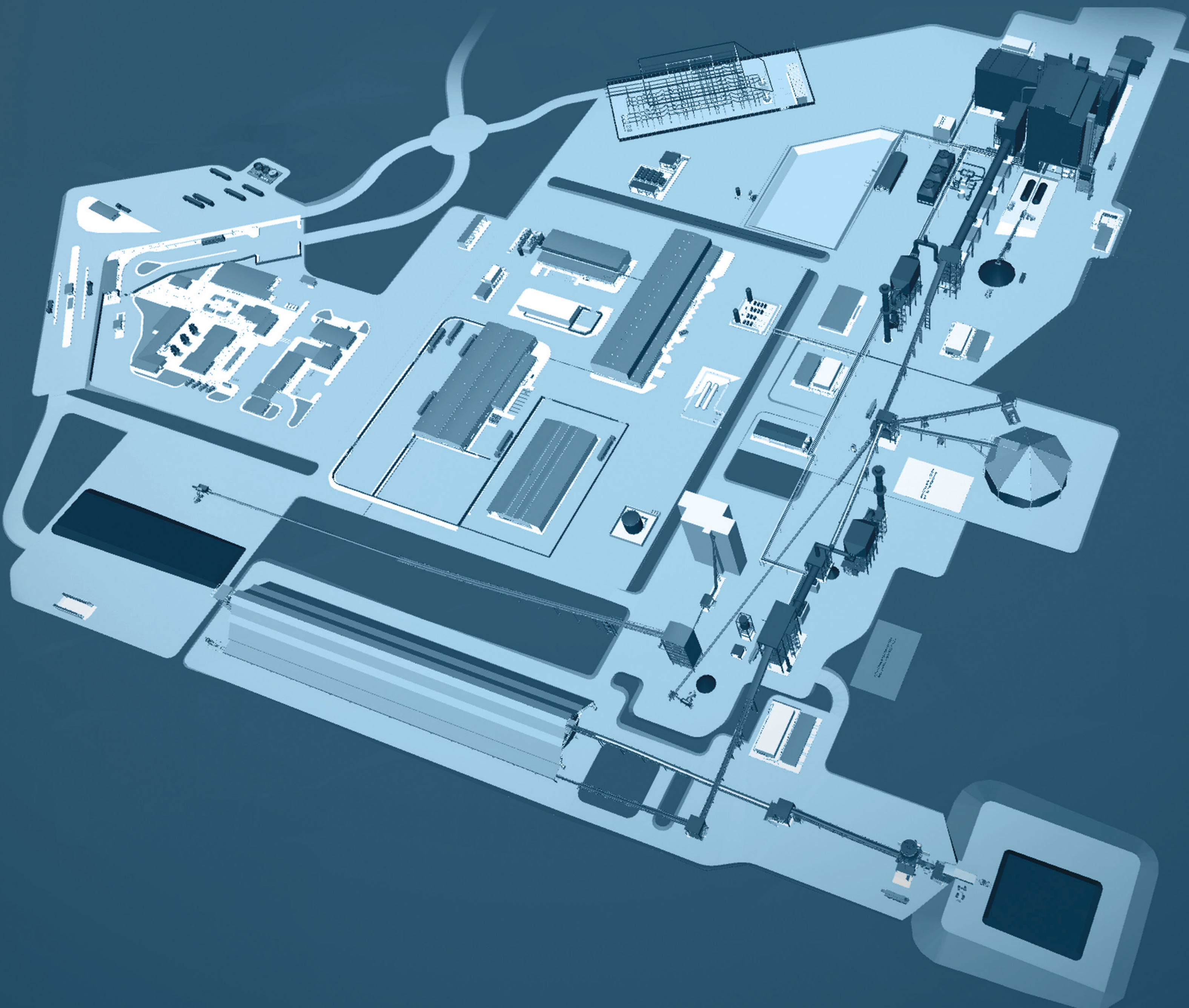
HORIZONTE
MINERALS PLC

2020 Report and Accounts

BUILDING A NEXT GENERATION NICKEL PRODUCER



Horizonte Minerals is a leading nickel company that is developing two tier one projects in Pará state, Brazil.

2020 HIGHLIGHTS

- SENIOR DEBT FACILITY MANDATE OF US$ 325 MILLION EXECUTED FOR THE DEVELOPMENT OF ARAGUAIA PROJECT
- APPOINTMENT OF SEPANTA DORRI TO THE BOARD
- STRENGTHENING OF OPERATIONAL TEAM
- ZERO LOST TIME INJURIES
- PUBLICATION OF MAIDEN SUSTAINABILITY REPORT
- COMPLETION OF VALUE ENGINEERING PROCESS AT ARAGUAIA

AT A GLANCE

OUR BUSINESS

Horizonte Minerals (HZM) is a nickel-focussed resources company developing two Tier 1 projects in northern Brazil. The Araguaia Ferronickel (FeNi) Project and the Vermelho Nickel-Cobalt Project are both high grade, lowest cost quartile and long mine life projects. These projects provide Horizonte with a potential scalable production profile of up to 50,000m tonnes of nickel per year.

As a critical component in both stainless steel and new battery technology, nickel is a key enabler of the global clean energy transition. As a key player in this sustainability driven supply chain, Horizonte is focussed on developing its operations to produce low-carbon nickel ethically, safely and responsibly.

Horizonte is listed on the London Stock Exchange Alternative Investment Market (AIM) and the Toronto Stock Exchange.

ARAGUAIA NICKEL PROJECT

Araguaia is a tier one project with a high-grade scalable resource and a long mine life, which will become a low-cost source of ferronickel for the stainless steel industry. Discovered by the Horizonte team in 2011, and following acquisitions from Teck and Glencore to create the Araguaia project known today, Horizonte completed a Feasibility Study (FS) for the project in 2018. With the phase of value engineering completed during 2020, the project is now construction ready.

The Feasibility Study comprises an open pit nickel laterite mining operation that delivers ore from a number of pits to a central Rotary Kiln Electric Furnace (RKEF) metallurgical processing facility. The metallurgical process comprises a single line RKEF to extract FeNi from the ore. After an initial ramp-up period, the plant will reach a full capacity of approximately 900,000 tonnes of dry ore feed per year to produce 52,000 tonnes of FeNi, in turn containing 14,500 tonnes of nickel per year. The FeNi product will be transported by road to the port of Vila do Conde in the north of Pará state for sale to overseas customers.

A key part of the FS stage 1 project design was that the RKEF plant and associated infrastructure was designed to accommodate the addition of a second RKEF process line (Stage 2 expansion), which is intended to double Araguaia's production capacity from 14,500 t/a nickel up to 29,000 t/a nickel. The Project Mineral Resource inventory has the grade and scale to support the planned increase in plant throughput from 900 kt/pa (Stage 1) to the Stage 2 rate of 1.8 Mt/a supporting the twin line RKEF flow sheet. The Stage 2 expansion assumes operating at a Stage 1 production rate of 900 kt/pa for three years, after which free cash flows would be reinvested to expand the plant to 1.8 Mt/pa via the addition of a second line.

Feasibility Study Economics

	STAGE 1 US$16,400/ tonne Ni	STAGE 2 US$16,400/ tonne Ni
Capital Cost	US$443M	US$251M
Net Cash Flow	US$2.4Bn	US$3.8Bn
Post-Tax IRR	27.0%	30.7%
Post-Tax NPV_8	US$691 M	US$1.2B
Production Payback	~3 years	~4 years
Lowest quartile C1 Cash Yr 1-10 (Ni Laterite)	US$6,794/t Ni	US$6,613/t Ni
Average PBT per annum	US$94M	US$174M

Notes:
- Market Consensus: Canadian Imperial Bank of Commerce (CIBC) Capital Markets consensus forecast long term Nickel price compiled by 21 international banks as of September 2019 $16,400 t/Ni
- FS to AACE Class 3 costs combined accuracy of - 10% to +15%
- Brazilian Real to US $ exchange rate applied = 3.5:1

VERMELHO NICKEL COBALT PROJECT

Acquired by Horizonte in 2017 from Vale, the Vermelho project is a large, tier one, high-grade project with a long mine life, and will be developed to become a low-cost source of nickel and cobalt sulphate for the battery industry. Horizonte completed a Pre-Feasibility Study (PFS) for the project in 2019.

The project comprises a planned 38 year mining operation with an open pit nickel laterite mine that extracts a 141.3 million tonne (Mt) Probable Mineral Reserve (at a cut-off of 0.7% Ni) to produce 924,000 tonnes of nickel contained in nickel sulphate, 36,000 tonnes of cobalt contained in cobalt sulphate and a saleable by-product, kieserite (a form of fertiliser) of which 4.48 Mt are produced. The Vermelho project will utilise a hydro-metallurgical process comprised of a beneficiation plant where ore is upgraded prior to being fed to a High-Pressure Acid Leach (HPAL) and refining plant which produces the sulphates. The plant will be constructed in two phases, with an initial capacity of 1 Mt per annum (Mt/a) autoclave feed (Stage 1). After three years of production, a second process train (Stage 2 Expansion) will be constructed, which will effectively double the autoclave feed rate to 2 Mt/a. The Stage 1 plant and project infrastructure will be constructed over a 31-month period. The nickel and cobalt sulphate products will be transported by road to the port of Vila do Conde (the same facility planned for Araguaia) for sale to overseas customers. The kieserite will be transported to consumers within Pará state.

Pre-Feasibility Study Economics

	BASE CASE NICKEL PRICE US$16,400/ tonne Ni	UPSIDE CASE NICKEL PRICE US$19,800/ tonne Ni
Capital Cost	US$652M	US$652M
Net Cash Flow	US$7.3Bn	US$9.5Bn
Post-Tax IRR	26.3%	31.5%
Post-Tax NPV_8	US$1.7Bn	US$2.3Bn
Production Payback	4.2 years	3.6 years
Lowest quartile C1 Cash Yr 1-10 (Ni Laterite)	US$7,286/t Ni	US$7,286/t Ni
All In Sustaining Costs	US$7,933/t Ni	US$7,933/t Ni

Notes:
- Market Consensus: Canadian Imperial Bank of Commerce (CIBC) Capital Markets consensus forecast long term Nickel price compiled by 21 international banks as of September 2019 $16,400 t/Ni
- Long term price Wood Mackenzie Long term incentive price $19,800/t Ni
- Nickel Sulphate premium assumed of $2,000/t
- PFS to AACE Class 4 costs combined accuracy of - 25% to +20%
- Brazilian Real to US $ exchange rate applied = 3.8:1

CHAIRMAN'S STATEMENT

David Hall, Chairman

In a year of unprecedented challenges for us all, I am delighted to report that not only has Horizonte reached significant business and project level milestones but, most importantly, our management team and all our staff have kept safe and well.

The health and well-being of our employees and wider team is our number one priority, and as we continue to tackle the COVID-19 pandemic our dedication to providing a safe and productive workplace will remain at the forefront of our decision-making process. The pandemic has completely changed the way in which we work. Some of these changes we will all be keen to see the end of but, others we will take forward, as we have learnt how to work more effectively, more respectfully and more sustainably.

Operational Milestones

Horizonte is on a path to become a significant nickel producer. We are currently in the midst of the transition from being an explorer/developer to becoming a developer/producer. This transition is enabled by securing suitable funding, and this has been our focus for 2020. Araguaia will be our first project into production, followed closely by the Vermelho project. The combination of our projects, in conjunction with the looming significant supply deficit in the nickel market, positions Horizonte as a unique opportunity for investors.

During the year the senior management team, working closely alongside Endeavour Financial, has made significant progress in advancing the project financing for Araguaia. This financing package comprises multiple components, and these are all progressing simultaneously. The completion of this funding will be transformational for Horizonte, and we look forward to updating the market on our progress later in the year.

The Vermelho project continues to progress. Our Social and Environmental team has spent the year collecting relevant data for baseline monitoring in preparation for the Environmental and Social Impact Assessment. This assessment is a key requirement for permitting and the feasibility study. With demand from the EV battery market accelerating exponentially, we will be seeking to expedite development of the project.

Growing Our Team

In addition to progressing our projects, it is critical that Horizonte develops as a major business entity. Most importantly this is about securing the best and most appropriate people required for a company with a large, scalable production profile. During the year we have hired 11 of the industry's top talent in the areas of project development, project operation and capital markets. I was also delighted to welcome Ms. Sepanta Dorri to the Board as a Non-Executive Director. As the Vice President, Corporate Development at Teck Resources, Sepanta brings a wealth of experience and a fresh perspective to our board. She has already made a meaningful contribution to the implementation of our overall strategic objectives. Sepanta is our first female board member, and her appointment marks an important milestone in promoting and facilitating gender diversity throughout all levels of the Company as we work to build a more representative team. We currently have a 41% female workforce.

Changing the Way We Work

The COVID-19 pandemic has forced us to work differently, as the corporate office in London and the operational team in Brazil adapted to working predominately remotely. During a phase in the Company's development where all teams need to be in constant contact with multiple stakeholders, this has been a challenge. However, it has been a challenge that we have adapted to and overcome, enabling the Company to continue to reach the milestones necessary to progress. It is testament to the dedication and agility of the entire team that we have been able to report on another successful year in the face of the adverse impacts of the global pandemic.

A positive outcome of these changes has been a greater need to focus on well-being. Led by the senior management team, we have implemented further measures to ensure we are protecting and promoting the health, safety and well-being of our workforce. A greater use of technology has also enabled us to come together as a company more effectively. During the year, we hosted multiple all company video conference calls to update each other on each team's progress and provide a constructive forum for all employees to ask questions and raise concerns. Whilst we have all missed human interaction, 2020 has taught has how to work more flexibly and more effectively. For example, the senior management team has participated in several international investor roadshows without the need to travel to multiple cities around the world. The savings made, both in time and money, are significant compared to what would have been spent attending in person. This is therefore one of the changes we will consider carefully once the pandemic has passed.

Supporting Our Communities

In addition to our employees, engagement with our communities has been critical this year. Our social team has worked tirelessly throughout the year to support our local communities in a COVID-safe manner. Advice and guidelines on how to stay safe have constantly changed throughout the year, but Horizonte has been proactive in ensuring our communities received and understood the correct measures in line with the World Health Organisation and the Brazilian Ministry of Health. We have also provided and distributed hundreds of food packages in partnership with the welfare departments of each municipality, to the most vulnerable families in our communities. This work continues into 2021. Horizonte would usually participate in many community engagements and social initiatives throughout the year. Whilst measures required to stop the spread of COVID have significantly limited these activities, the social team has continued to engage with, and listen to, our local communities, virtually where possible or at a safe physical distance where required. We look forward to returning to our normal level of participation in the community later in 2021.

Sustainability Reporting

In August 2020, we published our maiden, standalone Sustainability Report for activities during the financial year 2019. A report such as this is a huge undertaking, and therefore a rarity from junior pre-production companies. We believe this early commitment to sustainability reporting sets Horizonte apart and clearly demonstrates our pledge to the highest levels of sustainability performance. The report outlines our objectives in the areas of environmental stewardship, social development and corporate governance, as well as highlighting the significant work we have undertaken to date. We are committed to publishing a Sustainability Report alongside our Annual Report on an annual basis. This increased reporting schedule encapsulates our core values of transparency and accountability, sustainability and innovation.

The Nickel Market

Sustainability and innovation have been at the top of the political and media agenda for most of 2020, as all countries work to "build back better" after the COVID pandemic. This has pushed nickel into the commodity limelight. Nickel is a key base metal for building more sustainable societies due to its use in stainless steel and new battery technology. The World Bank reported in its "Minerals for Climate Action: The Mineral Intensity for the Clean Energy Transition" whitepaper that the production of metals such as nickel and cobalt could increase by nearly 500% by 2050 to meet the growing demand for clean energy technologies. In September 2020, Tesla CEO Elon Musk confirmed that high nickel-content batteries are the future for low-cost, long-range electric vehicles at Tesla's Battery Day. The large stainless steel market and the rapidly expanding battery market are predicted to create a large supply deficit in the nickel market by 2040. Horizonte is one of very few nickel stories ready to supply this deficit, and our projects have the ability to supply both the stainless steel and battery markets.

Outlook

Firstly, I would like to thank Alex Christopher for his many years of service to the Board of Horizonte, and to welcome again Sepanta Dorri and all our other new members to the team in 2020. Secondly, I would like to applaud the hard work, dedication and resilience of all our team members led by our CEO, Jeremy Martin. The COVID-19 pandemic was unfortunately not an isolated event in 2020, it has continued in to 2021 and we will continue to feel its effects well into the medium term. However, with the accelerating rollout of a number of vaccines we are hopeful for a more certain, less interrupted year in 2021.

We continue to be grateful for the support of our shareholders, and we are pleased to see increasing interest in the Horizonte story from new investors and strategic partners. Horizonte has reached an exciting phase of its journey, and we believe we are able to offer a unique and compelling investment opportunity.

Finally, I would like to thank fellow Board members for their contributions throughout the year.

David Hall
31 March 2021

Meeting with the Residency Association of Talismã Farm

Community food parcels in response to COVID-19 pandemic

OUR PURPOSE, VALUES AND CULTURE

OUR PURPOSE

Our purpose is the development of new nickel projects to sustainably supply the anticipated market deficit created by the clean energy transition of modern societies.

We are focussed on producing low-cost, low-carbon, ethical nickel products. We operate in a manner that benefits our workforce, local communities, host governments and shareholders.

OUR CULTURE

Horizonte's strong culture is built from our core values. All members of our team share our common purpose and work hard to continually progress the Company through hard work, dedication and entrepreneurialism in order for us to create a modern, sustainable business.

OUR VALUES

Our values inform the behaviour and standards expected from all our team members irrespective of their place of work or role. Motivated and dedicated employees are key to Horizonte's ongoing success. We ensure that all our employees are able to operate in a safe, stimulating and productive workplace, and we ask our employees to work with integrity, respect and accountability. Through this understanding, we are able to facilitate the development of individuals as well as our overall business objectives.

