Company number: 05676866

HORIZONTE MINERALS

Horizonte Minerals PLC Annual Report 2016

Horizonte Minerals is an AIM and TSX listed nickel development company focussed in Brazil.

Company Overview

Business Review

Corporate Governance

Financial Statements

2016 Highlights

During 2016, Horizonte Minerals plc ('**the Company**') achieved four key milestones which place it in a strong position to capitalise on any shift in sentiment towards development stage nickel projects. Firstly, our low-cost acquisition of the adjacent nickel project from Glencore was a game-changer for Horizonte enabling the integration of additional resource into our existing Araguaia project. Secondly. In May of 2016 Horizonte Minerals successfully obtained the Preliminary Environmental Licence for the Araguaia project. A key milestone was achieved with the release a revised Pre-Feasibility Study ('**PFS**') on the enlarged Araguaia Project (the '**Project**') in October 2016. Finally we ended the year with a successful fundraise of £9 million in December to fund the Feasibility Study, that will define how the enlarged Araguaia project is moved toward production.

We are pleased with the positive results from the PFS which delivered a post-tax Net Present Value NPV_8 of US$328M and an Internal Rate of Return ('**IRR**') of 19.3% based on a long-term nickel price of US$12,000/t. If we use the banks' consensus mid-term nickel price of US$14,000/t, the NPV increases to US$581M with an IRR of 26.4% showing the significant gearing that is available with any future increase in nickel prices. Importantly the PFS demonstrates that the Project is cash flow positive at today's nickel prices which puts Araguaia within a limited group of global nickel assets that are considered viable in the current low price nickel environment. The value is demonstrated in this new PFS which now has an overall grade for the first 10 years of mining averaging 1.96% nickel and the Life Of Mine ('**LOM**') grade over 28 years averaging 1.77% nickel which places the Project firmly in the upper quartile of the global grade curve for this type of deposit.

The Project is expected to generate US$1.3 billion in free cash flow over the LOM with the planned operation producing around 14,500 tonnes per year of nickel in ferronickel at a grade of 30% utilising the proven Rotary Kiln Electric Furnace ('**RKEF**') process.

"The next major milestone in the development of Araguaia is the Feasibility Study which started in earnest in March 2017 having appointed key consultants to undertake the work. In parallel with this we will be looking at the development funding options available as well as offtake partners."

We believe that the timeline for the development of Araguaia is well aligned with the market's expectation of an increase in nickel price over the mid-term. Future demand looks robust with predicted growth running between 2% and 4% this year and demand is anticipated to outpace supply, ensuring that Araguaia is a compelling project to generate value for shareholders. This, combined with strong economic fundamentals, confirms that Araguaia is well positioned to be one of the next major nickel projects to be developed.

In December, the Company announced a successful fundraise totalling £9 million. This was supported by the principle existing shareholders; Henderson Global Investors, Richard Griffiths, City Financial and Teck, with the addition of two new significant institutions; JP Morgan and Hargreave Hale. Following the fundraise these groups now hold, 14.1%, 14.5%, 5.6%, 17.9%, 8.4% and 6.4% of the share capital respectively. This represents a very strong shareholder register and is a great endorsement for the Company going forwards. The funds will be used to complete the Feasibility Study during 2017.

Jeremy Martin CEO

Horizonte Minerals at a Glance

Horizonte Minerals wholly owns the advanced Araguaia nickel project, located south of the Carajàs mineral district in northern Brazil.

The Araguaia project plans to use the proven RKEF process to produce 14,500 tonnes per annum of nickel in a 30% grade ferronickel product.

In 2016 the Company completed the acquisition of the Glencore Project from Xstrata and successfully integrated it with the existing Araguaia project.

A new PFS for the enlarged Araguaia project was published in October 2016, which highlighted a positive NPV_8 of US$328m using a nickel price of $12,000/t.

The project is moving into the Feasibility Study stage with an anticipated completion planned for the end of 2017

Araguaia Project Overview

Araguaia is an advanced nickel laterite project being developed by the Company as the next major nickel project in Brazil.

> 100% owned by Horizonte Minerals plc
> Located in south of the Carajas Mining district in northern Brazil, with good access to infrastructure
> Transaction with Glencore completed in 2016 to acquire neighbouring Vale dos Sonhos deposit places enlarged project among the largest high grade nickel saprolite projects globally
> Updated NI 43-101 compliant PFS issued during 2016, showing the following:

- Robust economics based on a 28 year LOM producing ~14,500 tonnes per annum ('**TPA**') nickel in ferronickel from a single line RKEF.
- Post tax NPV_8 of US$581 million at a nickel price of US$14,000/t and an NPV_8 of US$328 million at US$12,000/t Ni
- Post tax IRR of 26.4% at US$14,000/t and 19.3% at US$12,000/t Ni
- Project is expected to generate US$1.3 billion in free cash flow over LOM at US$12,000/t Ni
- High grade ore with average nickel grade of 1.96% for the first 10 years of production
- Project on the lower range of the global cost curve with C1 cash costs of US$3.15/lb Ni (US$6,948/t Ni)
- 43-101 Proven and Probable Mineral Reserve Estimate of 24.6 Mt grading 1.77% Ni
- Established permitting pathway with Preliminary Licence successfully obtained.

Our Year in Review

February 2016
Four new exploration concessions awarded to Horizonte

May 2016
Preliminary Environmental Licence granted by State Government of Para, for the Araguaia Project and process plant

July 2016
Three additional new exploration concessions awarded to Horizonte expanding its land position in the Araguaia belt

August 2016
Completion of the 'Glencore Araguaia Project — GAP' to acquire adjacent advanced project

October 2016
Updated Pre-Feasibility Study report published highlighting robust economics of the enlarged Araguaia project

December 2016
£9.0 million before expenses raised by way of placing to fund the Feasibility Study on the Araguaia project

POST PERIOD END

January 2017
Appointment of Feasibility Study manager and commencement of tender process to appoint key consultants for the Feasibility Study
Sustainability team submitted new environmental permit requests to ensure progress continues towards our Installation Licence for the Araguaia project.

March 2017
Appointment of key consultants and formal commencement of the PFS process

Chairman's Statement David J Hall

Dear Shareholders
2016 was a significant year for Horizonte which saw us achieve numerous major milestones at our Araguaia Nickel Project in Brazil. These include the delivery of a Pre-Feasibility Study ('**PFS**'), the receipt of our Preliminary Environmental Licence, and raising the funds to deliver a Feasibility Study in 2017. We are now focussed on taking this project up the value curve, through the Feasibility Study process and into development as one of the lower cost ferronickel operations in the market, benefitting from its high grade resource and low capital intensity.

Our updated PFS demonstrates that the enlarged Araguaia Project is one of the largest and highest grade undeveloped nickel saprolite resources globally. It will generate US$1.3 billion in free cash flow over the Life of Mine ('**LOM**') considering an estimation of $12,000/ tonne long term. Having combined Glencore's adjacent nickel project with our own Araguaia project in a low-cost acquisition which was completed in 2016, the new compelling economics highlight a post-tax NPV of U$328 million and IRR of 19% based on a long-term nickel price of US$12,000/t. Using the bank's consensus of a mid-term nickel price of US$14,000/t, the NPV increases to US$581 million with an IRR of 26.4% showing the significant gearing that is available with any future increase in nickel prices.

Once developed, Araguaia, is expected to produce around 14,500 tonnes of nickel per year, with a resource that is now a Tier 1 world class asset in terms of size and grade. The value is demonstrated in this updated PFS which now shows an average grade for the first 10 years of mining of 1.96% nickel, and the life of mine grade over 28 years averaging 1.77% nickel. This places the project firmly in the upper quartile of the global grade curve for this type of deposit.

Most significantly the PFS also demonstrates that Araguaia is cash flow positive at today's nickel prices, which puts the project within a limited group of global assets that are considered viable in the current low nickel price environment. The start of 2016 saw nickel prices at a 13 year low of US$7,750/t, however after base metals rallied in the last quarter of 2016, many banks and analysts raised their 2017 forecasts for nickel. There are multiple reasons for this including the United States of America's ambitious infrastructure spending plans which are expected to boost global metal demand growth over the coming years, coupled with the closing of multiple nickel mines which will slow market growth and curtail supply.

Morgan Stanley and Credit Suisse both picked nickel as its number one metal for 2016. Wood Mackenzie have cited that the "optimistically resurgent Chinese stainless market" will be the contributing factor to the predicted favourable pricing fundamentals and Macquarie has stated that nickel use in batteries could more than double over the next 10 years. Now is the time to be developing the next generation projects at the low-price range to create maximum value. We are targeting nickel production from Araguaia by 2019 which aligns the project ideally with this predicted increase in nickel price over the mid-term, offering leveraged exposure to one of the world's next major nickel mines at the optimum time.

Another testament to the quality of Araguaia, is that we successfully raised £9 million in November 2016 from institutions in both the UK and Canada to fund the Feasibility Study. As a result, we were delighted to welcome two new significant institutional investors, JP Morgan and Hargreave Hale, to our already strong shareholder register which also includes

Teck, Henderson, City Financial, Richard Griffiths. I believe that the calibre of this group of cornerstone investors is a strong endorsement for a company of our size.

Eager to move forward we appointed a Feasibility Study Manager in January 2017. With a high calibre nickel development team (ex Falconbridge; Xstrata; Anglo American) already in place we believe Wagner Oliveira will be a valuable addition to our team, bringing considerable experience in the nickel arena having worked with Anglo American plc on its Barro Alto ferronickel operation and prior to this at the Codemin ferronickel plant in Brazil. We have already finalised the selection of the engineering groups to undertake the Feasibility Study with a view to delivering the full report by the end of 2017. Having been granted the Preliminary Licence in 2016 which demonstrated the Pará State government's confidence in the credibility and viability of Araguaia, we have been able to progress the work towards the Installation Licence which we will apply for this year, the receipt of which will permit the construction of the project.

Conclusion

As a team, I am proud that we have taken Araguaia from a grassroots discovery up the development curve to where we stand today, about to embark on a Feasibility Study for one of the largest nickel projects in the world. Despite difficult nickel pricing, 2016 was a year of growth for Horizonte and the year ahead will see us transform into a near-term nickel producer, taking advantage of the forecasted rise in the price of the metal. I would like to take this opportunity to thank the Horizonte Board and Management team for their continued hard work towards the development of your company and I look forward to the year ahead with great confidence.

David J Hall
Chairman
16 March 2017

Operations Review Jeremy Martin

Araguaia Nickel Project

Pre-Feasibility Study

In October 2016, the Company announced the results of its recently undertaken Pre-Feasibility Study on the enlarged Araguaia nickel Project. The Project, which is 100% owned by Horizonte, is located on the eastern margin of the State of Pará, north-eastern Brazil, to the north of the town of Conceição do Araguaia (population of 46,206), south of the main Carajás Mining District. The Project has good regional infrastructure including a network of Federal highways and roads, with access to low tariff hydro-electric power.

The Carajás Mining District, situated approximately 200km northwest of the Project, is host to a number of major iron and copper mines operated by mining major Vale SA. The report considers open pit mining for the exploitation of nickel laterite to establish the production of run of mine ('**ROM**') from eight open pits to supply a targeted 0.9 million tonnes per annum ('**Mt/a**') of ore to a processing and smelter facility.

This facility will use the proven RKEF process with the product being sold at free on board ('**FOB**') at the selected port of export. A Base Case of 0.9 Mt/a production throughput was selected because of the Company's objective to minimise the capital expenditure and overall capital intensity, and to optimise overall cash flow, payback, and the economics of the Project. Opportunity exists to increase production subject to further engineering and there is potential to increase the mineral reserve base.

A summary of the results is included below:

Nickel price	$12,000/t	$14,000/t
NPV_8 post tax	$328M	$581M
IRR post tax	19.3%	26.4%
Initial mine life	28 years	28 years
Capital Costs – pre-production	$354M	$354M
C1 costs	$3.15/lb	$3.15/lb
	$6,948/t	$6,948/t
Free cash flow over LOM (after capital payback)	$1,259M	$1,946M
Payback period (After taxation)	4.5 years	3.4 years
Breakeven Ni price on NPV_8 post tax	$9,426/t	$9,426/t
Targeted Production per annum	~ 14,500tpa	~ 14,500tpa
Average Ni grade – Year 1 to 10	1.96%	1.96%
Product grade quality	30% Ni in FeNi	30% Ni in FeNi

Mineral Resources

Mineral Resources reported for the Project deposits, which are included in the PFS, were prepared under the supervision of Mr. Andrew F. Ross BSc (Hons), MSc, FAusIMM, an Independent Qualified Person as defined in NI 43-101.

A total of 46,000 meters (1,786 holes) of core drilling have been completed to date on the Horizonte Araguaia Nickel Project HZMA and 28,860 meters (839 holes) of core drilling completed on the Vale dos Sonhos deposit in the Glencore Araguaia Project "GAP". Of this a total of 40,330 meters (1,494 holes) from HZMA and 28,860 meters (839 holes) from GAP were used in the Mineral Resource Estimation reported in the PFS.

Mineral Resources for the combined HZMA and GAP as at September 2016 by material type (0.90% Ni cut-off grade)

Araguaia	Category	Material type	Tonnage (kT)	Bulk density (t/m3)	Contained Ni metal (kT)	Ni (%)	Fe (%)	MgO (%)	SiO_2 (%)
Subtotal	Measured	Limonite	1,232	1.39	15	1.20	37.43	2.00	17.15
Subtotal	Measured	Transition	6,645	1.26	116	1.75	18.89	10.20	42.06
Subtotal	Measured	Saprolite	10,291	1.40	130	1.27	12.03	24.08	41.24
Total	Measured	All	18,168	1.35	261	1.44	16.26	17.51	39.91
Subtotal	Indicated	Limonite	19,472	1.40	218	1.12	36.02	2.39	20.53
Subtotal	Indicated	Transition	31,143	1.20	444	1.43	21.39	11.24	38.92
Subtotal	Indicated	Saprolite	51,279	1.32	610	1.19	11.82	25.79	40.58
Total	Indicated	All	101,893	1.30	1,272	1.25	19.40	16.87	36.24
Total	Measured + Indicated	All	120,061	1.30	1,533	1.28	18.93	16.97	36.80
Subtotal	Inferred	Limonite	2,837	1.37	31	1.08	34.80	2.97	23.05
Subtotal	Inferred	Transition	4,955	1.20	65	1.31	21.20	11.11	39.05
Subtotal	Inferred	Saprolite	5,643	1.35	65	1.16	11.80	24.31	41.80
Total	Inferred	All	13,435	1.30	161	1.20	20.12	14.94	36.83

Mineral Reserves

Mineral Reserves reported for the Project deposits, which are included in the PFS were established by Snowden in accordance with the CIM Definition Standards using only Indicated and Measured Resources, under the supervision of Mr. Frank Blanchfield B.Eng, FAusIMM, an Independent Qualified Person as defined in NI 43-101. A Mineral Reserve estimate of 24,646.6 kt (dry) at an average grade of 1.77% Ni was estimated. The detailed breakdown of the Mineral Reserve allocated by deposit is presented in the following table:

Class	Deposit	Ore dry mass (kt)	Ni (%)	Fe (%)	Al_2O_3 (%)	SiO_2/MgO
Probable	Baião	2,381	1.80	18.7	4.93	2.52
Probable	Pequizeiro	11,828	1.73	16.8	5.91	2.83
Probable	Pequizeiro West	165	1.67	19.7	4.47	3.58
Probable	Jacutinga	1,198	1.82	16.7	3.16	2.16
Probable	Vila Oito East	1,190	1.64	15	3.74	1.99
Probable	Vila Oito	2,449	1.79	14.2	3.62	2.05
Probable	Vila Oito West	549	1.73	20.3	5.04	3.65
Probable	VDS	4,886	1.85	22.7	6.28	2.72
Total Probable		24,646	1.77	17.9	5.39	2.58
Proven		-	-	-	-	-
Total Proven and Probable		24,646	1.77	17.9	5.39	2.58

A nickel spot price of US$12,000/tonne was used in the Mineral Reserve estimate. The Mineral Reserve estimate resulted in a marginal cut-off grade of 1.28% Ni.

