HORIZONTE MINERALS

Horizonte Minerals PLC Annual Report 2014

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

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2014 Highlights

- Completion of NI 43-101 compliant Pre-Feasibility Study ('**PFS**') on the 100% owned Araguaia Nickel Project in Brazil ('**Araguaia**'), demonstrating robust project economics for a 15,000 tpa nickel in Fe-Ni product with post-tax Net Present Value at 8% discount rate (NPV_8) of USD 519 million and IRR of 20% for total initial capex of USD 582 million
- PFS confirmed that Araguaia ore is amenable for utilisation of the proven Rotary Kiln Electric Furnace processing route, a 60 year old technology which is used by circa 20 operations worldwide today
- Current NI 43-101 compliant Mineral Resource, comprising of 71.98 Mt grading 1.33% Ni (Indicated) and 25.35 Mt at 1.21% Ni (Inferred)
- Araguaia received 'Seal of Priority' from SEICOM, the State of Parà's Department of Industry, Commerce and Mining, to assist fast track the development of Araguaia demonstrating support for the project by the Brazilian authorities
- Social Environmental Impact Assessment ('**SEIA**') for Araguaia filed Q3 2014, a key milestone towards receiving the Preliminary Licence, anticipated for 2015
- Araguaia SEIA received positive support from local community and government authorities at the Public Hearing in January 2015 for the Aragauia Environmental Impact Assessment; the final step in the award of the Preliminary Licence ('**LP**')
- Commenced Phase 4 Resource infill drilling campaign utilising 8 diamond drill rigs as part of preparatory work for the Feasibility Study planned for 2015; initial results over the bulk sample sites have returned high nickel grades
- Successful placing resulting in strong year-end cash position of £5 million, providing a solid platform for commencement of the Feasibility Study at Araguaia

'The Pre-Feasibility Study proved a key milestone as the project continues to advance through permitting and onto the Feasibility Study in 2015'

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. In 2014 the Company completed a NI 43-101 compliant Pre-Feasibility Study which demonstrated the robust economics of Araguaia, with Base Case post tax NPV_8 of USD 519 million and IRR of 20% for an initial capital investment of USD 582 million.

The Araguaia project will use the tried and tested Rotary Kiln Electric Furnace process to produce 15,000 tonnes per annum of nickel in a 20% grade ferronickel product.

In June 2014 a key milestone in the permitting process was achieved with the filing of the Social Environmental Impact Assessment and in late 2014 the Group commenced the 4th Phase infill drilling programme, a precursor to the Feasibility Study planned for 2015.

Project Location

Why Brazil...

> In top 10 of world economies with strong degree of economic and political stability

> USD 321 million spent annually on exploration: just 3% of world spend — Brazil is underexplored

> Brazilian mineral exports totalled USD 40 billion in 2013

> 175,000 employed in the mining sector

> World's second largest exporter of seaborne iron ore

> Significant producer of bauxite, nickel, copper, gold, niobium and phosphate

> Investment in Brazilian mining sector expected to reach USD 54 billion 2014–2018

Source: Instituto Brasileiro de Mineração

Rio Araguaia January 2015

Araguaia Project Overview

Araguaia is an advanced nickel laterite project being developed by Horizonte Minerals as the next major nickel project in Brazil. In March 2014 a NI 43-101 compliant Pre-Feasibility Study was released for the project.

> 100% owned by Horizonte Minerals plc
> Located in established mining district in northern Brazil, with good access to infrastructure
> 85 km² total licence area
> Pre-Feasibility Study ('**PFS**') demonstrated robust economics: NPV_8 USD 519 million; IRR 20% in Base Case
  - Delivered NI 43-101 Resource upgrade: 71.98 Mt grading 1.33% Ni (Indicated) and 25.35 Mt at 1.21% Ni (Inferred)
  - PFS confirmed project suitable for tried and tested Rotary Kiln Electric Furnace processing route: used by circa 20 plants worldwide
  - Project Base Case to deliver 15 Ktpa nickel in ferronickel over the 25 year mine life
> Social and Environmental Impact Assessment formally filed in June 2014 — key milestone towards awarding of Preliminary Licence
> Seal of approval awarded by Parà State for fast tracking of project with the authorities
> Phase 4 Resource infill drilling campaign underway as precursor to Feasibility Study planned for 2015

Our Year in Review

March 2014
NI 43-101 Pre-Feasibility Study released for Araguaia — robust economics demonstrated

June 2014
Received Priority Seal of Approval from Parà State authorities

June 2014
SEIA formally filed

July 2014
Completed £5.5 million financing

November 2014
Commenced Phase 4 infill drilling programme as precursor to Feasibility Study

High Grade Nickel Mineralisation in Drill Core

Chairman's Statement **David J Hall**

'Despite the challenging market conditions for the resource sector in 2014 and continuing into 2015, Horizonte has made solid progress as it develops the next major nickel project in Brazil.'

Despite the challenging market conditions for the resource sector in 2014 and continuing into 2015, exemplary progress has been made by Horizonte throughout the year at its wholly owned Araguaia nickel project in Parà State, north central Brazil ('**Araguaia**'), as it moves to develop the next major nickel project in Brazil.

Your Company announced the completed Pre-Feasibility Study ('**PFS**') in March 2014, on time, within a tightly constrained budget and importantly demonstrated the robust economics of Araguaia as a leading nickel development project globally. In line with the wider macroeconomic environment, the PFS focussed on maximising returns while minimising financial and technical risk and as such two operational scenarios were evaluated which demonstrated that Araguaia offers flexibility to be developed at multiple scales.

Our selected route to take to the Feasibility Stage is a smaller 'Base Case' scenario utilising a single line Rotary Kiln Electric Furnace ('**RKEF**') plant, running at 900,000 tpa ore throughput, with 15,000 t targeted annual production of nickel in Fe-Ni product that offers an after tax NPV_8 of USD 519 million and a IRR of 20%. The large scale 'Option', which would also utilise the proven process of RKEF, offers production upside with an NPV_8 of USD 1.2 billion and 21% IRR based on 2.7 Mtpa twin line 40,000 tpa nickel in Fe-Ni product. However, the Base Case option importantly brings the project to a capital level which is within reach of a junior mining company such as ours, whilst demonstrating the considerable upside that future expansion could bring.

The strong project economics of Araguaia are also supported by the high nickel grades demonstrated at Araguaia, with an average feed grade for the first 10 years of 1.76% Ni, placing the deposit in the upper quartile for grade globally. Add to this the extremely low C1 cash costs of USD 4.16/lb (USD 9,166/t) together with significant free cash flow generated over life of mine of approximately USD 1.8 billion post tax on the Base Case Scenario, and it is clear that Araguaia offers a compelling investment case.

With the PFS completed, and despite poor market sentiment overall during 2014, Horizonte successfully closed a £5.5 million placing before costs in July 2014, which further strengthened the balance sheet. Importantly Horizonte has a supportive shareholder base led by Teck Resources, and Henderson Global Investors. With this and a solid cash position, we are well positioned to deliver on Araguaia's next development milestones as we take it through to the Feasibility Study ('**FS**') stage during 2015.

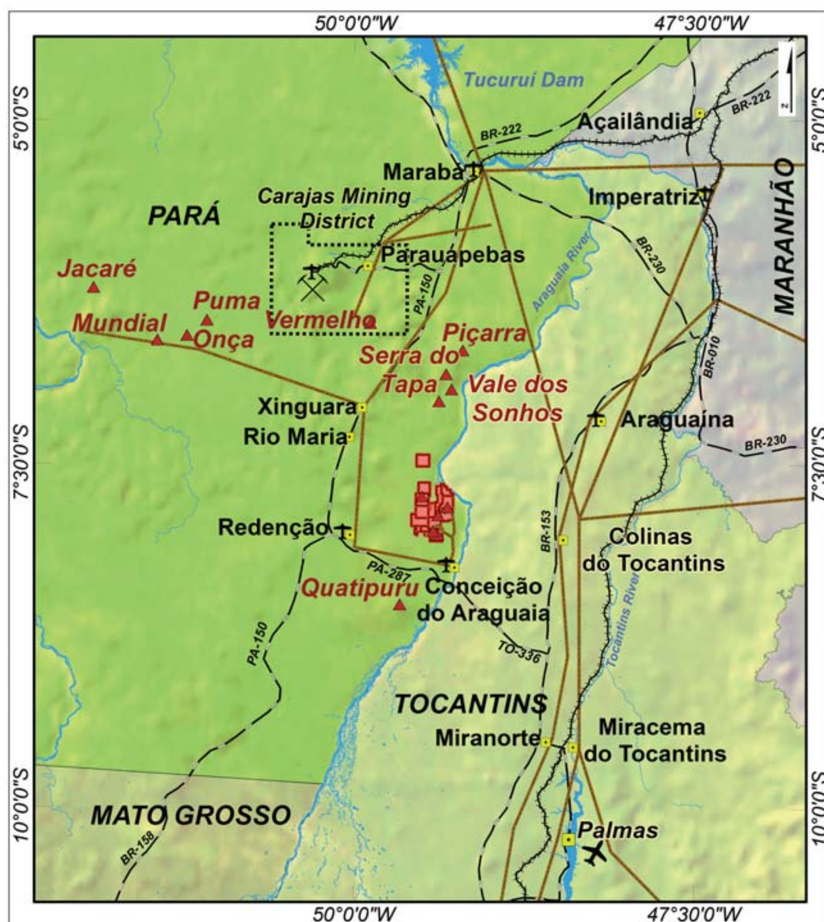
The FS is the next major milestone on the journey to further de-risk the project, leading into the financing to the construction and production stage.

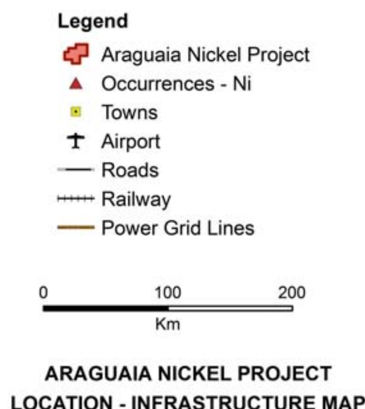
With this in mind we successfully filed our Social and Environmental Impact Assessment ('**SEIA**') in June 2014. The completion and filing marked a significant de-risking step for Araguaia, as we worked with local stakeholders, communities and government agencies. The report is currently being reviewed by the Pará State Environmental Agency and, post the public hearing, we should receive the Preliminary Licence later in 2015.

The FS will also aim to deliver a Proven Reserve to cover the earlier part of the mine life, as well as defining the balance of the mine life in the Probable Reserve category for the Base Case option of the PFS. To this extent drilling has been underway since Q4 2014.

The current market sentiment towards resource companies is focussed on the perception of falling demand for many metals, with associated price falls. What needs to be made clear is that even with moderate growth, the supply pipeline is lean. It will be a lack of supply that will be responsible for increasing prices and a resurgence of the resource sector. Not that demand is that bad really — Wood Mackenzie predicts a 3.4% annual increase in nickel consumption through to 2018. They see a nickel shortage after the overhang is consumed by 2018 with some 778,000 t of new nickel needed by 2030 and 300,000 t by 2018.

The Indonesian ban on raw material exports is influential in this future picture. The potential building of nickel pig iron smelters within Indonesia could supply new nickel currently off market but the high costs of construction, plus problems with permitting etc. may restrict this new supply.





Source: DNPM, IBGE
File: ARA_Location_Regional_Permit_A4_20131231

While new nickel pig iron may come from the Philippines, due to lower overall nickel grades in the Philippines as compared to Indonesia, this will be insufficient to fill that large and increasing supply gap.

As a result there are bullish views on the future nickel price; the Bank of America Merrill Lynch forecast prices potentially reaching USD 25,000/t in 2015 and Wood MacKenzie support this view with a long term price of USD 25,350 to USD 26,460/t.

The PFS was modelled on a USD 19,000/t nickel price and we believe the timing of the mine start up fits well with these pricing forecasts.

With the above in mind, Araguaia is developing into a leading nickel project globally in terms of size and grade which offers strong economics, a proven process route, and good infrastructure. Your Company is led by an experienced Board and expanding management team with significant experience in both South America and the nickel resource space, and has positioned Araguaia for development at a crucial time for the nickel market when demand will outstrip supply and nickel prices will ensure massive value creation from the project.

I am delighted that Horizonte has a solid track record of delivering milestones on time and on budget; for this much credit must go to Jeremy Martin, C.E.O., and having already completed the PFS this year which demonstrated robust economics, we are well funded following our recent placing to move into the Feasibility stage. I would like to take this opportunity to thank the dedicated Horizonte Board of Directors, Management team and shareholders for your continued support and I look forward to providing further updates as we continue to develop Brazil's next major nickel project.