Health & Safety

Health, safety and well-being is at the forefront of all our operational activities. We are dedicated to assessing risks appropriately and implementing appropriate measures to mitigate risks that could potentially cause harm to our employees. We understand the importance of a healthy and happy workforce and are therefore committed to protecting and promoting all employee's health and well-being. We ensure each individual understands that health and safety is their responsibility whilst also instilling a culture of caring for our colleagues.

Commitment & Cooperation

A united team is Horizonte's greatest asset. The Company is committed to helping each employee reach their individual goals, and the Horizonte team is united by the shared goal of the Company's overall success. We achieve these goals and objectives through hard work and cooperation. Open and constructive communication is encouraged amongst all employees, irrespective of role or seniority in order to ensure continual focus, efficiency and efficacy.

Integrity & Respect

Operating with integrity and respect is critical to protecting and promoting our reputation for best practice. We operate with respect towards all people regardless of their background, culture or lifestyle, and we do so in a manner that is honest, fair and ethical.

Responsibility & Accountability

We take responsibility for our decisions, actions and outcomes as individuals and as a collective. We are receptive to recognising our faults and open to advice on how to improve our performance. We achieve accountability through regular and transparent communication with all our stakeholders.

Sustainability & Innovation

Developing a sustainable business requires a true understanding of the constantly changing landscape in which we operate. We strive to impact our employees, local communities and other key stakeholders positively whilst minimising any adverse impacts on the natural environment. We are therefore focussed on environmental stewardship, social development and good corporate governance. To achieve these goals, we are open to innovation and technological advancements.

OUR STRATEGY

Our aim is to become a globally significant producer of low-cost, sustainably sourced nickel.

Strategic Goals and Achievements

SAFE OPERATIONS
nil fatalities/injuries (2019: nil)

PROJECT DEVELOPMENT
Araguaia construction ready
Vermelho moving to Feasibility Study stage

LOW ADMINISTRATIVE EXPENDITURE
Maintained strong cash balance of £10.9m at year end
admin expenses of £2.9m (2019: £2.6m)

RAISE FINANCE TO ADVANCE BOTH PROJECTS
US$26m equity finance completed post year end

BUILD A SUSTAINABLE OPERATING ENVIRONMENT
Publication of maiden Sustainability Report

OUR BUSINESS MODEL

Our business models ensures we deliver value to all stakeholders.

MARKET OVERVIEW

NICKEL

Nickel is a material fundamental to the functioning of our modern everyday lives. As a critical component in both stainless steel and new battery technology, nickel is a key enabler of the clean energy transition. According to the World Bank report "Minerals for the Climate Action: The Mineral Intensity for the Clean Energy Transition", the production of metals such as nickel and cobalt could increase by nearly 500% by 2050 to meet the growing demand for clean energy technologies.

Nickel's multiple physical and chemical properties make it essential in thousands of products from mobile phones to medical equipment and from wind turbines to batteries.

Nickel's properties include:
- A high melting point
- Corrosion resistance
- Highly ductile
- Alloys readily
- Magnetic at room temperature
- Can be deposited by electroplating
- It is catalytic
- Fully recyclable

The nickel market is a US$20 billion plus per year industry. Today's market is dominated by stainless steel, with over two thirds of total nickel production used in its production. However, nickel is also a critical component in new battery technology used in electric vehicles. This section of the market is forecast to grow significantly over the coming years, with the scope to reshape the nickel industry.

Global steel demand was down 4.7% in 2020 to 2.29Mt, due to the demand destruction caused by the Covid-19 pandemic and subsequent repeated global lockdowns. According to market analysts Wood Mackenzie, whilst China and Indonesia have already recovered from the impacts of the pandemic, the rest of the world will not emerge from recession until mid-2021. However, Wood Mackenzie expect the nickel market to continue to grow 2-5% annually over the mid-to-long term to 4.16Mt in 2040.

While demand is increasing, supply is decreasing due to reserve depletion at a number of large nickel operations and long-term lack of investment in exploration due to depressed prices. Global nickel production is expected to be only 2.45Mt in 2020 creating a supply / demand gap of 1.71Mt.

STAINLESS STEEL

Stainless steel is a reliable, steady growth market that has continued to grow at circa 4% year on year. Global stainless steel output is forecast to rise by a CAGR of 2.5% over the period 20220-2040. The stainless steel market is dominated by China, and despite the Covid-19 pandemic China's stainless steel demand increased by 7% in 2020. This growth was aided by government infrastructure stimulus and a strong property market.

LME Nickel Price December 2019 - December 2020

BATTERIES

The electric vehicle (EV) market is growing rapidly. EV sales jumped from 450,000 in 2015 to 2.1 million in 2020. Annual passenger EV's are expected to exceed 37 million in 2040, which would equate to 33% of total passenger car sales. In 2020, Europe overtook China as the largest EV market for the first time ever. This growth in the market was driven by European governments increasing EV subsidies and investment in EV infrastructure in Europe.

Tesla is working to increase the rate of EV penetration by producing cheaper and more energy efficient models. Tesla confirmed at its Battery Day in September 2020 that this technology is enabled by a higher nickel content due to nickel's high energy density. These advancements in battery technology are moving towards an 80% nickel battery cell (NMC). Tesla's ambitions of producing three terawatt hours of capacity by 2030 would require 2MT of nickel. This would exceed the current anticipated growth of the battery market of EVs representing 4% of the nickel market in 2018 to 31% in 2040.

HORIZONTE SHARE PRICE

Horizonte's share price closed the year at 7.35p, representing a 90.9% increase from closing the previous year (31 December 2019:3.85p). This strong share performance is likely due to the Company delivering on key project development milestones, a rising nickel price and increasing investor attention on the anticipated nickel deficit created by the expected EV market expansion.

During the year Horizonte's share price significantly outperformed the FTSE AIM All Share index and was broadly in line with the performance of the FTSE AIM All Share/Basic Resources Index. However, the strength of this index was primarily attributed to the strength of gold stocks due to a high gold price.

BRAZIL

Brazil is widely considered a tier one mining jurisdiction and is globally important in the production of iron ore, bauxite, niobium, gold and nickel. The tenure, strength and size of the country's iron ore industry has created a strong, long-standing mining culture amongst government and the general population, and enabled a large, skilled workforce. In 2020 the sector generated a mineral production value of US$40bn and directly employed 174,000 people. According to the Brazilian mining association, IBRAM, the prospects for mining investments for the period 2020-2024 have increased from US$32.5 billion to more than US$37 billion. An established mining code is regulated by strong public institutions and improvements particularly regarding environmental issues are being implemented. In the latest Fraser Institute Mining Survey (2019) Brazil's Policy Perception Index increased more than any other LATAM country due to lessened concerns over uncertainty concerning land disputes, environmental regulations, socio-economic agreement and community development conditions.

Despite the devastating impact of COVID on Brazil's population and the economy, the mining industry has shown resilience throughout the pandemic, with minimal mine closures.

OPERATIONAL REVIEW

Jeremy Martin, CEO

Our focus for 2020 was the continued progression of the Araguaia project towards being able to start construction. During the year this has involved progressing the project financing negotiations and completing a value engineering process.

Araguaia

The Araguaia project team, working alongside a number of leading global engineering groups, worked on advancing the level of engineering from feasibility stage to becoming implementation ready.

The objectives of the value engineering process were to:

- Improve the level of engineering definition
- Develop and execute the procurement strategy (linked with Export Credit Agency (ECA) finance and associated vendors)
- Establish a detailed Project Execution Plan
- Initiate Engineering, Procurement and Construction Management (EPCM) vendor selection; and
- Develop an Operational Readiness Plan

The value engineering work was completed in late 2020 and resulted in a number of positive outcomes.

Key outcomes of the work include:

- Feasibility Study design philosophy and process flow sheet remain unchanged, but with the addition of a number of improvements to enhance operational performance
- Key equipment packages optimized and final negotiations underway for long-lead items
- Level of engineering definition has been significantly advanced to allow fast track to start of implementation
- Improved furnace and refinery technologies selected along with furnace control systems to improve reliability, productivity and ensure the right on site support during construction and ramp up
- Updated market proposals for key opex inputs including power, logistics, labour and plant consumables and
- Capex and opex remain in line with Feasibility Study values following a comprehensive review

Environmental & Social

Horizonte's environmental and social workstreams are critical to the operational readiness of the Araguaia project. In preparation for the development phase of the project, the environmental and social team has begun to implement multiple programmes in line with Brazilian permits, Equator Principles and International Finance Corporate (IFC) Performance Standards.

Social programmes commenced or advanced in 2020 include:

- Local Supplier Development Programme with respect to equipment and services
- Mining and Environmental Education Programme for communities and key stakeholders
- Impact on Local Services Plan and
- Worker's Accommodation Plan

All environmental programmes relating to Brazilian permits have continued, and in addition, Environmental Resources Management (ERM) consultancy group were commissioned to conduct new IFC-related studies, including:

- Cumulative Impact Assessment across all project infrastructure pieces
- Biodiversity Action Plan
- Integrated Ecological Services Study
- Integrated Stakeholder Engagement Plan and
- Integrated environmental-social Management System (IMS)

Despite the pandemic, the social team has ensured that communities remain fully briefed on the project's progress, albeit in a new "COVID-safe" format. Horizonte continue to keep local communities informed with the most up to date health and hygiene advice regarding the pandemic and is supporting vulnerable families with food parcels.

Project Finance

We have continued to work with Endeavour Financial to secure a project financing package for the Stage 1 capex of Araguaia project. This financing package is structured as 60-65% debt with the remaining portion fulfilled by equity. The project finance process continued to make strong progress throughout the year.

In August 2020, the Company executed a mandate to arrange a senior secured project finance facility of up to US$325 million, with a syndicate of five financial institutions. The syndicate including BNP Paribas (BNPP), ING Capital LLC (ING), Mizuho Bank, Ltd. (Mizuho), Natixis, New York Branch (Natixis), and Société Générale will act as the Mandated Lead Arrangers (MLAs). The formal mandate follows the signing of a non-binding indicative term sheet (Term Sheet) for an up to US$325 million debt facility (the Facility). The execution of the mandate is a key milestone in the project financing process for the development of Araguaia. BNPP, ING, Mizuho, Natixis and Société Générale have extensive experience in providing project financing to greenfield mining projects and were chosen as Mandated Lead Arrangers due to their extensive Latin American project finance experience and the strength of their mining teams. Closing of the Facility remains subject to completion of due diligence in form and substance satisfactory to the MLAs, final credit approvals and execution of definitive Facility documentation. All MLAs completed on site due diligence in Brazil in early 2020 ahead of the travel restrictions enforced as a result of the COVID-19 pandemic. The definitive Facility documentation will include customary project finance terms and conditions, as well as a comprehensive inter-creditor agreement. Drawdowns under the Facility would be subject to customary conditions precedent.

We also advanced discussions with a number of Export Credit Agencies (ECAs) to participate in the Facility by providing equipment linked financing. This process has progressed well throughout the year and the Company looks forward to moving towards credit approvals and execution of definitive facility documentation in 2021. In addition, the Company is progressing interest and participation from Brazilian financial institutions, including the Brazilian Development Bank (BNDES). The Company has also received initial approval for a financing facility of up to R$200 million (approximately US$32 million) from Banco da Amazônia (BASA).

Simultaneously, we advanced negotiations to secure long-term offtake agreements for the project and continue to engage with a number of prospective investors. The Company has also negotiated a non-binding, conditional term sheet with one major cornerstone equity investor, subject to amongst other things, completion of the full financing package.

Vermelho

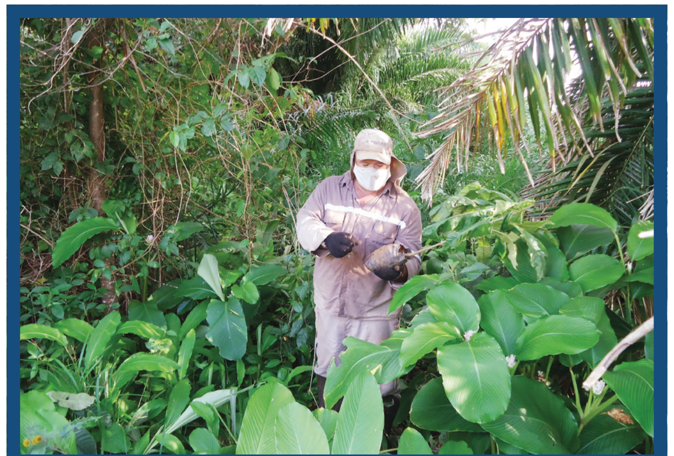
Following completion of a Pre-Feasibility Study (PFS) in late 2019, the social and environmental team has advanced the collection of the relevant data for baseline monitoring in preparation for the Environmental and Social Impact Assessment required for permitting and the Feasibility Study.

The interest in nickel sulphate projects has increased with the recent advancement in battery technology for the EV sector, as such the Company is focussing its efforts on bringing Vermelho closer to being construction ready to capitalise on the current positive sentiment towards battery grade nickel.

Team

In line with Horizonte's transition to becoming a producer, the Company undertook a comprehensive recruitment programme both in London and Brazil. The corporate team has expanded to provide additional support in the areas of finance, communications and investor relations, and key hires in the Araguaia owner's team have been made. The owner's team now includes leading ferro-nickel, construction and operational technical management in Brazil, including experienced professionals who have previously worked on Anglo American's Barro Alto and Vale's Onca Puma projects, as well as internationally recognised experts in pyrometallurgy, engineering and construction. This recruitment process continues into 2021.

Jeremy Martin
31 March 2021



Seedling planting in the spring located at the Chapéu de Palha Farm

Daily safety circle

SUSTAINABILITY

Katie Millar, Head of ESG and Communications

As a key player in the sustainability-driven supply chain that is the future of the nickel industry, Horizonte places great importance on its environmental, social and governance (ESG) practices. Our sustainable policies, practices and goals underpin every aspect of our operations and our commitment to this will position the Company at the forefront of the next generation of nickel producers.

2020 saw the publication of our first standalone Sustainability Report. This report was a huge achievement for the Company, as it not only showcases our ESG achievements to date, but also provides detail and clarity on our approach to providing accountable and transparent governance, maintaining a safe workplace, minimising our environmental impact, supporting our communities and creating value for all stakeholders. Importantly, the report also outlines our future goals and commitments.

We are pleased to have taken the important step of increasing our disclosure on our sustainability efforts and we will now be publishing a standalone Sustainability Report on an annual basis.

We have created an organisational structure with sustainability practices that run throughout the Company - from corporate level in London right through to our operations on the ground in Brazil. Today we have a fully functional team with employees specialised in social, environmental, permitting, integrated management and safety workstreams.

We operate in compliance with all relevant aspects of the laws and regulations of Brazil and are working towards compliance with best practice international standards where possible. We adhere to the International Finance Corporation (IFC) Performance Standards and the Equator Principles.

Horizonte has been operating in Brazil for 10 years. Our knowledge accrued in these years of the local way of life, cultural heritage and connections with the local population is invaluable to the long-term success of Horizonte. Our continual involvement in the local communities and our ongoing constructive engagement with them enables us to fully understand the environment in which we operate, identify issues and manage risk. In 2020 this process of engagement with local communities and all our other stakeholders was formalised in a materiality assessment. This assessment highlighted five material topics that we have discussed in our Sustainability Report: transparency and accountability, people, health and safety, environmental stewardship and building together with our communities.

Our People

A motivated and dedicated team has always been the key to our success. We have worked hard to create a positive company culture through the implementation and promotion of our core values and our entrepreneurial spirit. We provide a safe, stimulating workplace where all employees are treated fairly and human rights are upheld. The maintenance and dissemination of this company culture is becoming increasingly important as our workforce grows considerably with the start of construction. We are committed to employing locally, upskilling our workforce, respecting all cultures and promoting diversity and inclusion. Of the team operating in Brazil, all our employees are Brazilian and 37% are from Pará. We recognise the benefits of a diverse workforce, at all levels, as it provides breadth in thought, approach and strategy. We are proud to already have built strong gender diversity, and are working hard to ensure it reaches the highest levels of the Company. For the year 2020 41% of our total employees are female, including Sepanta Dorri, Non-Executive Director to the Board.

Health, Safety and Well-being

I'm proud to report another injury-free year for the Company. Araguaia boasts over 380,000 LTI free hours and the Company is almost 4 years injury-free.

The way in which we consider health, safety and well-being changed considerably in 2020 due to the ongoing COVID-19 pandemic. The pandemic required us to work differently and most significantly in very different working environments and conditions. For the majority of the year, we have been working from home, with team members in London and Brazil returning to the office and site at a reduced capacity where possible. We have ensured that all team members have the correct equipment to work from home safely and comfortably. New procedures have been implemented in our offices and on site including physical distancing, hand sanitising, Covid-19 testing, temperature monitoring and additional personal protective equipment (PPE) where required.

All teams have bi-weekly team video calls in order to stay connected and we come together as a company for a company-wide zoom conference on a quarterly basis.

Environmental Stewardship

We operate in an environmentally responsible manner. We have been undertaking baseline studies for air quality, water quality and flow and noise since 2013. These studies inform our environmental programmes and enable us to monitor impact and track progress. Our operations have been designed to minimise any adverse environmental impact and our environmental initiatives are designed to mitigate this impact and, where possible, improve and enhance the natural environment around our projects. Where possible we work closely with our local communities to protect the environment.

In early 2020, we partnered with process engineering group, IGEO, to find the best solutions to reduce greenhouse gas emissions at our Araguaia ferronickel project. Whilst the study is in its final stages of completion, early results indicate that Araguaia will be one of the lower CO_2 emitters amongst the world's ferronickel supply chain. The Vermelho project looks to produce nickel sulphate for the battery industry, which will not only be a low CO_2 product in its own right, but will also play an important role in the move towards an electric world.