Operations Review continued

Mining

Seven shallow open pits were designed for HZMA and one for GAP through a process of pit optimisation using costs and process recoveries. All eight pits are designed using smoothed pit shells with the removal of small satellite pits through a standard process of pit optimisation, waste dump design and pit design.

To minimise capital, the Base Case also assumes contractor mining using typical truck and excavator fleet which includes ore haulage to the plant. This fleet is supported by the usual array of support and ancillary equipment. Grade and mineralogy will be closely monitored in the mining process using close spaced grade control drilling ahead of mining.

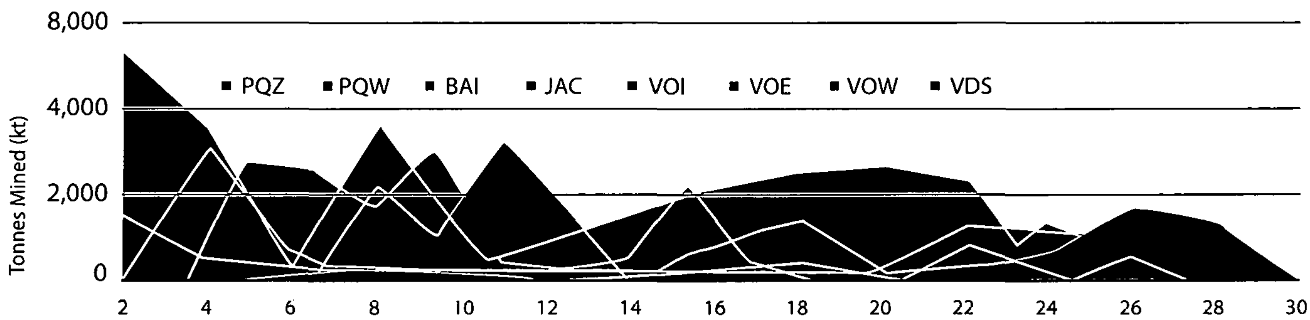
High grade nickel feed is targeted in the early years of production. The average nickel grade of the feed to the plants is as follows:

> Years 1 to 5 — average grade 2.0% Ni
> Years 6 to 10 — average grade 1.9% Ni
> Years 11 to 28 — average grade 1.7% Ni

A number of processing constraints were applied to the schedule. These included a 13-month processing feed quantity ramp-up period, and specific process feed grade constraints throughout the life of the Project:

> Fe grade between 15.0% and 18.0%
> Al_2O_3 grade between 4.0% and 5.5%
> SiO_2/MgO ratio between 2.2 and 2.6

Pits



Source: HZM 2016 Pre Feasibility Study

Processing

The Company completed laboratory scale test work between 2011 and 2013 which included batch smelting test, slag testing, agglomeration behaviour of the ore, Liquidus measurement of FeNi slag under conditions corresponding to electric furnace smelting, performance of the nickel laterite in rotary kiln processing and evaluation of briquetting behavior. These laboratory tests carried out showed that the ore was suitable for processing using the RKEF process.

Pilot plant testing of the drying and agglomeration step and piloting of the full RKEF process flowsheet (excluding refining) to confirm final operating characteristics were recommended in the 2014 PFS report. This pilot testing was carried out in the first and second quarters of 2015.

Pilot plant

A fully integrated pilot test of the RKEF process comprising ore preparation, drying and agglomeration, calcination and electric furnace smelting, including slag and metal granulation, was carried out in April/May 2015. The pilot test work facility at the Morro Azul plant in the State of Minas Gerais, Brazil was used for the test. A total of 160 wet tonnes of ore, representative of the planned operational feed, were processed. This ore was collected from selected sites within the Pequizeiro deposit in a bulk sampling exercise in early 2015 using wide diameter auger drilling.

Highlights from the pilot plant campaign include:

> Production of high grade commercial FeNi from representative ore
> Drying and agglomeration produced excellent feed for calcination
> Good quality calcine continuously produced with very low dust generation and good prereduction of iron and nickel
> High quality FeNi produced over the target range of commercial Ni grades
> No critical flaws were identified in the process flow sheet
> A full set of technical data was produced and included in the PFS process study

Operations Review continued

Social and Environmental

The areas within the Project are located 100% within the Pará State, therefore the Project will continue to be permitted by the State Environmental Agency for the majority of environmental permits. The Brazilian mine permitting process with environmental agencies generally has three key stages:

> The recently obtained preliminary licence ('**LP**');
> The installation licence ('**LI**'), which permits the start of construction;
> Finally, the licence to operate once construction is complete ('**LO**').

The granting of the LP is often regarded as the most important licence as it outlines the parameters of the Project as agreed upon by all stakeholders and is the only environmental licensing process that requires approval of the State Government Environmental Council. The Council awarded the LP to Horizonte Minerals in May 2016 with unanimous approval by all present councillors.

Integration and completion of Glencore Araguaia Project

Transaction Overview

The transaction completed during 2016 following the final and complete transfer of the advanced Glencore Araguaia Project ('**GAP**') located to the north of Horizonte's existing project in central Brazil. This was a major achievement and a game changing transaction for Horizonte, as the GAP combined with the Company's 100% owned high-grade Araguaia project, the 'Enlarged Project', creates one of the world's largest nickel saprolite projects in terms of size and grade, in a premier mining jurisdiction that has a defined path to Feasibility.

The company has successfully delivered a PFS on the Enlarged Project, which highlights a shorter capital repayment period and a lower breakeven nickel price while offering operational flexibility for increased annual production in the future. The additional resources and higher nickel grades included in the first 10 years of mine life, as determined by the updated PFS, significantly improved the economics of the Enlarged Project.

The total acquisition cost was US$8,000,000, comprising:

> US$2,000,000 on closing, in ordinary shares in the capital of the Company which was split between the deposit areas comprising GAP. US$660,000 was paid in shares to a subsidiary of Glencore during 2015 and the transfer of the Serra do Tapa and Pau Preto deposit areas (together: '**SdT**') during 2016 initiated the final completion of the transaction with a further US$1,340,000 shares in the Company issued to Glencore.
> US$1,000,000 remains payable and becomes due after the date of issuance of a joint FS for the Enlarged Project area, to be satisfied in HZM Shares or cash, at the election of the Company; and
> A further US$5,000,000 to be paid in cash, as at the date of first commercial production from any of the resource areas within the Araguaia or GAP areas.

Next Phase of Project Development

Following the publication of the updated Pre-Feasibility Study during 2016 including the newly acquired Glencore Araguaia Project ('**GAP**'), the Company intends to work towards completing a Feasibility Study for the Araguaia project. Work on this has already commenced around the end of 2016, with the appointment of key consultants and a Feasibility Study manager in early 2017.

The data collection programme for the Feasibility Study will commence in May 2017 and will comprise; geotechnical and hydrogeological programme, trial mining, crushing and screening test together with additional test work to enhance the process flow sheet.

Permitting

The Company will now focus on moving the project to 'construction ready' with all relevant permits in place and adherence to both Brazilian and international sustainability standards. The key permits required to move to 'construction ready' phase include:
> Final exploration report with Federal Mining agency DNPM for mine and infrastructure areas;
> Approved Economic Mine Plan and Mining Servitude by DNPM;
> The Installation Licence ('**LI**'), which once awarded, in parallel with the mining concession, allows construction to start;
> Integration of Vale dos Sonhos into the mining and environmental permitting schedules;
> Mining concession once all above permits obtained.

In addition to this, the company will commence the permitting of the energy line in 2017.

Horizonte will also work in partnership with the State Government of Pará and local university to undertake studies identifying possibilities for use of the slag from Araguaia and potential local industries, which could benefit from the final ferronickel product.

The objective of the Company's Sustainability Department in 2017 will be to collect new baseline data, particularly for the recently acquired Vale dos Sonhos project area, and integrate the environmental and social data for the project, to provide one holistic analysis of combined social and environmental impacts. The Feasibility Study will be based on international standards, such as the International Finance Corporations Environmental and Social Performance Standards and the Equator Principles.

With a full permitting schedule planned for 2017, the sustainability team took proactive action by submitting new environmental permit requests, including the exploration Operational Licence for Vale dos Sonhos and the fauna and flora licence for the enlarged Araguaia project in late 2016. Approval of these permits are expected in H1 2017.

Strategic Report

The Directors of the Company and its subsidiary undertakings (which together comprise **'the Group'**) present their Strategic Report for the year ended 31 December 2016.

Review of the Business
The Group is focussed on the development of the enlarged Araguaia nickel project, in Brazil.

Aims, Strategy & Business Plan
The Group's **aim** is to create value for shareholders through the development of the Araguaia Project through to feasibility stage and into development.

The Group's **strategy** is to continue to progress the development of the 100% owned Araguaia project and to consolidate the Group's existing landholdings in the Araguaia area. The Group also evaluates on an ad hoc basis with a view to eventual acquisition, exploration and development of mineral projects in jurisdictions in which it holds a presence, and/or in sectors in which management has expertise.

The Group's **business plan** is to advance the combined and newly integrated Glencore Araguaia Project (**'GAP'**) and Araguaia projects (together the **'Enlarged Project'**) and enhance shareholder value. The first step is to undertake a Feasibility Study, which will be a further milestone in progressive development and de-risking of the Araguaia project and has been the core focus of the Group since the acquisition of Araguaia in August 2010.

The Board seeks to run the Group with a low-cost base in order to maximise the amount that is spent on exploration and development as this is where value can be added. To this extent, the corporate office is run on a streamlined basis by a core team, and specialist skills and activities are outsourced as appropriate, both in the United Kingdom and in Brazil.

The Group finances its activities through periodic capital raisings with share placings. As the Group continues to develop its projects, there may be opportunities to obtain funding through other financial instruments, including royalty, debt or other arrangements with strategic parties.

Principal Risks and Uncertainties
Set out below are the principal risks and uncertainties facing the Group:

Exploration risks
The exploration and mining business is controlled by a number of global factors, principally supply and demand which in turn is a key driver in global metal prices; these factors are beyond the control of the Group. Exploration is a high-risk business and there can be no guarantee that any mineralisation discovered will result in proven and probable reserves or go on to be an operating mine. At every stage of the exploration process the projects are rigorously reviewed, both internally and by qualified third party consultants to determine if the results justify the next stage of exploration expenditure, ensuring that funds are only applied to high priority targets.

The principal assets of the Group, comprising the mineral exploration licences are subject to certain financial and legal commitments. If these commitments are not fulfilled the licences could be revoked. The Group closely monitors on an ongoing basis its commitments and the expiry terms of all licenses in order to ensure good title is maintained. They are also subject to legislation defined by the government in Brazil; if this legislation is changed it could adversely affect the value of the Group's assets.

Resource and reserves estimates
The Group's reported resources and reserves are only estimates. No assurance can be given that the estimated resources will be recovered or that they will be recovered at the rates estimated. Mineral reserve and resource estimates are based on limited sampling and as a result are uncertain because the samples may not be fully representative of the full resource. Mineral resource estimates may require revision (either up or down) in future periods based on further drilling or actual production experience.

Any future resource figures will be estimates and there can be no assurance that the minerals are present, will be recovered or that they can be brought into profitable production. Furthermore, a decline in the market price for natural resources, particularly nickel, could render reserves containing relatively lower grades of these resources uneconomic to recover.

Country risk
The Group's licences and operations are located in foreign jurisdictions. As a result, the Group is subject to political, economic and other uncertainties, including but not limited to, changes in policies or the personnel administering them, appropriation of property without fair compensation, cancellation or modification of contract rights, royalty and tax increases and other risks arising out of foreign governmental sovereignty over the area in which these operations are conducted.

Brazil is the current focus of the Group's activity and offers stable political frameworks and actively supports foreign investment. It has a well-developed exploration and mining code with proactive support for foreign companies. Brazil remains in a recession and the overall economic environment remains challenging.

Volatility of commodity prices
Historically, commodity prices (including in particular the price of nickel) have fluctuated and are affected by numerous factors beyond the Group's control. The aggregate effect of these factors is impossible to predict. Fluctuations in commodity prices in the long-term may adversely affect the returns of the Group's exploration projects.

A significant reduction in the global demand for nickel, leading to a fall in nickel prices, could lead to a significant fall in the cash flow of the Group in future periods and/or delay in exploration and production, which may have a material adverse impact on the operating results and financial position of the Group.

Financing
The successful exploration of natural resources on any project requires significant capital investment. The Group currently sources finance through the issue of additional equity capital. The Group's ability to raise further funds will depend on the success of its investment strategy and acquired operations. The Group may not be successful in procuring the requisite funds on terms which are acceptable and, if such funding is unavailable, the Group may be required to reduce the scope of its investments or anticipated expansion. As the Group is currently in the exploration stage it does not generate revenues and is therefore reliant on its cash resources and obtaining additional financing to funds its operations, should the cash resources deplete and should there be a lack of available financing alternatives the Group may find it difficult to fund its working capital.