David J Hall
Chairman
25 February 2015

Operations Review **Jeremy Martin**

Horizonte Team Working With The Drill Core Samples

Phase 4 Diamond Drilling On The Pequizeiro Target

Araguaia Nickel Project

Pre-Feasibility Study

In March 2014 the Company completed a major milestone with the announcement of the results of the NI 43-101 compliant Pre-Feasibility Study ('**PFS**') on the 100% owned Araguaia Nickel Project.

The PFS demonstrated the strong economics, long term life of mine and low cost of operation and was based on production of ferronickel via the proven pyro-metallurgical process using Rotary Kiln Electric Furnace technology ('**RKEF**') — circa 60 year old technology utilised by around 20 plants worldwide.

PFS highlights	**Base Case 900 kpta Single line**	Option Case 2.7 Mtpa Twin line
NPV_8 post tax	**USD 519 M**	USD 1.204 Bn
IRR post tax	**20%**	21%
Nickel price	**USD 19,000 /t**	USD 19,000 /t
Initial mine life	**25 years**	22 years
Capital Costs — pre-production	**USD 582 M**	USD 1.436 Bn
C1 costs	**USD 4.16/lb (USD 9,166/t)**	USD 4.24/lb (USD 9,380/t)
Free cash flow over LOM (after capital payback)	**USD 1.766 Bn**	USD 3.470 Bn
Payback period (after taxation)	**4.4 years**	3.9 years
Breakeven Ni price on NPV_8 post tax	**USD 13,977/t**	USD 14,060/t
Targeted Production per annum	**15,000 tpa Ni**	40,000 tpa Ni
Average Ni grade — Year 1 to 10	**1.76% Ni**	1.57% Ni
Product grade quality	**20% Fe-Ni**	20% Fe-Ni

Two operational scenarios were evaluated as part of the PFS to demonstrate that Araguaia offers flexibility to be developed at multiple scales. The Company's preferred route to production is the smaller Base Case which utilises a single line RKEF process plant running at 900,000 tpa with 15,000 t targeted annual production of nickel in ferronickel product.

The Base Case was selected as it maintains financial returns whilst minimising both technical risks and capital exposure. The lower capital required is at a level that the Company has the ability to finance and is more in line with current market trends (low capex:high returns). The Option Case demonstrates that the project is also viable at a much larger production capacity should the Company bring in a partner to develop the project.

Not only has Araguaia been demonstrated to be economically and technically robust, it is also worth noting that the project is located in an established mining district. The region offers good road and rail networks with accessible transportation routes to port, access to low cost hydroelectric power and support from regional authorities. In addition, the use of the RKEF is a tried and tested method of producing ferronickel in this district.

In terms of the nickel market, the ban on direct shipping nickel ore from Indonesia has seen the commodity in the spotlight since the beginning of 2014 and has already had a significant positive impact on the nickel price, with nickel being one of the better performing metals in 2014. However, with the sharp decline seen in the overall mining sector late in 2014 and into 2015, nickel prices have decreased and we believe the year ahead will be volatile for the metal.

Going forwards there is anticipation of tightening on the supply side, with limited new projects resulting in increased nickel prices in the mid to longer-term, at the time when we anticipate Araguaia being brought into production. Market consensus indicates a belief that it will take several years for companies to build and commission process facilities in Indonesia. This, together with the required supporting infrastructure, means the overall cost of production from such plants is not yet known, but likely to be higher than the current cost in China. Horizonte is well positioned to benefit from this with the positive PFS completed — we are one of the few junior companies developing a significant nickel project with a proven process route.

NI 43-101 compliant Mineral Resources for the Araguaia Nickel Project, as published in the PFS (0.95% Ni cut-off grade)
High nickel grades were also confirmed in the PFS, with 1.76% Ni average feed grade for the first 10 years of production in the Base Case, drawing on the substantial NI 43-101 resource base consisting of 71.98 Mt grading 1.33% Ni (Indicated) and 25.35 Mt at 1.21% Ni (Inferred) and allowing operational flexibility, with the Base Case designed to allow for the addition of a second process line to increase overall nickel production.

Araguaia	Category	Material type	Tonnage (kT)	Density (t/m3)	Contained Ni metal (t)	Ni (%)	Co (%)	Fe (%)
Sub-total	Indicated	Limonite	11,560	1.35	137,790	1.19	0.127	36.50
Sub-total	Indicated	Transition	24,110	1.19	346,920	1.44	0.060	19.87
Sub-total	Indicated	Saprolite	36,310	1.32	473,960	1.31	0.034	11.82
Sub-total	Inferred	Limonite	8,830	1.34	100,310	1.14	0.097	35.85
Sub-total	Inferred	Transition	9,340	1.28	122,040	1.31	0.053	20.34
Sub-total	Inferred	Saprolite	7,190	1.41	84,370	1.18	0.033	12.07
TOTAL	Indicated	All	71,980	1.28	958,660	1.33	0.058	18.48
TOTAL	Inferred	All	25,350	1.34	306,730	1.21	0.063	23.40

Note: Totals may not add due to rounding. Mineral resources are inclusive of mineral reserves.

It should be noted that with the release of the PFS, 35,200 m of core drilling (HQ) (1,412 holes) had been completed to date at Araguaia and that the Mineral Resource statement above does not include estimates for other prospects within the Project area (Morro, Southern, Oito West and Pequizeiro East) due to insufficient drill information at this stage.

Mining
In terms of mining, Araguaia would utilise typical open pit truck and excavator mining methods across seven pits with Base Case production scheduled to mine on average 3.3 Mtpa in order to deliver 900 Ktpa of ore to the plant for 25 years.

Processing
Araguaia is planned to produce a 20% nickel in ferronickel product via the proven pyrometallurgical process of RKEF, a circa 60 year old technology with 20 plants operating worldwide today. The Base Case assumes a single line RKEF installation for 900 ktpa (dry) ore, producing approximately 15,000 tpa nickel in ferronickel.

Dryer Commissioning Trials at the IGEO Pilot Facility January 2015

Operations Review continued

After mining, ore preparation and blending, the initial process stage encompasses ore preparation, where the ore is sized to match the subsequent metallurgical process requirements. The ore is then homogenised and partially dried to around 18% moisture content in the coal-fired 27 m dryer treating ore at a nominal rate of 121 t/hr (dry ore basis). The dried ore product is then processed in the 120 m long rotary kiln similarly based on coal-firing. In the kiln, the ore is completely dried and calcined to remove chemically combined moisture, and partially pre-reduced. Calcined material is transferred into a single 63 MVA / 50 MW electric furnace for the separation of the metal and slag at high temperatures. The metal is conveyed in ladles to the refining stage. The refined oxidised slag is granulated with water, while the reduced slag is transported molten and safely disposed of. The final Fe-Ni product is granulated with water, screened, dried and stockpiled prior to dispatch to the market.

The laboratory scale metallurgical testwork carried out for the PFS showed excellent results. It confirmed the suitability of the RKEF process for the treatment of Araguaia nickel ore to produce ferronickel and included the following:

> A series of laboratory-scale tests carried out by FLSmidth at their Bethlehem, PA, USA laboratories which established the suitability of Araguaia ore for rotary kiln processing;

> Testwork on agglomeration performance in a rotary unit by Feeco International Inc. of Green Bay, WI, USA, plus additional bench scale test work on briquette testing at K.R. Komarek of Wood Dale, Illinois, USA; and

> Smelting testing was completed at the laboratories of Xstrata Process Support in Sudbury, Ontario, Canada, supplemented by additional work on the characteristics of the slag produced by smelting Araguaia laterite and the slag melting temperature at Kingston Process Metallurgy of Kingston, Ontario, Canada.

Photos Showing Large Diameter Auger Drill Rig In Use Collecting The 200 Tonne Bulk Sample For Metallurgical Pilot Testing

Social, Environmental and Permitting

2014 Highlights:

> The Social and Environmental Impact Assessment ('**SEIA**') was finalised and the report submitted to the Brazilian State licensing authority ('**SEMA**') in June 2014 for the Araguaia Project's preliminary license evaluation.
> In December 2014, the State Environment Agency published the Public Hearing date of 30 January 2015, a positive step towards obtaining the preliminary license. The Public Hearing was undertaken in January and the Company received positive support at this event from the local community and government authorities due to the strong demand for economic development in the region.
> Local community members were widely consulted by the Company's employees to ensure the future Araguaia Project can deliver value for the local community by including local stakeholder feedback into socio-economic and environmental management plans.

Managing our Impact

The environment and social baseline data collection programme commenced in November 2011 and was completed in 2013, with the exception of the archaeological investigation, which was completed in February 2014. The archaeological report was submitted to the Instituto do Patrimonio, Historico e Artistico Nacional ('**IPHAN**'), who granted approval of the study in October 2014.

The environmental baseline programme included information on: climate, particulate matter, groundwater composition and depth, soils, surface water composition and flow, spring locations, fauna and flora.

The social baseline data collection programme included information on: regional demographics, stakeholders, livelihoods, community infrastructure, cultural heritage, natural resource use, labour and working conditions, vulnerable groups, land rights, regional medical and emergency services, public safety/security, and traffic volume.

The baseline studies included independent research and investigations undertaken by third party specialists:

> Environmental baseline studies and Social and Environmental Impact Assessment ('**SEIA**') — WALM Engenharia e Tecnologia Ambiental
> Biodiversity (flora and fauna) surveys — DBO Engenharia Ambiental
> Social and community surveys, stakeholder mapping, scenario assessment, risk analysis, and communication programme — Integratio Mediação Social e Sustentabilidade.

The results of these studies were fed into the completed PFS and influence Horizonte's day-to-day social and environmental activities.

A significant milestone was reached when SEMA published the public hearing ('**Hearing**') date in December 2014, held in January 2015. The primary aim of the Hearing was to inform, clarify and encourage further community participation in project planning and it was attended by over 1,000 people including representatives of the local and State authorities. The outcome was positive. The Hearing is a part of the environmental licence process and necessary for the awarding of the Preliminary Licence ('**LP**').

Another key highlight in the social and environmental programme for 2014 was the successful consultation of a wide number of local community members, particularly rural residents and landowners, within the impact area of the project. As a result of consultations we have developed an excellent understanding of the needs of the community and their relationship with the environment. Therefore the Araguaia Nickel Project has put in place carefully constructed plans to both mitigate risks and deliver net positive value for society. One example of this is the planned economic development programme for the future mine construction and operation which will include:

> maximising local employment through partnerships with training institutions
> developing local suppliers to the future Araguaia Nickel mine
> improving small and medium businesses in the region — particularly rural producers.

Operations Review continued

Next Phase of Project Development

Completion of the PFS in March 2014 paved the way for further work for the rest of year in preparation for the Feasibility Study ('**FS**') on the Araguaia Nickel Project. This included the following:

Infill drilling to define a Measured Resource

The Phase 4 HQ3 diamond infill drilling commenced in early November 2014 on selected areas from the principal deposits. This has several objectives including: upgrading a portion of the current Indicated Mineral Resources to the Measured category; additional geotechnical drilling and hydrogeological investigations of the proposed open pit sites; the proposed process plant site and slag dump. The drilling campaign also assisted in selection of sites for the collection of bulk sample material to feed into a continuous pilot plant. This work will include close spaced drilling to confirm grade continuity in the selected sites.

Partial results have been received in January 2015 for the initial holes. The following high grade mineralised intersections from the bulk sample site drilling results include:

Borehole	Width (m)	Ni%
PDA-DD-1435B	12.47	2.17
PDA-DD-1423B	12.45	2.13
PDA-DD-1421B	13.35	2.07
PDA-DD-1431B	13.95	1.99

Additional metallurgical test work to include large scale piloting

Pilot scale process testing in Brazil is planned for the first and second quarters of 2015 at the Morro Azul pilot plant located at Pratapolis, Minas Gerais. The pilot campaign will treat a 200 tonne bulk sample of Araguaia ore.

The Morro Azul pilot plant includes the following facilities:

> A fuel-fired dryer rated at between 600 to 1,200 kg/hr of laterite ore (wet basis);
> A fuel-fired rotary kiln for processing 500 kg/hr of dried ore for calcining and reduction using coal as the reducing agent; and
> A 1 MVA electric furnace for smelting calcine producing a 20% Ni ferronickel metal and slag.

The pilot plant is supported by full laboratory facilities.