Developing Alongside Our Communities

In the rural communities surrounding our projects namely Conceição do Araguaia, Floresta do Araguaia and Xinguara, wages average around US$2 to US$3 per day and formal employment is very low, at less than 9%. The direct and indirect economic benefit of our projects have the ability to positively transform the standard of living in these communities. Our licence to operate in these areas is largely dependent on the continued support of these communities and of the Brazilian government. It is therefore critical that we operate with the highest standards of professionalism, cooperation and collaboration with these stakeholders.

We are committed to being an integrated member of the community, making a positive contribution and delivering shared value. We are able to do this through local employment, local procurement and social initiatives. These initiatives have been designed in response to the communities' needs and in close consultation with local residents. In response to the COVID pandemic we provided over 300 food parcels to the most vulnerable families. Additionally, due to the often confusing messaging regarding COVID prevention measures circulating in Brazil we provided our communities with clear, concise advice in line with World Health Organisation guidance on how to protect themselves and their families.

These five material areas to key to the ongoing successful development of Horizonte and our ability to create a sustainable production company.

Katie Millar
31 March 2021

Water collection for baseline monitoring studies

Archaeology studies

STAKEHOLDER ENGAGEMENT

SECTION 172 STATEMENT

All members of the Board of Directors understand the duties of directors under Section 172 of the Companies Act 2006. All Directors act in a manner, they consider in good faith, to promote the success of the Company for the benefit of all stakeholders and in doing so consider:

- The likely consequence of any decision in the long term
- The interests of the Company's employees
- The need to foster the Company's business relationships with suppliers, customers and others
- The impact of the Company's operations on the community and the environment
- The desirability of the Company maintaining a reputation for high standards of business conduct; and the need to act fairly between members of the Company.

Horizonte promotes the sustainable development of its two long mine life nickel projects to benefit our employees, shareholders, communities and the Brazilian government. Through continual formal and informal engagement with all our stakeholder groups, we have been able to determine their perspective and priorities and align these with our strategy and key business objectives. With this knowledge and alignment, the Board is able to consider a full range of impacts on all stakeholder groups in its decision-making process. The key strategic decisions made by the Board during 2020 were:

- Response to the COVID-19 pandemic
- Mandating of five financial institutions for US$325 million senior debt facility for the construction finance of the Araguaia Project
- Value engineering process to develop an implementation ready project execution plan for the Araguaia Project
- Senior hires in operational and corporate teams

The long-term strategic priorities, and plans to achieve these, are set out in the Strategic Report.

The following table identifies our key stakeholder groups, the rationale for our engagement, how we engaged with them during the year, and the consideration of each group in the key strategic decisions made by the Board in 2020.

	ENGAGEMENT RATIONALE & OBJECTIVES	HOW WE ENGAGED DURING 2020	KEY 2020 STRATEGIC DECISIONS
EMPLOYEES	**An engaged and dedicated workforce is our more important asset. Their continued commitment to the Company is reliant on us providing a safe and engaging workplace that ensures each employee is heard, respected and is able to reach their potential through continued support and development.**	- An open line of communication is maintained between all employees, senior management and the Board. - Weekly team meetings are held and quarterly virtual all-company meetings were held in 2020. Updates on the projects and business objectives are presented and discussed. There is always an open forum for questions from employees and an invitation for anonymous emailed questions if employees are not comfortable raising questions publicly. - The Company has an HR function in the UK and Brazil and employees are provided with a formal induction to the Company on commencement of employment. This induction covers company values, policies and procedures. - The health, safety and well-being of our employees is our primary value. Relevant safety training and meetings are conducted in order to ensure a zero harm environment.	- New hires –Employees were engaged as part of recruitment process to ensure understanding of the growing company structure, integrate new employees effectively and to provide reassurance of job security. Building a strong, collaborative team is critical to the Company's ability to deliver operational success. - COVID-19 response – new health & safety procedures were communicated to all employees, and were relevant to their individual working environment. Health & Safety is a core value.
INVESTORS	**The support of our shareholders is essential to the development of the Company. As we seek to develop a sustainable mining company for the long-term, it is critical to continually attract new long-term investors that support the strategic objectives of the Company. In discussing our investor engagement we are considering current shareholders, future equity investors, strategic financial partners and debt providers. Our shareholders and new investors want to see sustainable value creation. We therefore understand the importance of good corporate governance and risk management whilst promoting the strong operational potential of our assets.**	- The senior management team holds regular one on one calls with our institutional equity shareholders and future equity investors. - A comprehensive technical team undertook multiple due diligence conference calls with debt providers and strategic financial partners. Under non-disclosure agreements the Company provided access to an update virtual data room. - We have ongoing dialogue with retail shareholders via our info@horizonteminerals.com email address and our Investor Relations function - The CEO attended several private investor focussed webinars where investors were able to ask questions. - The CEO, CFO and Investor Relations attended over 100 one on one virtual investor meetings during the year where the topics of project updates, finance updates, sustainability and corporate governance were discussed. - Our Annual General Meeting (AGM) provided an opportunity for shareholders to raise concerns and engage with the Board. - Our website and social media channels are updated regularly to provide investors with more insight into the Company and its progress.	- US$325 senior debt facility – Investors were engaged as part of these project finance negotiations. Potential debt providers were engaged in a due diligence process to ensure their confidence in the Araguaia project and the Company's ability to deliver it. The impact of taking on debt on existing shareholders in terms of dilution and the Company's balance sheet, and for new potential equity investors and strategic financial partners was considered in terms of their role in the full financing of the project, the merits this debt package brings and the interconnected nature of the financing. The ability to finance the construction of the Araguaia project is critical to the Company's strategy of becoming a major nickel producer. The Company balanced the differing requirements and preferences of all investor groups in this decision. - Value engineering process – strategic financial partners were considered in the selection in some equipment packages particularly related to ECA finance. - COVID-19 response – the decision not to allow site visits was mitigated by the creation of a more detailed virtual data room in order for investors to conduct due diligence.
COMMUNITIES	**Trust, understanding and cooperation with the communities that surround our projects is critical to maintaining our social licence to operate. Community engagement informs better decision making and aligns interests to ensure the long-term success of our projects.**	- We have a Community Relations coordinator who continually engages with local communities on the issues of environmental stewardship, local employment and resettlement. - Our Social Communication Programme provides multiple anonymous and free to use channels in order for all community members to have the ability to ask questions, report issues and provide feedback. This is monitored by our social team and each enquiry is actioned. - In 2020 interactions with the community focussed on employment opportunities, local supply chain, land access, cultural heritage, health & safety and COVID-19. Prior to the restrictions implemented due to the COVID-19 pandemic this interaction was through face-to- face individual and group meetings. Community engagement continued throughout the pandemic but was conducted virtually.	- COVID-19 response – whilst maintaining the health & safety of our local communities our commitment to social contributions was upheld during the year through the provision of food packages. This decision was made in conjunction with local authorities as the most effective method of support for the most vulnerable families affected by the pandemic.
SUPPLIERS	**Operating in trusted partnerships with suppliers ensures we are not only able to deliver our projects on time and on budget but it also critical in maintaining our reputation and integrity. We aim to build long-term relationships with our suppliers and work with individuals and companies that share our values and complement our in-house expertise.**	- The senior management team holds regular calls with all engineering, environmental & social and other relevant specialised consultancy firms in respect to the development of our projects. - All suppliers are required to adhere to our Business Integrity Policy, which includes anti-bribery and anti-corruption clauses, as well as our Code of Conduct and operate under Non-Disclosure Agreements. - We are committed to improving the socio-economics of the area in which we operate and are therefore committed to local procurement.	- Value engineering process – key decisions on equipment and services were communicated to suppliers to ensure up to date pricing was obtained by the Company and that we were able to ensure appropriate levels of infield support during the construction phase. The timely and successful construction of the Araguaia project is critical to the Company's success.
GOVERNMENT & CIVIL SOCIETY	**We aim to create a new long-standing mining company in Brazil with projects that span decades and generate value for all stakeholders. The ongoing support from all government bodies and civil society is critical to this development. We operate in line with all international and national regulations and following all permitting requirements. We value the importance of working collaboratively and productively with all relevant entities.**	- Our senior management team both in the UK and Brazil present the Company's progress to relevant government department regularly, and when requested. - Our Country Manager and Head of ESG & Communications have developed strong relationships with the relevant government officials to ensure the Company receives the required permits.	- COVID-19 response – the ongoing development of local government relations was considered in our response to the pandemic.

FINANCIAL 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 is able to profitably develop or dispose of its exploration and development projects. The principal financial key performance indicators **(KPIs)** monitored by the Board concern levels and usage of cash.

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

	2020	2019
Cash and cash equivalents	**£10,935,563**	£17,760,330
Administrative expenses as a percentage of Total assets	**5.9%**	4.3%
Funds raised to advance Araguaia	**—**	USD25M
Mine Development/Exploration costs capitalised as intangible assets during the year	**£6,117,940**	£5,928,916

KPI's are not GAAP measurements and are not intended to be a substitute for these measures. The KPI's used by the Group may not be the same as those used by other companies and so should not be used as such.

Administrative expenses as a percentage of total assets have increased, as a result of an increase in professional advisers fees due to the commencement of project finance negotiations.

Exploration costs capitalised as intangible assets predominantly relate to expenditure on the Araguaia project during 2020 as a result of the value engineering work undertaken to advance the project towards being construction ready. Including in this amount is also capitalised borrowing costs as a result of the Orion Financing arrangement.

During the current year no additional funds were secured to advance the Araguaia project, although post period end an additional $26 million of equity was secured.

NON-FINANCIAL KEY PERFORMANCE INDICATORS (KPIS)

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

HEALTH AND SAFETY – NUMBER OF REPORTED INCIDENTS

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

OPERATIONAL PERFORMANCE

Good progress was made during the year with the completion of a value engineering exercise to take the Araguaia project further towards construction. The results improved the level of engineering definition and advanced the procurement process to ensure smooth transition to construction following the completion of the project finance package.

	Year ended 31 December 2020 £	Year ended 31 December 2019 £
Loss before taxation	**(2,385,937)**	(3,171,214)
Cash and cash equivalents	**10,935,563**	17,760,330
Exploration & Mine Development assets	**37,060,819**	39,317,506
Royalty finance	**(22,053,341)**	(20,570,411)
Fair value of derivative asset	**1,756,553**	2,246,809
Net assets	**21,410,702**	31,747,057
Loss per share (pence)	**0.157**	0.219

LOSS FOR THE YEAR

The loss for the year decreased to £2,227,411 from £3,171,214 in 2019 primarily due to an overall gain on foreign exchange during the year due to volatile markets and the depreciation of the BRL. Net finance income has increased to £236,986 compared with costs of £933,351 during 2019, as a direct result of the adoption of a new accounting policy to capitalise borrowing costs related to the development of the Araguaia project and the change in estimate of contingent consideration being included within finance costs in the current year. During the year interest of £2,100,521 was capitalised to the mine development asset.

The Group has continued to keep a tight control on its administrative costs, but these are expected to rise as the Group increases is headcount and activity as it progresses towards securing project finance and ultimately commencement of construction at Araguaia. As a result of this the administrative expenses increased during the year from £2,563,880 to £2,949,740.

The value of the Mine Development asset and intangible assets has reduced slightly during year due to the effect of foreign currency translations which has been offset by additions and the capitalisation of interest.

Furthermore, total comprehensive loss attributable to equity holders of £10,429,355 included loss on currency translation differences of £8,151,944. This was due to the weakening of BRL against both USD and GBP as at 31 December 2020, as compared to 31 December 2019.

The weakening of the BRL during the period as a consequence of the Covid pandemic has had a large impact on the carrying value of the underlying mine development asset and intangible assets in Brazil. It has however conversely had a positive impact on the cost of certain operating costs and capital costs for item sourced in Brazil. The effect on the economics of the project has therefore not been negative as the revenue stream is to be USD denominated.

CASH AND CASH EQUIVALENTS

The group held cash and cash equivalents of £10,935,563 compared to £17,760,330 in the prior year. The decrease was a result of the expenditures of the Group with Araguaia as it progresses towards commencement of construction combined with the no additional funding being secured during the year. A significant milestone was reached post period end with the closing of an additional $26m of equity fund raise in February 2021.

ROYALTY LIABILITY

The $25 million upfront payment for a royalty secured in 2019 has been valued using the amortised cost basis and is valued as a liability of £22,053,341 at 31 December 2020 (£20,570,411 at 31 December 2019). This funding is not repayable until the project enters into commercial production and following that payments are made at a variable rate of 2.25% potentially increasing to 3.0% based upon the date that project finance is secured and certain level of construction expenditure is committed. The current assumed royalty rate is 2.65% compared to 2.45% at the end of 2019. The royalty is due on revenue less some associated costs on a quarterly basis and has been revalued based on the expectation of the future payments under the agreement using the effective interest method. Included in the agreement are certain embedded derivatives which can under certain circumstances result in the Company having the ability to buy back certain levels of the royalty, the purchase price is driven by the holder obtaining certain milestones on its return on investment. The result of these derivatives are a fair value of derivative asset being recognised on the balance sheet of £1.8 million (2019: £2.2 million).

INTANGIBLE ASSETS & PPE

Intangible Assets & PPE, which comprise both the Araguaia and Vermelho projects, have decreased to £37,060,819 as at 31 December 2020 as compared to £39,317,544 at 31 December 2019. The Group incurred additional expenditure in the year, which included £4.0 million mainly in relation to work undertaken in Araguaia as part of the advances of the project towards commencement of construction; as well as the capitalization of unwinding of the royalty liability totalling £2.1 million.

There was also a significant foreign exchange revaluation loss of £8.2 million due the depreciation of the BRL as well as strengthening of GBP, which combined to create a large movement in the prevailing foreign exchange rate. The exploration assets of the business are recorded in the functional currency of Brazil, the country in which they are located.

Simon Retter
CFO
31 March 2021

IDENTIFYING AND MANANGING RISKS

The Board is responsible for putting in place and communicating a sound system to manage risk and implement internal control. The Board has considered mechanisms by which the business and the financial risks facing the Group are managed and reported to the Board. The principal business and financial risks have been identified and control procedures implemented. The Board acknowledges its responsibility for reviewing the effectiveness of the systems that are in place to manage risk.

The Board has delegated certain authorities around risk management to the Audit Committee, which has its own formal terms of reference. The Committee meets at least twice per year to coincide with the annual audit, and the publication of its financial results, to assess the effectiveness of the Group's system of internal controls. The Audit Committee is chaired by David Hall and comprises only independent non-executive Directors.

FINANCIAL AND INTERNAL CONTROLS

The Board recognises the importance of both financial and non-financial controls and has reviewed the Group's control environment and any related shortfalls during the year. 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 Group, continuing reviews of internal controls will be undertaken to ensure that they are adequate and effective.

CORPORATE RISK REGISTER

The Board considers risk assessment to be important in achieving its strategic objectives. The Board's current assessment of the principal risks are set out in the Strategic Report and are monitored by the Board at their meetings.

PRINCIPAL RISKS AND UNCERTAINTIES

Exploration Risks

IMPACT	MITIGATION	CHANGE
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 on-going basis its commitments and the expiry terms of all licences in order to ensure good title is maintained. They are also subject to legislation defined by the government in Brazil.	Given the Group is advancing towards construction and has undertaken minimal new exploration work during the year the exploration risks have remained broadly the same as in prior periods.

Resource and Reserves Estimates

IMPACT	MITIGATION	CHANGE
The Group's reported resources and reserves are only estimates. No assurance can be given that the estimated resources will be recovered or that they will be recovered at the rates estimated. Mineral reserve and resource estimates are based on limited sampling and as a result are uncertain because the samples may not be fully representative of the full resource. Mineral resource estimates may require revision (either up or down) in future periods based on further drilling or actual production experience. Any future resource figures will be estimates and there can be no assurance that the minerals are present, will be recovered or that they can be brought into profitable production. Furthermore, a decline in the market price for natural resources, particularly nickel, could render reserves containing relatively lower grades of these resources uneconomic to recover.	Resource and Reserve estimates have been prepared by a team of qualified specialists following guidelines of NI 43-101, an international recognised reporting code verified by independent, qualified consultants.	The Resources and Reserves risk has remained broadly consistent with prior periods.

Country Risk

IMPACT	MITIGATION	CHANGE
The Group's licences and operations are located in foreign jurisdictions. As a result, the Group is subject to political, economic and other uncertainties, including but not limited to, changes in policies or the personnel administering them, appropriation of property without fair compensation, cancellation or modification of contract rights, royalty and tax increases and other risks arising out of foreign governmental sovereignty over the area in which these operations are conducted.	Brazil is the current focus of the Group's activity and offers stable political frameworks and actively supports foreign investment. It has a well-developed exploration and mining code with proactive support for foreign companies. The country risk has not changed materially since the prior periods.	Despite the severe nature of the COVID-19 pandemic in Brazil, the country risk has remained unchanged.

Volatility of Commodity Prices

IMPACT	MITIGATION	CHANGE
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. Whilst the outlook and forecasts for nickel prices are generally positive, any 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.	The strong economics of the Group's projects allow for relatively low nickel prices. The Board and senior management team continually monitors the nickel price and, more importantly for the Group, the long term outlook for nickel. Should the nickel price fall below a point that is commercial for the Group's projects the Group will seek to alter its projects in line with this. This may be adapting the projects to a smaller scale, higher grade production profile or investigating new technologies to reduce opex.	Strong nickel prices during the period with strong outlook due to increasing demand from the EV battery market has reduced volatility of commodity prices during the period.