Dependence on key personnel
The Group is dependent upon its executive management team. Whilst it has entered into contractual agreements with the aim of securing the services of these personnel, the retention of their services cannot be guaranteed. The development and success of the Group depends on the ability to recruit and retain high quality and experienced staff. The loss of service of key personnel or the inability to attract additional qualified personnel as the Group grows could have an adverse effect on future business and financial conditions. To date the Group has been successful in recruiting and retaining high quality staff.

Title risk
The Group's current and future operations will require approvals and permits from various federal, state and local governmental authorities, and such operations are and will be governed by laws and regulations governing prospecting, development, mining, production, taxes, labour standards, health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters. There is no assurance that delays will not occur in connection with obtaining all necessary renewals of such approvals and permits for the existing operations or additional approvals or permits for any possible future changes to operations. Prior to any development on any of its properties, the Group must receive permits from appropriate governmental authorities. There can be no assurance that the Group will continue to hold all permits necessary to develop or continue operating at any particular property or obtain all required permits on reasonable terms or on a timely basis.

Uninsured risk
The Group, as a participant in exploration and development programmes, may become subject to liability for hazards that cannot be insured against or third party claims that exceed the insurance cover. The Group may also be disrupted by a variety of risks and hazards that are beyond its control, including geological, geotechnical and seismic factors, environmental hazards, industrial accidents, occupation and health hazards and weather conditions or other acts of God.

Financial risks
The Group's operations expose it to a variety of financial risks, particularly relating to foreign currency exchange rates as a result of the Group's foreign operations. The Group has a risk management programme in place that seeks to limit the adverse effects of these risks on the financial performance of the Group.

Details of the Group's financial risk management objectives and policies are set out in note 3 to the Financial Statements.

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

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

	2016	2015
Cash and cash equivalents	£9,317,781	£2,738,905
Administrative expenses as a percentage of Total assets	2.4%	3.7%
Exploration costs capitalised as intangible assets during the year	£2,265,831	£5,715,108

Administrative expenses as a percentage of total assets have been reduced following streamlining in the year in the context of the deterioration in the financial market environment prevalent in the sector in which the Group operates.

Exploration costs capitalised as intangible assets relate to expenditure on the Araguaia project including the cost of acquisition of the Glencore Araguaia Project, which concluded during 2016.

At 31 December 2016, the Group's intangible assets had a carrying value of £32,017,796.

Non-Financial Key Performance Indicators ('KPIs')
The Board monitors the following non-financial KPIs on a regular basis:

Health and Safety — number of reported incidents
There were no significant reportable incidents in the current or prior year.

Operational performance
Integration of the Glencore Araguaia Project into the existing portfolio and the publication of the revised Pre-Feasibility Study on the enlarged project were successfully completed during the year.

Fundraising
On 30 November 2016, a total of 374,000,000 new ordinary shares were issued through a private placement in the United Kingdom and on 2 December 2016 a total of 76,000,000 shares were issued through a non-brokered private placement in Canada, both placements were undertaken a price of £0.02 per share to raise £9,000,000 before expenses.

By order of the Board

Simon Retter
Company Secretary
16 March 2017

Financial Report Simon Retter

Loss for the year
The loss for the year increased slightly to £1,746,334 from £1,544,699 in 2015 due to an overall reduction in cost base during the year offset by adverse foreign exchange movements during the year.

The Group has continued to keep a tight control on its administrative costs, which increased in the year by £144,730 to £1,009,622, any savings obtained by cost reduction were unfortunately offset by adverse effects of foreign exchange movements due to the strengthening USD and BRL which increased the administrative costs in Brazil.

During the year, the group recognised a prior year restatement as a result of adjustments to the carrying value of deferred tax assets, deferred tax liabilities and the carrying value of contingent consideration. The net effect of these is to increase the net assets on the opening balance sheet by £91,532. During 2016 there was an increase in the value of the contingent consideration during the year which is also denominated in USD resulting in a loss of £260,632 compared with a £26,969 loss in the prior year.

Finance costs increased by £157,724 from £63,093 to £220,817 due the unwinding of the discounting on the contingent considerations payable to Teck and Xstrata Brasil Mineração.

In the prior year, there was a one-off, non-cash impairment charge of £253,006 relating to available-for-sale financial assets, which comprised a reclassification from the reserves relating to available-for-sale assets, with an offsetting credit to Other Comprehensive Income

Furthermore, total comprehensive income attributable to equity holders of £7,837,352 included currency translation differences of £9,315,180. This was due to the Brazilian real strengthening against Sterling as at 31 December 2016, as compared to 31 December 2015 and the strengthening of the US Dollar against Sterling over the period.

	Year ended 31 December 2016 £	Year ended 31 December 2015 (Restated) £
Loss before taxation	**(1,746,334)**	(1,544,699)
Cash and cash equivalents	**9,317,781**	2,738,905
Exploration assets	**32,017,796**	20,361,355
Net assets	**37,054,455**	19,638,784
Loss per share (pence)	**0.240p**	0.290p

Cash and Cash Equivalents
The closing cash balance for the Group of £9,317,781 which is significantly higher than £2,738,905 in the prior year, following the fund raise of £9,000,000 before expenses by way of issuing 450,000,000 new shares at a price of 2 pence per share during the year. Direct exploration expenditure was £1,246,688 in the year, as compared to £2,603,260 in 2015. Expenditure in 2016 was lower than in 2015 due to the focus of 2016 being on the publication of an updated Feasibility Study compared to field work undertaken in the prior year.

Exploration Assets
Exploration assets, which comprise the Araguaia project, have increased to £32,017,796 as at 31 December 2016 as compared to £20,361,355 as at 31 December 2015: The Group incurred addition expenditure in the year, which included £1,012,620 in relation to licences acquired from a subsidiary of Glencore, as well as a significant foreign exchange revaluation of £9,400,610 as Sterling depreciated against the Brazilian Real. The exploration assets of the business are recorded in the functional currency of Brazil, the country in which they are located.

Board of Directors and Key Management

A wealth of experience

David J. Hall, BA (Hons), MSc, Fellow SEG, P.Geo, Non-Executive Chairman
Mr. Hall is a graduate in geology from Trinity College Dublin and holds a Master's Degree in Mineral Exploration from Queen's University, Kingston, Ontario. He has over 30 years of experience in the exploration and mining sector and has worked on and assessed exploration projects and mines in over 40 countries. From 1992, Mr. Hall was Chief Geologist for Minorco, 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 Recantada gold deposit in Peru as well as certain joint ventures in Ecuador and Colombia. In April 2002, Mr. Hall 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 TSX Venture Exchange. Mr. Hall is also founder of Stratex International Plc, an AIM traded company with exploration assets in Turkey and in which Teck is an equity shareholder. Mr. Hall is a fellow of the Society of Economic Geologists and EuroGeol.

Jeremy J. Martin, MSc, ASCM
Director and Chief Executive Officer
Mr. Martin holds a degree in Mining Geology from the Camborne School of Mines, and a Master's Degree in mineral exploration from the University of Leicester. He has worked in South America, Central America and Europe, where he was responsible for grassroots regional metalliferous exploration programmes through to resources definition and mine development. Mr. Martin has established a number of JV partnerships with major mining companies and has been involved in the formation of four AIM and TSX traded companies. He has served on a number of public company boards and is a member of the Society of Economic Geologists and the Institute of Mining Analysts.

Simon J Retter BSc (Hons), ACA
Chief Financial Officer and Company Secretary
Mr Retter has a degree in Accounting and Finance from the University of Bristol and is a Chartered Accountant with over 10 years of experience in the mining industry. He has undertaken numerous corporate finance transactions across a broad range of industries including initial public offerings, reverse take overs and secondary fund raisings. He has served as finance director of Paragon Diamonds Ltd and currently holds the role of Finance Director of Vale International Group Ltd a listed special purpose acquisition vehicle targeting the technology sector. Mr Retter is a member of the Institute of Chartered Accountants in England and Wales.

Owen A. Bavinton, BSc (Hons), MSc, DIC, PhD, Non-Executive Director
Dr. Bavinton graduated from the University of Queensland in Geology in 1969, holds a Master's Degree in Mineral Exploration from Imperial College, London and a PhD in Economic Geology from ANU, Canberra, Australia. He has over 40 years of varied international experience in the minerals exploration and mining sector in several commodities. After brief periods as a junior consultant and an underground mine geologist on a Witwatersrand gold mine, from 1974 to 1985 he had several positions with Western Mining Corporation, finally as director of WMC's activities in Brazil. From 1986 to 1992 he was Chief Executive Officer of Aredor Guinea SA. In 1992 he joined the Anglo American group where he stayed until his retirement in 2010. Based initially in Turkey and then in Budapest, he was responsible for Anglo American's exploration and project evaluation activities in the FSU, Central Europe and the Middle East. He moved to London in 1998, initially as Head of Exploration for Minorco, and later Group Head of Exploration and Geology for the Anglo American Group. In those roles, he was responsible for worldwide exploration and geosciences covering a range of exploration projects, through all stages of development, including advanced projects and feasibility studies, as well as providing geoscience input into numerous acquisitions. He is a fellow of the Society of Economic Geologists, the Association of Applied Geochemists and the Institute of Materials, Mining and Metallurgy. Dr. Bavinton is currently an independent consultant.

Allan M. Walker, MA
Non-Executive Director
Mr. Walker has over 30 years of experience in investment banking and funds management, primarily focussed 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. Mr. Walker is currently a consultant with UK Trade and Investment, where he is Head of Project Finance on the Institutional Investment and Infrastructure team, focusing on attracting foreign direct investment into UK energy and infrastructure projects. Previously he was with Masdar Capital in Abu Dhabi, as Executive Director, responsible for managing the third party private equity funds management business for Masdar, the Abu Dhabi government's clean energy and sustainability company. Prior to that he founded (in 2005) and ran a similar private equity fund for Black River Asset Management (UK) Limited, an indirectly held subsidiary of Cargill Inc. Prior to Black River, Mr. Walker was head of power and infrastructure in London for Standard Bank Plc, a world leader in emerging markets resource banking. Mr. Walker was also previously a director in the Global Energy and Project Finance Group of Credit Suisse First Boston in London and ran the energy group at CSFB Garantia in Sao Paulo, Brazil from 1998 to 2001, where he spent seven years covering Latin America. He also spent three years in the energy group of ING Barings in New York. Mr. Walker graduated with an MA in economic geography from Cambridge University in 1982 and received his financial training on a one year residential training programme with JP Morgan in New York in 1983. He speaks Portuguese and Spanish.

Alexander N. Christopher, BSc (Hons), P.Geo
Non-Executive Director
Mr. Christopher, a professional geologist, has over 30 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 Senior Vice President, Exploration, Projects & Technical Services at Teck. Mr. Christopher has been with Teck since the mid-1980's holding a number of positions within the company. He is also currently a member of the Board of Directors of the Prospectors and Developers Association of Canada where he holds the position of Second Vice President.

William Fisher, P.Geo
Non-Executive Director
Mr. Fisher graduated as a geologist in 1979 and has extensive industry experience which has included a number of residential posts in Africa, Australia, Europe and Canada in both exploration and mining positions. Under his leadership, Karmin Exploration discovered the Aripuanã base metal sulphide deposits in Brazil. From 1997 to 2001 Mr. Fisher was Vice President, Exploration for Boliden AB, a major European mining and smelting company where he was responsible for thirty five projects in nine countries. From 2001 to 2008, Bill led GlobeStar Mining Corp. from an exploration company to an emerging base metal producer in the Dominican Republic which developed and operated the Cerro de Maimon mine until it was sold to Perilya for USD 186 million. Mr. Fisher was also Chairman of Aurelian Resources which was acquired by Kinross in 2008 for USD 1.2 Billion after the discovery of the Fruta del Norte gold deposit in Ecuador. Mr. Fisher currently serves as Executive Chairman of Goldquest Mining Corp. (TSX: GCQ), independent director of Treasury Metals Inc. (TSX: TML) and Chairman of Rame Energy (AIM: RAME).

Key Advisers

Roger Billington P.Geo
Senior Nickel Adviser
Mr Billington is the former head of Falconbridge nickel laterite exploration worldwide. He has project development experience including senior roles in the discovery and evaluation of the Touba- Biankouma nickel laterite deposits (Côte d'Ivoire), the Koniambo nickel laterite deposit (New Caledonia), the Sechol nickel laterite deposit (Guatemala) and the GlobeStar nickel laterite deposit (Dominican Republic).

Dr Philip Mackey P.Eng, PhD, FCIM
Senior Metallurgical Adviser
Dr Mackey is a consulting metallurgical engineer with over forty years' experience in non-ferrous metals processing with a particular focus on nickel and copper sulphide smelting and nickel laterite processing. He has worked for leading producers of nickel including Falconbridge and Xstrata and throughout his career he has been involved in a number of nickel sulphide projects and later on, nickel laterite projects at various stages of the development cycle. Dr Mackey's extensive experience has seen him take projects from the start-up stage, through the feasibility stages and into the processing and production of non-ferrous metals. Dr Mackey is a Member and Fellow of the Canadian Institute of Mining and Metallurgy as well as the Metals and Minerals Society USA. He has also authored or co-authored over 100 publications regarding metallurgy with a particular focus on nickel and copper.

Directors' Report

The Directors present their Annual Report on the affairs of Horizonte Minerals Plc, together with the audited Financial Statements for the year ended 31 December 2016.

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

Financial review
The Group recorded a loss for the year of £1,746,334 (2015: £1,544,699). The Group is currently involved in exploration and evaluation activities and not actively mining. As a result, the Group is not revenue generative.

On 30 November 2016, a total of 374,000,000 shares were issued through a private placement at a price of £0.02 per share to raise £7,480,000 before expenses. On 2 December 2016, a total of 76,000,000 shares were issued through a private placement at a price of £0.02 per share to raise £1,520,000 before expenses.

On 8 August 2016, the Company issued 50,729,922 new Ordinary shares in the company at a price of £0.0199 per share to Xstrata as consideration for the acquisition of certain licences for the Glencore Araguaia Project from Xstrata Brasil Exploraçâo Mineral Ltda.

At 31 December 2016, the Group had cash and cash equivalents of £9,317,781 (2015: £2,738,905). The Directors have prepared cash flow forecasts for the 12 months from the date of signing of these Financial Statements. The Directors have formed a judgement at the time of approving the Financial Statements that there is a reasonable expectation that the Company and Group have adequate resources to continue operations for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the Financial Statements. Further details of the Directors' conclusions regarding going concern are detailed in note 2.4 to the Financial Statements.

The Directors do not recommend payment of a dividend (2015: £Nil).

Sustainability
People
As a Group, we understand the importance of the team in developing and growing the Group for the future. We aim to create an environment that will attract, retain and motivate people so they can maximise their potential.

