by being deep beneath the Earth’s surface, subjected to high temperatures and the great pressure of the rock layers above it. They can form from tectonic processes such as continental collisions, which cause horizontal pressure, friction and distortion. They are also

	<p>formed when rock is heated up by the intrusion of hot molten rock called magma from the Earth's interior. The study of metamorphic rocks (now exposed at the Earth's surface following erosion and uplift) provides us with information about the temperatures and pressures that occur at great depths within the Earth's crust</p>
"Mineral Resource"	<p>concentration or occurrence of material of intrinsic economic interest in or on the Earth's crust in such a form that there are reasonable prospects for the eventual economic extraction. The location, quantity, grade geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge. Mineral resources are sub-divided into <i>Inferred</i>, <i>Indicated</i> and <i>Measured</i> categories</p>
"mineralisation"	<p>process of formation and concentration of elements and their chemical compounds within a mass or body of rock</p>
"Ni"	<p>chemical symbol for nickel</p>
"nickel laterite"	<p>lateritic nickel ore deposits are surficial, weathered rinds formed on ultramafic rocks. They comprise 73 per cent. of the continental world nickel resources and will be in the future the dominant source for the winning of nickel. Lateritic nickel ores formed by intensive tropical weathering of olivine-rich ultramafic rocks such as dunite, peridotite and komatiite and their serpentinized derivatives, serpentinite which consist largely of the magnesium silicate serpentine and contains approximately 0.3 per cent. nickel. This initial nickel content is strongly enriched in the course of lateritization</p> <p>Two kinds of lateritic nickel ore have to be distinguished: limonite types and silicate types.</p> <p>Limonite type laterites (or oxide type) are highly enriched in iron due to very strong leaching of magnesium and silica. They consist largely of goethite and contain 1-2 per cent. nickel incorporated in goethite. Absence of the limonite zone in the ore deposits is due to erosion.</p> <p>Silicate type (or saprolite type) nickel ore formed beneath the limonite zone. It contains generally 1.5-2.5 per cent. nickel and consists largely of Mg-depleted serpentine in which nickel is incorporated. In pockets and fissures of the serpentinite rock green garnierite can be present in minor quantities, but with high nickel contents – mostly 20-40 per cent. It is bound in newly formed phyllosilicate minerals. All the nickel in the silicate zone is leached downwards (absolute nickel concentration) from the overlying goethite zone</p>



“olivine”	<p>the mineral olivine (when gem-quality also called peridot) is a magnesium iron silicate with the formula <math>(\text{Mg,Fe})_2\text{SiO}_4</math>. It is one of the most common minerals on Earth</p> <p>the ratio of magnesium and iron varies between the two endmembers of the solid solution series: forsterite (Mg-endmember) and fayalite (Fe-endmember). Compositions of olivine are commonly expressed as molar percentages of forsterite (Fo) and fayalite (Fa) (e.g., Fo70Fa30). Forsterite has an unusually high melting temperature at atmospheric pressure, almost <math>1900^\circ\text{C}</math>, but the melting temperature of fayalite is much lower (about <math>1200^\circ\text{C}</math>). The melting temperature varies smoothly between the two endmembers, as do other properties. Olivine incorporates only minor amounts of elements other than oxygen, silicon, magnesium, and iron. Manganese and nickel commonly are the additional elements present in highest concentrations</p> <p>Olivine gives its name to the group of minerals with a related structure (the olivine group) which includes tephroite (<math>\text{Mn}_2\text{SiO}_4</math>), monticellite (<math>\text{CaMgSiO}_4</math>), and kirschsteinite (<math>\text{CaFeSiO}_4</math>)</p>
“open-pit”	a large scale hard rock surface mine; mine working or excavation open to the surface
“ophiolites”	basic and ultra basic lavas and minor intrusions associated with the infilling of a geosyncline. The term is also applied to their metamorphic equivalents, which are usually rich in albite and amphiboles
“optimisation”	co-ordination of various mining and processing factors, controls and specifications to provide optimum conditions for technical/economic operation
“ore”	material from which a mineral or minerals of economic value can be extracted profitably or to satisfy social or political objectives
“ore body”	mining term to define a solid mass of mineralised rock which can be mined profitably under current or immediately foreseeable economic conditions
“outcrop”	part of a rock formation that appears at the surface of the ground
“Pb”	chemical symbol for lead
“pentlandite”	an iron-nickel sulfide, $(\text{Fe,Ni})_9\text{S}_8$
“peridotite”	a peridotite is a dense, coarse-grained igneous rock, consisting mostly of the minerals olivine and pyroxene. Peridotite is ultramafic, as the rock contains less than 45 per cent. silica. It is high in magnesium, reflecting the high proportions of magnesium-rich olivine, with appreciable iron.