Funding Risk

IMPACT	MITIGATION	CHANGE
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 as well as other sources of capital and is targeting a significant portion of debt finance to construct the Araguaia project. The Group's ability to raise further funds will depend on the success of its investment and operational strategy. The Group is currently in the development stage for its flagship Araguaia project and is simultaneously advancing Vermelho towards a feasibility Study stage. As such it does not generate revenues and is therefore reliant on its cash resources and obtaining additional financing to fund its operations, should the cash resources deplete and should there be a lack of available financing alternatives the Group may find it difficult to fund its working capital. If such funding is unavailable, the Group may be required to reduce the scope of its investments or anticipated expansion	The senior management team regular meets with financial advisors and financiers to discuss the types of financing available to the Group. Senior management regularly engages with shareholders to ensure their continued support. Senior management also undertakes a targeted investor engagement plan in order to secure future investment. This engagement is comprehensive and allows for optionality and flexibility in the Group's funding options. The Group successfully raised capital from a royalty finance in 2019, as well as an issue of equity post period end, which places it in a strong position.	Due to increased engagement with investors and increased interest in the nickel marker funding risk has reduced during the period.

Dependence on Key Personnel

IMPACT	MITIGATION	CHANGE
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, as well as a long-term incentive plan comprising options and milestone incentives, the retention of their services cannot be guaranteed. The development and success of the Group depends on the ability to recruit and retain high quality and experienced staff. The loss of service of key personnel or the inability to attract additional qualified personnel as the Group grows could have an adverse effect on future business and financial conditions.	To date the Group has been successful in recruiting and retaining high quality staff. The Group consults regularly with international recruitment firms and puts together attractive employment packages to secure the best talent. A comprehensive search commenced during the period to secure specific senior roles relevant to the construction phase.	Due to a comprehensive recruitment process and key appointments made post the period end the dependence on key personnel risk reduced during the period.

Title Risk

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

Uninsured Risk

IMPACT	MITIGATION	CHANGE
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.	The Group has insurance in line with what is available for the stage of development, this will be increasing in line with the advancement of the projects. Comprehensive risk assessment workshops are undertaken regularly as part of stages of the project and additional technical work undertaken where any significant risk materialises. Regular training is provided and steps are put in place to monitor any unforeseen risks that might arise. Unfortunately there are always some risks that cannot be prepared for, but the Company has a risk management framework that aim to respond well to changing risk landscapes.	Uninsured risk remain unchanged during the period.

Financial Risks

IMPACT	MITIGATION	CHANGE
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.	The financial risk remains unchanged from previous periods.

Covid-19

IMPACT	MITIGATION	CHANGE
During the period of these financial statements there has been an ongoing significant global pandemic which has had significant knock on effects for the majority of the world's population, by way of the measures governments are taking to tackle the issue. This represents a risk to the Group's operations by restricting travel, the potential to detriment the health and wellbeing of its employees, as well as the effects that this might have on the ability of the Group to finance and advance its operations in the timeframes envisaged.	The Group has taken steps including enhanced health and safety protocols, to try and ensure the safety of its employees and operate under the current circumstances and feels the outlook for its operations remains positive, however risk remain should the pandemic worsen or changes its impact on the Group.	The COVID-19 pandemic is a new risk that first occurred in March 2020 therefore this risk has increased in relation to previous periods.

Simon Retter
CFO
31 March 2021

CORPORATE GOVERNANCE

David Hall, Chairman

NOTE FROM THE CHAIRMAN

Horizonte is committed to good corporate governance and accountability to all stakeholders. We believe robust governance improves performance and mitigates risk and is therefore an important factor in achieving the medium to long-term success of the Company.

Horizonte's primary listing is on the London Alternative Investment Market (AIM). The Company abides by the AIM rule 26 regulation in respect to reporting and has therefore chosen to adhere to the Quoted Company Alliance's (QCA) Corporate Governance Code for Small and Mid-Size Quoted Companies.

In Brazil the Company has been a member of the Brazilian Association of Mineral Exploration Companies (ABPM) since 2013 and in 2020 it became a member of the Brazilian Mining Institute (IBRAM).

Creating a culture of good governance is led from the top, by Horizonte's Board, and is cultivated in every part of the organisation. Our accountability to all stakeholders has been strengthened in 2020 by our increased transparent reporting with the addition of a standalone Sustainability Report which can be found on the Company's website www.horizonteminerals.com.

David Hall
31 March 2021

OUR APPROACH

In line with the Company's development and long-term strategic objectives, Horizonte complies with the QCA Corporate Governance Code for small and Mid-sized companies. Our QCA Code disclosures within this Annual Report are summarised in the table below. Full details of how we have applied each of the ten principles of the QCA Code can be found on our website.

Principle	Disclosure within this report
Establish a strategy and business model which promotes long-term value for shareholders	See page 7
Seek to understand and meet shareholder needs and expectations	See page 27
Take into account wider stakeholder and social responsibilities and their implications for long-term success	See page 14
Embed effective risk management, considering both opportunities and threats, throughout the organisation	See page 18
Maintain the board as a well-functioning, balanced team led by the chair	See page 26
Ensure that, between them, the directors have the necessary up-to-date experience, skills and capabilities	See page 26
Evaluate board performance based on clear and relevant objectives, seeking continuous improvement	See page 27
Promote a corporate culture that is based on ethical values and behaviours	See page 7
Maintain governance structures and processes that are fit for purpose and support good decision making by the board	See page 23
Communicate how the company is governed and is performing by maintaining dialogue with shareholders and other relevant stakeholders	See page 27

The Board meets regularly to determine the policy and business strategy of the Company and has adopted a schedule of matters that are reserved as the responsibility of the Board.

The Board considers that there is an appropriate balance between the Executives and Non-executives (both independent and non-independent) and that no individual or small group dominates the Board's decision making.

The Board has reserved the following matters for sole approval by the Board:

- Review and approval of the Company's strategic plan
- Review and approval of the Annual operating plan and financial budget, including any changes during the year
- Establishment of expenditure limits and approval of exceptions
- Hiring, review and compensation of CEO and CFO
- Director recruitment
- Appointment of Chairman
- Appointment of Committee Chairmen and Committee members

The Company has a policy on share dealing and confidentiality of inside information for persons discharging managerial responsibilities and persons closely associated with them, which contains provisions appropriate for a company whose shares are admitted to trading on AIM (particularly relating to dealing during close periods in accordance with Rule 21 of the AIM Rules and MAR) and the Company takes all reasonable steps to ensure compliance by the persons governed by such policy.

The Board continues to monitor its governance framework on an ongoing basis.

OUR CORPORATE GOVERNANCE STRUCTURE

Board
The Board of Horizonte is responsible for setting the vision and strategy for the Company to deliver value to all stakeholders by effectively putting in place its business model.

Chairman
The primary responsibility of the Chairman is to lead the Board effectively and to oversee the adoption, delivery and communication of the Company's corporate governance model. The chair has adequate separation from the day-to-day business to be able to make independent decisions. Save in exceptional (and well justified and explained) circumstances, the Chairman should not also fulfil the role of Chief Executive Officer.

CEO
The Company's CEO is charged with the delivery of the business model within the strategy set by the Board. The CEO works with the Chairman and NEDs in an open and transparent way and keeps the chair and NEDs up-to-date with operational performance, risks and other issues to ensure that the business remains aligned with the strategy.

Non-Executive Directors
The Company's NEDs participate in all board level decisions and play a particular role in the determination and articulation of strategy. The Company's NEDs provide oversight and scrutiny of the performance of the executive directors, whilst both constructively challenging and inspiring them, thereby ensuring the business develops, communicates and executes the agreed strategy and operates within the risk management framework.

Renumeration Committee
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 recommends the allocation of share options for the Board to approve 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 Group.

Audit Committee
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 Group is properly measured and reported on and for reviewing reports from the Group's auditors relating to the Group's accounting and internal controls.

BOARD OF DIRECTORS

DAVID HALL, NON-EXECUTIVE CHAIRMAN

David has over 30 years of experience in the exploration and mining sector and has worked on exploration projects and mines in over 40 countries. From 1992, David was Chief Geologist for Minorco, responsible for Central and Eastern Europe, Central Asia and the Middle East. In 1997 he moved to South America to consult to Minorco in the region, and subsequently became Exploration Manager for AngloGold South America in 1999. David 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 joint ventures in Ecuador and Colombia. More recently David was the Executive Director and Operations Director of Minmet, where he led the divestment of Minmet's exploration assets in the Dominican Republic to GoldQuest Mining Corporation. David was also the founder of Stratex International Plc, that discovered the Oksut gold deposit now in production with Centerra Gold.

Mr. Hall is a graduate in geology from Trinity College Dublin and holds a Master's Degree in Mineral Exploration from Queen's University, Kingston, Ontario.
Mr. Hall is a fellow of the Society of Economic Geologists and EuroGeol.

JEREMY MARTIN, CHIEF EXECUTIVE OFFICER

Jeremy has over 20 years of experience in the industry. He has worked in South America, Central America and Europe, where he has been responsible for grassroots exploration programmes, resource definition and mine development and operation. In 2011 Jeremy founded Rathdowney Resources which identified, acquired and advanced a portfolio of zinc assets in Ireland and was listed on the TSX-V. He was the Founding Director of MedGold Resources, listed on the TSX, developing gold targets Spain, Portugal and Serbia before founding Fast Net Oil & Gas, an AIM listed alternative energy company. Jeremy was a Founding Director of Horizonte Minerals in 2006 before becoming CEO in 2010, he has led the company through the discovery and consolidation of Araguaia through to the construction stage.

Mr. Martin holds a degree in Mining Geology from the Camborne School of Mines, and a Master's Degree in mineral exploration from the University of Leicester. He is a member of the Society of Economic Geologists and the Institute of Mining Analysts.

OWEN BAVINTON, NON-EXECUTIVE DIRECTOR

Owen has over 45 years of diverse experience in the minerals exploration and mining sector across multiple commodities and jurisdictions. After brief periods as a junior consultant and an underground mine geologist on a Witwatersrand gold mine, from 1974 to 1985 he had several positions with Western Mining Corporation, finally as Director of WMC's activities in Brazil. From 1986 to 1992 Owen was Chief Executive Officer of Aredor Guinea SA. In 1992 he joined Anglo American, 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.

Dr. Bavinton graduated from the University of Queensland in Geology in 1969, holds a Master's Degree in Mineral Exploration from Imperial College, London and a PhD in Economic Geology from ANU, Canberra, Australia.
He is a fellow of the Society of Economic Geologists, the Association of Applied Geochemists and the Institute of Materials, Mining and Metallurgy.

ALLAN WALKER, NON-EXECUTIVE DIRECTOR

Allan has over 35 years of experience in investment banking and fund management, primarily focussed on project finance in the natural resources sector and private equity in emerging markets. He has extensive contacts in the energy, infrastructure and resources sectors worldwide, as well as with governments, multilateral agencies and regional development banks. Allan is currently a consultant with UK Department for International Trade, where he is Head of Project Finance. Previously he was with Masdar Capital in Abu Dhabi, as Executive Director, responsible for managing the third-party private equity funds management business for Masdar, the Abu Dhabi government's clean energy and sustainability company. Prior to that he founded (in 2005) and ran a similar private equity fund for Black River Asset Management (UK) Limited, an indirectly held subsidiary of Cargill Inc. Prior to Black River, Mr. Walker was head of power and infrastructure in London for Standard Bank Plc, a world-leader in emerging markets resource banking. Mr. Walker was also previously a director in the Global Energy and Project Finance Group of Credit Suisse First Boston in London and ran the energy group at CSFB Garantia in Sao Paulo, Brazil from 1998 to 2001, where he spent seven years covering Latin America. He also spent three years in the energy group of ING Barings in New York.

Mr. Walker graduated with an MA in economic geography from Cambridge University in 1982 and received his financial training on a one year residential training programme with JP Morgan in New York in 1983.

SEPANTA DORRI, NON-EXECUTIVE DIRECTOR

In her capacity as Vice President, Corporate Development of Teck Resources since late 2018, Ms. Dorri is responsible for the identification and pursuit of external growth opportunities and providing support for internal growth initiatives. In earlier roles, Ms Dorri was Vice President, Corporate and Stakeholder Development at Teranga Gold, General Manager, Corporate Development at Xstrata Nickel, and Vice President, Investment Banking, Metals and Mining Group at Merrill Lynch Canada. She brings to the role 15 years of experience in mining and metals in the areas of corporate development, financial and investment banking.

Ms. Dorri is a Canadian Chartered Professional Accountant and holds a Bachelor of Accountancy and a Master of Accountancy, both from the University of Waterloo, and a Master of Business Administration from the London Business School.

WILLIAM FISHER, NON-EXECUTIVE DIRECTOR

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

Mr. Fisher graduated as a geologist in 1979

BOARD COMPOSITION

The Board comprises a group of experienced Directors with a diverse skillset relevant to the development of a mining company. Each Director has a wealth of experience and depth of knowledge in the mining industry and complementary fields including law, business development and capital markets. This diversity of skills and experience across multiple jurisdictions and professional disciplines provides the Company with effective leadership and direction. Each Director keeps their skillset up to date through a combination of continual professional development and attendance at seminars and conferences relevant for the industry Horizonte operates in. All Directors retire on rotation at regular intervals in accordance with the Company's Articles of Association.

We understand the importance of an independent board and this independence is constantly reviewed. Of the current six members: one Executive Director and five Non-Executive Directors: Mr Owen Bavinton, Mr William Fisher and Mr Allan Walker are considered independent despite several of these members holding shares or options in the Company. Due to Horizonte's size and the nature of junior exploration companies the Company deemed it acceptable to remunerate directors with options as the Company historically did not have sufficient financial strength to attract the required depth in experience from board directors. The shareholdings held by the directors have been acquired on the market over the years and so represent arms-length transactions and align their interests with shareholders. Their shareholdings are also relatively small and are not deemed large enough to distort any independence.

Diversity of nationality and gender is also of importance to Horizonte. We were delighted to welcome our first female Director, Sepanta Dorri in 2020.

The Company currently feels the formation of a formal Nomination Committee is not necessary, however, all Directors are committed to having a watching brief for identifying potential internal and external candidates as part of the Company's informal succession planning and commitment to ensuring the Board remains independent, diverse and with the relevant skillset for the stage of the Company's development.

The following table highlights each Directors core competencies relevant to the successful development of the Company.

	Project Development	Project Execution	Business Development	Governance	Capital Markets	Sustainability	Brazil
David Hall	x	x	x	x			x
Jeremy Martin	x	x	x	x	x	x	x
Owen Bavinton	x	x	x	x		x	x
Allan Walker			x	x	x		x
Sepanta Dorri			x	x	x	x	
William Fisher	x	x	x	x	x		x

ATTENDANCE AT BOARD MEETINGS

Board Meeting Date	David Hall	Jeremy Martin	Allan Walker	Alex Christopher Present	Sepanta Dorri	Owen Bavinton	William Fisher
8 January 2020	Y	Y	Y	Y	—	Y	Y
26 March 2020	Y	Y	Y	Y	—	Y	Y
2 April 2020	Y	Y	Y	Y	—	Y	Y
11 May 2020	Y	Y	Y	Y	—	Y	Y
14 May 2020 (AGM)	N	Y	N	N	—	N	N
25 June 2020	Y	Y	Y	—	Y	Y	Y
6 August 2020	Y	Y	Y	—	Y	Y	Y
17 August 2020	Y	Y	Y	—	Y	Y	Y
17 September 2020	Y	Y	Y	—	Y	Y	Y
21 October 2020	Y	Y	Y	—	Y	Y	Y
10 November 2020	Y	Y	Y	—	Y	Y	Y
4 December 2020	Y	Y	Y	—	Y	Y	Y
17 December 2020	Y	Y	Y	—	Y	Y	Y

Due to impact of Covid on the ability of large groups to meet, the majority of the Board meetings for 2020 were undertaken remotely by teleconference. The AGM was held with a minimum attendance due to the ongoing restrictions on gatherings under legal direction as a direct result of Covid.

The audit committee met twice during the year to consider the Audit planning report and Audit completion report presented by the auditors regarding the year end audit process. The year end audit findings were focussed on the key areas identified during the planning process, the main items being:

- Internal controls and management override
- Carrying value and impairment of intangible exploration and evaluation assets
- Accounting for the royalty finance agreement
- Assessment recognition of contingent consolidation
- Going concern

The audit committee were in agreement with all the findings and recommendations.

The remuneration committee met twice during the year to consider the remuneration levels of the board and key officers of the company, to consider and approve the basis of the long term incentive plan and to consider and award options to key members of the team.

EVALUATING BOARD PERFORMANCE

In accordance with best practice and the Code, the Board undertakes an annual formal evaluation of its performance and effectiveness, and that of each Director and Committee. This evaluation is conducted by way of a questionnaire from the Chairman, co-ordinated by the Company Secretary and concluded by Chairman interviews where necessary. In addition, the Non-Executive Directors met, informally, without the Chairman present and evaluated his performance. The Board currently considers that the use of external consultants to facilitate the Board evaluation process is unlikely to be of significant benefit to the process, although the option of doing so is kept under review.

The Chairman has stated that he values this annual evaluation opportunity and considers it to be key to his role in creating an effective Board. He has reported that the Board was satisfied that the Board was effective and well run, there were therefore no recommendations and none in the prior year.

The remuneration is determined in accordance with the Articles of Association. When determining executive director remuneration policy and practices, the Company's remuneration committee addresses the following:

- Clarity – remuneration arrangements are transparent and promote effective engagement with shareholders and the workforce
- Simplicity – remuneration structures avoid complexity and their rationale and operation are easy to understand
- Risk – remuneration arrangements ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated
- Proportionality – the link between individual awards, the delivery of strategy and the long-term performance of the Group should be clear. Outcomes do not reward poor performance
- Alignment to culture – incentive schemes drive behaviours consistent with company purpose, values and strategy.

SUPPORT TO DIRECTORS

The Board has the full support of the Company secretary.
The Board receives regular and timely information of the Company's operational and financial performance in order to perform this function. Relevant, detailed information is circulated to all Directors ahead of Board and Committee meetings. The Company Secretary is responsible for keeping the Board up to date on its responsibilities in compliance with relevant regulations.

THE BOARD AND CULTURE

The Board believes that the promotion of a corporate culture based on sound ethical values and behaviours is essential to maximising shareholder value.