Social
Horizonte currently conducts exploration in Brazil and recognises that there is a vital social dimension to all exploration and mining activities. We are fortunate to maintain excellent relationships with all communities and landholders located close to, or on, our projects. This is largely as a result of our policy to prioritise local labour and regularly consult community members about the Araguaia Project. Wherever possible, the Group tries to support local economic development by using local suppliers and over 60% of the Group's workforce originate from the Brazilian state of Parã, where the project is located.

Environmental
Horizonte undertakes its exploration activities in a manner that aims to minimise or eliminate negative environmental impacts and strives wherever possible to make that impact positive. The company makes significant efforts to make sure that any activity associated with exploration leave minimal impact on the surrounding environment. To ensure proper environmental stewardship on its projects, Horizonte conducts certified baseline studies prior to all drill programmes and ensures that areas explored are properly maintained and conserved in accordance with local environmental legislation. After drilling has occurred, drill sites and access routes are rehabilitated. Horizonte has a string record of rehabilitating any area where it has been undertaking exploration activities and where practical, improvements carried out on local roads and infrastructure.

The Group also provides in-kind support through our employees to assist local landowners partake in good environmental stewardship practices, for example, the rehabilitation of natural springs and planting of native shrubs.

SEIA
As the project moves towards the Feasibility Stage, the focus is now on creating one integrated Social and Environmental Impact Assessment based on International Finance Corporation / World Bank standards. Ongoing data collection will continue to be undertaken in 2017, including social resettlement data, water quality, hydrology, gas, soil, weather and other data required to place the Group in good stance with strong baseline studies to further advance permitting and provide a basis to progress the Araguaia Project through the Feasibility and Construction stages.

In 2016, the sustainability team commenced work programmes in Vale dos Sonhos to collect baseline data and integrate the deposit into the licensing schedule.

Safety
Over one year LTI free

People
Horizonte has a favourable percentage of local employees and also of female employees

Social
Over 15 small rural community projects implemented, including volunteering in impoverished schools within zone of directly affected area of the future Araguaia nickel project

Rehabilitation
Horizonte has a strong record of rehabilitating any area where it has been undertaking exploration activities.

Fauna & Flora
New native nursery created on camp to boost production of native flora

Permits
Preliminary Licence granted and Installation Licence work programme commenced

Health and safety
Horizonte operates a comprehensive health and safety programme to ensure the wellness and security of its employees. The control and eventual elimination of all work related hazards requires dedicated team effort involving the active participation of all employees. A comprehensive health and safety programme is the primary means for delivering best practices in health and safety management. This programme is regularly updated to incorporate employee feedback, lessons learned from past incidents and new guidelines related to new projects. Through this we aim to identify areas for further improvement of health and safety management, resulting in continuous improvement of the health and safety programme. Employee involvement is seen as fundamental in recognising and reporting unsafe conditions and avoiding events that may result in injuries and accidents.

The Group operates using 6 'golden rules' aimed at mitigating the majority of health and safety risks. Annually, Horizonte management provides a detailed in house review of the Company's health and safety programme hand in hand with all members of the Brazil exploration team. In addition, Brazil exploration personnel attend accredited independent courses in first-aid, risk assessment, fire combatting and defensive driving.

Substantial shareholdings
The Directors are aware of the following substantial interests or holdings in 3% or more of the Company's ordinary called up share capital as at 16 March 2017.

Major shareholders	Number of shares	% of issued capital
Teck Resources Limited	210,207,179	17.9
Richard Griffiths	169,414,049	14.5
Henderson Global Investors	165,376,242	14.1
JP Morgan	98,394,838	8.4
Glencore	74,507,195	6.4
Hargreave Hale	75,000,000	6.4
City Financial	65,333,333	5.6

Share capital
Changes in the share capital of the Company are set out in note 13 of the Financial Statements.

Directors and their interests
The names of the Directors of the Company at the date of this report are shown in the Statutory Information.

The Directors who served during the year, together with all their beneficial interests in the shares of the Company as at 31 December 2016 are as follows:

	31 December 2016		31 December 2015	
Director	Shares	Options	Shares	Options
David Hall	**1,039,955**	**6,500,000**	1,039,955	5,000,000
Jeremy Martin	**1,083,908**	**13,500,000**	1,083,908	11,000,000
Owen Bavinton	**2,000,000**	**5,000,000**	2,000,000	3,500,000
Allan Walker	**—**	**5,900,000**	—	4,400,000
William Fisher	**820,000**	**5,000,000**	20,000	3,500,000
Alex Christopher	**—**	**—**	—	—

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

There has been no change in the interests set out above between 31 December 2016 and 16 March 2017.

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

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

Financial risk management
The Company is exposed through its operations to the following financial risks:
> Commodity price risk
> Foreign currency risk
> Credit risk
> Interest rate risk
> Liquidity risk

In common with all other businesses, the Group is exposed to risks that arise from its area of operation, these along with managements policies surrounding risk management are included in note 3.

Events after the reporting date
The events after the reporting date are set out in note 29 to the Financial Statements.

Future developments
In 2017 the Group will be working on publishing a Feasibility Study on the enlarged Araguaia project. Furthermore, the permitting for the Araguaia project will continue to be advanced.

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

Annual General Meeting
The Notice of the Annual General Meeting of the Company and the Management Information Circular together with Management Discussion and Analysis as at 31 December 2016 will be distributed to shareholders together with the Annual Report. Full details of the business to be considered at that meeting can be found in the Notice.

Independent auditor
PKF Littlejohn LLP were replaced as auditor during the year following a routine rotation of advisers undertaken by the Company, they were replaced by BDO LLP.

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

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

By Order of the Board

Simon Retter
Company Secretary
16 March 2017

Statement of Directors' Responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group and company financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group and company for that period. The directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market and in accordance with the rules of the Toronto Stock Exchange.

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

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

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

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

By Order of the Board

Simon James Retter
Company Secretary
16 March 2017

Corporate Governance Report

The Board of Directors
As at 31 December 2016, the Board of Directors comprised six members: one Executive Director and five Non-Executive Directors including the Chairman, Mr David Hall. The Executive Director has a wealth of minerals exploration and development experience. Similarly, the Non-Executive Directors have extensive mineral and financial experience. Mr Owen Bavinton, Mr William Fisher and Mr Allan Walker are classified as Independent by the Toronto Stock Exchange.

Board meetings
The Board ordinarily meets approximately on a quarterly basis and as and when further required, providing effective leadership and overall management of the Company's affairs by reference to those matters reserved for its decision. This includes the approval of the budget and business plan, major capital expenditure, acquisitions and disposals, risk management policies and the approval of the financial statements. Formal agendas, papers and reports are sent to the Directors in a timely manner, prior to the Board meetings. The Board delegates certain aspects of its responsibilities to the Board committees which have terms of reference as listed below.

Corporate governance practices
The Board recognises the importance of sound corporate governance commensurate with the size of the Company and the interests of Shareholders. As the Company grows, the Directors will seek to develop policies and procedures in line with the requirements of the Code of Best Practice (commonly known as the '**UK Corporate Governance Code**'), as published by the Financial Reporting Council so far as is practicable and considers them to be appropriate taking into account the size and nature of the Company.

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

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

Internal controls
The Board recognises the importance of both financial and non-financial controls and has reviewed the Company's control environment and any related shortfalls during the year. Since the Company was established, the Directors are satisfied that, given the current size and activities of the Company, adequate internal controls have been implemented. Whilst they are aware that no system can provide absolute assurance against material misstatement or loss, in light of the current activity and proposed future developments of the Company, continuing reviews of internal controls will be undertaken to ensure that they are adequate and effective.

Risk management
The Board considers risk assessment to be important in achieving its strategic objectives. There is a process of evaluation of performance targets through regular reviews by senior management of forecasts. Project milestones and timelines are regularly reviewed.

Securities trading
The Company has adopted a share dealing code for dealings in shares by Directors and senior employees which is appropriate for an AIM and TSX listed company. The Directors comply with relevant AIM and TSX rules relating to Directors' dealings and take reasonable steps to ensure compliance by the Group's applicable employees.

Relations with shareholders
The Board is committed to providing effective communication with the shareholders of the Company. Significant developments are disseminated through stock exchange announcements and regular updates on the Company website. The Board views the Annual General Meeting as a forum for communication between the Company and its shareholders and encourages their participation in its agenda.

Independent Auditor's Report to the Members of Horizonte Minerals Plc

We have audited the financial statements of Horizonte Minerals plc for the year ended 31 December 2016 which comprise the consolidated statements of comprehensive income, the consolidated and company statements of financial position, the consolidated and company statements of changes in equity, the consolidated and company statements of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ('IFRSs') as adopted by the European Union.

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

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements
In our opinion the financial statements:
> give a true and fair view of the state of Group and Company's affairs as at 31 December 2016 and of the Group's loss for the year then ended;
> have been properly prepared in accordance with IFRSs as adopted by the European Union; and
> have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:
> the information given in the strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
> the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:
> adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
> the financial statements are not in agreement with the accounting records and returns; or
> certain disclosures of directors' remuneration specified by law are not made; or
> we have not received all the information and explanations we require for our audit.

BDO LLP

Stuart Barnsdall (senior statutory auditor)
For and on behalf of BDO LLP,
statutory auditor
London, UK

Date: 16 March 2017
BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Independent Auditor's Report in Respect of Canadian National Instrument 52-107 (Acceptable Accounting Principals and Auditing Standards)

To the Shareholders of Horizonte Minerals PLC

We have audited the accompanying financial statements of Horizonte Minerals PLC for the year ended 31 December 2016 which comprise the consolidated statement of comprehensive income, the consolidated and company statements of financial position, the consolidated and company statements of changes in equity, the consolidated and company statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial reporting framework that has been applied in the preparation of the consolidated financial statements is applicable law and International Financial Reporting Standards ('IFRSs').

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the applicable financial reporting framework, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian Generally Accepted Auditing Standards (Canadian GAAS). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Horizonte Minerals PLC as at 31 December 2016 and its financial performance and its cash flows for the year then ended in accordance with IFRSs.

Other matters

During the year ended 31 December 2016, the Company changed its auditor and as such the audit of the financial statements for the year ended 31 December 2015 was performed by the Group's previous auditors, except for the restated amounts and disclosures relating to the prior year adjustment described in note 21 which we have audited.

BDO LLP

BDO LLP
London
United Kingdom
16 March 2017

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

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2016

	Notes	Year ended 31 December 2016 £	Year ended 31 December 2015 (Restated) £
Administrative expenses		**(1,009,623)**	(864,892)
Charge for share options granted		**(324,890)**	(100,248)
Changes in fair value of contingent consideration	17	**(260,632)**	(26,969)
Gain/(loss) on foreign exchange		**65,241**	(251,409)
Other losses – impairment of available-for-sale assets		**—**	(253,006)
Operating loss	6	**(1,529,904)**	(1,4,96,524)
Finance income	8	**4,387**	14,918
Finance costs	8	**(220,817)**	(63,093)
Loss before taxation		**(1,746,334)**	(1,544,699)
Income tax	9	**—**	—
Loss for the year from continuing operations attributable to owners of the parent		**(1,746,334)**	(1,544,699)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Impairment in value of available-for-sale financial assets		—	253,006
Currency translation differences on translating foreign operations	16	9,315,180	(6,354,056)
Other comprehensive income for the year, net of tax		9,315,180	(6,101,050)
Total comprehensive income for the year attributable to owners of the parent		7,568,846	(7,654,749)
Loss per share from continuing operations attributable to owners of the parent			
Basic and diluted (pence per share)	19	**(0.240)**	(0.290)

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

Consolidated Statement of Financial Position

Company number: 05676866
As at 31 December 2016

	Notes	31 December 2016 £	31 December 2015 (Restated) £	1 January 2015 (Restated) £
Assets				
Non-current assets				
Intangible assets	10	**32,017,796**	20,351,355	21,075,565
Property, plant & equipment		**862**	11,888	54,390
		32,018,658	20,363,243	21,129,955
Current assets				
Trade and other receivables		**35,493**	40,912	22,709
Cash and cash equivalents	12	**9,317,781**	2,738,905	5,030,968
		9,353,274	2,779,817	5,053,677
Total assets		**41,371,932**	23,143,060	26,183,632
Equity and liabilities				
Equity attributable to owners of the parent				
Share capital	13	**11,719,343**	6,712,044	4,924,271
Share premium	14	**35,767,344**	31,252,708	31,095,370
Other reserves	16	**4,467,064**	(4,848,116)	1,252,934
Retained losses		**(14,899,297)**	(13,477,853)	(12,033,402)
Total equity		**37,054,454**	19,638,783	25,239,173
Liabilities				
Non-current liabilities				
Contingent consideration	17	**3,643,042**	3,161,592	335,327
Deferred tax liabilities	9	**282,450**	193,665	273,238
		3,925,492	3,355,257	608,895
Current liabilities				
Trade and other payables	17	**391,986**	149,020	335,894
		391,986	149,020	335,894
Total liabilities		**4,317,478**	3,504,277	944,459
Total equity and liabilities		**41,371,932**	23,143,060	26,183,632

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

The Financial Statements were authorised for issue by the Board of Directors on 16 March 2017 and were signed on its behalf.

David J Hall
Chairman

Jeremy J Martin
Chief Executive Officer

Company Statement of Financial Position

Company number: 05676866
As at 31 December 2016

	Notes	31 December 2016 £	31 December 2015 (Restated) £	1 January 2015 (Restated) £
Assets				
Non-current assets				
Property, plant & equipment	11	**283**	1,254	2,291
Investment in subsidiaries	25	**43,670,347**	40,292,156	33,361,507
		43,670,630	40,293,410	33,363,798
Current assets				
Trade and other receivables		**35,423**	18,739	13,818
Cash and cash equivalents	12	**9,143,993**	2,568,266	4,208,984
		9,179,416	2,587,005	4,222,802
Total assets		**52,850,046**	42,880,415	37,586,600
Equity and liabilities				
Equity attributable to equity shareholders				
Share capital	13	**11,719,343**	6,712,044	4,924,271
Share premium	14	**35,767,344**	31,252,708	31,095,370
Merger reserve	16	**10,888,760**	10,888,760	10,888,760
Retained losses		**(9,915,498)**	(9,637,561)	(10,159,288)
Total equity		**48,459,949**	39,215,951	36,749,113
Liabilities				
Non-current liabilities				
Contingent consideration	17	**3,643,042**	3,161,591	335,327
		3,643,042	3,161,591	335,327
Current liabilities				
Trade and other payables	17	**747,055**	502,873	502,160
		747,055	502,873	502,160
Total liabilities		**4,390,097**	3,664,464	837,487
Total equity and liabilities		**52,850,046**	42,880,415	37,586,600

The above Company Statement of Financial Position should be read in conjunction with the accompanying notes, loss for the period was £602,827 (2015:£421,479 profit).