Evaluation of possible contractors to undertake the FS

An exhaustive selection and tender process has been underway to select the various FS contractors and design the detailed framework for execution of the FS later in 2015.

Permitting

The Group undertook a public hearing process for the Araguaia Project LP on 30 January 2015. At this event the SEIA was presented to members of the local community as well as local, state and federal officials and elected representatives. The SEIA was well received and it is anticipated that the LP will be awarded for Araguaia in 2015.

The Group will undertake further studies in 2015, including an environmental control plan, as part of the process to obtain the Installation License ('**LI**'). The LI is expected to be granted by authorities later in 2016. This LI, together with an approved Mine Plan, will enable Horizonte Minerals to start construction of the Araguaia Project's mine and plant infrastructure.

The Group has planned a robust chronogram in the social and environmental area for 2015, including the delivery of an integrated Social, Safety, Health & Environmental impact study to meet IFC standards. This will involve the collection of new environmental baseline data focussing on detailed water and air characteristics of the region. The team will also collect social household survey data to form a Resettlement Framework for a small number of landowners in the direct area of influence of the future project infrastructure.

Furthermore, the Group will be setting new performance goals aimed at delivering value to stakeholders, including our shareholders, employees and local community in the areas of:

> Health & safety
> Environment
> Society
> Employees & contractors

Groundwater Monitoring Programme

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 2014.

Review of the Business

The Group is focussed on the development of the Araguaia nickel project, in Brazil. A detailed review of the activities together with future developments of the Group is provided in the Chairman's Statement and the Operations Review.

Organisation Overview

The Group's business is directed by the Board and is managed on a day-to-day basis by the Chief Executive Officer, based at the Company's offices in London, United Kingdom. The corporate structure reflects the historical development of the Group, together with various project holdings of the Group, with relevant licences and permits held through locally domiciled subsidiaries. Where there is an appropriate requirement, for fiscal and other reasons, incorporated entities are also located in other particular territories.

The Group's exploration activities in Brazil are undertaken through HM do Brazil Ltda, Araguaia Niquel Mineração Ltda and Lontra Empreendimentos e Participaçoes Ltda.

The Board of Directors comprises the Chief Executive Officer and five Non-Executive Directors.

Aims, Strategy & Business Plan

The Group's **aim** is to create value for shareholders through the discovery and development of economic mineral deposits.

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, 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 initiate a Feasibility Study on Araguaia in 2015, which will be a further milestone in its progressive development and de-risking. This has been the core focus of the Group since the acquisition of Araguaia in August 2010. A Pre-Feasibility Study was completed in March 2014 and showed that further analysis and development of the project is fully justified.

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 estimates

The Group's reported resources 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.

Drill Hole Planning on the Pequizeiro Target

Strategic Report continued

2014 saw a general election in the country which resulted in the reelection of the incumbent centre-left administration. Brazil has a well developed exploration and mining code with proactive support for foreign companies. Economic growth has however faltered to close to zero in 2014, as compared to circa 2.0% for 2013.

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.

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 the 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.

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:

	2014	2013
Cash and cash equivalents	**£5,030,968**	£3,091,880
Administrative expenses as a percentage of Total assets	**4.2%**	4.4%
Exploration costs capitalised as intangible assets	**£2,018,658**	£4,241,762

Administrative expenses as a percentage of total assets has remained stable as there has been no change in corporate activity following its streamlining in 2013, owing to the constrained financing environment prevalent in the sector in which the Group operates.

Exploration costs capitalised as intangible assets relate to expenditure on the Araguaia project. Expenditure in 2013 was higher than in 2014; this was driven by the Pre-Feasibility study which was completed in March 2014 and included a 3rd Phase 9,309 metre drilling programme. Development activity at Araguaia in 2014 has focused on advancing permitting on the project and planning for the Feasibility Study. Furthermore a 4th Phase infill drilling campaign commenced in early November 2014.

At 31 December 2014 the Group's intangible assets had a carrying value of £20,770,312.

Non-Financial Key Performance Indicators ('KPIs')

The Board monitors the following key non-financial KPIs on a regular basis:

Health and Safety — number of reported incidents

There were no reportable incidents in the current or prior year.

Operational performance

Resource size and grade: A Canadian National Instrument ('**NI**') 43-101 Technical Report was released in March 2014 for the Araguaia Project and included 71.98 Mt grading 1.33% Ni (Indicated) and 25.35 Mt at 1.21% Ni (Inferred). This represents an increase on previous estimates.

Fundraising

On 31 July 2014 a total of 50,000,000 shares were issued through a public offering in Canada, at a price of CAD 0.11 per share and a private placement was closed for a total of 41,287,608 shares, at a price of £0.06 per share, to raise a total of £5,447,265 before expenses.

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

By order of the Board
Jeffrey Karoly, Company Secretary. 25 February 2015

Financial Report Jeffrey Karoly

‘The Brazilian Real and a strong balance sheet continue to work in the Group’s favour, helping to hold down the cost base’

	Year ended 31 December 2014 £	Year ended 31 December 2013 £
Loss before taxation	(1,241,936)	(2,713,221)
Cash and cash equivalents	5,030,968	3,091,880
Exploration assets	20,499,387	19,754,559
Net assets	26,171,171	23,738,903
Loss per share (pence)	(0.283)	(0.709)

Loss for the year

The loss for the year reduced by £1,471,285 to £1,241,936 due to a number of non-recurring charges in 2013 which did not flow through into the following year. These included:

> A one-off non-cash impairment charge in 2013 of £1,033,240 due to the writing off of the El Aguila and Falcao projects in 2013. This compared to a £31,989 impairment in 2014 on the Rio Maria project.

> A non-cash credit of £415,702 compared to £46,940 in 2013. The 2014 credit arose as the cash flow model used to estimate the contingent consideration was adjusted, to take into account changed assumptions in the timing of cash flows, as derived from the Pre-Feasibility Study, published by the Group in March 2014. The changed assumptions included the estimated timing of the eventual payment of the contingent consideration, as well as exchange rate.

The Group has continued to keep a tight control on its administrative costs, which amounted in the year to £1,311,688 and remain at a similar level to 2013, when they totalled £1,288,758.

Furthermore, total comprehensive income attributable to equity holders of £(2,703,087) included currency translation differences of £(1,438,422). This was due to the Brazilian real continuing to weaken against Sterling as at 31 December 2014, as compared to 31 December 2013.

Fazenda Araguaia
One of the Operational Bases on the Project

Financial Report continued

Cash and Cash Equivalents

The closing cash balance for the Group of £5,030,968 is net of £2,018,658 of direct exploration expenditure in the year, as compared to £4,241,762 in 2013. Expenditure in 2014 was lower than in 2013 as most of the costs of the Pre-Feasibility Study and associated 3rd Phase 9,309 metre drill programme were incurred in 2013. Activities since the release of the Pre-Feasibility in March 2014 have focussed on advancing the permitting and planning for the Feasibility Study, with a 4th Phase drill programme commencing in November 2014.

Exploration Assets

Exploration assets, which comprise the Araguaia project, have increased to £20,499,387 as at 31 December 2014 as compared to £19,754,559 as at 31 December 2013. The expenditure of £2,018,658 in 2014 was offset by a negative foreign exchange revaluation of £1,241,841 as the Brazilian Real continued to devalue against Sterling, together with an impairment of the Rio Maria Project of £31,989. The Araguaia assets of the business are valued in the functional currency of the country in which they are located.

Local Power Sub-Station at Colinas

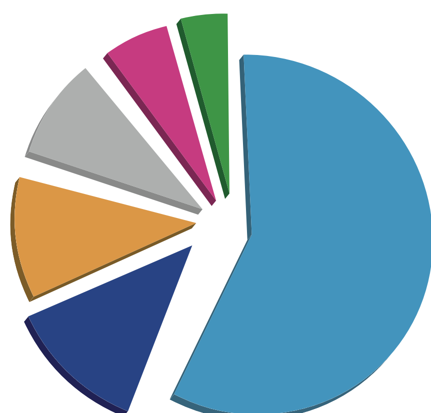
Company Geologist Inspecting Drill Core

Project Manager Steve Heim and Operations Director Luciano Lima

Nickel Overview

Industry Summary

Nickel is most often combined with other materials to produce alloys such as stainless steel, which consumes circa two-thirds of global production, as well as other alloys with distinct performance characteristics which represent a further circa 20% of annual demand. It is also used as a plating material and to produce special chemical products for batteries and catalysts. Together these represent the 'first use' applications of nickel.



- 58% Primary nickel in stainless
- 12% Nickel based alloys
- 11% Plating
- 9% Non-ferrous alloys
- 6% Chemicals
- 4% Other

* Data from the Nickel Institute

Markets

Around 45% of global nickel consumption occurs in China, with a further 20% in Europe and 10% in the United States, according to the Nickel Institute. Despite huge historic growth in demand, Chinese per capita consumption is still only just half of more industrially-developed economies such as Japan and Germany. With Chinese domestic mine supply representing around one-tenth of total nickel demand, the country will remain a heavy net importer of the metal.

Global demand for nickel has remained robust, according to Glencore, growing at an average rate of over 7% per annum in the period 2008–2013, driven by growth in China, India and the U.S. Although the days of double digit demand growth in China have passed, the greater size of the economy still results in healthy growth in the absolute demand for nickel, forecast by various observers to remain globally at over 4% per annum over the next 5–10 years.

Furthermore, a structural change occurred in the nickel market in 2014, with the ban on exports of raw materials from Indonesia. Through the export of unbeneficiated lateritic nickel ore to China, Indonesia had grown over 7 or so years into the largest net exporter of contained nickel in the world and the move by the Indonesian government, aimed at encouraging domestic investment in downstream value-add activities, has removed from the market circa 300,000 annual tonnes of nickel, which had been feeding primarily into the nickel pig iron industry in China. Based on the composition of replacement ore supply from the Philippines, Chinese nickel pig iron production, which had been sourcing approximately three quarters of its supply from Indonesia, will nonetheless likely fall by over 100 Ktpa.

Annual global demand growth of circa 4% translates into circa 75,000 tonnes per annum. Implementation of new Indonesian nickel pig iron capacity to address the ore export ban is likely to be challenging for a number of reasons, including the lack of infrastructure and the track record of Chinese companies investing and building mining projects outside of China, and it is likely that the market will be reliant on new projects outside Indonesia to fill the supply gap.

However the nickel industry is facing the issue of a reduced 'project cupboard,' most of the projects from the early 2000's have either been developed or are still struggling to ramp up. There is no clear new major source of supply in the industry — HPAL projects have suffered large capital cost over-runs and further new projects are unlikely; nickel sulphide discovery rate is in decline and nickel pig iron was highly dependent on higher grade Indonesian ore to maintain the low cost of production. Therefore there is room in the market place for quality, low C1 cost projects such as Araguaia to come on stream as the expected structural supply deficit widens in the next 5 to 10 years.

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 Masters 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 SA, responsible for Central and Eastern Europe, Central Asia and the Middle East. He moved to South America in 1997 as a consultant geologist for Minorco South America and subsequently became exploration manager for AngloGold South America in 1999, where he was responsible for exploration around the Cerro Vanguardia gold mine in Argentina, around the Morro Velho and Crixas mines in Brazil and establishing the exploration programme that resulted in the discovery of the La 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 an MSc 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.

Jeffrey L Karoly BSc (hons), ACA
Chief Financial Officer and Company Secretary
Mr Karoly has degree in Geology from the University of Bristol and is a Chartered Accountant with over 15 years of experience in the mining industry. He was with Minorco/Anglo American from 1997 to 2007 in a variety of finance/corporate finance functions in the UK, Brazil, South Africa and France and from 2008 to 2010 was Chief Financial Officer of South American Ferro Metals, a private company that acquired, explored and developed an iron ore property in Brazil and which in 2010 listed on the ASX. Mr Karoly started his career at Coopers & Lybrand and speaks French and Portuguese.

Owen A Bavinton BSc (hons), MSc, DIC, PhD
Non-Executive Director
Dr Bavinton graduated from the University of Queensland in Geology in 1969 and holds a Masters 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 mineral exploration and mining sectors 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 ('**WMC**'), 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, primarily focussed on project finance and private equity in the energy and natural resource sectors particularly in emerging markets. He has extensive contacts in these sectors worldwide as well as with governments, multilateral agencies and regional development banks. He has most recently been 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. Previously he founded and ran a similar fund for Black River Asset Management Limited, an indirectly held subsidiary of Cargill Inc. Prior to Black River, Mr Walker, from 2002 until 2005, was head of power and infrastructure in London for Standard Bank Plc, a world leader in emerging markets resource banking. He was also previously a Director in the Global Energy and Project Finance Group of Credit Suisse First Boston in London and ran the energy company at CSFB Garantia in Sao Paulo, Brazil from 1998 to 2001. Mr Walker graduated with an MA in economic geography from Cambridge University in 1982 and speaks Portuguese and Spanish.