Horizonte's company culture is consistent with its objectives, strategy and business model. The Board regularly meets and monitors the business and its stakeholders to ensure the values and strategy are aligned with the Company's internal culture.

The Directors act with integrity, lead by example, and promote the desired culture.

We believe that transparency and ethical behaviour are central to any successful company and undertake all development with respect to the environment and neighbouring communities.

SHAREHOLDER ENGAGEMENT

The Board attaches great importance to providing shareholders with clear and transparent information on the Company's activities, strategy and financial position. Communication with all shareholders is predominately led by the CEO and CFO, but the Chairman and non-executive directors provide additional points of contact for shareholders, particularly at the Company's AGM. We value the views and feedback of our shareholders and these are often discussed as a collective during board meetings, no significant actions or feedback were reported during the year. Further information on our shareholder engagement can be found in the stakeholder engagement section on page 14.

Material information in relation to the Company is made publicly available via the London Stock Exchange's Regulatory News Service (RNS) and via the System for Electronic Document Analysis and retrieval (SEDAR) in Canada.

Details of our shareholder engagement during the year can be found in the following table.

2020 Shareholder Engagement

Q1	Q2	Q3	Q4
• Shareholder webinar • Roundtable event in collaboration with Wood Mackenzie • Business update	• FY19 Results • Publication of Annual Report • Annual General Meeting • Q1 2020 results • CEO presented at Proactive Investors OnetoOne Virtual Investor Forum • Publication of shareholder frequently asked questions • Appointment of Sepanta Dorri, NED	• Araguaia project financing update • CEO interview with Proactive Investors • CEO interview with BRR Media • Virtual institutional shareholder roadshow with CEO & Investor Relations • Interim results • Publication of maiden Sustainability Report • Initiation of analyst coverage from Peel Hunt	• CEO, CFO & investor relations virtual attendance of 121 Mining Investment Americas and 121 Mining Investment EMEA conferences • Virtual investor roadshow in Canada, US, UK and Europe with CEO, CFO and Investor Relations • Q3 2020 results • Araguaia project operational update • CEO interview with BRR Media

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 2020.

PRINCIPAL ACTIVITIES
The principal activity of the Group and Company is the identification, acquisition, exploration and development of mineral projects. The main area of activity comprises the development of the Araguaia and Vermelho nickel projects, located in Pará state in north-eastern Brazil.

FINANCIAL REVIEW
The Group recorded a loss for the year of £2,227,411 (2019 £3,171,214). The Group is currently involved in exploration and evaluation activities and not actively mining. As a result, the Group is not revenue generative.

During the year the group mandated a group of international banks to work towards securing a senior debt facility of $325m to finance the development of the Araguaia project. Work on this facility has continued during the year and combined with the partnership secured with Orion Mine Finance (one of the largest mine finance funds in the market at present) places the group well to work towards closing the total required financing for the project.

At 31 December 2020, the Group had cash and cash equivalents of £10,935,563 (2019: £17,760,330). 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 (2019: £Nil).

SUSTAINABILITY
Details of the Company's approach and activities in relation to sustainability can be found on pages 12 and 13 of the Strategic Report included within this Annual Report and in a standalone Sustainability Report available on the Company's website www.horizonteminerals.com.

The Company currently does not consume a material amount of energy in the UK and therefore does not publish information required under SECR. This will be reviewed and it is the intention of the Company to comply with the reporting disclosures next year in line with best practice.

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 30 March 2021.

Major shareholders	Number of shares	% of issued capital
Hargreaves Lansdown	242,293,180	16.72%
Teck Resources Limited	210,207,179	14.5%
Interactive Investor	149,660,586	10.33%
Canaccord Genuity Group	145,000,000	10%
HSDL	91,920,129	6.34%
Glencore	88,362,682	6.1%
AJ Bell	69,601,613	4.8%

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

DIRECTORS AND DIRECTORS' INTERESTS
The names of the Directors of the Company at the date of this report are shown in the Statutory Information. Refer to note 24 for further details.

The Directors who served during the year, together with their directly beneficial interests in the shares of the Company as at 31 December 2020 are as follows:

	31 December 2020		31 December 2019	
Director	Shares	Options	Shares	Options
David Hall	1,039,955	16,000,000	1,039,955	16,000,000
Jeremy Martin	2,028,908	28,500,000	2,028,908	28,500,000
Owen Bavinton	2,000,000	13,000,000	2,000,000	13,000,000
Allan Walker	705,479	13,900,000	705,479	13,900,000
William Fisher	1,975,000	13,000,000	1,975,000	13,000,000
Sepanta Dorri	—	—	—	—

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 2020 and 31 March 2021.

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

MATTERS COVERED IN THE BUSINESS REVIEW
The business review and review of KPIs are included in the Operations Review and Strategic Report.

FINANCIAL RISK MANAGEMENT
The Company is exposed through its operations to the following financial risks:

- Commodity price risk
- Foreign currency risk
- Credit risk
- Interest rate risk
- Liquidity risk

The group undertakes certain policies and procedures to mitigate these risk as much as is practicable, including hedging foreign exchange movements, only using credit worthy financial institutions and using short term deposits to manage interest rate and liquidity risks. As the Group moves towards being a producing entity it will continually review these risk mitigation policies to cover off any potential exposure to commodity prices and increase exposure to foreign exchange risks.

In common with all other businesses, the Group is exposed to financial risks that arise from its operations, these along with managements' policies surrounding financial risk management are explained in note 3 to the financial statements.

EVENTS AFTER THE REPORTING DATE
The events after the reporting date are set out in note 32 to the Financial Statements.

FUTURE DEVELOPMENTS
In 2021 the Group will be working towards securing the required project finance in order to construct and bring the Araguaia project into commercial production. Having published a Pre-Feasibility Study on the Vermelho project during 2019, the Group is focussed on further advancing the VNCP project towards a Feasibility Study and eventual construction decision.

DIRECTORS AND OFFICERS INSURANCE
The Group provided Directors and Officers insurance for both the current and prior periods.

ANNUAL GENERAL MEETING
The Notice of the Annual General Meeting of the Company and the Management Information Circular together with Management Discussion and Analysis as at 31 December 2020 will be distributed to shareholders together with the Annual Report. Full details of the business to be considered at that meeting can be found in the Notice.

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

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

By Order of the Board

Simon Retter
Company Secretary
31 March 2021

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

UK Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group and company financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group and company for that period. The directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market and in accordance with the rules of the Toronto Stock Exchange.

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HORIZONTE MINERALS PLC

OPINION ON THE 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 2020 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the Parent Company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 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.

We have audited the financial statements of Horizonte Minerals PLC (the Parent Company) and its subsidiary (the Group) for the year ended 31 December 2020 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the company statement of financial position, the consolidated statement of changes in equity, the company statement of changes in equity, the consolidated statement of cash flows, the company statement of cash flows and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

CONCLUSIONS RELATING TO GOING CONCERN

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

- Review of the Group's cash flow forecast to December 2023, considering the reasonableness of underlying assumptions by reference to historic cost spend and our understanding of management's commitments and expenditure plans for the two projects. We also made enquiries of management as to which costs categories could be discretionary in timing and amount.
- Verification of cash balances close to the date of sign off, which included the proceeds of the post year end equity fund raising.
- Discussion with management and assessing the reasonableness of their assessment of the possible impact of the continuing COVID-19 pandemic on the going concern status of the Group.
- Considered the adequacy of the disclosures made by management in respect of going concern status of the Group, including additional information in respect of the possible impact of COVID-19 on the going concern status of the group.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Horizonte Minerals Plc's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

OVERVIEW

Coverage	94% (2019: 95%)of Group total assets 80% (2019: 83.5%) of Group net loss		
Key audit matters		2020	2019
	Carrying value of exploration and evaluation assets and mine development property	✓	✓
	Valuation of royalty funding arrangement	✓	✓
	Recognition and valuation of contingent consideration		✓
	Recognition and valuation of contingent consideration is no longer considered to be a key audit matter because all contingent consideration was recognised in 2019 and there were no significant changes in the estimates for the valuation during 2020.		
Materiality	*Group financial statements as a whole* £750,000 based on 1.5% of total assets (2019: £ 619,000 based on 1.5% of total assets reduced for significant cash relating to fundraising just before the year end).		

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

Our group audit scope focused on the group's significant subsidiaries, being Araguaia Niquel Mineracao Ltda, Nickel Production Services BV and Horizonte Nickel (IOM) Ltd, which were subject to a full scope audit together with the parent company. In addition, Trias Brasil Mineracao Ltda, Champol (IOM) Ltd and were subject to specific audit procedures on the significant risk areas. The Group audit team performed the audit of the parent company and the subsidiaries, other than those significant components located in Brazil which were audited by the BDO network member firm in Brazil.

The remaining components of the group were considered non-significant and these components were principally subject to analytical review procedures, together with additional substantive testing over the risk areas detailed above where applicable to that component.

OUR INVOLVEMENT WITH COMPONENT AUDITORS

The Group audit team was actively involved in the direction of the audits and specific audit procedures performed by the component auditor along with the consideration of findings and determination of conclusions drawn. As part of our audit strategy, we issued group audit engagement instructions and discussed the instructions with the component auditor. A senior member of the group audit team reviewed the component audit files and discussed the audit findings with the component auditor and local management. For the two principal operating subsidiaries in Brazil the group audit team also performed audit procedures in respect of the significant risk areas.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter		How the scope of our audit addressed the key audit matter

Carrying value of exploration and evaluation assets and mine development property
 	
See notes 4.1, 10 and 11 to the financial statements
	The group holds the Araguaia mine development property carried at a value of £30,706,818 and the Vermelho exploration and evaluation asset carried at a value of £ 6,062,624.
	
	Each year management are required to assess whether there are any indicators that the mine development property and exploration and evaluation asset could be impaired. Management have carried out a review for indicators of impairment and have not identified any indicators.
	
	Reviewing indicators of impairment and assessment of carrying values require significant estimates and judgements and therefore we identified this as a key audit matter.
		We have reviewed management's impairment assessments for both projects and our procedures included the following :
		
		We considered whether management's assessments of impairment had been carried out in accordance with the requirements of the accounting standards.
		
		- We reviewed the feasibility studies prepared by independent consultants for consistency with management's representations and assessed the competence and independence of the experts used by management.
		  - For the Araguaia project, this assessment is supported by the externally prepared feasibility study published in October 2018, which indicates a post-tax net present value of $401m at a discount rate of 8%.
		  - For the Vermelho project, this assessment is supported by the externally prepared pre-feasibility study published in October 2019, which indicates a post-tax net present value of $1.7bn at a discount rate of 8%.
		- For the Araguaia project we considered if key assumptions had changed unfavourably since the date of publication of the study. Nickel price is a key input assumption and the study's results used a long term nickel price of $14,000 per tonne. In December 2020 the long term consensus price was higher, at $16,200 per tonne.
		- For the Vermelho project we considered if key assumptions had changed unfavourably since the date of publication of the study. The study's results used a long term nickel price of $16,400 per tonne. The December 2020 the long term consensus price, at $16,200 per tonne, was 1.2% lower.
		- Both projects will incur certain operating costs in Brazilian Real and therefore the US$/Brl exchange rate is an input assumption. During 2020 the Brazilian Real depreciated significantly, which has a positive impact on economics of the projects as the revenue is denominated in USD.
		- We agreed the validity of licences held by the Group to the Brazilian Government's DNPM website. We also reviewed the correspondence, contracts and other documents regarding the licenses to confirm that the Group has the relevant rights for its activities in the stated areas for Araguaia and Vermelho.
		- We evaluated the adequacy of the disclosures in respect of the assessment of impairment indicators for the exploration and evaluation asset and impairment assessment of the mine development project against the requirements of the accounting standards.
		
		Key observations:
		
		Based on our work we concur with management's assessment of the carrying value of the Group's exploration and evaluation asset and mine development property.

Key audit matter		How the scope of our audit addressed the key audit matter
Valuation of Royalty Funding Arrangement See notes 18 and 4.4	In the prior year Horizonte entered into a US$25m royalty funding agreement with Orion Mine Finance in exchange for future royalty payments linked to the future revenues of the Araguaia project. The royalty agreement includes a buyback option enabling Horizonte to reduce the royalty rate and other cash payment options (the call, make whole and put options) for part reduction in the royalty rate, which require the occurrence of certain events. The accounting for this agreement is complex and therefore management obtained advice from an independent expert. The accounting analysis concluded that the agreement is a hybrid contract that contains a non-derivative host loan and prepayment options in the form of embedded derivatives which should be separated for accounting purposes. The embedded derivatives are initially recognised at fair value and subsequently revalued at each period end. Management has engaged an independent expert to calculate the fair value of the buyback option. The fair value calculation utilised Monte-Carlo simulation methodology. The call, make whole and put options can only be exercised if two specific events occur, being: A change of control and; Commencement of major construction work after 31 March 2021. Management assessed the probability of both of these events arising to be remote and have determined the valuation of these options at the inception of the loan and at the year end to be not material. Judgement was required in determining the accounting treatment of the royalty funding agreement and the approach to valuing the options. The valuation of these financial instruments also required management to make a number of key estimates. Accordingly, the accounting for the royalty funding agreement is considered to be a key audit matter.	Our procedures in relation to the valuation of the royalty funding loan and embedded derivatives are set our below. In respect of the host loan: - We tested the valuation model prepared by management, checking that the model's methodology was in agreement with the royalty agreement and IFRS requirements and that the assumptions were in agreement with management's justifications and explanations. We also checked the arithmetical accuracy of the amortised loan model. - We critically assessed management's key assumptions, including long term nickel price, nickel price inflation and the adopted royalty rate, which is determined by the date of commencement of construction. We made our assessment by reference to independent sources of data and supporting documentation held by the Group. In respect of the fair value of the buyback option: We reviewed the option valuation methodology adopted to check that the features of the option had been appropriately modelled and we also confirmed with management that the modelling is in line with their understanding of the option features. - We checked that the key assumptions used were in agreement with those used for the valuation of the host loan. The nickel price volatility is an additional key assumption for the option valuation. We recalculated the nickel price volatility using independently sourced data and it was in close proximity to that used by management. - The option valuation is sensitive to the nickel price volatility. Based on the features of the option management considered volatility based on five years historic nickel prices to be appropriate. We calculated an alternative reasonable volatility based on ten years and it was in close proximity, being 0.3% lower than the five year volatility. - We assessed the competence and independence of the valuation expert used by management. - We discussed the valuation with the expert and management to ensure that we understood the methodology that they had adopted and the rationale behind it. In respect of the call, make whole and put options: We discussed with management their basis for concluding that the probability of the events allowing exercise of these options was remote. We corroborated this by reference to press announcements, internal board minutes and other operational documentation and concluded that their assessment was appropriate and supported by the evidence. **Key observations:** Based on our work, we concur with the judgements made by management in accounting for the royalty agreement and that the valuation methodology adopted for the host loan and the options is appropriate.

OUR APPLICATION OF MATERIALITY

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements		Parent company financial statements	
	2020 £	2019 £	2020 £	2019 £
Materiality	750,000	619,000	675,000	557,000
Basis for determining materiality	1.5% of total assets	1.5% of total assets reduced for significant cash relating to fundraising just before the year end,	90% of Group materiality	90% of Group materiality
Rationale for the benchmark applied	We consider total assets to be the most significant determinant of the Group's financial performance for users of the financial statements, given the Group's mine development focus.		Calculated as a percentage of Group materiality for Group reporting purposes.	
Performance materiality	562,500	464,250	£506,250	£417,750
Basis for determining performance materiality	75% of materiality based on consideration of factors including the level of historical errors and nature of activities.			

Component materiality
We set materiality for each component of the Group based on a percentage of between 5% and 44% (2019: 5% to 80%) of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £35,000 to £330,000 (2019: £27,000 to £489,000). In the audit of each component, we further applied performance materiality levels of 75% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold
We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £13,500 (2019:£10,800). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the Annual Report of the Directors and Financial Statements other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

OTHER COMPANIES ACT 2006 REPORTING

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	In our opinion, based on the work undertaken in the course of the audit: the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which 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.