The Financial Statements were authorised for issue by the Board of Directors on 16 March 2017 and were signed on its behalf.

David J Hall
Chairman

Jeremy J Martin
Chief Executive Officer

Statements of Changes in Equity

For the year ended 31 December 2016

	Attributable to owners of the parent				
	Share capital £	Share premium £	Retained losses £	Other reserves £	Total £
Consolidated					
As at 1 January 2015 (previously reported)	4,924,271	31,095,370	(9,526,869)	(321,601)	26,171,171
Refer note 22 c	—	—	—	1,574,535	1,574,535
Refer note 22 d	—	—	(2,506,533)	—	(2,506,533)
As at 1 January 2015 (Restated)	4,924,271	31,095,370	(12,033,402)	1,252,934	25,239,173
Loss for the year	—	—	(1,544,699)	—	(1,544,699)
Other comprehensive income:					
Impairment of available-for-sale financial assets	—	—	—	253,006	253,006
Currency translation differences on translating foreign operations	—	—	—	(6,354,056)	(6,354,056)
Total comprehensive income for the year	—	—	(1,544,699)	(6,101,050)	(7,654,749)
Issue of ordinary shares	1,787,773	200,300	—	—	1,988,073
Issue costs	—	(42,962)	—	—	(42,962)
Share-based payments	—	—	100,248	—	100,248
Total transactions with owners, recognised directly in equity	1,787,773	157,338	100,248	—	2,045,359
As at 31 December 2015 (Restated)	6,712,044	31,252,708	(13,477,853)	(4,848,116)	19,638,783
Loss for the year	—	—	(1,746,334)	—	(1,746,334)
Other comprehensive income:					
Currency translation differences on translating foreign operations	—	—	—	9,315,180	9,315,180
Total comprehensive income for the year	—	—	(1,746,334)	9,315,180	7,568,846
Issue of ordinary shares	5,007,299	5,005,321	—	—	10,012,620
Issue costs	—	(490,685)	—	—	(490,685)
Share-based payments	—	—	324,890	—	324,890
Total transactions with owners, recognised directly in equity	5,007,299	4,514,636	324,890	—	9,846,825
As at 31 December 2016	11,719,343	35,767,344	(14,899,297)	4,467,064	37,054,454

A breakdown of other reserves is provided in note 18.

	Attributable to equity shareholders				
	Share capital £	Share premium £	Retained losses £	Merger reserves £	Total £
Company					
As at 1 January 2015 previously reported	4,924,271	31,095,370	(7,652,755)	10,888,760	39,255,646
Refer note 22 d	—	—	(2,506,533)	—	(2,506,533)
As at 1 January 2015 (Restated)	4,924,271	31,095,370	(10,159,288)	10,888,760	36,749,113
Loss and total comprehensive income for the year	—	—	421,479	—	421,479
Issue of ordinary shares	1,787,773	200,300	—	—	1,988,073
Issue costs	—	(42,962)	—	—	(42,962)
Share-based payments	—	—	100,248	—	100,248
Total transactions with owners, recognised directly in equity	1,787,773	157,338	100,248	—	2,045,359
As at 31 December 2015 (Restated)	6,712,044	31,252,708	(9,637,561)	10,888,760	39,215,951
Loss and total comprehensive income for the year	—	—	(602,827)	—	(602,827)
Issue of ordinary shares	5,007,299	5,005,321	—	—	10,012,620
Issue costs	—	(490,685)	—	—	(490,685)
Share-based payments	—	—	324,890	—	324,890
Total transactions with owners, recognised directly in equity	5,007,299	4,514,636	324,890	—	9,846,825
As at 31 December 2016	11,719,343	35,767,344	(9,915,498)	10,888,760	48,459,949

The above Statements of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows
For the year ended 31 December 2016

	Notes	31 December 2016 £	31 December 2015 (Restated) £
Cash flows from operating activities			
Loss before taxation		(1,746,334)	(1,544,699)
Finance income		(4,387)	(14,918)
Finance costs		220,817	63,093
Impairment of Peruvian reserves		—	17,200
Impairment of available-for-sale financial assets		—	253,006
Charge for share options granted		324,890	100,248
Gain on sale of property, plant and equipment		—	(24,453)
Exchange differences		(177,940)	251,409
Change in fair value of contingent consideration		260,632	26,969
Depreciation		1,084	1,419
Operating loss before changes in working capital		(1,121,238)	(870,726)
Decrease/(increase) in trade and other receivables		22,588	(19,635)
Increase/(decrease) in trade and other payables		242,965	(37,154)
Net cash used in operating activities		(855,685)	(927,515)
Cash flows from investing activities			
Purchase of intangible assets		(1,253,212)	(2,663,260)
Proceeds from sale of property, plant and equipment		—	26,734
Interest received		4,387	14,918
Net cash used in investing activities		(1,248,825)	(2,621,608)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		9,000,000	1,550,000
Issue costs		(380,685)	(42,962)
Net cash generated from financing activities		8,619,315	1,507,038
Net increase/(decrease) in cash and cash equivalents		6,514,805	(2,042,085)
Cash and cash equivalents at beginning of year		2,738,905	5,030,968
Exchange gain/(loss) on cash and cash equivalents		64,071	(249,978)
Cash and cash equivalents at end of the year	12	9,317,781	2,738,905

Major non-cash transactions
On 8 August 2016 the Company issued 50,729,922 new Ordinary shares in the company at a price of £0.0199 per share to Xstrata as consideration for the acquisition of certain licences for the Glencore Araguaia Project from Xstrata Brasil Exploração Mineral Ltda.

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Company Statement of Cash Flows

For the year ended 31 December 2016

	Notes	31 December 2016 £	31 December 2015 (Restated) £
Cash flows from operating activities			
(Loss)/profit before taxation		**(602,827)**	421,479
Finance income		**(1,668)**	(6,952)
Charge for share options granted		**324,890**	100,248
Exchange differences		**283,555**	(375,747)
Change in fair value of contingent consideration		**260,632**	26,969
Depreciation		**971**	1,037
Operating profit before changes in working capital		**265,553**	30,212
Increase in trade and other receivables		**(16,683)**	(4,921)
Increase in trade and other payables		**244,182**	713
Net cash flows generated from operating activities		**493,052**	167,034
Cash flows from investing activities			
Loans to subsidiary undertakings		**(2,573,088)**	(3,321,742)
Interest received		**1,668**	6,952
Net cash used in investing activities		**(2,571,420)**	(3,314,790)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		**9,000,000**	1,550,000
Issue costs		**(380,685)**	(42,962)
Net cash generated from financing activities		8,619,315	**1,507,038**
Net increase/(decrease) in cash and cash equivalents		**6,540,947**	(1,640,718)
Exchange loss on cash and cash equivalents		34,779	—
Cash and cash equivalents at beginning of year		2,568,266	4,208,984
Cash and cash equivalents at end of the year	12	**9,143,993**	2,568,266

Major non-cash transactions

On 8 August 2016 the Company issued 50,729,922 new Ordinary shares in the company at a price of £0.0199 per share to Xstrata as consideration for the acquisition of certain licences for the Glencore Araguaia Project from Xstrata Brasil Exploraçâo Mineral Ltda.

The above Company Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

1 General information
The principal activity of Horizonte Minerals Plc ('**the Company**') and its subsidiaries (together '**the Group**') is the exploration and development of base metals. The Company's shares are listed on the AIM market of the London Stock Exchange and on the Toronto Stock Exchange. The Company is incorporated and domiciled in England and Wales. The address of its registered office is 26 Dover Street, London W1S 4LY.

2 Summary of significant accounting policies
The principal accounting policies applied in the preparation of these Financial Statements are set out below. These policies have been consistently applied to all the years presented.

2.1 Basis of preparation
These Financial Statements have been prepared in accordance with International Financial Reporting Standards ('**IFRSs**') and IFRS interpretations Committee ('**IFRS IC**') interpretations as adopted by the European Union ('**EU**') and with IFRS and their interpretations issued by the IASB. The consolidated financial statements have also been prepared in accordance with and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The Financial Statements have been prepared under the historical cost convention as modified by the revaluation of available-for-sale financial assets.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's Accounting Policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Statements, are disclosed in Note 4.

2.2 Changes in accounting policy and disclosures
a) New and amended standards adopted by the Group
There are no IFRSs or IFRIC interpretations that were effective for the first time for the financial year beginning 1 January 2016 that have had a material impact on the Group or Company.

b) New and amended standards, and interpretations issued but not yet effective for the financial year beginning 1 January 2016 and not early adopted
The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the financial statements are listed below. The Group intends to adopt these standards, if applicable, when they become effective. Unless stated below, there are no IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

Standard	Effective Date
IFRS 15 Revenue from Contracts with Customers	01-Jan-18
IFRS 9 Financial Instruments	01-Jan-18
IFRS 16 Leases *	01-Jan-19

*Subject to EU endorsement

The only standard which is anticipated to be significant or relevant to the Group is IFRS 9 "Financial Instruments", the Group is in the process of assessing the impact of the standards on the Financial Statements. Both IFRS 15 and IFRS 16 are not expected to have a material impact on the Group at this stage of the Group's operations.

2.3 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 Limited ('HEL') by way of a share for share exchange. The transaction was treated as a group reconstruction and was accounted for using the merger accounting method as the entities were under common control before and after the acquisition.

Subsidiaries are entities controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

> The contractual arrangement with the other vote holders of the investee.
> Rights arising from other contractual arrangements.
> The Group's voting rights and potential voting rights.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Other than for the acquisition of HEL as noted above, the Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are expensed as incurred unless they result from the issuance of shares, in which case they are offset against the premium on those shares within equity.

If an acquisition is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or a liability is recognised in accordance with IAS 39 either in profit or loss or as a change in other comprehensive income. The unwinding of the discount on contingent consideration liabilities is recognised as a finance charge within profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

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

Investments in subsidiaries are accounted for at cost less impairment.

The following 100% owned subsidiaries have been included within the consolidated Financial Statements:

Subsidiary undertaking	Held	Registered Address	Country of incorporation	Nature of business
Horizonte Exploration Ltd	Directly	26 Dover Street, London, W1S 4LY	England	Mineral Exploration
Horizonte Minerals (IOM) Ltd	Indirectly	Devonshire House, 15 St Georges St, Douglas, Ilse of Man,	Isle of Man	Holding company
HM Brazil (IOM) Ltd	Indirectly	Devonshire House, 15 St Georges St, Douglas, Ilse of Man,	Isle of Man	Holding company
Cluny (IOM) Ltd	Indirectly	Devonshire House, 15 St Georges St, Douglas, Ilse of Man,	Isle of Man	Holding company
Champol (IOM) ltd	Indirectly	Devonshire House, 15 St Georges St, Douglas, Ilse of Man,	Isle of Man	Holding company
Horizonte Nickel (IOM) Ltd	Indirectly	Devonshire House, 15 St Georges St, Douglas, Ilse of Man,	Isle of Man	Holding company
HM do Brasil Ltda	Indirectly	CNPJ 07.819.038/0001-30 com sede na Avenida Amazonas, 2904, loja 511, Bairro Prado, Belo Horizonte – MG. CEP: 30.411-186	Brazil	Mineral Exploration
Araguaia Niquel Mineração Ltda	Indirectly	CNPJ 97.515.035/0001-03 com sede na Avenida Amazonas, 2904, loja 511, Bairro Prado, Belo Horizonte – MG. CEP: 30.411-186	Brazil	Mineral Exploration
Lontra Empreendimentos e Participações Ltda	Indirectly	CNPJ 11.928.960/0001-32 com sede na Avenida Amazonas, 2904, loja 511, Bairro Prado, Belo Horizonte – MG. CEP: 30.411-186	Brazil	Mineral Exploration
Typhon Brasil Mineração Ltda	Indirectly	CNPJ 23.282.640/0001-37 com sede Alameda Ezequiel Dias, n. 427, 2° andar, bairro Funcionários, Município de Belo Horizonte, Estado de Minas Gerais, CEP 30.130-110.	Brazil	Mineral Exploration
Trias Brasil Mineração Ltda	Indirectly	CNPJ 23.282.280/0001-73 com sede na Alameda Ezequiel Dias, n. 427, 2° andar, bairro Funcionários, Município de Belo Horizonte, Estado de Minas Gerais, CEP 30.130-110	Brazil	Mineral Exploration

2.4 Going concern

The Group's business activities together with the factors likely to affect its future development, performance and position are set out in the Chairman's Statement on pages 4 and 5; in addition note 3 to the Financial Statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and its exposure to credit and liquidity risk.

The Financial Statements have been prepared on a going concern basis. Although the Group's assets are not generating revenues and an operating loss has been reported, the Directors consider that the Group has sufficient funds to undertake its operating activities for a period of at least the next 12 months including any additional expenditure required in relation to its current exploration projects. The Group has cash reserves which are considered sufficient by the Directors to fund the Group's committed expenditure both operationally and on its exploration projects for the foreseeable future. However, as additional projects are identified and the Araguaia project moves towards production, additional funding will be required.

As a result of considerations noted above, the Directors have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing these Financial Statements.

2.5 Intangible Assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets, liabilities and contingent liabilities of the acquired subsidiary at the date of acquisition. Goodwill arising on the acquisition of subsidiaries is included in 'intangible assets'. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segment.

(b) Exploration and evaluation assets

The Group capitalises expenditure in relation to exploration and evaluation of mineral assets when the legal rights are obtained. Expenditure included in the initial measurement of exploration and evaluation assets and which are classified as intangible assets relate to the acquisition of rights to explore, topographical, geological, geochemical and geophysical studies, exploratory drilling, trenching, sampling and activities to evaluate the technical feasibility and commercial viability of extracting a mineral resource.

Exploration and evaluation assets arising on business combinations are included at their acquisition-date fair value in accordance with IFRS 3 (revised) 'Business combinations'. Other exploration and evaluation assets and all subsequent expenditure on assets acquired as part of a business combination are recorded and held at cost.

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

Whenever the exploration for and evaluation of mineral resources does not lead to the discovery of commercially viable quantities of mineral resources or the Group has decided to discontinue such activities of that unit, the associated expenditures are written off to profit or loss.

2.6 Property, plant and equipment

All property, plant and equipment is stated at historic cost less accumulated depreciation. Historic cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred.

Depreciation is charged on a straight-line basis so as to write off the cost of assets, over their estimated useful lives, using the straight-line method, on the following bases:

Office equipment	25%
Vehicles and other field equipment	25% – 33%

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the assets carrying amount is greater than its estimated recoverable amount.