Alexander N Christopher BSc (Hons), P.Geo (BC)
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 Vice President Exploration at Teck. Mr Christopher has been with Teck since the mid 1980's holding a number of positions within the company and has spent much of his time over the past 15 years focusing on the junior mining sector, partnerships, property transactions and Teck's junior mining equity investments. He is also currently a member of the Board of Directors of the Prospectors and Developers Association of Canada and a member of the Association of Mineral Exploration BC where Mr Christopher was previously a member of the Board of Directors and has served on a number of committees including the Finance Committee which he continues to serve on at this time.

William J 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, Mr Fisher 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).

Roger Billington P.Geo
Technical Manager
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 Advisor
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 2014.

Principal activities

The principal activity of the Company and the Group 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 Parà State in north-eastern Brazil.

Financial review

The Group recorded a loss for the year of £1,241,936 (2013: loss £2,713,221). The Group is currently involved in exploration and evaluation activities and not actively mining. As a result, the Group is not revenue generative.

On 31 July 2014 a total of 50,000,000 shares were issued through a public offering in Canada, at a price of CAD 0.11 per share and a private placement was closed for a total of 41,287,608 shares, at a price of £0.06 per share, to raise a total of £5,447,265 before expenses.

At 31 December 2014 the Group had cash and cash equivalents of £5,030,968 (2013: £3,091,880). 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 (2013: £Nil).

Corporate and Social Responsibility

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 Parà, where the project is located. The year 2015 will see an advancement of the social development agenda for the Group with a household survey programme planned for landowners likely to be affected by the upcoming Araguaia Project and official public consultations on the Project’s Social & Environmental Impact Assessment.

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. Horizonte is currently at the pre-production stage, hence, the environmental impact associated with its activities is minimal. 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 to equal or better conditions 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.

SEIA

As the project moves into the Feasibility Stage, the focus is now on creating one integrated Social and Environmental Impact Assessment based on International Finance Corporation/World Bank standards. Additional data collection will be undertaken throughout 2015, including social resettlement data, water, air and other data required to place the Group in good stance with strong baseline studies before commencing construction of the Araguaia Project.

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 25 February 2015.

Major shareholders	Number of shares	% of issued capital
Teck Resources Limited	188,689,929	38.3
Henderson Global Investors	69,052,667	14.0
Anglo Pacific Group Plc	34,228,821	7.0
Quantom Holdings Ltd	30,000,000	6.1
Richard Griffiths	24,536,192	4.4

Share capital
A statement of the changes in the share capital of the Company is set out in note 14 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 2014 are as follows:

	31 December 2014		31 December 2013	
Director	Shares	Options	Shares	Options
David Hall	**765,908**	**4,000,000**	765,908	3,000,000
Jeremy Martin	**1,083,908**	**8,250,000**	853,908	5,250,000
Owen Bavinton	—	**2,500,000**	—	1,500,000
Allan Walker	—	**3,400,000**	—	2,400,000
William Fisher	—	**2,500,000**	—	1,500,000
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 2014 and 25 February 2015.

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.

Events after the reporting date
The events after the reporting date are set out in note 30 to the Financial Statements.

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 2014 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.

Future developments
In 2015 the Group will be completing a 4th Phase infill drilling programme, together with a pilot plant test on a 200 tonne bulk sample. These are precursors for the Feasibility Study. Furthermore the permitting for the Araguaia project will continue to be advanced.

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

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

By Order of the Board

Jeffrey Karoly
Company Secretary
25 February 2015

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have prepared the Group and Parent 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 the Company, and of the profit or loss of the Group for that period.

In preparing these Financial Statements, the Directors are required to:

> select suitable accounting policies and then apply them consistently;

> make judgements and accounting estimates that are reasonable and prudent;

> state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the Financial Statements;

> prepare the Financial Statements on a 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 the Group, 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included in the Company's website, www.horizonteminerals.com. Legislation in the United Kingdom governing the preparation and dissemination of the Financial Statements may differ from legislation in other jurisdictions.

Public Hearing January 2015

Corporate Governance Report

The Board of Directors
As at 31 December 2014, 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. Three of the Non-Executive Directors 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 2014 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statements of Financial Position, the Consolidated and Parent Company Statements of Cash Flows, the Consolidated and Parent Company Statements of Changes in Equity 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 and, as regards the Parent Company Financial Statements, as applied in accordance with the provisions of the Companies Act 2006.

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 Auditor

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 Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the Financial Statements sufficient to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group and the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by Directors; and the overall presentation of the Financial Statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited Financial Statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on Financial Statements

In our opinion:

> the Financial Statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2014 and of the Group's loss for the year then ended;

> the Group Financial Statements have been properly prepared in accordance with IFRSs as adopted by the European Union;

> the Parent Company Financial Statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and

> the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion 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.

Matters on which we are required to report by exception

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 by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or

> the Parent Company Financial Statements are not in agreement with the accounting records and returns; or

> certain disclosures of Directors' remuneration specified by law are not made; or

> we have not received all the information and explanations we require for our audit.

Alistair Roberts (Senior statutory auditor)
For and on behalf of PKF Littlejohn LLP
Statutory auditor
25 February 2015

1 Westferry Circus
Canary Wharf
London E14 4HD

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2014

	Notes	Year ended 31 December 2014 £	Year ended 31 December 2013 £
Continuing operations			
Revenue		—	—
Cost of sales		—	—
Gross profit		—	—
Administrative expenses		(1,311,688)	(1,288,758)
Charge for share options granted		(125,107)	(171,277)
Changes in fair value of contingent consideration	18	415,702	46,940
Project and intangible fixed asset impairment	6	(31,989)	(1,033,240)
Loss on foreign exchange		(46,364)	(149,199)
Operating loss	6	(1,099,446)	(2,595,534)
Finance income	7	31,413	47,451
Finance costs	7	(173,903)	(165,138)
Loss before taxation		(1,241,936)	(2,713,221)
Taxation	8	—	—
Loss for the year from continuing operations attributable to owners of the parent		(1,241,936)	(2,713,221)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Changes in value of available for sale financial assets	12	(22,729)	(174,985)
Currency translation differences on translating foreign operations	17	(1,438,422)	(4,124,364)
Other comprehensive income for the year, net of tax		(1,461,151)	(4,299,349)
Total comprehensive income for the year attributable to owners of the parent		(2,703,087)	(7,012,570)
Earnings per share from continuing operations attributable to owners of the parent			
Basic (pence per share)	20	(0.283)	(0.709)
Diluted (pence per share)	20	(0.283)	(0.709)

The notes on pages 29 to 53 form part of these financial statements.

Consolidated Statement of Financial Position

Company number: 05676866
As at 31 December 2014

	Notes	31 December 2014 £	31 December 2013 £
Assets			
Non-current assets			
Intangible assets	9	**20,770,312**	20,041,937
Property, plant & equipment	10	**54,390**	107,451
Deferred tax assets	8	**5,065,976**	5,373,634
		25,890,678	25,523,022
Current assets			
Trade and other receivables	11	**22,709**	62,127
Available for sale financial assets	12	—	22,729
Cash and cash equivalents	13	**5,030,968**	3,091,880
		5,053,677	3,176,736
Total assets		**30,944,355**	28,699,758
Equity and liabilities			
Equity attributable to owners of the parent			
Share capital	14	**4,924,271**	4,011,395
Share premium	15	**31,095,370**	26,997,998
Other reserves	17	**(321,601)**	1,139,550
Retained losses		**(9,526,869)**	(8,410,040)
Total equity		**26,171,171**	23,738,903
Liabilities			
Non-current liabilities			
Contingent consideration	18	**2,235,512**	2,477,310
Deferred tax liabilities	8	**2,201,778**	2,335,492
		4,437,290	4,812,802
Current liabilities			
Trade and other payables	18	**335,894**	148,053
		335,894	148,053
Total liabilities		**4,773,184**	4,960,855
Total equity and liabilities		**30,944,355**	28,699,758

The notes on pages 29 to 53 form part of these financial statements.

The financial statements were authorised for issue by the Board of Directors on 25 February 2015 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 2014

	Notes	31 December 2014 £	31 December 2013 £
Assets			
Non-current assets			
Property, plant & equipment	10	**2,291**	5,137
Investment in subsidiaries	26	**37,768,225**	34,525,339
		37,770,516	35,530,476
Current assets			
Trade and other receivables	11	**13,818**	12,035
Cash and cash equivalents	13	**4,208,984**	2,756,368
		4,222,802	2,768,403
Total assets		**41,993,318**	37,298,879
Equity and liabilities			
Equity attributable to owners of the parent			
Share capital	14	**4,924,271**	4,011,395
Share premium	15	**31,095,370**	26,997,998
Merger reserve	17	**10,888,760**	10,888,760
Retained losses		**(7,652,755)**	(7,551,817)
Total equity		**39,255,646**	34,346,336
Liabilities			
Non-current liabilities			
Contingent consideration	18	**2,235,512**	2,477,310
Current liabilities			
Trade and other payables	18	**502,160**	475,233
Total liabilities		**2,737,672**	2,952,543
Total equity and liabilities		**41,993,318**	37,298,879

The notes on pages 29 to 53 form part of these financial statements.

The financial statements were authorised for issue by the Board of Directors on 25 February 2015 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 2014

	Attributable to owners of the parent				
	Share capital £	Share premium £	Retained losses £	Other reserves £	Total £
Consolidated					
As at 1 January 2013	3,600,462	24,384,527	(5,868,096)	5,438,899	27,555,792
Loss for the year	—	—	(2,713,221)	—	(2,713,221)
Other comprehensive income:					
Changes in value of available for sale financial assets	—	—	—	(174,985)	(174,985)
Currency translation differences on translating foreign operations	—	—	—	(4,124,364)	(4,124,364)
Total comprehensive income for the year	—	—	(2,713,221)	(4,299,349)	(7,012,570)
Issue of ordinary shares	410,933	2,671,066	—	—	3,081,999
Issue costs	—	(57,595)	—	—	(57,595)
Share-based payments	—	—	171,277	—	171,277
Total transactions with owners, recognised directly in equity	410,933	2,613,471	171,277	—	3,195,681
As at 31 December 2013	**4,011,395**	**26,997,998**	**(8,410,040)**	**1,139,550**	**23,738,903**
Loss for the year	—	—	(1,241,936)	—	(1,241,936)
Other comprehensive income:					
Changes in value of available for sale financial assets	—	—	—	(22,729)	(22,729)
Currency translation differences on translating foreign operations	—	—	—	(1,438,422)	(1,438,422)
Total comprehensive income for the year	—	—	(1,241,936)	(1,461,151)	(2,703,087)
Issue of ordinary shares	912,876	4,564,389	—	—	5,477,265
Issue costs	—	(467,017)	—	—	(467,017)
Share-based payments	—	—	125,107	—	125,107
Total transactions with owners , recognised directly in equity	912,876	4,097,372	125,107	—	5,135,355
As at 31 December 2014	**4,924,271**	**31,095,370**	**(9,526,869)**	**(321,601)**	**26,171,171**

	Attributable to equity shareholders				
	Share capital £	Share premium £	Retained losses £	Merger reserves £	Total £
Company					
As at 31 January 2013	3,600,462	24,384,527	(3,344,872)	10,888,760	35,528,877
Loss for the year	—	—	(4,378,222)	—	(4,378,222)
Total comprehensive income for the year	—	—	(4,378,222)	—	(4,378,222)
Issue of ordinary shares	410,933	2,671,066	—	—	3,081,999
Issue costs	—	(57,595)	—	—	(57,595)
Share-based payments	—	—	171,277	—	171,277
Total transactions with owners, recognised directly in equity	410,933	2,613,471	171,277	—	3,195,681
As at 31 December 2013	4,011,395	26,997,998	(7,551,817)	10,888,760	34,346,336
Loss for the year	—	—	(226,045)	—	(226,045)
Total comprehensive income for the year	—	—	(226,045)	—	(226,045)
Issue of ordinary shares	912,876	4,564,389	—	—	5,477,265
Issue costs	—	(467,017)	—	—	(467,017)
Share-based payments	—	—	125,107	—	125,107
Total transactions with owners, recognised directly in equity	912,876	4,097,372	125,107	—	5,135,355
As at 31 December 2014	**4,924,271**	**31,095,370**	**(7,652,755)**	**10,888,760**	**39,255,646**