RESPONSIBILITIES OF DIRECTORS

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, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the Group's activities and considered the laws and regulations of the UK and Brazil to be of significance in the context of the Group audit. In doing so, we made inquiries of management and the Audit Committee, considered the Group's control environment as it pertains to compliance with laws and regulations and considered the activities of the Group. We determined the most significant laws and regulations to be Companies Act 2006, elements of the reporting framework, tax legislation and the Brazilian environmental regulations.
- We communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and component auditors, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.
- We made inquiries of management and the Board and reviewed Board and Committee minutes to identify any instances of irregularities or non-compliance.
- We agreed the financial statement disclosures to underlying supporting documentation and performed detailed testing on accounts balances which were considered to be at a greater risk of susceptibility to fraud.
- In addressing risk of management override of control, we performed testing of general ledger journal entries to the financial statements, including verification of journals which we consider exhibit higher fraud risk characteristics based on our understanding of the Group. As part of our testing of management override of controls we performed procedures on accounts subject to greater management estimate including the valuation of the royalty funding arrangement and carrying value of exploration and evaluation assets and mine development property, refer to key audit matters above.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

USE OF OUR REPORT

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Stuart Barnsdall (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London
United Kingdom
31 March 2021

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	Year ended 31 December 2020 £	Year ended 31 December 2019 £
Administrative expenses	6	**(2,949,736)**	(2,563,880)
Charge for share options granted		—	(326,413)
Changes in estimate for contingent and deferred consideration	17	—	598,660
Fair value movement		(424,500)	—
Gain/(Loss) on foreign exchange		751,313	(56,266)
Operating loss		(2,622,923)	(2,347,899)
Finance income	8	236,986	110,036
Finance costs	8	—	(933,351)
Loss before taxation		(2,385,937)	(3,171,214)
Income tax	9	108,526	—
Loss for the year from continuing operations attributable to owners of the parent		(2,277,411)	(3,171,214)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Currency translation differences on translating foreign operations	16	(8,151,944)	(2,626,939)
Other comprehensive loss for the year, net of tax		(8,151,944)	(2,626,939)
Total comprehensive loss for the year attributable to owners of the parent		(10,429,355)	(5,798,153)
Loss per share from continuing operations attributable to owners of the parent			
Basic and diluted loss per share (p)	21	(0.157)	(0.219)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Company number: 05676866

As at 31 December 2020

	Notes	31 December 2020 £	31 December 2019 £
Assets			
Non-current assets			
Intangible assets	10	**6,220,872**	7,057,445
Property, plant & equipment	11	**30,839,947**	32,260,544
		37,060,819	39,317,989
Current assets			
Trade and other receivables		**270,540**	134,726
Derivative financial asset	18	**1,756,553**	2,246,809
Cash and cash equivalents	12	**10,935,563**	17,760,330
		12,962,656	20,141,865
Total assets		**50,023,475**	59,459,854
Equity and liabilities			
Equity attributable to owners of the parent			
Share capital	13	**14,493,773**	14,463,773
Share premium	14	**41,848,306**	41,785,306
Other reserves	16	**(12,818,874)**	(4,666,930)
Retained losses		**(22,112,503)**	(19,835,092)
Total equity		**21,410,702**	31,747,057
Liabilities			
Non-current liabilities			
Contingent consideration	17	**5,927,025**	6,246,071
Royalty Finance	18	**22,053,341**	20,570,411
Deferred tax liabilities	9	—	212,382
		27,980,366	27,028,864
Current liabilities			
Trade and other payables	17	**632,407**	683,933
		632,407	683,933
Total liabilities		**28,612,773**	27,712,864
Total equity and liabilities		**50,023,475**	59,459,854

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

The Financial Statements were authorised for issue by the Board of Directors on 31 March 2021 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 2020

	Notes	31 December 2020 £	31 December 2019 £
Non-Current Assets			
Investment in subsidiaries	26	2,348,142	2,348,042
Loans to Subsidiaries	27	64,692,156	55,413,147
		67,040,298	57,761,189
Current assets			
Trade and other receivables		96,196	135,376
Cash and cash equivalents	12	5,308,954	17,393,773
		5,405,150	17,529,149
Total assets		72,445,448	75,290,338
Equity and liabilities			
Equity attributable to equity shareholders			
Share capital	13	14,493,773	14,463,773
Share premium	14	41,848,306	41,785,306
Other reserves	16	10,888,760	10,888,760
Retained losses		(13,186,690)	(16,564,099)
Total equity		54,044,149	50,573,740
Liabilities			
Non-current liabilities			
Contingent consideration	17	5,927,025	6,246,071
		5,927,025	6,246,071
Current liabilities			
Trade and other payables	17	694,110	735,518
Loans from subsidiary		11,780,164	17,735,009
		12,474,274	18,470,527
Total liabilities		18,401,299	24,716,598
Total equity and liabilities		72,445,448	75,290,338

The above Company Statement of Financial Position should be read in conjunction with the accompanying notes, profit for the period was £3,377,407 (2019: £ 2,037,780 loss). 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 Financial Statements were authorised for issue by the Board of Directors on 31 March 2021 and were signed on its behalf.

David J Hall
Chairman

Jeremy J Martin
Chief Executive Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Attributable to owners of the parent				
	Share capital £	Share premium £	Retained losses £	Other reserves £	Total £
As at 1 January 2019	14,325,218	41,664,018	(16,990,290)	(2,039,991)	36,958,955
Loss for the year	—	—	(3,171,214)	—	(3,171,214)
Other comprehensive income:					
Currency translation differences on translating foreign operations	—	—	—	(2,626,939)	(2,626,939)
Total comprehensive income for the year	—	—	(3,171,214)	(2,626,939)	(5,798,153)
Issue of ordinary shares	138,555	121,288	—	—	259,843
Issue costs	—	—	—	—	—
Share-based payments	—	—	326,413	—	326,413
Total transactions with owners, recognised directly in equity	138,555	121,288	326,413	—	586,256
As at 31 December 2019	14,463,773	41,785,306	(19,835,092)	(4,666,930)	31,747,057
Loss for the year	—	—	(2,277,411)	—	(2,277,411)
Other comprehensive income:					
Currency translation differences on translating foreign operations	—	—	—	(8,151,994)	(8,151,944)
Total comprehensive income for the year	—	—	(2,277,411)	(8,151,944)	(10,429,355)
Issue of ordinary shares	30,000	63,000	—	—	93,000
Issue costs	—	—	—	—	—
Share-based payments	—	—	—	—	—
Total transactions with owners, recognised directly in equity	30,000	63,000	—	—	93,000
As at 31 December 2020	14,493,773	41,848,306	(22,112,503)	(12,818,874)	21,410,702

A breakdown of other reserves is provided in note 16.

COMPANY STATEMENT OF CHANGES IN EQUITY

	Attributable to equity shareholders				
	Share capital	Share premium	Retained losses	Merger reserves	Total
	£	£	£	£	£
As at 1 January 2019	14,325,218	41,664,018	(14,852,732)	10,888,760	52,025,264
Profit and total comprehensive income for the year	—	—	(2,037,780)	—	(2,037,780)
Issue of ordinary shares	138,555	121,288	—	—	259,843
Issue costs	—	—	—	—	—
Share-based payments	—	—	326,413	—	326,413
Total transactions with owners, recognised directly in equity	138,555	121,288	(1,711,367)	—	(1,451,524)
As at 31 December 2019	**14,463,773**	**41,785,306**	**(16,564,099)**	**10,888,760**	**50,573,740**
Profit and total comprehensive income for the year	—	—	3,377,409	—	3,377,409
Issue of ordinary shares	30,000	63,000	—	—	93,000
Issue costs	—	—	—	—	—
Share-based payments	—	—	—	—	—
Total transactions with owners, recognised directly in equity	30,000	63,000	3,377,409	—	3,470,409
As at 31 December 2020	**14,493,773**	**41,848,306**	**(13,186,690)**	**10,888,760**	**54,044,149**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Notes	31 December 2020 £	31 December 2019 £
Cash flows from operating activities			
Loss before taxation		**(2,385,936)**	(3,171,214)
Finance income		**(236,986)**	(110,036)
Finance costs		—	933,351
Charge for share options granted		—	326,413
Exchange differences		**(751,313)**	(77,072)
Change in fair value of contingent consideration		—	(598,660)
Change in fair value of derivative asset		**424,500**	-
Operating loss before changes in working capital		**(2,949,735)**	(2,697,218)
Increase in trade and other receivables		**(135,814)**	(110,483)
Increase/(decrease) in trade and other payables		**(51,526)**	403,758
Cash used in operating activities		**(3,137,075)**	(2,403,943)
Income taxes paid		**(51,071)**	-
Net cash used in operating activities		**(3,188,146)**	(2,403,366)
Cash flows from investing activities			
Purchase of exploration and evaluation assets		—	(3,992,757)
Purchase of property, plant and equipment	11	**(4,153,198)**	(238,701)
Interest received		**151,459**	110,036
Net cash used in investing activities		**(4,001,739)**	(4,121,422)
Cash flows from financing activities			
Proceeds from issue of royalty funding		—	18,241,205
Proceeds from issue of ordinary shares		**93,000**	—
Net cash generated from financing activities		**93,000**	18,241,205
Net increase/(decrease) in cash and cash equivalents		**(7,045,814)**	11,715,130
Cash and cash equivalents at beginning of year		**17,760,330**	6,527,825
Exchange gain/(loss) on cash and cash equivalents		**221,047**	(482,625)
Cash and cash equivalents at end of the year	12	**10,935,563**	17,760,330

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

COMPANY STATEMENT OF CASH FLOWS

For year ended 31 December 2020

	Notes	31 December 2020 £	31 December 2019 £
Cash flows from operating activities			
Profit/(loss) before taxation		**3,428,478**	(2,037,780)
IFRS9 Expected credit loss (credit)/charge		**(3,814,254)**	440,579
Finance income		**(72,155)**	(78,420)
Finance costs		**445,065**	344,952
Charge for share options granted		**—**	326,413
Exchange differences		**(1,491,383)**	(64,047)
Change in fair value of contingent consideration		**(764,109)**	(598,660)
Depreciation		**—**	—
Operating profit before changes in working capital		**(2,268,358)**	(1,666,961)
Increase/(decrease) in trade and other receivables		**39,180**	(116,049)
(Decrease)/Increase in trade and other payables		**(41,409)**	250,387
Cash flows generated from operating activities		**(2,270,587)**	(1,532,625)
Taxes paid		**(51,071)**	—
Net Cash flows from operating activities		**(2,321,658)**	(1,532,625)
Cash flows from investing activities			
Loans to subsidiary undertakings		**(10,363,054)**	(4,353,284)
Interest received		**72,155**	78,420
Net cash used in investing activities		**(10,290,899)**	(4,274,864)
Cash flows from financing activities			
Proceeds from grant of Royalty		**—**	18,241,205
Proceeds from issue of ordinary shares		**93,000**	—
Issue costs		**—**	—
Net cash generated from financing activities		**93,000**	18,241,205
Net increase/(decrease) in cash and cash equivalents		**(12,519,557)**	12,433,716
Exchange gain/(loss) on cash and cash equivalents		**434,738**	(527,342)
Cash and cash equivalents at beginning of year		**17,393,773**	5,487,399
Cash and cash equivalents at end of the year	12	**5,308,954**	17,393,773

On the 24 January 2019 the Company issued 13,855,487 shares as a non cash settlement for $330,000 of deferred contingent consideration.

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

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

The principal activity of Horizonte Minerals Plc (the Company) and its subsidiaries (together the Group) is the exploration and development of base metals. The Company's shares are listed on the AIM market of the London Stock Exchange and on the Toronto Stock Exchange. The Company is incorporated and domiciled in England and Wales. The address of its registered office is Rex House, 4-12 Regents Street, London, SW1Y 4RG.

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 in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and in accordance with International Financial Reporting Standards "IFRS" and their interpretations as issued by the IASB. The Financial Statements have been prepared under the historical cost convention as modified by the revaluation of share based payment charges and the valuation of derivative financial assets which are assessed annually.

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 GOING CONCERN

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

The Financial Statements have been prepared on a going concern basis. Although the Group's assets are not generating revenues and an operating loss has been reported, the Directors consider that the Group has sufficient funds to undertake its operating activities for a period of at least the next 12 months including any additional expenditure required in relation to its current exploration and development projects. The Group raised $26.2 million in February 2021 by way of issuing new shares and special warrants that are convertible into equity upon the publication of a short for prospectus in Canada. The funds held at the year end along with those raised post year end means the Group has cash reserves which are considered sufficient by the Directors to fund the Group's committed expenditure both operationally and on its exploration project for the foreseeable future. However, as additional projects are identified and the Araguaia project moves towards production, additional funding will be required.

The uncertainty as to the future impact of the Covid-19 pandemic has been considered as part of the Group's adoption of the going concern basis. In response to government instructions the Group's offices in London and Brazil have been closed with staff working from home, international travel has stopped and all site work for the two projects has been restricted to a minimum level. However, a number of the key project milestones are still advancing and are currently on track being run by the teams in a virtual capacity.

Whilst the board considers that the effect of Covid-19 on the Group's financial results at this time is constrained to inefficiencies due to remote working, restrictions on travel and some minor potential delays to consultants work streams, the Board considers the pandemic could delay the Araguaia project financing timeline by a number of months (this will be dependent on the duration of the effects of the Covid-19 virus across global markets). However, the additional funding described above provides sufficient financing to enable the Company to continue its operations for at least 12 months should any additional cost arise as a result of any potential deterioration in the global Covid-19 situation.

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

2.2 (B) ASSESSMENT OF THE IMPACT OF COVID-19

During the period of these financial statements there has been an ongoing significant global pandemic which has had significant knock on effects for the majority of the world's population, by way of the measures governments are taking to tackle the issue. This represents a risk to the Group's operations by restricting travel, the potential to detriment the health and wellbeing of its employees, as well as the effects that this might have on the ability of the Group to finance and advance its operations in the timeframes envisaged. The Group has taken steps to try and ensure the safety of its employees and operate under the current circumstances and feels the outlook for its operations remains positive, however risk remain should the pandemic worsen or changes its impact on the Group. The assessment of the possible impact on the going concern position of the Group is set out in the going concern note above. In addition, because of the long term nature of the Group's nickel projects and their strong project economics management do not consider that COVID has given rise to any impairment indicators. The Group has not received any government assistance.

2.3 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

a) New and amended standards adopted by the Group

New standards impacting the Group that are adopted in the annual financial statements for the year ended 31 December 2020, are:

Standard	Detail	Effective date
IFRS 7, IFRS 9, IAS 39	Amendments regarding pre-replacement issues in the context of the IBOR reform	1 January 2020
IAS 1, IAS 8	Amendment – regarding the definition of material	1 January 2020

The adopted amendments have not resulted in any changes to the Group Consolidated Financial Statements.

b) New and amended standards, and interpretations issued but not yet effective for the financial year beginning 1 January 2020 and not early adopted

At the date of authorisation of these Consolidated Financial Statements, the following new standards, amendments and interpretations to existing standards have been published but are not yet effective and have not been adopted early by the Group.

Standard	Detail	Effective date
IFRS 7, IFRS 9, IFRS 16, IAS 39	Amendments regarding pre-replacement issues in the context of the IBOR reform	1 January 2021
IAS 16	Amendments prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use	1 January 2022
IAS 37	Amendments regarding the costs to include when assessing whether a contract is onerous	1 January 2022
IAS 1	Amendment – regarding the classification of liabilities	1 January 2023

Management anticipates that all the pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement.

c) New accounting policy adopted

Following the commencement of the development of the Araguaia mine project the Group has adopted a new accounting policy for capitalisation of borrowing costs. The accounting policy is described in note 2.6 below.

2.4 BASIS OF CONSOLIDATION AND BUSINESS ACQUISITIONS

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

Subsidiaries are entities controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.
The Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

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

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

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

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or a liability is recognised in accordance with IFRS9 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 (consistent with the prior year):

Subsidiary undertaking	Held	Registered Address	Country of incorporation	Nature of business
Horizonte Exploration Ltd	Directly	Rex House, 4-12 Regents Street, London SW1Y 4RG	England	Mineral Exploration
Horizonte Minerals (IOM) Ltd	Indirectly	1st Floor, Viking House, St Pauls Square, Ramsey, IM8 1GB, Ilse of Man	Isle of Man	Holding company
HM Brazil (IOM) Ltd	Indirectly	1st Floor, Viking House, St Pauls Square, Ramsey, IM8 1GB, Ilse of Man	Isle of Man	Holding company
Cluny (IOM) Ltd	Indirectly	1st Floor, Viking House, St Pauls Square, Ramsey, IM8 1GB, Ilse of Man	Isle of Man	Holding company
Champol (IOM) ltd	Indirectly	1st Floor, Viking House, St Pauls Square, Ramsey, IM8 1GB, Ilse of Man	Isle of Man	Holding company
Horizonte Nickel (IOM) Ltd	Indirectly	1st Floor, Viking House, St Pauls Square, Ramsey, IM8 1GB, Ilse of Man	Isle of Man	Holding company
Nickel Production Services B.V	Directly	Atrium Building, 8th floor, Strawinskylaan 3127, 1077 ZX, Amsterdam	The Netherlands	Provision of financial services
HM do Brasil Ltda	Indirectly	CNPJ 07.819.038/0001-30 com sede na Avenida Amazonas, 2904, loja 511, Bairro Prado, Belo Horizonte – MG. CEP: 30.411-186	Brazil	Mineral Exploration
Araguaia Níquel Metais Ltda	Indirectly	CNPJ 97.515.035/0001-03 com sede na Avenida Amazonas, 2904, loja 511, Bairro Prado, Belo Horizonte – MG. CEP: 30.411-186	Brazil	Mineral Exploration
Trias Brasil Mineração Ltda	Indirectly	CNPJ 23.282.280/0001-73 com sede na Alameda Ezequiel Dias, n. 427, 2° andar, bairro Funcionários, Município de Belo Horizonte, Estado de Minas Gerais, CEP 30.130-110	Brazil	Mineral Exploration

During the year two wholly owned subsidiaries of the group, Lontra Emprendimentos e Participacões Ltda and Typhon Brasil Mineração Ltda were closed down and their assets transferred to other Brazilian subsidiaries.

2.4 (B) SUBSIDIARIES AND ACQUISITIONS

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is recognised where an investor is expected, or has rights, to variable returns from its investment with the investee, and has the ability to affect these returns through its power over the investee. Based on the circumstances of the acquisition an assessment will be made as to whether the acquisition represents an acquisition of an asset or the acquisition of asset. In the event of a business acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair value at the date of acquisition. Any excess of the cost of the acquisition over the fair values of the identifiable net assets acquired is recognised as a "fair value" adjustment.
If the cost of the acquisition is less than the fair value of net assets of the subsidiary acquired, the difference is recognised directly in profit or loss. In the event of an asset acquisition assets and liabilities are assigned a carrying amount based on relative fair value.
The results of subsidiaries acquired or disposed of during the year are included in the statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.
Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies into line with those used by the Group.

Contingent consideration as a result of business acquisitions is included in cost at its acquisition date assessed value and, in the case of contingent consideration classified as a financial liability, remeasured subsequently through the profit and loss.

2.5 INTANGIBLE ASSETS

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

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

(b) Exploration and evaluation assets
The Group capitalises expenditure in relation to exploration and evaluation of mineral assets when the legal rights are obtained and are initially valued and subsequently carried at cost less any subsequent impairment. Expenditure included in the initial measurement of exploration and evaluation assets and which are classified as intangible assets relate to the acquisition of rights to explore, topographical, geological, geochemical and geophysical studies, exploratory drilling, trenching, sampling and activities to evaluate the technical feasibility and commercial viability of extracting a mineral resource.