“pilot plant”	small scale processing plant in which representative tonnages of ore can be tested under conditions which foreshadow full-scale operation proposed
“phyllite”	a fine grained low-grade metamorphic rock
“plunge”	a fold is said to plunge if the axis is not horizontal
“porphyry”	igneous rock containing conspicuous phenocrysts (crystals) in fine-grained or glassy groundmass
“post-tectonic”	after tectonics activity
“precious metal”	gold, silver and platinum group minerals
“preliminary or pre-feasibility study”	a comprehensive study of the viability of a mineral project that has advanced to a stage where the mining method, in the case of underground mining, or the pit configuration, in the case of an open pit, has been established, and where an effective method of mineral processing has been determined. This study must include a financial analysis based on reasonable assumptions of technical, engineering, operating and economic factors and evaluation of other relevant factors which are sufficient for a qualified person acting reasonably, to determine if all or part of the mineral resource may be classified as a mineral reserve
“primary”	characteristic of or existing in a rock at the time of its formation; pertains to minerals, textures etc.
“processing”	methods employed to clean, process and prepare materials or ore into the final marketable product
“Proterozoic”	the most recent of three sub-divisions of the Precambrian, spanning 2,500 to 570Ma
“protore”	a primary mineral deposit which, through enrichment, can be modified to form an economic ore. A deposit which could become economically workable if technological change occurred or prices were increased
“pyrite”	an iron sulphide mineral with the chemical formula $\text{FeS}_2$
“pyrometallurgical”	pyrometallurgy is a branch of extractive metallurgy. It consists of the thermal treatment of minerals and metallurgical ores and concentrates to bring about physical and chemical transformations in the materials to enable recovery of valuable metals. Pyrometallurgical treatment may produce saleable products such as pure metals, or intermediate compounds or alloys, suitable as feed for further processing
“pyroxene”	a group of important rock-forming silicate minerals found in many igneous and metamorphic rocks. They share a common structure consisting of single chains of silica tetrahedra and they crystallize in the monoclinic and orthorhombic systems

“pyroxenite”	pyroxenite is an ultramafic igneous rock consisting essentially of minerals of the pyroxene group, such as augite and diopside, hypersthene, bronzite or enstatite
“pyrrhotite”	monoclinic and hexagonal mineral, chemical formula FeS; iron sulphide; commonly associated with nickel minerals
“QA/QC”	Quality Assurance/Quality Control; systematic setting, check, and operation designed to maintain steady working conditions in continuous process such as mineral concentration; to forestall trouble; to check condition of ore, pulp, or products at important transfer points
“quartz”	a trigonal mineral, chemical symbol SiO <sub>2</sub> ; silica group of minerals
“reagent”	a substance or compound that is added to a system in order to bring about a chemical reaction
“recovery”	proportion of valuable material obtained in the processing of an ore, stated as a percentage of the material recovered compared with the total material present
“rock chip”	a chip sample taken from one or more points within a restricted area
“S”	chemical symbol for sulphur; non-metallic native element
“Sb”	chemical symbol for antimony
“saprolite”	saprolite is the name for a chemically weathered rock. It is mostly soft or friable rock and commonly retains the structure of the parent rock since it is not transported, but autochthonously formed in place
“schist”	metamorphic rock dominated by fibrous or platy minerals
“sediment”	<p>sediment is naturally-occurring material that is broken down by processes of weathering and erosion, and is subsequently transported by the action of fluids or other forces such as wind, water, or ice, and/or by the force of gravity acting on the particle itself</p> <p>sediments are most often transported by water (fluvial processes) transported by wind (aeolian processes) and glaciers. Beach sands and river channel deposits are examples of fluvial transport and deposition, though sediment also often settles out of slow-moving or standing water in lakes and oceans. Desert sand dunes and loess are examples of aeolian transport and deposition. Glacial moraine deposits and till are ice transported sediments</p>