The notes on pages 29 to 53 form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	Notes	31 December 2014 £	31 December 2013 £
Cash flows from operating activities			
Loss before taxation		**(1,241,936)**	(2,713,221)
Finance income		**(31,413)**	(47,451)
Finance costs		**173,903**	165,138
Charge for share options granted		**125,107**	171,277
Impairment of intangible assets		**31,989**	1,048,282
Exchange differences		**46,364**	(27,424)
Change in fair value of contingent consideration		**(415,702)**	(46,940)
Depreciation		**3,666**	4,370
Operating loss before changes in working capital		**(1,308,022)**	(1,445,969)
Decrease/(increase) in trade and other receivables		**39,417**	(17,285)
Increase/(decrease) in trade and other payables		**55,558**	(177,040)
Net cash used in operating activities		**(1,213,047)**	(1,640,294)
Cash flows from investing activities			
Purchase of intangible assets		**(1,843,161)**	(4,199,863)
Purchase of property, plant and equipment		**—**	(100,037)
Proceeds from sale of property, plant and equipment		**—**	91,247
Interest received		**31,413**	47,451
Net cash used in investing activities		**(1,811,748)**	(4,161,202)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		**5,477,265**	3,081,999
Issue costs		**(467,017)**	(57,595)
Net cash generated from financing activities		**5,010,248**	3,024,404
Net increase/(decrease) in cash and cash equivalents		**1,985,453**	(2,777,092)
Cash and cash equivalents at beginning of year		**3,091,880**	5,887,174
Exchange loss on cash and cash equivalents		**(46,365)**	(18,202)
Cash and cash equivalents at end of the year	13	**5,030,968**	3,091,880

Major non-cash transactions

During the year ended 31 December 2014 additions to intangible exploration assets included £46,261 (2013: £80,109) in relation to depreciation charges on property, plant and equipment used for exploration activities.

The notes on pages 29 to 53 form part of these financial statements.

Company Statement of Cash Flows

For the year ended 31 December 2014

	Notes	31 December 2014 £	31 December 2013 £
Cash flows from operating activities			
Loss before taxation		**(226,045)**	(4,378,222)
Finance income		**(14,006)**	(45,075)
Charge for share options granted		**125,107**	171,277
Impairment of investment in subsidiaries		**—**	4,264,167
Depreciation		**2,846**	2,868
Operating (loss)/profit before changes in working capital		**(112,098)**	15,015
(Increase)/decrease in trade and other receivables		**(1,783)**	13,707
Increase/(decrease) in trade and other payables		**26,929**	(179,324)
Net cash flows used in operating activities		**(86,952)**	(150,602)
Cash flows from investing activities			
Loans to subsidiary undertakings		**(3,484,684)**	(5,314,945)
Purchase of property, plant and equipment		**—**	(2,550)
Interest received		**14,006**	45,075
Net cash used in investing activities		**(3,470,678)**	(5,272,420)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		**5,477,265**	3,081,999
Issue costs		**(467,017)**	(57,595)
Net cash generated from financing activities		**5,010,248**	3,024,404
Net increase/(decrease) in cash and cash equivalents		**1,452,616**	(2,398,618)
Cash and cash equivalents at beginning of year		**2,756,368**	5,154,986
Cash and cash equivalents at end of the year	13	**4,208,984**	2,756,368

The notes on pages 29 to 53 form part of these financial statements.

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 precious and base metals. The Company's shares are listed on the Alternative Investment Market of the London Stock Exchange and on the Toronto Stock Exchange. The Company is incorporated and domiciled in the UK.

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 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 certain subsidiaries' assets and liabilities to fair value for consolidation purposes.

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
A number of new standards and amendments to standards and interpretations are effective for the annual period beginning after 1 January 2014 and have been applied in preparing these financial statements.

IFRS 10, 'Consolidated financial statements', builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.

IFRS 12, 'Disclosures of interests in other entities', includes the disclosure requirements for all forms of interests in entities, including joint arrangements, associates, special purpose vehicles and other off Statement of Financial Position vehicles.

IAS 27, 'Separate Financial Statements', replaces the current version of IAS 27, 'Consolidated and Separate Financial Statements' as a result of the issue of IFRS 10. The revised standard includes the requirements relating to separate financial statements.

IAS 28, 'Investments in Associates and Joint Ventures', replaces the current version of IAS 28, 'Investments in Associates', as a result of the issue of IFRS 11. The revised standard includes the requirements for associates and joint ventures that have to be equity accounted following the issue of IFRS 11.

b. New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 January 2014, but not currently relevant to the Group
A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company or Group.

Amendment to IAS 32, 'Financial Instruments: Presentation', add application guidance to address inconsistencies identified in applying some of the criteria when offsetting financial assets and financial liabilities. This includes clarifying the meaning of 'currently has a legally enforceable right of set-off' and that some gross settlement systems may be considered equivalent to net settlement.

Amendment to IAS 36, 'Impairment of Assets', require additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal. The amendments also incorporate the requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique.

Amendment to IAS 39, 'Financial Instruments: Novation of Derivatives and Continuation of Hedge Accounting', make it clear that there is no need to discontinue hedge accounting if a hedging derivative is novated, provided certain criteria are met. This relief has been introduced in response to legislative change across many jurisdictions that would lead to the widespread novation of over-the-counter derivatives.

IFRS 11, 'Joint Arrangements' provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. There are two types of joint arrangement; joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and therefore accounts for its share of assets, liabilities, revenue and expenses. Joint ventures arise where the joint venture has rights to the net assets of the arrangement and therefore equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.

Amendments to IFRS 10, 'Consolidated Financial Statements', IFRS 11 'Joint Arrangements' and IFRS 12, 'Disclosure of Interests in Other Entities' clarify the IASB's intention when first issuing the transition guidance in IFRS 10, provide similar relief in IFRS 11 and IFRS 12 from the presentation or adjustment of comparative information for periods prior to the immediately preceding period, and provide additional transition relief by eliminating the requirement to present comparatives for the disclosures relating to unconsolidated structured entities for any period before the first annual period for which IFRS 12 is applied.

Amendments to IFRS 10, 'Consolidated Financial Statements', IFRS 12, 'Disclosure of Interests in Other Entities' and IAS 27, 'Separate Financial Statements', define an investment entity and introduce an exception to consolidating particular subsidiaries for investment entities. These amendments require an investment entity to measure those subsidiaries at fair value through profit or loss in accordance with IFRS 9 'Financial Instruments', in its consolidated and separate financial statements. The amendments also introduce new disclosure requirements for investment entities in IFRS 12 and IAS 27. IFRIC 21, 'Levies', addresses the accounting for a liability to pay a levy if that liability is within the scope of IAS 37. The interpretation also addresses the accounting for a liability to pay a levy whose timing and amount is certain.

c. New and amended standards and interpretations issued but not yet effective for the financial year beginning 1 January 2014 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 disclosed below. The Company and Group intend to adopt these standards, if applicable, when they become effective.

Amendments to IAS 1 'Presentation of Financial Statements': Disclosure Initiative. The amendments to IAS 1 address perceived impediments to preparers exercising their judgment in presenting their financial reports by making the following changes:

- clarification that information should not be obscured by aggregating or by providing immaterial information, materiality considerations apply to all parts of the financial statements, and even when a standard requires a specific disclosure, materiality considerations do apply;
- clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and clarification that an entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss;
- additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in paragraph 114 of IAS 1.

The Group intends to adopt the amended standard no later than the annual period beginning on or after 1 January 2016, subject to EU endorsement.

Amendments to IAS 16 'Property, Plant and Equipment' and IAS 38 'Intangible Assets': Clarification of Acceptable Methods of Depreciation and Amortisation. The amendments clarify that a depreciation method which is based on revenue that is generated by an activity which includes the use of an asset is not appropriate for property, plant and equipment. The amendments also introduce a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances. The Group intends to adopt the amended standard no later than the annual period beginning on or after 1 January 2016, subject to EU endorsement.

Amendments to IAS 16 'Property, Plant and Equipment' and IAS 41 'Agriculture': Bearer Plants. The amendments include 'bearer plants' within the scope of IAS 16 instead of IAS 41, allowing such assets to be accounted for as property, plant and equipment and measured after initial recognition on a cost or revaluation basis in accordance with IAS 16. The amendments also introduce a definition of 'bearer plants' as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales. The amendments also clarify that produce growing on bearer plants remains within the scope of IAS 41. The Group has yet to assess the amendments' full impact but intends to adopt no later than accounting periods beginning on or after 1 January 2016, subject to EU endorsement.

Amendment to IAS 19, 'Defined Benefit Plans: Employee Contributions', provides guidance added to IAS 19 Employee Benefits on accounting for contributions from employees or third parties set out in the formal terms of a defined benefit plan. The Directors do not believe that this will have an impact on the Group, however will be adopted no later than accounting period beginning on or after 1 July 2014, subject to endorsement by the EU.

Amendments to IAS 27 'Separate Financial Statements': Equity Method in Separate Financial Statements. The amendments to IAS 27 permit investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in the separate financial statements. The Group intends to adopt the amended standard no later than the annual period beginning on or after 1 January 2016, subject to EU endorsement.

IFRS 9 (2014) 'Financial Instruments' supersedes IFRS 9 (2009), IFRS 9 (2010) and IFRS 9 (2013). The finalised version of IFRS 9 contains accounting requirements for financial instruments, replacing IAS 39 'Financial Instruments: Recognition and Measurement.' The content of IFRS 9 (2014) includes:

> Classification and measurement — financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The standard introduces a fair value through other comprehensive income category for certain debt instruments. Financial liabilities are classified in a similar manner to that under IAS 39 however there are differences in the requirements applying to the measurement of an entity's own risk.
> Impairment — The standard introduces an expected credit loss model for the measurement of the impairment of financial assets. so it is no longer necessary for a credit event to have occurred before a credit loss is recognised.
> Hedge accounting — The standard introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
> Derecognition — the requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.
> The Group intends to adopt the amended standards no later than the annual period beginning on or after 1 January 2018, subject to EU endorsement.

Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' (2011) in order to clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture, as follows:

> require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 Business Combinations.)
> require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognised only to the extent of the unrelated investors' interests in that associate or joint venture.

These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occurs by an investor transferring shares in a subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves. The Group intends to adopt the amended standard no later than the annual period beginning on or after 1 January 2016, subject to EU endorsement.

Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception. Amends IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures (2011) to address issues that have arisen in the context of applying the consolidation exception for investment entities by clarifying the following points:

> The exemption from preparing consolidated financial statements for an intermediate parent entity is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries at fair value.
> A subsidiary that provides services related to the parent's investment activities should not be consolidated if the subsidiary itself is an investment entity.
> When applying the equity method to an associate or a joint venture, a non-investment entity investor in an investment entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries.
> An investment entity measuring all of its subsidiaries at fair value provides the disclosures relating to investment entities required by IFRS 12.

The Group intends to adopt the amended standard no later than the annual period beginning on or after 1 January 2016, subject to EU endorsement.

Amendments to IFRS 11 'Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations' require an acquirer of an interest in a joint operation in which the activity constitutes a business as defined in IFRS 3. The amendments apply both to the initial acquisition of an interest in a joint operation, and the acquisition of an additional interest in a joint operation. The Group has yet to assess the full impact of this amendment and intends to adopt no later than accounting period beginning on or after 1 January 2016, subject to EU endorsement.

IFRS 14 'Regulatory Deferral Accounts' permits an entity which is a first time adopter of International Financial Reporting Standards to continue to account, with some limited changes for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements. The Group is yet to assess the full impact of this amendment and intends to adopt no later than the accounting period beginning on or after 1 January 2016, subject to EU endorsement.

IFRS 15 'Revenue from Contracts with Customers' provides a single, principles based five-step model to be applied to all contracts with customers. The standard includes guidance on the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. IFRS 15 also introduces new disclosures about revenue. The Group is yet to assess the full impact of this amendment and intends to adopt no later than the accounting period beginning on or after 1 January 2017, subject to EU endorsement.