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

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

Impairment reviews for deferred exploration and evaluation expenditure are carried out on a project by project basis, with each project representing a potential single cash generating unit. In accordance with the requirements of IFRS 6, an impairment review is undertaken when indicators of impairment arise such as:

i. unexpected geological occurrences that render the resource uneconomic;
ii. title to the asset is compromised;
iii. variations in mineral prices that render the project uneconomic;
iv. substantive expenditure on further exploration and evaluation of mineral resources is neither budgeted nor planned; and
v. the period for which the Group has the right to explore has expired and is not expected to be renewed.

See note 2.7 for impairment review process if impairment indicators are identified.

Whenever the exploration for and evaluation of mineral resources does not lead to the discovery of commercially viable quantities of mineral resources or the Group has decided to discontinue such activities of that unit, the associated expenditures are written off to profit or loss. Whenever a commercial discovery is the direct result of the exploration and evaluation assets, upon the decision to proceed with development of the asset and initial funding arrangements are in place the costs shall be transferred to a Mine Development asset within property, plant and equipment.

(c) Acquisitions of Mineral Exploration Licences
Acquisitions of Mineral Exploration Licences through acquisition of non-operational corporate structures that do not represent a business, and therefore do not meet the definition of a business combination, are accounted for as the acquisition of an asset and recognised at the fair value of the consideration. Related future consideration if contingent is recognised if it is considered that it is probable that it will be paid.

2.6 PROPERTY, PLANT AND EQUIPMENT

Mine development property
Following determination of the technical feasibility and commercial viability of a mineral resource, the relevant expenditure is transferred from exploration and evaluation assets to mine development property.

Further development costs are capitalised to mine development properties, if and only if, it is probable that future economic benefits associated with the item will flow to the entity and the cost can be measured reliably. Cost is defined as the purchase price and directly attributable costs. Once the asset is considered to be capable of operating in a manner intended by management, commercial production is declared, and the relevant costs are depreciated. Evaluated mineral property is carried at cost less accumulated depreciation and accumulated impairment losses.

Short lived Property, plant and equipment
All other property, plant and equipment such as office equipment and vehicles are 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. Major repairs and maintenance are capitalised, all other repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred.

Depreciation and amortisation
Mine development property is not depreciated prior to commercial production but is reviewed for impairment annually (see "Impairment of assets" section below). Upon commencement of commercial production, mine development property is transferred to a mining property and is depreciated on a units-of-production basis. Only proven and probable reserves are used in the tonnes mined units of production depreciation calculation.

Depreciation is charged on a straight-line basis for all other property, plant and equipment, 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.

Capitalisation of borrowing costs
Borrowing costs are expensed except where they relate to the financing of construction or development of qualifying assets. Borrowing costs directly related to financing of qualifying assets in the course of construction are capitalised to the carrying value of the Araguaia mine development property. Where funds have been borrowed specifically to the finance the Project, the amount capitalised represents the actual borrowing costs incurred net of all interest income earned on the temporary re-investment of these borrowings prior to utilisation. Borrowing costs capitalised include:

- Interest charge on royalty finance
- Adjustments to the carrying value of the royalty finance
- Unwinding of discount and adjustment to carrying value on contingent consideration payable for Araguaia

The capitalisation of adjustments to the carrying values as a result of changes in estimates is an accounting policy choice under IFRS and management have selected to capitalise.

All other borrowing costs are recognized as part of interest expense in the year which they are incurred.

2.7 IMPAIRMENT OF NON-FINANCIAL ASSETS

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

2.8 FOREIGN CURRENCY TRANSLATION

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

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

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

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

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

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

2.9 FINANCIAL INSTRUMENTS

Financial instruments are measured as set out below. Financial instruments carried on the statement of financial position include cash and cash equivalents, trade and other receivables, trade and other payables, derivative assets, royalty finance liability and loans to group companies.

Financial instruments are initially recognised at fair value when the group becomes a party to their contractual arrangements. Transaction costs directly attributable to the instrument's acquisition or issue are included in the initial measurement of financial assets and financial liabilities, except financial instruments classified as at fair value through profit or loss (FVTPL). The subsequent measurement of financial instruments is dealt with below.

Financial assets

On initial recognition, a financial asset is classified as:

- Amortised cost;
- Fair value through other comprehensive income (FVTOCI) - equity instruments; or
- FVTPL.

The group does not currently have any financial assets classified as FVTOCI.

Fair value through profit or loss

This category comprises in-the-money derivatives. They are carried in the statement of financial position at fair value with changes in fair value recognised in the profit loss statement.

Amortised cost

Financial assets that arise principally from assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains or losses, together with foreign exchange gains or losses. Impairment losses are presented as separate line item in the statement of profit or loss. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within other gains or losses in the period in which it arises. On derecognition of a financial asset, the difference between the proceeds received or receivable and the carrying amount of the asset is included in profit or loss.

Financial assets at amortised cost consist of trade receivables and other receivables (excluding taxes), cash and cash equivalents, and related party intercompany loans

Impairment provisions for receivables and loans to related parties are recognised based on using the general approach to determine if there has been a significant increase in credit risk since initial recognition and whether the receivables and loans are credit impaired. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short term highly liquid investments with a maturity of three months or less at the date of purchase.

Financial liabilities

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

Fair value through profit or loss

The group does not currently have any financial liabilities carried at Fair value through Profit and loss.

Other financial liabilities

Financial liabilities are initially valued at fair value and subsequently measured at amortised cost using the effective interest method, except for financial liabilities designated at fair value through profit or loss, that are carried subsequently at fair value with gains and losses recognised in the profit and loss statement.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

The Group's financial liabilities initially measured at fair value and subsequently recognised at amortised cost include accounts payables and accrued liabilities as well as the Group's Royalty liability.

2.10 TAXATION

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

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

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

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

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

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

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

Deferred tax assets and liabilities are not discounted.

2.11 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.

2.12 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.

2.13 LEASES

All leases are accounted for by recognising a right-of-use assets due to a lease liability except for:

- Lease of low value assets; and
- Leases with duration of 12 months or less

The Group only has such short duration leases and lease payments are charged to the income statement.

2.14 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.

2.15 SEGMENT REPORTING

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

2.16 FINANCE INCOME

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

2.17 PROVISIONS AND CONTINGENT LIABILITIES

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

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

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

The company has contingent consideration arising in respect of mineral asset acquisitions. Details are disclosed in note 4.2.

Restoration, Rehabilitation and Environmental Provisions

Management uses its judgement and experience to provide for and amortise the estimated mine closure and site rehabilitation over the life of the mine. Provisions are discounted at a risk-free rate and cost base inflated at an appropriate rate. The ultimate closure and site rehabilitation costs are uncertain and cost estimates can vary in response to many factors including changes to relevant legal requirements or the emergence of new restoration techniques. The expected timing and extent of expenditure can also change, for example in response to changes in ore reserves or processing levels. As a result, there could be significant adjustments to the provisions established which could affect future financial results. Currently there is no provision as all restoration and rehabilitation for activities undertaken to date in line with the agreements for access to land. Once construction and mining operations commence however this is anticipated to become more significant.

Trade and other payables

Accounts payable and other short term monetary liabilities, are initially recognised at fair value, which equates to the transaction price, and subsequently carried at amortised cost using the effective interest method.

3 FINANCIAL RISK MANAGEMENT

The Group is exposed through its operations to the following financial risks:

- Credit risk
- Interest rate risk
- Foreign exchange risk
- Price risk, and
- Liquidity risk.

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements. There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

(i) Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

- Trade and other receivables
- Cash and cash equivalents
- Trade and other payables
- Royalty finance
- Derivative financial assets

3.1 FINANCIAL RISK FACTORS

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

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

(a) Liquidity risks

In keeping with similar sized mineral exploration groups, the Group's continued future operations depend on the ability to raise sufficient working capital through the issue of equity share capital. Liquidity risk arises from the Group's management of working capital and the expenditure profile of the group. At present is does not have any finance charges and principal repayments that require settlement as the only liabilities it has are contingent upon reaching production. There is however a risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain cash balances (or agreed facilities) to meet expected requirements for a period of at least 6 months. All cash, with the exception of that required for immediate working capital requirements, is held on short-term deposit.

The Board receives rolling 12-month cash flow projections on a quarterly basis as well as information regarding cash balances and (as noted above) the value of the Group's deposits. At the end of the financial year, these projections indicated that the Group expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances. The liquidity risk of each group entity is managed centrally by the group treasury function. Each operation has a facility with group treasury, the amount of the facility being based on budgets. The budgets are set locally and agreed by the board in advance, enabling the Group's cash requirements to be anticipated.

The following table sets out the contractual maturities of undiscounted financial liabilities:

Group	Up to 3 Months £	Between 3 & 12 Months £	Between 1 & 2 Years £	Between 2 & 5 Years £	Over 5 years £
At 31 December 2020					
Trade & other payables	632,407	—	—	—	—
Royalty financing arrangement	—	—	—	9,263,974	148,448,937
Contingent consideration	—	—	—	3,659,485	4,391,382
Total	632,407	—	—	12,923,459	152,840,319

The cash flows related to the royalty finance represent the estimated future payments in future years.

At 31 December 2019	Up to 3 Months £	Between 3 & 12 Months £	Between 1 & 2 Years £	Between 2 & 5 Years £	Over 5 years £
Trade & other payables	683,933	—	—	—	—
Royalty financing arrangement	—	—	—	8,781,200	136,016,637
Contingent consideration	—	—	—	8,295,626	—
Total	683,933	—	—	17,076,826	136,016,637

The cash flows related to the royalty finance represent the estimated future payments in future years.

Company	Up to 3 Months £	Between 3 & 12 Months £	Between 1 & 2 Years £	Between 2 & 5 Years £	Over 5 years £
At 31 December 2020					
Trade & other payables	280,179	—	—	—	—
Intercompany loans	12,194,094	—	—	—	—
Contingent consideration	—	—	—	3,659,485	4,391,382
Total	12,474,273	—	—	3,659,485	4,391,382

At 31 December 2019	Up to 3 Months £	Between 3 & 12 Months £	Between 1 & 2 Years £	Between 2 & 5 Years £	Over 5 years £
Trade & other payables	735,518	—	—	—	—
Intercompany loans	17,735,009	—	—	—	—
Contingent consideration	—	—	—	8,295,626	—
Total	18,470,527	—	—	8,295,626	—

(b) Foreign currency risks
The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Brazilian Real, US Dollar and the Pound Sterling.

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

At 31 December 2020, if the Brazilian Real had weakened/strengthened by 20% against Pound Sterling with all other variables held constant, post tax loss for the year would have been approximately £1,204,049 (2019: £102,936) lower/higher mainly as a result of foreign exchange losses/gains on translation of Brazilian Real expenditure and denominated bank balances. If the USD:GBP rate had increased by 5% the effect would be £372,488 (2019: £799,698).

As of 31 December 2020 the Group's net exposure to foreign exchange risk was as follows:

	Functional Currency							
Group	**USD 2020**	USD 2019	**GBP 2020**	GBP 2019	BRL 2020	BRL 2019	**Total 2020**	Total 2019
Currency of net	**£**	£	**£**	£	£	£	**£**	£
Financial assets/ (liabilities)								
GBP	—	—	—	—	—	—	—	—
USD	—	—	**(1,440,779)**	10,822,512	—	—	**(1,440,779)**	10,822,512
BRL	**5,433,840**	—		—	—	—	**5,433,840**	—
CAD	—	—	**57,683**	28,686	—	—	**57,683**	28,686
EUR	**72,610**	—	—	—	—	—	**72,610**	—
Total net exposure	**5,506,450**	—	**(1,383,096)**	10,851,198	—	—	**4,123,354**	10,851,198

Company	**GBP 2020**	GBP 2019	**Total 2020**	Total 2019
Currency of net	**£**	£	**£**	£
Financial assets/liabilities				
USD	**(1,569,868)**	10,822,512	**(1,569,868)**	10,822,512
CAD	**30,000**	28,686	**30,000**	28,686
Total net exposure	**(1,539,868)**	10,851,198	**(1,539,868)**	10,851,198

(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) Commodity price risk
The group is exposed to the price fluctuation of its primary product from the Araguaia project, being FerroNickel. The Group has a royalty over its Araguaia project which is denominated as a fixed percentage of the product over a certain number of tonnes produced. Given the Group is current in the development phase and is not yet producing any revenue, the costs of managing exposure to commodity price risk exceed any potential benefits. The Directors monitor this risk on an ongoing basis and will review this as the group moves towards production. The Groups exposure to nickel price amounted to the carrying value of the Royalty liability of £22,053,341 (2019: £20,570,411). If the long term nickel price assumption used in the estimation were to increase or decrease by 10% then the effect on the carrying value of the liability would be an increase/decrease of £2,279,818 (2019: £2,107,418).

(e) Credit risk
Credit risk arises from cash and cash equivalents and outstanding receivables including intercompany loan receivable balances. 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.

The Company's exposure to credit risk amounted to £ 10,935,563, (2019: £17,760,330) and represents the Group cash positions.

The Company's exposure to credit risk amounted to £70,001,110, (2019: £73,189,301). Of this amount £64,692,156 (2019: £55,795,528) is due from subsidiary companies and £5,308,954 represents cash holdings (2019: £17,393,773). See note 27 for adjustments for provisions for expected credit losses for the intercompany receivables from subsidiary companies.

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 repayable debt at 31 December 2020 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 value of contingent consideration is estimated by discounting the future expected contractual cash flows at the Group's current cost of capital of 7% based on the interest rate available to the Group for a similar financial instrument.

During the prior year the Group entered into a royalty funding arrangement with Orion Mine Finance securing a gross upfront payment of $25,000,000 before fees in exchange for a royalty over the first 426k tonnes of nickel produced from the Araguaia Ferronickel project. The agreement includes several prepayment options embedded within the agreement enabling the Group to reduce the royalty rate, these options are carried at fair value. Details of this agreement are included in note 18.

The future expected nickel price and, volatility of the nickel prices are key estimates that are critical in the fair value of the Buy Back Option associated with the Royalty financing.
The fair value of cash, other receivables, accounts payable and accrued liabilities approximate their carrying values due to the short-term nature of the instruments.

Fair value measurements recognised in the statement of financial position subsequent to initial fair value recognition can be classified into Levels 1 to 3 based on the degree to which fair value is observable.

Level 1 – Fair value measurements are those derived from quoted prices in active markets for identical assets and liabilities.

Level 2 – Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly, or indirectly.

Level 3 – Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

Information relating to the basis of determination of the level 3 fair value for the buyback option and consideration of sensitivity to changes in estimates is disclosed in note 18b).

There were no transfers between any levels of the fair value hierarchy in the current or prior years.

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 judgements include, but are not limited to:

Estimates

Company – Application of the expected credit loss model prescribed by IFRS 9
IFRS 9 requires the Parent company to make assumptions when implementing the forward-looking expected credit loss model. This model is required to be used to assess the intercompany loan receivables from the company's Brazilian subsidiaries for impairment.

Arriving at the expected credit loss allowance involved considering different scenarios for the recovery of the intercompany loan receivables, the possible credit losses that could arise and the probabilities for these scenarios. The following was considered; the exploration project risk for Vermelho as well as the potential economics as derived from the PFS, positive NPV of the Araguaia projects as demonstrated by the Feasibility Study, ability to raise the finance to develop the projects, ability to sell the projects, market and technical risks relating to the project, participation of the subsidiaries in the Araguaia projects. See note 27 for a discussion on the adjustment passed concerning the impairment loss.

Valuation of derivative financial assets

Valuing derivatives inherently relies on a series of estimates and assumptions to derive what is deemed to be a fair value estimate for a financial instrument. The royalty financing arrangement entered into by the Group includes a Buyback option, an embedded derivatives which was valued using a Monte Carlo simulation method. This methodology of determining fair value is reliant upon estimations including the probability of certain scenarios occurring, the estimated production rate and timeline of production from the Araguaia project, future nickel prices as well as discount factors. The most important estimates in determining the valuation of the Buyback option are the future nickel price and its price volatility. The sensitivity of the valuation to these estimates are considered in note 18b).

Judgements

4.1 IMPAIRMENT OF EXPLORATION AND EVALUATION COSTS

Exploration and evaluation costs which relate solely to Vermelho have a carrying value at 31 December 2020 of £6,062,624 (2019: £6,846,859). 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 judgement exercised by management relates to whether there is perceived to be an indicator of impairment and that management have concluded that there is not, due to the recovery in the Nickel prices, favourable economics of the Pre-Feasibility Study as well as the fundamentals of the nickel market and expected supply gap in the mid-term.

4.2 CONTINGENT CONSIDERATION

Contingent consideration has a carrying value of £5,927,026 at 31 December 2020 (2019: £6,246,071). There are two contingent consideration arrangements in place as at 31 December 2020:

- Payable to Glencore in respect of the Araguaia acquisition - $5m
- Payable to Vale in respect of the Vale acquisition - $6m

In prior years Management judged that the projects had advanced to a stage that it was probable that the consideration would be paid and so should be recognised in full. This remains the position. In addition, a key estimate in determining the estimated value of the contingent consideration for both Glencore and Vale is the timing of the assumed date of first commercial production.

Please refer to Note 17 for an analysis of the contingent and deferred consideration.

4.3 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 Níquel Metais Ltda (formerly Teck Cominco Brasil S.A) and Lontra Empreendimentos e Participações Ltda in 2010. A deferred tax asset in respect of the losses has been recognised on acquisition of Araguaia Níquel Metais Ltda to the extent that it can be set against the deferred tax liability arising on the fair value gains. In determining whether a deferred tax asset in excess of this amount should be recognized management must make an assessment of the probability that the tax losses will be utilized and a deferred tax asset is only recognised if it is considered probable that the tax losses will be utilized.