“serpentine”	the serpentine group describes a group of common rock-forming hydrous magnesium iron phyllosilicate ((Mg, Fe) <sub>3</sub> Si <sub>2</sub> O <sub>5</sub> (OH) <sub>4</sub> ) minerals; they may contain minor amounts of other elements including chromium, manganese, cobalt and nickel
“sericite”	white, fine-grained potassium mica occurring in small scales as an alteration product of various aluminosilicate minerals
“silicate”	a silicate is a compound containing a silicon bearing anion
“silicification”	the introduction of silica into a rock, either filling pore spaces or replacing pre-existing minerals
“smelter”	plant or equipment used for smelting
“sphalerite”	sphalerite ((Zn,Fe)S) is a mineral that is the chief ore of zinc. It consists largely of zinc sulfide in crystalline form but almost always contains variable iron
“strike”	the longest horizontal dimension of an ore body or zone of mineralisation
“sulphide”	mineral containing sulphur in its non-oxidised form
“syncline”	a basin shaped fold
“tailings”	material that remains after all metals/minerals considered economic have been removed from the ore
“Tertiary”	a period of geologic time from about 2 to 65Ma
“tholeiitic basalts”	tholeiitic basalt is a type of basalt (an igneous rock) which includes very little sodium as compared with other basalts. Chemically, this type of rock has been described as a subalkaline basalt
“ultramafic”	an igneous rock composed chiefly of mafic minerals
“vein”	a tabular deposit of minerals occupying a fracture, in which particles may grow away from the walls towards the middle
“veinlets”	small and narrow viens
“vermiculite”	a group of layer-lattice minerals, especially certain chlorites, hydromicas, and clay minerals, which expand greatly when heated to give a light, cellular material much used for thermal insulation and packaging
“volcanic”	volcanic rocks include all extrusive rocks and associated intrusive ones. The group is predominantly basic, strictly magmatic and usually but not necessarily associated with orogeny
“W”	chemical symbol for tungsten

“weathering”

the breakdown of rocks and minerals in the near-surface environment by the action of physical and chemical processes, in the presence of air and water

“Zn”

chemical symbol for zinc.

## **HORIZONTE MINERALS PLC (the “Company”)**

### **NOTICE OF GENERAL MEETING**

Notice is hereby given that a general meeting of the Company will be held at the offices of Westhouse Securities Limited, One Angel Court, London, EC2R 7HJ on 12 August 2010 at 10 a.m. The business of the meeting will be to consider and, if thought fit, pass the following resolutions, which will be proposed as to resolutions 1 and 3 as ordinary resolutions and as to resolutions 2 and 4 as special resolutions:

#### **RESOLUTIONS**

##### **Ordinary Resolution**

1. THAT the acquisition by the Company of the entire issued share capital of Teck Cominco Brasil S.A. from Teck Resources Limited substantially on the terms and subject to the conditions set out or referred to in the Admission Document published by the Company on 27 July 2010 be hereby approved and the Directors of the Company (the “**Directors**”) be hereby authorised and directed to take all such steps as they consider necessary to effect such acquisition and to waive, amend, vary, revise or extend any of such terms and conditions to such extent as shall not constitute a material amendment thereof, as they think fit.

##### **Special Resolution**

2. THAT the draft regulations produced to the meeting and initialled by the Chairman for the purpose of identification be adopted as the articles of association of the Company in substitution for, and to the exclusion of, the existing articles of association.