'Annual Improvements 2010–2012 Cycle' sets out amendments to various IFRSs and provides a vehicle for making non-urgent but necessary amendments to IFRSs:

> IFRS 2 'Share-based Payment': amendment to the definition of a vesting condition.
> IFRS 3 'Business Combinations': amendments to the accounting for contingent consideration in a business combination.
> IFRS 8 'Operating Segments': amends to the aggregation of operating segments and the reconciliation of the total of the reportable segments' assets to the entity's assets.
> IFRS 13 'Fair Value Measurement': amendments to short-term receivables and payables.
> IAS 16 'Property, Plant and Equipment': amendments to the revaluation method in relation to the proportionate restatement of accumulated depreciation.
> IAS 24 'Related Party Disclosures': amendments regarding key management personnel.
> IAS 38 'Intangible Assets': amendments to the revaluation method in relation to the proportionate restatement of accumulated depreciation.

The Group intends to adopt the amended standards no later than the annual period beginning on or after 1 July 2014, subject to EU endorsement.

'Annual Improvements 2011–2013 Cycle' sets out amendments to various IFRSs and provides a vehicle for making non-urgent but necessary amendments to IFRSs:

> IFRS 1 'First-time Adoption of International Financial Reporting Standards': amendment to the meaning of 'effective IFRSs'.
> IFRS 3 'Business Combinations': amendments to the scope exceptions for joint ventures.
> IFRS 13 'Fair Value Measurement': amendments to the scope of paragraph 52 (portfolio exception).
> IAS 40 'Investment Property': amendments clarifying the interrelationship between IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property.

The Group intends to adopt the amended standards no later than the annual period beginning on or after 1 July 2014, subject to EU endorsement.

'Annual Improvements 2012–2014 Cycle' sets out additional amendments to the following IFRSs:

> IFRS 5 — Adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued.
> IFRS 7 — Additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements.
> IAS 9 — Clarify that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid.
> IAS 34 — Clarify the meaning of 'elsewhere in the interim report' and require a cross-reference.

The Group intends to adopt the amended standards no later than the annual periods beginning on or after 1 July 2016, subject to EU endorsement.

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. Specifically, the Group controls an investee if, and only if, the Group has:

> Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee).
> Exposure, or rights, to variable returns from its involvement with the investee.
> The ability to use its power over the investee to affect its returns.

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	Parent company	Country of incorporation	Nature of business
Horizonte Exploration Ltd	Horizonte Minerals Plc	England	Mineral Exploration
Horizonte Minerals (IOM) Ltd	Horizonte Exploration Ltd	Isle of Man	Holding company
HM Brazil (IOM) Ltd	Horizonte Minerals (IOM) Ltd	Isle of Man	Holding company
HM Peru (IOM) Ltd	Horizonte Minerals (IOM) Ltd	Isle of Man	Holding company
Horizonte Nickel (IOM) Ltd	Horizonte Minerals (IOM) Ltd	Isle of Man	Holding company
HM do Brasil Ltda	HM Brazil (IOM) Ltd	Brazil	Mineral Exploration
Araguaia Niquel Mineração Ltda	Horizonte Nickel (IOM) Ltd	Brazil	Mineral Exploration
Lontra Empreendimentos e Participações Ltda	Araguaia Niquel Mineração Ltda/ Horizonte Nickel (IOM) Ltd	Brazil	Mineral Exploration
Mineira El Aguila SAC	HM Peru (IOM) Ltd	Peru	Mineral Exploration
Mineira Cotahusi SAC	Mineira El Aguila SAC	Peru	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 payments required in relation to its current exploration projects. The Group has considerable financial resources which will be sufficient 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. The amount of additional funding is estimated without any certainty at the point of approval of these Financial Statements and the Group will be required to raise additional funds either via an issue of equity or through the issuance of debt. The Directors are confident that funds will be forthcoming if and when they are required.

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

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 in cash generating units does not lead to the discovery of commercially viable quantities of mineral resources or the Company 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.

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognised within 'Other (losses)/gains' in the Statement of Comprehensive Income.

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 Sterling and the functional currency of the Brazilian and Peruvian entities is Brazilian Real and Peruvian Nuevo Sol respectively. 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 translated at the closing rate.

2.9 Financial assets

The Group classifies its financial assets in the foregoing categories: loans and receivables; and available-for-sale financial assets, as appropriate. The Group determines the classification of its financial assets at initial recognition, depending on the purpose for which the financial assets were acquired.

a. Available-for-sale financial assets

Available-for-sale financial assets consist of equity investments that are neither classified as held for trading nor designated at fair value through profit or loss. After initial recognition, available-for-sale financial assets are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available-for-sale reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the available-for-sale reserve to the Income Statement in finance costs. The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices.

b. 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' in the 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 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 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.

In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax 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 balance sheet 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.

2.12 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.

2.13 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.

2.14 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.

2.15 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.

2.16 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.

2.17 Finance income

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

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 focuses 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 UK pound.

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 2014, if the US Dollar had weakened/strengthened by 5% against Pound Sterling and Brazilian Real with all other variables held constant, post tax loss for the year would have been approximately £15,641/£17,287 lower/higher mainly as a result of foreign exchange losses/gains on translation of US Dollar 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

The Group is exposed to commodity price risk as a result of its operations. However, 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. The Group's listed equity securities are susceptible to price risk arising from uncertainties about future values of the securities.

e. Credit risk

Credit risk arises from cash and cash equivalents as well as exposure to joint venture partners including 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. Management does not expect any losses from non-performance by joint venture partners.

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

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 2014 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 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. As this is an observable input all fair value estimates fall within level 2.

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 2014 of £20,499,389 (2013: £19,754,559). Management tests annually whether exploration projects have future economic value in accordance with the accounting policy stated in note 2.5. Each exploration project is subject to an annual review by either a consultant or senior company geologist to determine if the exploration results returned to date warrant further exploration expenditure and have the potential to result in an economic discovery. This review takes into consideration long-term metal prices, anticipated resource volumes and grades, permitting and infrastructure. In the event that a project does not represent an economic exploration target and results indicate there is no additional upside, a decision will be made to discontinue exploration. The Directors have reviewed the estimated value of each project prepared by management and consider a full impairment charge necessary for the Rio Maria licence, for which the impairment charge was £31,989. In 2013 the El Aguila Project was fully impaired, with a charge of £738,103 together with the Falcao Project, for which the impairment charge was £310,179.

4.2 Estimated impairment of goodwill

Goodwill has a carrying value at 31 December 2014 of £270,923 (2013: £287,378). 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 9 to the Financial Statements.

4.3 Contingent consideration

Contingent consideration has a carrying value of £2,235,512 at 31 December 2014 (2013: £2,477,310). The contingent consideration arrangement 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 on 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.

The fair value of this potential consideration has been determined using the operating and financial assumptions in the cash flow model derived from the Pre-Feasibility Study published by the Group in March 2014 in order to calculate the ability to utilise the acquired tax losses, together with the timing of their utilisation. 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 upward or downward movements in several factors to include commodity prices, operating costs, capital expenditure, production levels, grades, recoveries and interest rates.

The carrying value of contingent consideration would not be affected were the operating cash flows to vary by as much as 50% from management's estimates.

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 has been recognised on acquisition of Araguaia Niquel Mineração Ltda for the utilisation of the available tax losses acquired. Should the actual final outcome regarding the utilisation of these losses be different from management's estimations, the Group may need to revise the carrying value of this asset.

4.5 Share-based payment transactions

The Group has made awards of options and warrants over its unissued share capital to certain Directors and employees as part of their remuneration package.

The valuation of these options and warrants involves making a number of critical estimates relating to price volatility, future dividend yields, expected life of the options and forfeiture rates. These assumptions have been described in more detail in note 16.

Were the actual number of options that vest to differ by 10% from management's estimates, the overall option charge would increase / decrease by £11,156.

4.6 Other areas

Other estimates include but are not limited to employee benefit liabilities, 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.

2014	UK 2014 £	Brazil 2014 £	Other 2014 £	Total 2014 £
Administrative expenses	(848,454)	(456,832)	(6,402)	(1,311,688)
Profit/(loss) on foreign exchange	39,089	(85,453)	—	(46,364)
Project and intangible fixed asset impairment	—	(31,989)	—	(31,989)
Loss from operations per reportable segment	(809,365)	(574,274)	(6,402)	(1,390,041)
Inter segment revenues	—	677,635	—	677,635
Depreciation charges	(2,846)	(820)	—	(3,666)
Additions to non-current assets	—	(2,018,658)	—	(2,018,658)
Reportable segment assets	4,349,901	26,594,454	—	30,944,355
Reportable segment liabilities	2,348,686	2,424,498	—	4,773,184

2013	UK 2013 £	Brazil 2013 £	Other 2013 £	Total 2013 £
Administrative expenses	(768,244)	(498,874)	(21,640)	(1,288,758)
Loss on foreign exchange	(59,916)	(89,283)	—	(149,199)
Project and intangible fixed asset impairment	—	(295,137)	(738,103)	(1,033,240)
Loss from operations per reportable segment	(828,160)	(883,294)	(759,743)	(2,471,197)
Inter segment revenues	—	511,766	65,740	577,506
Depreciation charges	(2,869)	(1,501)	—	(4,370)
Additions to non-current assets	—	(4,241,762)	—	(4,241,762)
Reportable segment assets	3,342,399	25,354,609	2,750	28,699,758
Reportable segment liabilities	2,544,042	2,416,813	—	4,960,855

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:

	2014 £	2013 £
Loss from operations per reportable segment	(1,390,041)	(2,471,197)
Changes in fair value of contingent consideration (refer note 18)	415,702	46,940
Charge for share options granted	(125,107)	(171,277)
Finance income	31,413	47,451
Finance costs	(173,903)	(165,138)
Loss for the year from continuing operations	(1,241,936)	(2,713,221)

6 Operating loss

Loss from operations is stated after charging the following:

Group	2014 £	2013 £
Depreciation	**3,666**	4,370
Project and fixed asset impairment	**31,989**	1,033,240
Auditors' remuneration		
— Fees payable for the audit of Parent and consolidated financial statements	**30,000**	30,000
— Fees payable for audit related assurance services	**4,525**	7,500
— Fees payable for tax compliance	**2,380**	2,400
Operating lease charges	**64,153**	92,773

Project and fixed asset impairment costs in 2014 of £31,989 consist of the impairment charge on intangible assets attributable to the Rio Maria project. Project and fixed asset impairment costs in 2013 of £1,033,240 consist of the impairment charge on intangible assets attributable to the El Aguila and Falcao projects (refer note 9) of £738,103 and £310,179 respectively. A receipt of £15,042 (USD 25,000) in connection with the signing of a purchase and sale agreement for the Falcao project in December 2013 was netted off against the impairment of that project so that the net impact on profit or loss of the impairment of Falcao amounted to £295,037 (see note 9 Intangible Assets).

7 Finance income and costs

Group	2014 £	2013 £
Finance income:		
— Interest income on cash and short-term bank deposits	**31,413**	47,451
Finance costs:		
— Contingent consideration: unwinding of discount	**(173,903)**	(165,138)
Net finance costs	**(142,490)**	(117,687)

8 Taxation

Income tax expense

Group	2014 £	2013 £
Analysis of tax charge		
Current tax charge		
— UK Corporation tax charge for the year	—	—
— Foreign tax	—	—
Current tax charge for the year	—	—
Deferred tax charge for the year	—	—
Tax on profit/(loss) for the year	—	—

Reconciliation of current tax

Group	2014 £	2013 £
Loss before income tax	**(1,241,936)**	(2,713,221)
Current tax at 26.6% (2013: 23.1%)	**(330,757)**	(626,754)
Effects of:		
Expenses not deducted for tax purposes	**62,451**	370,226
Tax losses carried forward for which no deferred income tax asset was recognised — UK	**131,940**	207,143
Tax losses carried forward for which no deferred income tax asset was recognised — Brazil and Peru	**136,366**	49,385
Total tax	**—**	—

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

The weighted average applicable tax rate of 26.6% used is a combination of the 21.5% effective standard rate of corporation tax in the UK, 34% Brazilian corporation tax and 30% Peruvian corporation tax. During 2013 the Brazil registered subsidiaries elected to adopt the Actual Profit system to determine income tax. As a result the losses incurred are eligible for tax purposes.

Deferred income tax

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

Group	2014 £	2013 £
Deferred tax assets		
— Deferred tax asset to be recovered after more than 12 months	**5,065,976**	5,373,634
	5,065,976	5,373,634
Deferred tax liabilities		
— Deferred tax liability to be settled after more than 12 months	**(2,201,778)**	(2,335,492)
	(2,201,778)	(2,335,492)
Deferred tax asset (net)	**2,864,198**	3,038,142

The gross movement on the deferred income tax account is as follows:

Group	2014 £	2013 £
At 1 January	**3,038,142**	3,566,966
Exchange differences	**(173,944)**	(528,824)
At 31 December	**2,864,198**	3,038,142

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Group	Deferred tax liabilities Fair value gains £	Deferred tax assets Tax Losses £	Total £
At 1 January 2013	(2,742,012)	6,308,978	3,566,966
Exchange differences	406,520	(935,344)	(528,824)
At 31 December 2013	(2,335,492)	5,373,634	3,038,142
Exchange differences	133,714	(307,658)	(173,944)
At 31 December 2014	**(2,201,778)**	**5,065,976**	**2,864,198**

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.