2.7 Impairment of non-financial assets
Assets that have an indefinite useful life, such as goodwill or intangible exploration assets not ready to use, are not subject to amortisation and are tested annually for impairment. Intangible assets that are subject to amortisation and property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 Foreign currency translation
(a) Functional and presentation currency
Items included in the Financial Statements of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The functional currency of the UK and Isle of Man entities is Pounds Sterling and the functional currency of the Brazilian entities is Brazilian Real. The Consolidated Financial Statements are presented in Pounds Sterling, rounded to the nearest pound, which is the Company's functional and Group's presentation currency.

(b) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where such items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

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

1. assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
2. each component of profit or loss is translated at average exchange rates during the accounting period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
3. all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of monetary items receivable from foreign subsidiaries for which settlement is neither planned nor likely to occur in the foreseeable future are taken to other comprehensive income. When a foreign operation is sold, such exchange differences are recognised in profit or loss as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and retranslated at the end of each reporting period.

2.9 Financial assets
The Group classifies its financial assets as loans and receivables.

(a) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method, less impairment. The Group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the Consolidated Statement of Financial Position and loans to group undertakings in the Company Statement of Financial Position.

Derecognition
A financial asset is derecognised when the rights to receive cash flows from the asset have expired.

2.10 Cash and cash equivalents
In the Statement of Financial Position and Statement of Cash Flows, cash and cash equivalents comprise cash at bank and in hand and demand deposits with banks and other financial institutions, that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

2.11 Impairment of financial assets
(a) Assets carried at amortised cost
The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a '**loss event**') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the Consolidated Income Statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the Consolidated Income Statement.

2.12 Taxation
The tax credit or expense for the period comprises current and deferred tax. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The charge for current tax is calculated on the basis of the tax laws enacted or substantively enacted by the end of the reporting period in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is accounted for using the liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax assets are recognised on tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Deferred tax is calculated at the tax rates (and laws) that have been enacted or substantively enacted by the Statement of Financial Position date and are expected to apply to the period when the asset is realised or the liability is settled.

Deferred tax assets and liabilities are not discounted.

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

2.14 Financial liabilities
The Group classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired.

Fair value through profit or loss
This category comprises the contingent consideration which are carried in the consolidated statement of financial position at fair value with changes in fair value recognised in the consolidated statement of comprehensive income.

Other financial liabilities
Trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

2.15 Trade payables
Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

2.16 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 the Income Statement on a straight-line basis over the period of the respective leases.

2.17 Share-based payments and incentives

The Group operates equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of employee services received in exchange for the grant of share options are recognised as an expense. The total expense to be apportioned over the vesting period is determined by reference to the fair value of the options granted:

> including any market performance conditions;
> excluding the impact of any service and non-market performance vesting conditions; and
> including the impact of any non-vesting conditions.

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period the Group revises its estimate of the number of options that are expected to vest.

It recognises the impact of the revision of original estimates, if any, in profit or loss, with a corresponding adjustment to equity.
When options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

The fair value of goods or services received in exchange for shares is recognised as an expense.

2.18 Segment reporting

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

2.19 Finance income

Interest income is recognised using the effective interest method, taking into account the principal amounts outstanding and the interest rates applicable.

2.20 Provisions and Contingent Liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance cost.

Contingent liabilities are potential obligations that arise from past events and whose existence will only be confirmed by the occurrence of one or more uncertain future events that, however, are beyond the control of the Group. Furthermore, present obligations may constitute contingent liabilities if it is not probable that an outflow of resources will be required to settle the obligation, or a sufficiently reliable estimate of the amount of the obligation cannot be made.

3 Financial risk management
3.1 Financial risk factors
The main financial risks to which the Group's activities are exposed are liquidity and fluctuations on foreign currency. The Group's overall risk management programme focusses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by the Board of Directors under policies approved at the quarterly Board meetings. The Board frequently discusses principles for overall risk management including policies for specific areas such as foreign exchange.

(a) Liquidity risks
In keeping with similar sized mineral exploration groups, the Group's continued future operations depend on the ability to raise sufficient working capital through the issue of equity share capital. The Group monitors its cash and future funding requirements through the use of cash flow forecasts.

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 Brazilian Real, US Dollar and the Pound Sterling.

Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations that are denominated in a foreign currency. The Group holds a proportion of its cash in US Dollars and Brazilian Reals to hedge its exposure to foreign currency fluctuations and recognises the profits and losses resulting from currency fluctuations as and when they arise. The volume of transactions is not deemed sufficient to enter into forward contracts.

At 31 December 2016, if the Brazilian Real had weakened/strengthened by 20% against Pound Sterling and US Dollar with all other variables held constant, post tax loss for the year would have been approximately £41,448 lower/higher mainly as a result of foreign exchange losses/gains on translation of Brazilian Real expenditure and denominated bank balances.

(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 for which the Directors use a mixture of fixed and variable rate deposits. As a result, fluctuations in interest rates are not expected to have a significant impact on profit or loss or equity.

(d) Price risk
Given the size and stage 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.

(e) Credit risk
Credit risk arises from cash and cash equivalents and outstanding receivables. The Group maintains cash and short-term deposits with a variety of credit worthy financial institutions and considers the credit ratings of these institutions before investing in order to mitigate against the associated credit risk.

3.2 Capital risk management
The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, in order to provide returns for shareholders and to enable the Group to continue its exploration and evaluation activities. The Group has no debt at 31 December 2016 and defines capital based on the total equity of the Group. The Group monitors its level of cash resources available against future planned exploration and evaluation activities and may issue new shares in order to raise further funds from time to time.

As indicated above, the Group holds cash reserves on deposit at several banks and in different currencies until they are required and in order to match where possible with the corresponding liabilities in that currency.

3.3 Fair value estimation
The carrying values of trade receivables and payables are assumed to be approximate to their fair values, due to their short-term nature. The fair value of contingent consideration is estimated by discounting the future expected contractual cash flows at the Group's current cost of capital of 7% based on the interest rate available to the Group for a similar financial instrument.

4 Critical accounting estimates and judgements
The preparation of the Financial Statements in conformity with IFRSs requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the end of the reporting period and the reported amount of expenses during the year. Actual results may vary from the estimates used to produce these Financial Statements.

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

Significant items subject to such estimates and assumptions include, but are not limited to:

4.1 Impairment of exploration and evaluation costs
Exploration and evaluation costs have a carrying value at 31 December 2016 of £31,737,737 (2015: £20,159,327). Each exploration project is subject to an annual review by either a consultant or senior company geologist to determine if the exploration results returned to date warrant further exploration expenditure and have the potential to result in an economic discovery. This review takes into consideration long-term metal prices, anticipated resource volumes and grades, permitting and infrastructure. In the event that a project does not represent an economic exploration target and results indicate there is no additional upside, a decision will be made to discontinue exploration.

4.2 Estimated impairment of goodwill
Goodwill has a carrying value at 31 December 2016 of £280,059 (2015: £192,028) which is included in intangible assets. The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2.7.

Management has concluded that there is no impairment charge necessary to the carrying value of goodwill. See also note 10 to the Financial Statements.

4.3 Contingent consideration
Contingent consideration has a carrying value of £3,643,042, at 31 December 2016 (2015: £3,161,591). there are two contingent consideration arrangements in place as at 31 December 2016:

> A contingent consideration arrangement that requires the Group to pay the former owners of Teck Cominco Brasil S.A (subsequently renamed Araguaia Niquel Mineração Ltda) 50% of the tax effect upon utilisation of the tax losses existing in Teck Cominco Brasil S.A at the date of acquisition. Under the terms of the acquisition agreement, tax losses that existed at the date of acquisition and which are subsequently utilised in a period greater than 10 years from that date are not subject to the contingent consideration arrangement.

  This acquisition was accounted for as a business combination and an assessment of the fair value of the contingent consideration was made at the date of acquisition. This fair value is reassessed in each subsequent accounting period. In arriving at an estimate of the fair value management make an assessment of the probability of utilisation of all or part of the tax losses by the end of the 10 year period which is August 2020. The Group has used discounted cash flow analysis to determine when it is anticipated that the tax losses will be utilised and any potential contingent consideration paid. These cash flows could be affected by movements in a number of factors including the timing of the development and commissioning of the project, commodity prices, operating costs, capital expenditure, production levels, grades, recoveries and interest rates. Because of the condition of the acquisition agreement to utilise tax losses prior to August 2020 a critical assumption in the assessment of value of the contingent consideration is the timing of commencement of profitable production.

  As explained in note 21, following a reassessment of the IFRS accounting requirements, management has determined that the value attributed to the contingent consideration must be reviewed at the end of each reporting period and adjusted to reflect the current best estimate. This review was not completed in prior years and accordingly, a restatement of prior years' financial statements has been made.

> A contingent consideration arrangement that requires the Group to pay Xstrata Brasil Mineração Ltda US$1,000,000 after the date of issuance of a Feasibility Study comprising the Araguaia project and the Vale dos Sonhos ('**VdS**') and Serra do Tapa ('**SdT**') project areas ('**GAP**') (together the 'Enlarged Project'), to be satisfied in shares in the Company (at the 5 day volume weighted average price taken on the tenth business day after the date of such issuance) or cash, at the election of the Company; and remaining consideration of US$5,000,000 to be paid in cash, as at the date of first commercial production from any of the resource areas within the Enlarged Project area. The critical assumptions relating to the assessment of the contingent consideration of US$5,000,000 are similar to those described above for the contingent consideration payable to the former owners of Teck Cominco Brasil S.A.

The Contingent consideration is considered to be a level 3 hierarchy valuation, the following are unobservable inputs for the valuation model: Discount rate and probability factor. In addition, the model includes the foreign exchange rate.

Management have sensitized the fair value calculation to reasonable changes in the unobservable inputs and note that if the discount rate were to increase to 10% then the FV would decrease to £3,387,315.

Management have sensitized the probability factor and note that a change in the probability weighting of 25% would cause the overall value of the contingent consideration to increase by £96,207.

There has been no change in valuation technique during the period.

4.4 Current and deferred taxation
The Group is subject to income taxes in numerous jurisdictions. Judgment is required in determining the worldwide provision for such taxes. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will affect the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred tax liabilities have been recognised on the fair value gains in exploration assets arising on the acquisitions of Araguaia Niquel Mineração Ltda (formerly Teck Cominco Brasil S.A) and Lontra Empreendimentos e Participações Ltda. A deferred tax asset in respect of the losses has been recognised on acquisition of Araguaia Niquel Mineração Ltda to the extent that it can be set against the deferred tax liability arising on the fair value gains. In determining whether a deferred tax asset in excess of this amount should be recognized management must make an assessment of the probability that the tax losses will be utilized and a deferred tax asset is only recognised if it is considered probable that the tax losses will be utilized.

As explained in note 21, following a reassessment of the IFRS accounting requirements, management has determined based on information available at the time of preparation of the 2010 financial statements, the utilization of these losses had a lower probability at the time of the acquisition in 2010 and a restatement derecognizing the deferred tax asset has been made. Management review the position each financial period and this assessment remains.

4.5 Other areas
Other estimates include but are not limited to future cash flows associated with assets, useful lives for depreciation and fair value of financial instruments.

5 Segmental reporting

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

2016	UK 2016 £	Brazil 2016 £	Other 2016 £	Total 2016 £
Administrative expenses	(802,409)	(207,214)	—	(1,009,623)
Loss on foreign exchange	46,454	18,787	—	65,241
Loss from operations per reportable segment	(755,955)	(188,427)	—	(944,382)
Depreciation charges	(970)	(114)	—	(1,084)
Additions to non-current assets	—	11,578,410	—	11,578,410
Reportable segment assets	9,309,132	32,062,800	—	41,371,932
Reportable segment non-current assets	—	32,018,658	—	32,018,658
Reportable segment liabilities	3,969,966	347,511	—	4,317,477

2015 (Restated)	UK 2015 £	Brazil 2015 £	Other 2015 £	Total 2015 (Restated) £
Administrative expenses	(662,305)	(189,234)	(13,353)	(864,892)
Loss on foreign exchange	(114,838)	(136,571)	—	(251,409)
Loss from operations per reportable segment	(777,143)	(325,805)	(13,353)	(1,116,301)
Depreciation charges	(1,037)	(382)	—	(1,419)
Additions to non-current assets	—	(645,313)	—	(645,313)
Reportable segment assets	2,687,317	20,455,743	—	23,143,060
Reportable segment non-current assets	—	20,363,243	—	20,363,243
Reportable segment liabilities	3,249,980	254,296	—	3,504,276

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

A reconciliation of adjusted loss from operations per reportable segment to loss before tax is provided as follows:

	2016 £	2015 (Restated) £
Loss from operations per reportable segment	(944,382)	(1,116,301)
Changes in fair value of contingent consideration (refer note 17)	(260,632)	(26,969)
Charge for share options granted	(324,890)	(100,248)
Impairment of available-for-sale asset	—	(253,006)
Finance income	4,387	14,918
Finance costs	(220,817)	(63,093)
Loss for the year from continuing operations	(1,746,334)	(1,544,699)

6 Expenses by nature

Group	2016 £	2015 (Restated) £
Charge for share options granted	324,890	100,248
Depreciation (note 11)	1,084	1,419
Operating lease charges	36,053	95,182
Profit on disposal of property, plant and equipment	—	(24,453)

7 Auditor remuneration

During the year the Group (including its overseas subsidiaries) obtained the following services from the Company's auditor and its associates:

Group	2016 £	2015 £
Fees payable to the Company's auditor and its associates for the audit of the parent company and consolidated financial statements (2015: PKF Littlejohn)	32,000	37,500
Fees payable to the Company's auditor and its associates for other services:		
– Audit related assurance services (paid to PKF Litteljohn)	5,000	7,000
–Tax compliance services	2,000	1,900

8 Finance income and costs

Group	2016 £	2015 (Restated) £
Finance income:		
– Interest income on cash and short-term bank deposits	4,387	14,918
Finance costs:		
– Contingent consideration: unwinding of discount	(220,817)	(63,093)
Net finance costs	(216,430)	(48,175)

9 Income Tax

Group	2016 £	2015 (Restated) £
Tax charge:		
Current tax charge for the year	—	—
Deferred tax charge for the year	—	—
Tax on loss for the year	—	—

Reconciliation of current tax

Group	2016 £	2015 (Restated) £
Loss before income tax	**(1,746,334)**	(1,544,699)
Current tax at 22.87% (2015: 32.52%)	**(399,387)**	(502,336)
Effects of:		
Expenses not deducted for tax purposes	**9,080**	46,319
Utilisation of tax losses brought forward	—	(150,480)
Tax losses carried forward for which no deferred income tax asset was recognised – UK	—	—
Tax losses carried forward for which no deferred income tax asset was recognised – Brazil	**408,466**	606,497
Total tax	—	—

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

The weighted average applicable tax rate of 22.87% used is a combination of the 20% effective standard rate of corporation tax in the UK, 34% Brazilian corporation tax. The weighted average applicable tax rate has decreased from 32.52% to 22.87% as a greater proportion of loss before income tax arose in the UK.