##### **Ordinary Resolution**

3. THAT the Directors be generally and unconditionally authorised and empowered in accordance with section 551 of the Companies Act 2006 (the “**Act**”) (in addition, to the extent unutilised, to the like authority granted to the Directors at the Company’s annual general meeting held on 29 June 2010, which remains in full force and effect) to exercise all the powers of the Company to allot shares and grant rights to subscribe for, or convert any security into ordinary shares of the Company (“**relevant securities**”) ranking equally in all respects with the existing ordinary share capital of the Company to satisfy: (i) the issue of ordinary shares to Teck Resources Limited as consideration for the acquisition by the Company of the entire issued share capital of Teck Cominco Brasil S.A; (ii) the placing of ordinary shares in the capital of the Company at 10 pence per ordinary share described or referred to in the Admission Document published by the Company on 27 July 2010 (the “**Placing**”); (iii) the issue of ordinary shares to Quantum Holdings Limited in connection with the acquisition of its 50 per cent. interest in Lontra (being the nickel laterite project in which the Company’s group currently has a 50 per cent. interest in the Araguaia mobile belt); and (iv) the issue of ordinary shares to Westhouse Securities Ltd in satisfaction of amounts due to Westhouse Securities Ltd in connection with the Placing, up to an aggregate nominal amount (within the meaning of section 551(3) and 551(6) of the Act) of £1,875,413.80 such authority to expire (unless previously renewed, varied or revoked by the Company in general meeting) upon the fifth anniversary of the passing of this resolution, save that the Company may, prior to such expiry, make any offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities pursuant to any such offer or agreement notwithstanding the expiry of the authority given by this resolution.

##### **Special Resolution**

4. THAT in addition to the power given to the Directors at the Company’s annual general meeting held on 29 June 2010 the Directors be given the power pursuant to section 570 of the Act to allot equity securities (as defined by section 560 of the Act) in the capital of the Company for cash pursuant to the authority conferred on them in accordance with section 551 of the Act by Resolution 3 set out in this Notice as if section 561 of the Act did not apply to such allotment provided that this power shall be limited to the allotment of equity securities



up to an aggregate nominal value of £1,875,413.80 and shall expire upon the fifth anniversary of the passing of this resolution save that the Company may, prior to such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the board may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

Registered in England and Wales No. 5676866

27 July 2010

By order of the Board

G Townsend  
Company Secretary  
Horizonte Minerals plc  
1 Berkeley Street  
London  
W1J 8DJ

## NOTES TO NOTICE

Entitlement to attend and vote:

1. Pursuant to Regulation 41(1) of the Uncertificated Securities Regulations 2001, the Company has specified that only the holders of ordinary shares registered in the register of members of the Company at 6.00 p.m. on the date which is two days prior to the general meeting or any adjournment of it shall be entitled to attend and vote or appoint a proxy or proxies to attend and vote on their behalf at the general meeting or any adjourned general meeting. Entries on the register of members after 6.00 p.m. on that date shall be disregarded in determining the rights of any person to attend or vote at the general meeting.
2. Members of the Company are entitled to appoint one or more proxies to exercise all or any of their rights to attend, speak and vote on their behalf at the general meeting. A proxy need not be a member of the Company. Completion and return of a form of proxy will not prevent a member from attending and voting at the general meeting in person should he/she wish to do so.
3. Members of the Company may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. Members of the Company may not appoint more than one proxy to exercise rights attached to any one share.
4. A form of proxy is provided with this notice and instructions for use are shown thereon. To be effective the completed form of proxy together with any power of attorney or other authority (if any) under which it is signed or notarially certified copies of such power of attorney or authority must be received by the Company no later than 48 hours before commencement of the meeting or any adjourned meeting.
5. In the case of a member which is a company, the form of proxy must be executed under its common seal or signed on its behalf by an officer or attorney duly authorised.
6. In the case of joint holders, the signature of only one of the joint holders is required on the Form of Proxy but the vote of the first named on the register of members of the Company will be accepted to the exclusion of the other joint holders.