The Group has tax losses of approximately £18,190,000 (2013: £17,751,000) in Brazil and excess management charges of approximately £2,590,000 (2013: £2,387,000) in the UK available to carry forward against future taxable profits. With the exception of the deferred tax asset arising on acquisition of Araguaia Niquel Mineração Ltda (formerly Teck Cominco Brasil S.A). in 2011, no deferred tax asset has been recognised in respect of tax losses because of uncertainty over the timing of future taxable profits against which the losses may be offset.

9 Intangible assets

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

Group	Goodwill £	Exploration and evaluation costs £	Total £
Cost			
At 1 January 2013	342,765	20,074,974	20,417,739
Additions — internally generated	—	4,241,762	4,241,762
Impairments	—	(1,048,282)	(1,048,282)
Exchange rate movements	(55,387)	(3,513,895)	(3,569,282)
At 31 December 2013	287,378	19,754,559	20,041,937
Additions internally generated	—	2,018,658	2,018,658
Impairments	—	(31,989)	(31,989)
Exchange rate movements	(16,453)	(1,241,841)	(1,258,294)
Net book amount at 31 December 2014	**270,925**	**20,499,387**	**20,770,312**

Impairment charges in 2014 of £31,989 were included in profit or loss as the intangible assets attributable to the Rio Maria project were written off. Impairment charges in 2013 of £1,048,282 were included in profit or loss as the intangible assets attributable to El Aguila and Falcao were written off following suspension of exploration activities at El Aguila and termination of the Falcao joint venture with AngloGold Ashanti plc. In December 2013 the Company signed a sale and purchase agreement with Falcao Mineradora Ltda, a Brazilian company. USD 25,000 (£15,042) was paid upon signature and offset against the £310,179 impairment charge in the year for Falcao. Further consideration of USD 140,000 shall be paid to the Company in the event that the Final Exploration Report for the Falcao project is accepted by the Brazilian Department of Mines ('**DNPM**').

a. Exploration and evaluation assets

Impairment reviews for exploration and evaluation assets are carried out either on a project by project basis or by geographical area. The Group's exploration and evaluation projects are at various stages of exploration and development and are therefore subject to a variety of valuation techniques.

An operating segment-level summary of exploration and evaluation assets is presented below.

Group	**2014** £	2013 £
Brazil — Araguaia/Lontra/Vila Oito and Floresta	**20,499,387**	19,697,507
Brazil — Other	—	57,052
	20,499,387	19,754,559

The adjacent Araguaia/Lontra/Vila Oito and Floresta exploration sites ('**the Araguaia Project**') 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.

In March 2014 a Canadian NI 43-101 compliant Pre-Feasibility Study ('PFS') was published by the Company regarding the Araguaia Project. 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.

Sensitivity to changes in assumptions

For the base case NPV_8 of the Araguaia Project of USD 519 million as per the PFS to be reduced to the book value of the Araguaia Project as at 31 December 2014, the discount rate applied to the cash flow model would need to be increased from 8% to 20%, or the assumed long-term real nickel price of USD 19,000 per tonne would need to be reduced to approximately USD 13,975 per tonne.

Other early stage exploration projects in Brazil are at an early stage of development and no JORC/Canadian NI 43-101 or non-JORC/ Canadian NI 43-101 compliant resource estimates are available to enable value in use calculations to be prepared. The Directors therefore undertook an assessment of the following areas and circumstances which could indicate impairment:

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

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.

10 Property, plant and equipment

Group	Vehicles and other field equipment £	Office equipment £	Total £
Cost			
At 1 January 2013	271,882	10,633	282,515
Additions	94,574	5,643	100,037
Disposals	(165,590)	—	(165,590)
Foreign exchange movements	(39,796)	(921)	(40,717)
At 31 December 2013	161,070	15,175	176,245
Foreign exchange movements	(8,981)	(445)	(9,426)
At 31 December 2014	152,089	14,730	166,819
Accumulated depreciation			
At 1 January 2013	134,730	2,221	136,951
Charge for the year	81,489	2,990	84,479
Disposals	(132,555)	—	(132,555)
Foreign exchange movements	(19,903)	(178)	(20,081)
At 31 December 2013	63,761	5,033	68,794
Charge for the year	46,452	3,475	49,927
Foreign exchange movements	(6,096)	(196)	(6,292)
At 31 December 2014	104,117	8,312	112,429
Net book amount as at 31 December 2014	**47,972**	**6,418**	**54,390**
Net book amount as at 31 December 2013	97,309	10,142	107,451

Depreciation charges of £46,261 (2013: £80,109) 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 2014 of £3,666 (2013: £4,370) has been charged in 'administrative expenses' under 'Depreciation.'

Vehicles and other field equipment include the following amounts used to perform exploration activities:

Group	2014 £	2013 £
Cost	**152,089**	161,070
Accumulated depreciation	**(104,117)**	(63,761)
Net book amount	**47,972**	97,309

Company	Field equipment £	Office equipment £	Total £
Cost			
At 1 January 2013	4,208	4,853	9,061
Additions	—	2,550	2,550
At 31 December 2013 and 2014	4,208	7,403	11,611
Accumulated depreciation			
At 1 January 2013	1,505	2,101	3,606
Charge for the year	1,389	1,479	2,868
At 31 December 2013	2,894	3,580	6,474
Charge for the year	1,314	1,532	2,846
At 31 December 2014	4,208	5,112	9,320
Net book amount as at 31 December 2014	**—**	**2,291**	**2,291**
Net book amount as at 31 December 2013	1,314	3,823	5,137

11 Trade and other receivables

	Group		Company	
	2014 £	2013 £	2014 £	2013 £
Other receivables	**22,709**	62,127	**13,818**	12,035
Current portion	**22,709**	62,127	**13,818**	12,035

Trade and other receivables are all due within one year. The fair value of all receivables is the same as their carrying values stated above.

The carrying amounts of the Group and Company's trade and other receivables are denominated in the following currencies:

	Group		Company	
	2014 £	2013 £	2014 £	2013 £
Brazilian Real	**4,922**	12,898	**—**	—
UK Pound	**17,787**	49,229	**13,818**	12,035
	22,709	62,127	**13,818**	12,035

As of 31 December 2014 the Group's and Company's other receivables of £22,709 (2013: £62,127) were fully performing.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group and Company do not hold any collateral as security.

12 Available for sale financial assets

	Group		Company	
	2014 £	2013 £	**2014** £	2013 £
Quoted equity shares	—	22,729	—	—
Total Current	—	22,729	—	—

The Group had investments in listed equity shares as at 31 December 2013. The fair value of these equity shares was determined by reference to published price quotations in an active market. As at 31 December 2013 all other financial assets carried at fair value in the Statement of Financial Position were categorised under Level 1 and denominated in Canadian Dollars. The investments delisted in the year and have been reclassified as Level 3. The fair value of the investments is £nil as at 31 December 2014.

The following table presents the changes in Level 3 instruments for the year ended 31 December 2014:

	Assets held as available for sale 2014 £
Opening balance	—
Transfers into Level 3	**22,729**
Change in value recognised in other comprehensive income	**(22,729)**
	—

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets.

Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

13 Cash and cash equivalents

	Group		Company	
	2014 £	2013 £	**2014** £	2013 £
Cash at bank and on hand	**4,982,219**	1,602,206	**4,160,235**	1,266,694
Short-term deposits	**48,749**	1,489,674	**48,749**	1,489,674
	5,030,968	3,091,880	**4,208,984**	2,756,368

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

	Group		Company	
	2014 £	2013 £	**2014** £	2013 £
A	**4,279,358**	1,490,199	**4,160,235**	1,266,694
BBB-	**750,610**	1,601,681	**48,749**	1,489,674
	5,030,968	3,091,880	**4,208,984**	2,756,368

14 Share capital

Group and Company	2014 Number	2014 £	2013 Number	2013 £
Issued and fully paid				
Ordinary shares of 1p each				
At 1 January	401,139,497	4,011,395	360,046,170	3,600,462
Issue of ordinary shares	91,287,608	912,876	41,093,327	410,933
At 31 December	492,427,105	4,924,271	401,139,497	4,011,395

On 31 July 2014 a total of 50,000,000 shares were issued through a public offering in Canada, at a price of CAD 0.11 per share and a private placement was closed for a total of 41,287,608 shares, at a price of £0.06 per share, to raise £5,447,265 before expenses. On 11 June 2013, 41,093,327 ordinary shares of 1p each were issued fully paid for cash consideration at 7.5 pence per share to raise £3.1 million before expenses.

15 Share premium

Group and Company	2014 £	2013 £
At 1 January	26,997,998	24,384,527
Premium arising on issue of ordinary shares	4,564,389	2,671,066
Issue costs	(467,017)	(57,595)
At 31 December	31,095,370	26,997,998

16 Share-based payments

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

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

	Number of options 2014 £	Weighted average exercise price 2014 £	Number of options 2013 £	Weighted average exercise price 2013 £
Outstanding at 1 January	25,860,000	0.148	26,730,000	0.138
Forfeited	(2,010,000)	0.151	(870,000)	0.154
Granted	14,450,000	0.073	—	—
Outstanding at 31 December	38,300,000	0.119	25,860,000	0.148
Exercisable at 31 December	23,850,000	0.148	22,360,000	0.147

The options outstanding at 31 December 2014 had a weighted average remaining contractual life of 7.53 years (2013: 7.55 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	2014 options	2012 options	2011 options	2010 options	2009 options
Date of grant or reissue	**09/05/2014**	24/09/2012	21/09/2011	17/11/2010	25/09/2009
Weighted average share price	**6.42 pence**	9.43 pence	13.94 pence	14.0 pence	8.00 pence
Weighted average exercise price	**7.25 pence**	15.40 pence	15.40 pence	15.50 pence	9.5 pence
Expiry date	**09/05/2024**	24/09/2022	21/09/2021	17/11/2020	01/09/2019
Options granted	**14,450,000**	3,500,000	14,380,000	10,100,000	4,050,000
Volatility	**17.3%**	14.2%	17%	17%	50%
Dividend yield	**Nil**	Nil	Nil	Nil	Nil
Option life	**10 years**	10 years	10 years	10 years	10 years
Annual risk free interest rate	**2.83%**	2.50%	2.50%	2.50%	3.3%
Forfeiture discount	**—**	—	—	—	—
Marketability discount	**5%**	5%	5%	5%	5%
Total fair value of options granted	**£256,786**	£29,315	£404,832	£313,228	£107,932

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 (£)	2014 Weighted average exercise price (£)	2014 Number of shares	2014 Weighted average remaining life expected (years)	2014 Weighted average remaining life contracted (years)	2013 Weighted average exercise price (£)	2013 Number of shares	2013 Weighted average remaining life expected (years)	2013 Weighted average remaining life contracted (years)
0–0.1	**0.076**	**17,200,000**	**8.65**	**8.65**	0.095	2,850,000	4.0	6.0
0.1–0.2	**0.154**	**21,100,000**	**6.63**	**6.63**	0.133	23,010,000	6.6	7.6

17 Other reserves

Group	Available for sale reserve £	Merger reserve £	Translation reserve £	Other reserve £	Total £
At 1 January 2013	(55,291)	10,888,760	(4,346,470)	(1,048,100)	5,438,899
Other comprehensive income	(174,985)	—	—	—	(174,985)
Currency translation differences	—	—	(4,124,364)	—	(4,124,364)
At 31 December 2013	(230,276)	10,888,760	(8,470,834)	(1,048,100)	1,139,550
Other comprehensive income	(22,729)	—	—	—	(22,729)
Currency translation differences	—	—	(1,438,422)	—	(1,438,422)
At 31 December 2014	**(253,005)**	**10,888,760**	**(9,909,256)**	**(1,048,100)**	**(321,601)**

Company	Merger reserve £	Total £
At 1 January 2013 and 31 December 2013	10,888,760	10,888,760
At 1 January 2014 and 31 December 2014	**10,888,760**	**10,888,760**

The other reserve as at 31 December 2014 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 2.8c).