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

Group	2016 £	2015 (Restated) £
Deferred tax assets	**4,744,885**	6,920,143
Deferred tax liabilities		
– Deferred tax liability to be settled after more than 12 months	**(5,027,335)**	(7,113,808)
Deferred tax liabilities (net)	**(282,450)**	(193,665)

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

Group	2016 £	2015 (Restated) £
At 1 January	**(193,665)**	(273,273)
Exchange differences	**(88,785)**	79,608
At 31 December	**(282,450)**	(193,665)

Deferred tax assets are recognised on tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable.

Deferred tax liabilities are recognised in respect of fair value adjustments to the carrying value of intangible assets as a result of the acquisition of such assets.

The Group has tax losses of approximately £18,132,502 (2015: £17,363,000) in Brazil and excess management charges of approximately £2,492,408 (2015: £1,690,000) in the UK available to carry forward against future taxable profits. Deferred tax asset have been recognised up to the amount of the deferred tax liability arising on the fair value adjustments potential deferred tax assets of £6,663,532 have not been recognised.

10 Intangible assets

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

Group	Goodwill £	Exploration Licenses £	Exploration and evaluation costs £	Total £
Cost				
At 1 January 2015 (Restated)	270,925	—	20,804,640	21,075,565
Additions	—	3,174,275	2,540,833	5,715,108
Exchange rate movements	(78,897)	—	(6,360,421)	(6,439,318)
At 31 December 2015 (Restated)	192,028	3,174,275	16,985,052	20,351,355
Additions	—	1,012,620	1,253,212	2,265,831
Exchange rate movements	88,032	1,458,290	7,854,288	9,400,610
Net book amount at 31 December 2016	**280,060**	**5,645,185**	**26,092,551**	**32,017,796**

(a) Exploration and evaluation assets

No indicators of impairment were identified during the year.

In October 2016, a Canadian NI 43-101 compliant Pre-Feasibility Study ('**PFS**') was published by the Company regarding the enlarged Araguaia Project which included the areas recently acquired from Glencore Xstrata. The financial results and conclusions of the PFS clearly indicate the economic viability of the Araguaia Project. The Directors undertook an assessment of impairment through evaluating the results of the PFS and judged that no impairment was required with regards to the Araguaia Project.

(b) Goodwill

Goodwill arose on the acquisition of Lontra Empreendimentos e Participações Ltda in 2010. The Directors have determined the recoverable amount of goodwill based on the same assumptions used for the assessment of the Lontra exploration project detailed above. As a result of this assessment, the Directors have concluded that no impairment charge is necessary against the carrying value of goodwill.

Impairment reviews for exploration and evaluation assets are carried out either on a project by project basis or by geographical area.

The adjacent Araguaia/Lontra/Vila Oito and Floresta exploration sites ('**the Araguaia Project**'), together with the Vale dos Sonhos deposit acquired from Xstrata Brasil Mineração Ltda comprise a resource of a sufficient size and scale to allow the Company to create a significant single nickel project. For this reason, at the current stage of development, these two projects are viewed and assessed for impairment by management as a single cash generating unit.

The mineral concession for the Vale dos Sonhos deposit was acquired from Xstrata Brasil Mineração Ltda, a subsidiary of Glencore Canada Corporation, in November 2015.

The recoverable amount has been determined by reference to the PFS undertaken during the year on the Araguaia Project. The key inputs and assumptions in deriving the value in use were, the discount rate of 8%, Nickel price of US$12,000/t and a life of mine of 28 years.

Sensitivity to changes in assumptions

For the base case NPV_8 of the Araguaia Project of US$581 million using a nickel price of US$14,000/t and US$328 million using US$12,000/t as per the PFS to be reduced to the book value of the Araguaia Project as at 31 December 2016, the discount rate applied to the cash flow model would need to be increased from 8% to 21%.

11 Property, plant and equipment

Group	Vehicles and other field equipment £	Office equipment £	Total £
Cost			
At 1 January 2015	152,089	14,730	166,819
Disposals	(40,089)	—	(40,089)
Foreign exchange movements	(37,353)	(2,134)	(39,487)
At 31 December 2015	74,647	12,596	87,243
Foreign exchange movements	31,657	1,802	33,459
At 31 December 2016	**106,304**	**14,398**	**120,702**
Accumulated depreciation			
At 1 January 2015	104,117	8,312	112,429
Charge for the year	26,245	2,469	28,714
Disposals	(26,916)	—	(26,916)
Foreign exchange movements	(37,807)	(1,065)	(38,872)
At 31 December 2015	**65,639**	**9,716**	**75,355**
Charge for the year	11,766	2,614	14,380
Foreign exchange movements	28,320	1,785	30,105
At 31 December 2016	**105,725**	**14,115**	**119,840**
Net book amount as at 31 December 2016	**579**	**283**	**862**
Net book amount as at 31 December 2015	9,008	2,880	11,888
Net book amount as at 1 January 2015	47,972	6,418	54,390

Depreciation charges of £13,296 (2015: £27,295) have been capitalised and included within intangible exploration and evaluation asset additions for the year. The remaining depreciation expense for the year ended 31 December 2016 of £1,084 (2015: £1,419) has been charged in 'administrative expenses' under 'Depreciation.'

Company	Field equipment £	Office equipment £	Total £
Cost			
At 1 January 2015	4,208	7,403	11,611
Additions	—	—	—
At 31 December 2015 and 2016	4,208	7,403	11,611
Accumulated depreciation			
At 1 January 2015	4,208	5,112	9,320
Charge for the year	—	1,037	1,037
At 31 December 2015	4,208	6,149	10,357
Charge for the year	—	971	971
At 31 December 2016	4,208	7,120	11,328
Net book amount as at 31 December 2016	—	**283**	**283**
Net book amount as at 31 December 2015	—	1,254	1,254
Net book amount as at 1 January 2015	—	2,291	2,291

12 Cash and cash equivalents

	Group		Company	
	2016 £	2015 £	2016 £	2015 £
Cash at bank and on hand	**9,250,281**	2,676,160	**9,094,308**	2,519,018
Short-term deposits	**67,500**	62,745	**49,685**	49,248
	9,317,781	2,738,905	**9,143,993**	2,568,266

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

	Group		Company	
	2016 £	2015 £	2016 £	2015 £
A	**9,217,380**	2,616,981	**9,094,308**	2,519,018
BBB-	**100,401**	121,924	**49,685**	49,248
	9,317,781	2,738,905	**9,143,993**	2,568,266

13 Share capital

Group and Company	2016 Number	2016 £	2015 Number	2015 £
Issued and fully paid				
Ordinary shares of 1p each				
At 1 January	**671,204,378**	**6,712,044**	492,427,105	4,924,271
Issue of ordinary shares	**500,729,922**	**5,007,299**	178,777,273	1,787,773
At 31 December	**1,171,934,300**	**11,719,343**	671,204,378	6,712,044

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

2016
On 8 August 2016, a total of 50,729,922 new ordinary shares were issued at the prevailing market price of £0.0199 per share in consideration for the purchase of the Vale dos Sonhos mineral concession from Xstrata Brasil Mineração Ltda.

On 30 November 2016, a total of 374,000,000 shares were issued through a private placement at a price of £0.02 per share to raise £7,480,000 before expenses.

On 2 December 2016, a total of 76,000,000 shares were issued through a private placement at a price of £0.02 per share to raise £1,520,000 before expenses.

2015
On 2 October 2015, a total of 112,500,000 shares were issued through a private placement at a price of £0.01 per share to raise £1,125,000 before expenses.

On 9 October 2015, a total of 42,500,000 shares were issued through a private placement at a price of £0.01 per share to raise £425,000 before expenses.

On 25 November 2015, a total of 23,777,273 shares were issued at £0.0184 per share in consideration for the purchase of the Vale dos Sonhos mineral concession from Xstrata Brasil Mineração Ltda.

14 Share premium

Group and Company	2016 £	2015 £
At 1 January	**31,252,708**	31,095,370
Premium arising on issue of ordinary shares	**5,005,662**	200,300
Issue costs	**(490,685)**	(42,962)
At 31 December	**35,767,344**	31,252,708

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

15 Share-based payments

The Directors have discretion to grant options to the Group employees to subscribe for Ordinary shares up to a maximum of 10% of the Company's issued share capital. One third of options are exercisable at each six months anniversary from the date of grant, such that all options are exercisable 18 months after the date of grant and all lapse on the tenth anniversary of the date of grant or the holder ceasing to be an employee of the Group. Should holders cease employment then the options remain valid for a period of 3 months after cessation of employment, following which they will lapse. Neither the Company nor the Group has any legal or constructive obligation to settle or repurchase the options in cash.

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

	Number of options 2016 £	Weighted average exercise price 2016 £	Number of options 2015 £	Weighted average exercise price 2015 £
Outstanding at 1 January	**48,760,000**	**0.124**	38,300,000	0.119
Forfeited	**(8,450,000)**	**0.092**	(2,790,000)	0.151
Granted	**15,000,000**	**0.030**	13,250,000	0.040
Outstanding at 31 December	**55,310,000**	**0.079**	48,760,000	0.096
Exercisable at 31 December	**36,760,000**	**0.102**	30,693,333	0.124

The options outstanding at 31 December 2016 had a weighted average remaining contractual life of 7.28 years (2015: 7.45 years).

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

The parameters used are detailed below.

Group and Company	2016 options	2015 options
Date of grant or reissue	**01/09/2016**	10/06/2015
Weighted average share price	**2.03 pence**	2.63 pence
Weighted average exercise price	**3.00 pence**	4.00 pence
Expiry date	**31/08/2026**	09/06/2025
Options granted	**15,000,000**	13,250,000
Volatility	**64%**	75%
Dividend yield	**Nil**	Nil
Option life	**10 years**	10 years
Annual risk free interest rate	**2.83%**	2.83%

The expected volatility is based on historical volatility for the six months prior to the date of grant. The risk free rate of return is based on zero yield government bonds for a term consistent with the option life.

The range of option exercise prices is as follows:

Range of exercise prices (£)	2016 Weighted average exercise price (£)	2016 Number of shares	2016 Weighted average remaining life expected (years)	2016 Weighted average remaining life contracted (years)	2015 Weighted average exercise price (£)	2015 Number of shares	2015 Weighted average remaining life expected (years)	2015 Weighted average remaining life contracted (years)
0–0.1	**0.049**	**39,850,000**	**8.34**	**8.34**	0.060	30,300,000	8.62	8.62
0.1–0.2	**0.154**	**15,460,000**	**4.57**	**4.57**	0.154	18,460,000	5.53	5.53

16 Other reserves

Group	Available for sale reserve £	Merger reserve £	Translation reserve £	Other reserve £	Total £
At 1 January 2015 (As previously reported)	(253,006)	10,888,760	(9,909,255)	(1,048,100)	(321,601)
Refer note 22 c	—	—	1,574,535	—	1,574,535
At 1 January 2015 (Restated)	(253,006)	10,888,760	(8,334,720)	(1,048,100)	1,252,934
Permanent diminution taken to income	253,006	—	—	—	253,006
Currency translation differences	—	—	(6,354,056)	—	(6,354,056)
At 31 December 2015 (Restated)	—	10,888,760	(14,688,776)	(1,048,100)	(4,848,116)
Other comprehensive income	—	—	—	—	—
Currency translation differences	—	—	9,315,180	—	9,315,180
At 31 December 2016	**—**	**10,888,760**	**(5,373,596)**	**(1,048,100)**	**4,467,064**

Company	Merger reserve £	Total £
At 1 January 2015 and 31 December 2015	10,888,760	10,888,760
At 1 January 2016 and 31 December 2016	**10,888,760**	**10,888,760**

The merger and other reserve as at 31 December 2016 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.

Currency translation differences relate to the translation of Group entities that have a functional currency different from the presentation currency (refer note 2.8). Movements in the translation reserve are linked to the changes in the value of the Brazilian Real against the Pound Sterling: the intangible assets of the Group are located in Brazil, and their functional currency is the Brazilian Real, which increased in value against Sterling during the year.

The available for sale reserve represents changes in the fair value of assets that are held available for sale.

17 Trade and other payables

	Group		Company	
	2016 £	2015 (Restated) £	2016 £	2015 (Restated) £
Non-current				
Contingent consideration payable to former owners of Teck Cominco Brasil S.A.	**115,100**	354,713	115,100	354,713
Contingent consideration payable to Xstrata Brasil Mineração Ltda (refer note 27)	**3,527,942**	2,806,878	3,527,942	2,806,878
Total contingent consideration	**3,643,042**	3,161,591	3,643,042	**3,161,591**
Current				
Trade and other payables	**229,046**	16,038	148,985	**10,377**
Amounts due to related parties (refer note 22)	**—**	—	413,930	**413,930**
Social security and other taxes	**19,088**	21,519	19,088	**15,533**
Accrued expenses	**143,851**	111,463	165,052	**63,033**
	391,985	149,020	747,055	**502,873**
Total trade and other payables	**4,035,027**	3,310,611	4,390,097	**3,664,464**

Trade and other payables include amounts due of £65,053 (2015: £65,748) in relation to exploration and evaluation activities.

Contingent Consideration payable to the former owners of Teck Cominco Brasil S.A.
The fair value of the contingent consideration arrangement with the former owners of Teck Cominco Brasil S.A. was estimated at the acquisition date according to the probability and timing of when future taxable profits will arise against which the tax losses may be utilised in accordance with the terms of the acquisition agreement.

As explained in note 21 the estimate of fair value has been restated and is now assessed to be £115,100 (2015 £354,713). The critical assumptions underlying the fair value estimate are set out in note 4.3. Estimates were also based on the current rates of tax on profits in Brazil of 34% and a discount factor of 7.0% was applied to the future dates at which the tax losses will be utilised and consideration paid.

Contingent Consideration payable to Xstrata Brasil Mineração Ltda
On 28 September 2015 the Company announced that it had reached agreement to indirectly acquire through wholly owned subsidiaries in Brazil the advanced high-grade Glencore Araguaia nickel project ('**GAP**') in north central Brazil. GAP is located in the vicinity of the Company's Araguaia Project.

Pursuant to a conditional asset purchase agreement ('**Asset Purchase Agreement**') between, amongst others, the Company and Xstrata Brasil Exploraçâo Mineral Ltda ('**Xstrata**'), a wholly-owned subsidiary of Glencore Canada Corporation ('**Glencore**'), the Company has agreed to pay a total consideration of US$8 million to Xstrata, which holds the title to GAP. The consideration is to be paid according the following schedule;

> US$2,000,000 in ordinary shares in the capital of the Company which as at 31 December 2016 had been settled by way of issuing new shares in the Company.
> US$1,000,000 after the date of issuance of a joint Feasibility Study for the combined Araguaia & GAP project areas, to be satisfied in HZM Shares (at the 5 day volume weighted average price taken on the tenth business day after the date of such issuance) or cash, at the election of the Company; and
> The remaining US$5,000,000 consideration will be paid in cash, as at the date of first commercial production from any of the resource areas within the Enlarged Project area. Following transfer of the concession for the VdS deposit area to a subsidiary of the Company, this has been included in contingent consideration payable.

The critical assumptions underlying the treatment of the contingent consideration are set out in note 4.3.

As at 31 December 2016, there was a finance expense of £193,868 (2015: £14,505) recognised in finance costs within the Statement of Comprehensive Income in respect of the contingent consideration arrangement, as the discount applied to the contingent consideration at the date of acquisition was unwound.

18 Dividends
No dividend has been declared or paid by the Company during the year ended 31 December 2016 (2015: nil).

19 Earnings per share
(a) Basic
The basic loss per share of 0.240p loss per share (2015 loss per share: 0.290p) is calculated by dividing the loss attributable to owners of the parent by the weighted average number of ordinary shares in issue during the year.

Group	2016 £	2015 £
Loss attributable to owners of the parent	**(1,746,334)**	(1,544,699)
Weighted average number of ordinary shares in issue	**727,096,642**	531,868,151

(b) Diluted
The basic and diluted loss per share for the years ended 31 December 2016 and 31 December 2015 are the same as the effect of the exercise of share options would be anti-dilutive.

Details of share options that could potentially dilute earnings per share in future periods are set out in note 15.

20 Related party transactions

The following transactions took place with subsidiaries in the year:

A fee totaling £312,043 (2015: £232,829) was charged to HM do Brazil Ltda, £872,784 (2015: £639,814) to Araguaia Niquel Mineração Ltda and £58,806 to Typhon Brasil Mineração Ltda by Horizonte Minerals Plc in respect of consultancy services provided and funding costs.

Amounts totaling £782,926 (2015: £4,919,360) were lent to HM Brazil (IOM) Ltd, HM do Brasil Ltda, Araguaia Niquel Mineraçao Ltda and Typhon Brasil Mineração Ltda to finance exploration work during 2016, by Horizonte Minerals Plc. Interest is charged at an annual rate of 6% on balances outstanding during the year.

Balances with subsidiaries at the year end were:

Company	2016 Assets £	2016 Liabilities £	2015 Assets £	2015 Liabilities £
HM do Brasil Ltda	792,301	—	845,808	—
Minera El Aguila SAC	—	—	—	—
HM Brazil (IOM) Ltd	4,933,377	—	4,725,314	—
Horizonte Nickel (IOM) Ltd	26,070,923	—	24,340,018	—
Araguaia Niquel Mineração Ltda	6,074,517	—	4,605,395	—
Horizonte Minerals (IOM) Ltd	253,004	—	253,004	—
Horizonte Exploration Ltd	—	413,930	—	413,930
Typhon Brasil Mineração Ltda	3,198,183	—	3,174,275	—
Total	41,322,305	413,930	37,944,114	413,930

All Group transactions were eliminated on consolidation.

On 30 November 2016 a total of 374,000,000 shares were issued through a private placement at a price of £0.02 per share, to raise £7,480,000 before expenses. As part of this private placement, Henderson Global Investors subscribed for 50,000,000 shares and Richard Griffiths subscribed for 62,235,000 shares representing 13.4 percent and 16.6 percent respectively of the private placement. By reason of its existing shareholdings in the Company, the participation of Henderson Global Investors and Richard Griffiths in the private placement of 30 November 2016 constituted a related party transaction under AIM Rule 13 of the AIM Rules for Companies.

On 2 December 2016 a total of 76,000,000 shares were issued through a non brokered private placement in Canada, at a price of C$0.04 per share. As part of this private placement, Teck Resources Limited subscribed for 21,517,250 shares representing 28.3 percent of the private placement. By reason of their existing shareholdings in the Company, the participation of Teck Resources Limited in the private placement each constitute a related party transaction under AIM Rule 13 of the AIM Rules for Companies.

On 27 June 2013 the Company signed an agreement for an £8 million Equity Financing Facility ('**EFF**') with Darwin Strategic Limited ('**Darwin**'), a majority owned subsidiary of Henderson Global Investors' Volantis Capital. The EFF agreement with Darwin provides Horizonte with an equity line facility which, subject to certain conditions and restrictions, can be drawn on any time over 36 months. The floor subscription price in relation to each draw down is set at the discretion of the Company. Horizonte did not utilise this facility during the period and it has now lapsed.

21 Restatements of contingent consideration and deferred tax asset
These financial statements reflect prior year adjustments in respect of a deferred tax asset, contingent consideration and associated exchange differences and finance costs. Both the deferred tax asset and contingent consideration arose from the acquisition of Teck Cominco Brasil S.A. in 2010, which was accounted for as a business combination. The initial recognition of both of these items required management to make an assessment of the probabilities of the tax losses being utilised and the fair value of the contingent consideration to be paid.

Following the recent review undertaken of the relevant recognition criteria, and conditions relating to both items it has been concluded that the level of deferred tax recognised at the time of the acquisition requires re-calculation. The recognition of the deferred tax asset at an early stage in the Araguaia project did not meet the criteria prescribed by IAS 12 - Income Taxes, of it being probable that they could be utilised.

It has also been concluded that the fair value of the contingent consideration applied at time of acquisition similarly requires re calculation. This liability relates to payments due to the vendors upon utilisation of brought forward tax losses of Teck Cominco. The payments would be 50% of the tax effect of the losses utilised from the date of acquisition up to August 2020. The fair value originally calculated assumed 100% utilisation of the brought forward tax losses and was not a probability weighted to reflect the underlying risks of the project and the requirement to utilise the losses within a set timeframe.

Management now believes that it would be appropriate to restate the Financial Statements to derecognize the deferred tax asset and re-measure the contingent consideration as follows:

a) Deferred tax asset
A deferred tax asset of £5,065,976 has been derecognised at 1 January 2015.
A deferred tax asset of £3,590,675 has been derecognised at 31 December 2015.

b) Contingent consideration and finance costs
A contingent consideration liability has been reduced to £335,327 at 1 January 2015.
Finance costs are reduced by £275,336 in the year ended 31 December 2015 in respect of reversing the unwinding of the discount on the contingent consideration.
A contingent consideration liability has been reduced to £3,161,591 at 31 December 2015.

c) Foreign exchange translation reserve
An adjustment of £1,574,535 has been made to the foreign exchange translation reserve at 1 January 2015 in respect of the above adjustments.
A further adjustment of £913,675 has been made to the foreign exchange translation reserve at 31 December 2015 in respect of further movements of the deferred tax asset and contingent consideration during 2015.

d) Retained losses
The net impact on retained losses at 1 January 2015 of the above adjustments is £2,506,533.

e) Intangible assets
An increase in carrying value of intangible exploration and evaluation assets as at 1 January 2015 of £305,253.

22 Ultimate controlling party
The Directors believe there to be no ultimate controlling party.

23 Directors' remuneration (including Key Management)

Group 2016	Aggregate emoluments £	Social Security charges £	Other emoluments £	Share based payment charge £	Pension costs £	Total £
Non-Executive Directors						
Alexander Christopher	—	—	—	—	—	—
David Hall	29,000	3,312	—	24,520	—	**56,832**
William Fisher	29,000	—	—	24,520	—	**53,520**
Allan Walker	29,000	4,002	—	24,520	—	**57,522**
Owen Bavinton	—	—	—	24,520	32,167	**56,687**
Executive Directors						
Jeremy Martin	170,000	31,326	59,236	67,430	17,000	**344,992**
Key Management						
Jeffrey Karoly	128,000	13,524	9,600	61,300	15,553	**227,977**
Simon Retter	15,541	2,145	8,000	—	—	**25,686**
	400,541	54,309	76,836	165,510	64,720	**823,216**

Group 2015	Aggregate emoluments £	Social Security charges £	Other emoluments £	Share based payment charge £	Pension costs £	Total £
Non-Executive Directors						
Alexander Christopher	—	—	—	—	—	—
David Hall	33,600	—	—	4,128	—	**37,728**
William Fisher	24,000	—	—	4,128	—	**28,128**
Allan Walker	24,000	3,312	—	4,128	—	**31,440**
Owen Bavinton	25,608	3,534	—	4,128	—	**33,270**
Executive Directors						
Jeremy Martin	149,000	20,562	1,950	11,353	39,104	**221,969**
Key Management						
Jeffrey Karoly	99,000	12,672	—	10,321	48,656	**170,649**
	355,208	40,080	1,950	38,188	87,760	**523,184**

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

24 Employee benefit expense (including Directors and Key Management)

Group	Group 2016 £	2015 £	Compnay 2016 £	2015 £
Wages and salaries	**809,954**	844,343	627,155	524,501
Social security costs	134,096	198,064	49,463	47,611
Indemnity for loss of office	50,519	55,216	30,000	—
Share options granted to Directors and employees (note 17)	324,890	100,248	324,890	100,248
	1,319,459	1,197,871	1,031,508	672,360
Management	6	6	6	6
Field staff	12	26	—	—
Average number of employees including Directors and Key Management	18	32	6	6

Employee benefit expenses includes £393,712 (2015: £586,348) of costs capitalised and included within intangible non-current assets.

Share options granted include costs of £165,510 (2015: £81,883) relating to Directors.

25 Investment in subsidiaries

Company	2016 £	2015 (Restated) £
Shares in Group undertakings	**2,348,042**	2,348,042
Loans to Group undertakings	**41,332,305**	37,944,114
	43,670,347	40,292,156

Investments in Group undertakings are stated at cost. The loans to Group undertakings are repayable on demand and currently carry interest at 6%, however there is currently no expectation of repayment within the next twelve months and therefore loans are treated as non-current.

On 23 March 2006 the Company acquired the entire issued share capital of Horizonte Exploration Limited by means of a share for share exchange; the consideration for the acquisition was 21,841,000 ordinary shares of 1 penny each, issued at a premium of 9 pence per share. The difference between the total consideration and the assets acquired has been credited to other reserves.

26 Commitments

Operating lease commitments

The Group leases office premises under cancellable and non-cancellable operating lease agreements. The cancellable lease terms are up to one year and are renewable at the end of the lease period at market rate. The leases can be cancelled by payment of up to one month's rental as a cancellation fee. The lease payments charged to profit or loss during the year are disclosed in note 6.

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

Group	2016 £	2015 £
Not later than one year	**11,996**	46,596
Total	**11,996**	46,596

Capital Commitments

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

Group	2016 £	2015 £
Intangible assets	—	42,100

Capital commitments relate to contractual commitments for metallurgical, economic and environmental evaluations by third parties. Once incurred these costs will be capitalised as intangible exploration asset additions.

27 Contingent Liabilities

(a) Glencore Araguaia Project

The SdT deposit area concessions are subject to on-going litigation with a Brazilian third party. Glencore has disputed these claims. The parties have agreed certain protections including the receipt by HZM from Glencore of certain indemnities in respect of such litigation.

The Asset Purchase Agreement contains customary warranties regarding the GAP project and the parties' ability to enter into the Proposed Transaction and is subject to customary termination rights and confidentiality obligations.

(b) Other Contingencies

The Group has received a claim from various trade union organisations in Brazil regarding outstanding membership fees due in relation to various subsidiaries within the Group. Some of these claims relate to periods prior to the acquisition of the relevant subsidiary and would be covered by warranties granted by the previous owners at the date of sale. The Directors are confident that no amounts are due in relation to these proposed membership fees and that the claims will be unsuccessful. No subsequent actions, claims or communications from the various trade union organisations have been received subsequent to the requests for payment. As a result, no provision has been made in the Financial Statements for the year ended 31 December 2016 for amounts claimed. Should the claim be successful, the maximum amount payable in relation to fees not subject to the warranty agreement would be approximately £64,000.

In 2013 the Group received an infraction notice from the Brazilian Environmental Agency's ('**IBAMA**') district office in Conceição do Araguaia in connection with carrying out drilling activities in 2011 without the relevant permits. Drilling equipment was furthermore impounded. The Group strongly believes that it operated with all necessary permits and has initiated legal proceedings to overturn the infraction notice. The Group has secured cancellation of the injunction and has appealed the associated fine and infraction notices of approximately £68,000 which has not been recognised in these financial statements.

In August 2014, the Group received a claim from a former employee in Brazil with regard to amounts allegedly due under the terms of his employment. The Group is defending the claim and it is not currently practicable to estimate the extent of any liability that may arise.

In December 2014, the Group received a writ from the State Attorney in Conceiçao do Araguaia regarding alleged environmental damages caused by drilling activities in 2011. To ensure proper environmental stewardship, the Group conducts certified baseline studies prior to all drill programmes and ensures that areas explored are properly maintained and conserved in accordance with local environmental legislation. After drilling has occurred, drill sites and access routes are rehabilitated to equal or better conditions and evidence is retained to demonstrate that such rehabilitation work has been completed. In January 2015 the Group filed a robust defence against the writ. A court hearing was held in May 2015 at which documents were requested to confirm that valid environmental authorisations were in place. These were subsequently submitted as requested. No substantive financial claim continues to be made against the Group under the terms of the writ. The Group continues to believe that the writ is flawed and is working towards having it withdrawn in due course. As a result no provision has been made in the Financial Statements for the year ended 31 December 2016.

28 Parent Company Statement of Comprehensive Income

As permitted by section 408 of the Companies Act 2006, the statement of comprehensive income of the Parent Company is not presented as part of these Financial Statements. The Parent Company's profit for the year was £602,827 loss (2015: £421,479 profit).

29 Events after the reporting date

No significant events have occurred since the reporting date.

Statutory Information

Directors
David John Hall (Non-Executive Chairman)
Jeremy John Martin (Chief Executive Officer)
William James Fisher (Non-Executive Director)
Allan Michael Walker (Non-Executive Director)
Alex Christopher (Non-Executive Director)
Owen Alexander Bavinton (Non-Executive Director)

Company Secretary
Simon James Retter

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