18 Trade and other payables

	Group		Company	
	2014 £	2013 £	**2014** £	2013 £
Non-current				
Contingent consideration	**2,235,512**	2,477,310	**2,235,512**	2,477,310
	2,235,512	2,477,310	**2,235,512**	2,477,310
Current				
Trade and other payables	**28,380**	11,632	**3,239**	6,203
Amounts due to related parties (refer note 21)	—	—	**413,930**	413,930
Social security and other taxes	**27,303**	28,322	**15,040**	13,000
Accrued expenses	**280,211**	108,099	**69,951**	42,100
	335,894	148,053	**502,160**	475,233
Total trade and other payables	**2,571,406**	2,625,363	**2,737,672**	2,952,543

Trade and other payables include amounts due of £204,066 (2013: £72,694) in relation to exploration and evaluation activities.

Contingent consideration
The fair value of the potential contingent consideration arrangement was estimated at the acquisition date according to when future taxable profits against which the tax losses may be utilised were anticipated to arise. The fair value estimates were based on the current rates of tax on profits in Brazil of 34%. A discount factor of 7.0% was applied to the future dates at which the tax losses will be utilised and consideration paid.

As at 31 December 2014, there was a finance expense of £173,903 (2013: £165,138) 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.

At 31 March 2014, Management reassessed the fair value of the potential contingent consideration in accordance with the Group accounting policy. The cash flow model used to estimate the contingent consideration was adjusted, to take into account changed assumptions in the timing of cash flows as derived from the Pre-Feasibility Study as published by the Group in March 2014. The key assumptions underlying the cash flow model are unchanged as at 31 December 2014. The change in the fair value of contingent consideration has generated a credit to profit or loss of £415,702 for the year ended 31 December 2014 due to exchange rate changes in Management's assumptions and in the functional currency in which the liability is payable. During 2013, the change in fair value of £46,940 was due to exchange rate changes.

19 Dividends
No dividend has been declared or paid by the Company during the year ended 31 December 2014 (2013: nil).

20 Earnings per share
a. Basic
The basic loss per share of 0.283p (2013 loss per share: 0.709p) 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	**2014** £	2013 £
Loss attributable to owners of the parent	**(1,241,936)**	(2,713,221)
Weighted average number of ordinary shares in issue	**439,259,597**	382,737,815

b. Diluted
The basic and diluted earnings per share for the years ended 31 December 2014 and 31 December 2013 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 16.

21 Related party transactions
The following transactions took place with subsidiaries in the year:

A fee totalling £202,045 (2013: £183,241) was charged to HM do Brazil Ltda, £nil (2013: £64,740) to Minera El Aguila SAC and £475,589 (2013: £368,344) to Araguaia Niquel Mineração Ltda by Horizonte Minerals Plc in respect of consultancy services provided and funding costs. In 2013 the balance due from HM do Brasil Ltda of £554,372, from Minera El Aguila SAC of £1,283,978, from HM Brazil (IOM) Ltd of £2,000,000, to PMA Geoquimica Ltda of £111,016 and from Brazil Mineral Holdings Ltd of £536,867 were impaired through profit or loss.

Amounts totalling £2,076,925 (2013: £3,828,388) were lent to HM Brazil (IOM) Ltd, HM do Brasil Ltda, Araguaia Niquel Mineraçao Ltda, PMA Geoquimica Ltda, Minera El Aguila SAC and Minera El Cotahuasi SAC to finance exploration work during 2014, by Horizonte Minerals Plc. Interest is charged at an annual rate of 4% on balances outstanding during the year.

Balances with subsidiaries at the year end were:

Company	2014 Assets £	2014 Liabilities £	2013 Assets £	2013 Liabilities £
HM do Brasil Ltda	274,678	—	—	—
Minera El Aguila SAC	3,848	—	—	—
HM Brazil (IOM) Ltd	4,493,680	—	4,078,148	—
Horizonte Nickel (IOM) Ltd	26,916,381	—	25,158,763	—
Araguaia Niquel Mineração Ltda	3,478,592	—	2,687,382	—
Horizonte Minerals (IOM) Ltd	253,004	—	253,004	—
Horizonte Exploration Ltd	—	413,930	—	413,930
Total	35,420,183	413,930	32,177,297	413,930

All Group transactions were eliminated on consolidation.

On 31 July 2014 a total of 50,000,000 shares were issued through a public offering in Canada, at a price of CAD 0.11 per share and a private placement was closed for a total of 41,287,608 shares, at a price of £0.06 per share, to raise £5,447,265 before expenses. As part of this private placement, Teck Resources Limited subscribed for 18,115,942 shares representing 43.9 percent of the private placement and Henderson Global Investors subscribed for 8,333,333 shares, representing 20.2 percent of the private placement. By reason of their existing shareholdings in the Company, the participation of Teck Resources Limited and Henderson Global Investors in the private placement each constitute a related party transaction under AIM Rule 13 of the AIM Rules for Companies.

On 11 June 2013, 41,093,327 ordinary shares of 1p each were issued fully paid for cash consideration at 7.5 pence per share to raise £3.1 million before expenses. As part of this private placement, Teck Resources Limited subscribed for 20,000,000 shares representing 48.7 percent of the placing and Henderson Global Investors subscribed for 12,133,329 shares, representing 29.5 percent of the placing. By reason of their existing shareholdings in the Company, the participation of Teck Resources Limited and Henderson Global Investors 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 is under no obligation to make a draw down and there are no penalty fees if the Company does not use the facility.

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

23 Expenses by nature

Group	2014 £	2013 £
Staff costs	**680,080**	228,505
Indemnity for loss of office	**29,227**	77,847
Exploration related costs expensed (excluding staff costs)	**166,866**	188,438
Charge for share options granted	**125,107**	171,277
Depreciation (note 10)	**3,666**	4,370
Loss on foreign exchange	**46,364**	149,199
Change in fair value of contingent consideration	**(415,702)**	(46,940)
Impairments of intangible fixed assets	**31,989**	1,033,240
Other expenses	**431,849**	789,598
Total operating expenses	**1,099,446**	2,595,534

24 Directors' remuneration

Group 2014	Basic salary and fees £	Other benefits £	Discretionary performance related bonus £	Total £
Non-Executive Directors				
Alexander Christopher	—	—	—	—
David Hall	44,008	—	—	44,008
William Fisher	24,000	—	—	24,000
Allan Walker	24,000	—	—	24,000
Owen Bavinton	24,000	—	—	24,000
Executive Directors				
Jeremy Martin	146,000	45,754	65,000	256,754
	364,000	45,754	65,000	372,762

Group 2013	Basic salary and fees £	Other benefits £	Discretionary performance related bonus £	Total £
Non-Executive Directors				
Alexander Christopher	—	—	—	—
David Hall	47,870	—	—	47,870
William Fisher	24,000	—	—	24,000
Allan Walker	24,000	—	—	24,000
Owen Bavinton	24,000	—	—	24,000
Executive Directors				
Jeremy Martin	146,000	45,754	—	191,754
	265,870	45,754	—	311,624

The Company does not operate a pension scheme. Included in other benefits for the year of £45,754 (2013: £45,754) are contributions to a Defined Contribution pension plan held by Mr Jeremy Martin of £44,313 (2013: £44,313). The bonus paid to Mr Martin in 2014 of £65,000 (2013: £nil) was in respect of delivery of the Pre-Feasibility Study.

25 Employee benefit expense (including directors)

Group	2014 £	2013 £
Wages and salaries	**916,650**	999,956
Social security costs	**266,136**	286,990
Indemnity for loss of office	**29,227**	77,847
Share options granted to Directors and employees (note 16)	**125,107**	171,277
	1,337,120	1,536,070
Average number of employees including Directors	**31**	43

Employee benefit expenses includes £502,706 (2013: £1,058,441) of costs capitalised and included within intangible non-current assets. In 2014 no employee benefit expenses have been reimbursed by joint venture partners (2013: £nil).

Share options granted include costs of £53,379 (2013: £101,918) relating to Directors.

26 Investments

Company	2014 £	2013 £
Shares in Group undertakings	**2,348,042**	2,348,042
Loans to Group undertakings	**35,420,183**	32,177,297
	37,768,225	34,525,339

Investments in Group undertakings are stated at cost.

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

27 Commitments

Operating lease commitments

The Group leases office premises under cancellable and non-cancellable operating lease agreements. The cancellable lease terms are up to two years and are renewable at the end of the lease period at market rate. The leases can be cancelled by payment of up to three months 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	2014 £	2013 £
Not later than one year	**22,201**	9,849
Later than one year and no later than five years	—	—
Total	**22,201**	9,849

Capital Commitments

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

Group	2014 £	2013 £
Intangible assets	**7,004**	421,051

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.

Other Commitments

On 12 January 2012 the Company signed an option agreement with Anglo Pacific Group plc ('Anglo Pacific') for a future Net Smelter Royalty ('**NSR**'). The option was exercisable by Anglo Pacific upon completion of a Pre-Feasibility Study on the site where they would pay Horizonte USD 12.5 million and receive a NSR. The NSR would be at a rate of 1.5% of nickel revenue produced up to 30,000 tonnes per annum, reduced by 0.02% for every 1,000 tonnes per annum above this rate. The rate was fixed at a minimum rate of 1.1% for production of 50,000 tonnes per annum and above. The Pre-Feasibility Study was completed in March 2014 and Anglo Pacific elected not to exercise its option in regard of a future NSR. The option agreement with Anglo Pacific thus lapsed during 2014.

28 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 2014 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 £90,000.

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 on the Group's property. The Group strongly believes that it operated with all necessary permits and has initiated legal proceedings to overturn the impounding of the drilling equipment.The Group is also concurrently in discussions with the authorities aimed at cancelling the injunction and its associated fine of approximately £33,000.

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. The Group has filed a robust defence in January 2015 and no substantive financial claim has currently been made against the Group under the terms of the writ. The Group is working towards having the writ withdrawn in due course and as a result no provision has been made in the Financial Statements for the year ended 31 December 2014.

29 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 loss for the year was £226,045 (2013: £4,378,222 loss).

30 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 Nicholas Christopher (Non-Executive Director)
Owen Alexander Bavinton (Non-Executive Director)

Company Secretary
Jeffrey Laszlo Karoly

Company Number
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Registrar

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Dublin 18
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For shares listed on the Toronto Stock Exchange:
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100 University Avenue
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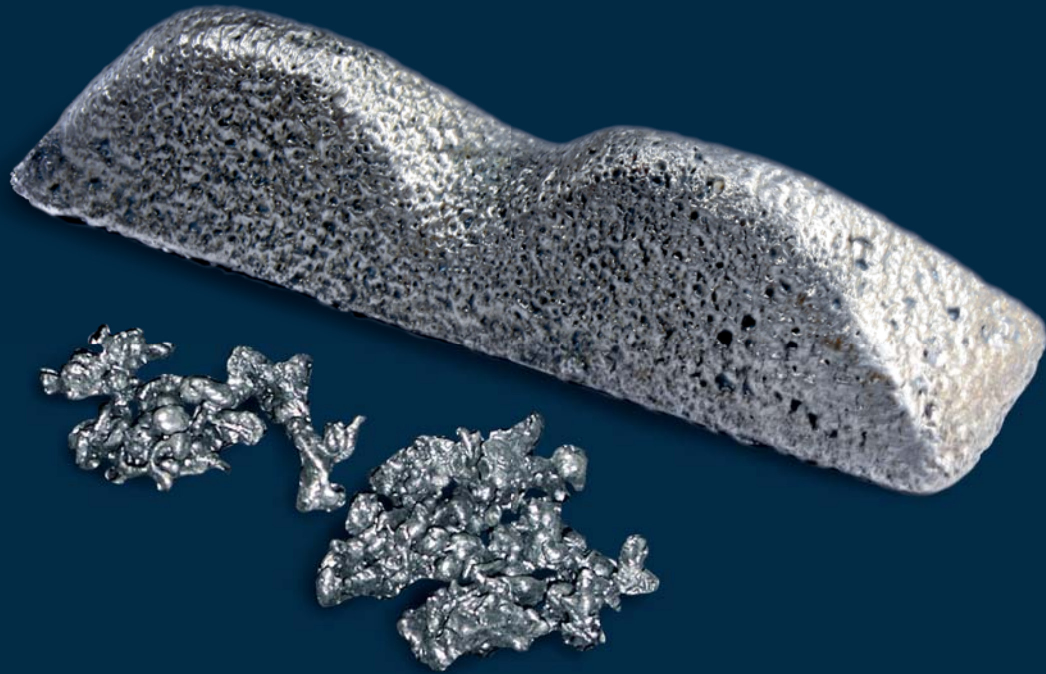

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