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

4.4 ACCOUNTING FOR THE ROYALTY FINANCE ARRANGEMENTS

The Group has a $25m royalty funding arrangement which was secured in order to advance the Araguaia project towards construction. The royalty pays a fixed percentage of revenue to the holder for production from the first 426k tonnes of nickel produced from the Araguaia project. The treatment of this financing arrangement as a financial liability, calculated using the effective interest rate methodology is a key judgement that was made by the Company in the prior year and which was taken following obtaining independent expert advice. The carrying value of the financing liability is driven by the expected future cashflows payable to the holder on the basis of the production profile of the mine property. It is also sensitive to assumptions regarding the royalty rate, which can vary based upon the start date for construction of the project and future nickel prices. The contract includes certain embedded derivatives, including the Buy Back Option which has been separated and carried at fair value through profit and loss.

The future price of nickel and date of commencement of commercial production are key estimates that are critical in the determination of the carrying value of the royalty liability.

The future expected nickel price and, volatility of the nickel prices are key estimates that are critical in the determination of the fair value of the Buy Back Option associated with the Royalty financing.

Further information relating to the accounting for this liability, the embedded derivative and the sensitivity of the carrying value to these estimates is provided in note 18a) and 18b).

4.5 DETERMINATION OF COMMENCEMENT OF CAPITALISATION OF BORROWING COSTS

The date at which the Group commenced capitalisation of borrowing costs was determined to be the point at which the Araguaia Project moved forwards with undertaking an exercise of value engineering to get the project construction ready. This was deemed by management to be at the start of 2020.

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 separate subsidiary responsible for the project finance for the Araguaia Project is domiciled in the Netherlands. The operations of this entity are reported separately and so it is recognised as a new segment. The reports used by the chief operating decision-maker are based on these geographical segments.

2020	UK 2020 £	Brazil 2020 £	Netherlands 2020 £	Total 2020 £
Intragroup sales	219,844	(219,884)	-	-
Administrative expenses	(2,488,200)	(292,492)	(169,044)	(2,949,738)
Profit/(loss) on foreign exchange	1,491,281	(547,877)	(192,091)	751,313
Loss from operations per reportable segment	**(777,073)**	**(1,218,233)**	**(361,135)**	**(2,198,423)**
Finance income	**236,986**	—	—	**236,986**
Finance costs	—	—	—	—
Changes in estimate for contingent and deferred consideration	—	—	—	—
Fair value movement	—	—	**(424,500)**	**(424,500)**
Loss before taxation	**(540,089)**	**(1,218,233)**	**(785,635)**	**(2,385,937)**
Depreciation charges	—	—	—	—
Additions to non-current assets	—	**4,017,419**	—	**4,017,419**
Capitalisation of borrowing costs	—	**2,100,521**	—	**2,100,521**
Reportable segment assets	**5,405,150**	**42,658,016**	**1,960,308**	**50,023,475**
Reportable segment non-current assets	—	**37,060,819**	—	**37,060,819**
Reportable segment liabilities	**5,927,122**	**346,127**	**22,059,443**	**28,377,692**

2019	UK 2019 £	Brazil 2019 £	Netherlands 2019 £	
Intragroup sales	171,712	(171,712)	—	—
Administrative expenses	(1,840,348)	(723,532)	—	(2,563,880)
Loss on foreign exchange	6,796	(78,843)	15,782	(56,266)
Loss from operations per reportable segment	(1,833,552)	(802,376)	15,782	(2,620,146)
Finance income	78,420	31,616	—	110,036
Finance costs	(344,953)	—	(588,398)	(933,351)
Share based payment charge	(326,413)	—	—	(326,413)
Changes in estimate for contingent and deferred consideration	598,660	—	—	598,660
Fair value movement	—	—	—	—
Loss before taxation	(1,827,838)	(770,760)	(572,616)	(3,171,214)
Depreciation charges	—	—	—	—
Additions to non-current assets	—	3,595,775	—	3,595,775
Reportable segment assets	17,785,624	39,428,141	2,246,089	59,459,854
Reportable segment non-current assets	—	39,317,989	—	39,317,989
Reportable segment liabilities	6,572,952	569,434	20,925,425	28,067,791

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:

	2020 £	2019 £
Loss from operations per reportable segment	**(2,198,423)**	(2,620,146)
Changes in estimate for contingent and deferred consideration (refer note 17)	**—**	598,660
Charge for share options granted	**—**	(326,413)
Fair value movement on derivative	**(424,500)**	—
Finance income	**236,986**	110,036
Finance costs	**—**	(933,351)
Tax credit/(charge)	**108,526**	—
Loss for the year from continuing operations	**(2,277,411)**	(3,171,214)

An analysis of non current assets by geographic region is shown below:

Group	2020 £	2019 £
Netherlands	**2,334,039**	—
Isle of Man	**15,151,088**	—
Brazil	**19,575,692**	39,317,989
Total	**37,060,819**	39,317,989

This has been presented following the restructuring of the group to include closure of two subsidiaries that are no longer required and the transfer of some project related assets and intercompany loans within the group.

6 EXPENSES BY NATURE

Group	2020 £	2019 £
Employment related costs	**1,067,047**	1,070,636
Professional fees	**1,093,299**	615,579
Exploration costs expensed	**343,695**	723,628
Other	**445,695**	154,037
Total Administrative expenses	**2,949,736**	2,563,880
Charge for share options granted	**—**	326,413
Depreciation (note 11)	**—**	—

7 AUDITOR REMUNERATION

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

Group	2020 £	2019 £
Fees payable to the Company's auditor and its associates for the audit of the parent company and consolidated financial statements	64,700	47,300
Fees payable to the Company's auditor and its associates for other services: – Audit of subsidiaries	10,000	7,000
– Audit related assurance services	35,000	—
– Tax compliance services	35,244	48,563

8 FINANCE INCOME AND COSTS

Group	2020 £	2019 £
Finance income:		
– Interest income on cash and short-term bank deposits	**151,459**	110,036
Finance costs:		
– Contingent consideration: unwinding of discount	**(445,066)**	(344,953)
– Contingent consideration: change in estimates	**764,109**	—
– Amortisation of royalty financing	**(3,244,873)**	(572,294)
– Adjustment of royalty financing from change in estimates	**910,834**	(91,476)
– movement in fair value of derivative asset	**—**	75,372
Total finance costs	**(1,863,537)**	(933,351)
Less finance costs capitalised	**2,100,521**	
Net finance income	**236,986**	(823,315)

Interest costs that are directly attributable to the development of a qualifying asset have been capitalised. This represents 100% of the interest on the financing obtained for the Araguaia project, and is a capitalisation rate of 14.5%.

9 INCOME TAX

Group	2020 £	2019 £
Tax charge:		
Current tax charge for the year	(51,071)	—
Deferred tax credit for the year	159,597	—
Tax on loss for the year	108,526	—

Reconciliation of current tax

Group	2020 £	2019 £
Loss before income tax	(2,385,936)	(3,171,214)
Current tax at 19% (2019: 19%)	(453,328)	(602,530)
Effects of:		
Expenses not deducted for tax purposes	255,888	281,391
Utilisation of tax losses brought forward	—	—
Tax losses carried forward for which no deferred income tax asset was recognised	83,060	473,130
Prior year adjustment	(51,071)	
Effect of higher overseas tax rates	114,380	(88,990)
Total tax	(51,071)	—

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

The corporation tax rate in Brazil is 34%, the Netherlands 21% and the United Kingdom 19%. The group incurred expenses in all of these jurisdictions during the year, in 2019 and 2020 the effective rate was 19% as all of the losses arose in the UK.

Deferred income tax

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

Group	2020 £	2019 £
Deferred tax assets	1,624,891	1,412,509
Deferred tax liabilities		
– Deferred tax liability to be settled after more than 12 months	1,624,891	1,624,891
Deferred tax liabilities (net)	—	(212,382)

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

Group	2020 £	2019 £
At 1 January	(212,382)	(228,691)
Exchange differences	52,785	16,309
Adjustment to Deferred tax	159,597	—
At 31 December	—	(212,382)

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

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

The Group has tax losses of approximately £17,603,004 (2019: £16,810,975) in Brazil and excess management charges of approximately £2,288,011 (2019: £1,188,011) in the UK available to carry forward against future taxable profits. Deferred tax assets have been recognised up to the amount of the deferred tax liability arising on the fair value adjustments. Potential deferred tax assets of £6,419,743 (2019: £5,941,453) have not been recognised.

Tax losses are available indefinitely.

10 INTANGIBLE ASSETS

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

Group	Goodwill £	Exploration Licenses £	Exploration and evaluation costs £	Total £
Cost				
At 1 January 2019	226,757	6,130,296	29,380,849	35,737,903
Transfer to PPE	—	(3,483,363)	(29,808,123)	(33,291,486)
Additions	—	3,324,005	2,604,911	5,928,916
Exchange rate movements	(16,172)	(813,572)	(488,143)	(1,317,887)
Net book amount at 31 December 2019	210,585	5,157,366	1,689,495	7,057,446
Additions	—	—	—	—
Exchange rate movements	(52,337)	(151,785)	(632,451)	(836,574)
Net book amount at 31 December 2020	158,248	5,005,581	1,057,043	6,220,872

(a) Exploration and evaluation assets

The exploration and evaluation costs are split between Vermelho as follows:

	Exploration licences £	Exploration and evaluation costs £	Total £
Vermelho			
Net book amount at 31 December 2019	5,157,366	1,689,495	6,846,860
Net book amount at 31 December 2020	5,005,581	1,057,043	6,062,624

No indicators of impairment were identified during the year for the Vermelho project.

Vermelho
In January 2018, the acquisition of the Vermelho project was completed, which resulted in a deferred consideration of $1,850,000 being recognised and accordingly an amount of £1,245,111 was capitalised to the exploration licences held within intangible assets shown above.

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

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

- A 38-year mine life estimated to generate total cash flows after taxation of US$7.3billion;
- An estimated Base Case post-tax Net Present Value1 (NPV) of US$1.7 billion and Internal Rate of Return (IRR) of 26%;
- At full production capacity the Project is expected to produce an average of 25,000 tonnes of nickel and 1,250 tonnes of cobalt per annum utilising the High-Pressure Acid Leach process;
- The base case PFS economics assume a flat nickel price of US$16,400 per tonne (/t) for the 38-year mine life;
- C1 (Brook Hunt) cash cost of US$8,020/t Ni (US$3.64/lb Ni), defines Vermelho as a low-cost producer; and
- Initial Capital Cost estimate is US$652 million (AACE class 4).

Nothing has materially deteriorated with the economics of the PFS between the publication date and the date of this report and the Directors undertook an assessment of impairment through evaluating the results of the PFS along with recent market information relating to capital markets and nickel prices and judged that there are no impairment indicators with regards to the Vermelho Project. Nickel prices remain higher than they were at the time of the publication of the PFS and overall sentiment towards battery metals and supply materials have grown more positive over the current year. The BRL has depreciated during the year which could have a positive impact on economics of the project as the revenue is denominated in USD with a significant portion of the costs and capital expenditure denominated in BRL. It has been therefore concluded there are no indicators if impairment.

(b) Goodwill
Goodwill arose on the acquisition of Lontra Empreendimentos e Participações Ltda in 2010 but following the closure of Lontra during the year the assets and allocated good will were transferred to another group company. The Directors have determined the recoverable amount of goodwill based on the same assumptions used for the assessment of the Araguaia project detailed below. As a result of this assessment, the Directors have concluded that no impairment charge is necessary against the carrying value of goodwill.

11 PROPERTY, PLANT AND EQUIPMENT

Group	Mine Development Property £	Vehicles and other field equipment £	Office equipment £	Land acquisition £	Total £
Cost					
At 31 December 2018	**—**	**106,722**	**14,424**	**—**	**121,146**
Foreign exchange movements	(1,270,126)	—	—	—	(1,270,126)
Transfer from exploration and evaluation assets[1]	33,291,486				33,291,486
Additions	238,701	—	—	—	238,701
At 31 December 2019	32,260,061	106,722	14,424	—	32,381,207
Foreign exchange movements	(7,662,503)	(25,162)	(13,052)	—	(7,700,717)
Disposals	—	(5,806)	—	—	(5,806)
Interest capitalised	2,100,521	—	—	—	2,100,521
Additions	4,008,719	1,234	55,989	87,257	4,153,199
At 31 December 2020	**30,706,798**	**76,988**	**57,361**	**87,257**	**30,928,404**
Accumulated depreciation					
At 31 December 2018	—	105,536	14,424	—	119,960
Charge for the year	—	703	—	—	703
Foreign exchange movements	—	—	—	—	—
At 31 December 2019	**—**	**106,239**	**14,424**	**—**	**120,663**
Foreign exchange movements	—	**(16,959)**	**(8,399)**	—	**(25,358)**
Disposals	—	**(38,224)**	—	—	**(38,224)**
Charge for the year	—	**6,121**	**25,275**	—	**31,396**
At 31 December 2020	**—**	**57,177**	**31,300**	**—**	**88,477**
Net book amount as at 31 December 2020	**30,706,818**	**19,811**	**26,061**	**87,257**	**30,839,947**
Net book amount as at 31 December 2019	**32,260,061**	**483**	—		**32,260,544**
Net book amount as at 1 January 2019	—	**1,186**	—		**1,186**

[1] Following determination of the technical feasibility and commercial viability of the Araguaia Ferronickel Project, the relevant expenditure has been transferred from exploration and evaluation assets to evaluated mineral property.

Depreciation of £31,396 (2019: £703) has been capitalised and included within mine development asset additions for the year. The remaining depreciation expense for the year ended 31 December 2020 of £nil (2019: £nil) has been charged in 'administrative expenses' under 'Depreciation.'

In December 2018, a Canadian NI 43-101 compliant Feasibility Study (FS) was published by the Company regarding the enlarged Araguaia Project which included the Vale dos Sonhos deposit acquired from Glencore. The financial results and conclusions of the FS clearly indicate the economic viability of the Araguaia Project with an NPV of $401M using a nickel price of $14,000/t Ni. Nothing material had changed with the economics of the FS between the publication date and the date of this report and the Directors undertook an assessment of impairment through evaluating the results of the FS along with recent market information relating to capital markets and nickel prices and judged that there are no impairment indicators with regards to the Araguaia Project.

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

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

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

The NPV has been determined by reference to the FS undertaken on the Araguaia Project. The key inputs and assumptions in deriving the value in use were, the discount rate of 8%, which is based upon an estimate of the risk adjusted cost of capital for the jurisdiction, capital costs of $443 million, operating costs of $8,194/t Nickel, a Nickel price of US$14,000/t and a life of mine of 28 years.

Sensitivity to changes in assumptions
For the base case NPV_8 of the Araguaia Project of US$401 million using a nickel price of US$14,000/t and US$740 million using US$16,800/t as per the FS to be reduced to the book value of the Araguaia Project as at 31 December 2019, the discount rate applied to the cash flow model would need to be increased from 8% to 17%.

12 CASH AND CASH EQUIVALENTS

	Group		Company	
	2020 £	2019 £	**2020 £**	2019 £
Cash at bank and on hand	**6,756,255**	2,219,850	**1,129,646**	1,854,329
Short-term deposits	**4,179,308**	15,540,480	**4,179,308**	15,540,480
	10,935,563	17,760,330	**5,308,954**	17,394,809

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

	Group		Company	
	2020 £	2019 £	**2020 £**	2019 £
A+	**5,264,882**	—	**5,251,913**	—
A	**245,517**	17,338,016	—	17,338,016
AAA	**4,522,146**	—	—	—
BAA	**57,041**	—	**57,041**	—
BB	**735,807**	—	—	—
BBB-	—	422,314	—	56,793
NA	**110,080**	—	—	—
Total credit exposure	**10,935,563**	17,760,330	**5,308,954**	17,394,809

The cash deposited with the institution with no credit rating is only held short term and the expected credit loss is not assessed as material.

13 SHARE CAPITAL

Group and Company	**2020 Number**	**2020 £**	2019 Number	2019 £
Issued and fully paid				
Ordinary shares of 1p each				
At 1 January	1,446,377,287	14,463,773	1,432,521,800	14,325,218
Issue of ordinary shares	**3,000,000**	**30,000**	13,855,487	138,555
At 31 December	**1,449,377,287**	**14,493,773**	1,446,377,287	14,463,773

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

2020
On 3 September 2020 the Group issued 3,000,000 new ordinary shares at a price of 3.1 pence per share in relation to the exercise of options by an employee of the Company.

2019
On 24 January 2019 the Company issued 13,855,487 as settlement for $330,000 of deferred contingent consideration that became payable following the issuance of a Feasibility Study including the Vale dos Sonhos deposit originally acquired from Glencore.

14 SHARE PREMIUM

Group and Company	**2020 £**	2019 £
At 1 January	**41,785,306**	41,664,018
Premium arising on issue of ordinary shares	**63,000**	121,288
Issue costs	—	—
At 31 December	**41,848,306**	41,785,306

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

15 SHARE-BASED PAYMENTS

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

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

	Number of options 2020	Weighted average exercise price 2020 £	Number of options 2019	Weighted average exercise price 2019 £
Outstanding at 1 January	136,300,000	0.055	134,300,000	0.056
Forfeited	(7,950,000)	0.140	—	—
Exercised	(3,000,000)	0.031	—	—
Granted	—	—	2,000,000	0.048
Outstanding at 31 December	125,350,000	0.051	136,300,000	0.055
Exercisable at 31 December	125,350,000	0.051	134,966,667	0.055

The options outstanding at 31 December 2020 had a weighted average remaining contractual life of 5.80 years (2019: 6.38 years).

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

The parameters used are detailed below for options issued during 2019, no new options were issued during 2020.

Group and Company	2019 options
Date of grant	11/02/2019
Weighted average share price	2.29 pence
Weighted average exercise price	4.80 pence
Weighted average fair value at the measurement date	1.05 pence
Expiry date	11/2/2029
Options granted	2,000,000
Volatility	51%
Dividend yield	Nil
Option life	10 years
Annual risk free interest rate	1.22%

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 (£)	2020 Weighted average exercise price (£)	2020 Number of shares	2020 Weighted average remaining life expected (years)	2020 Weighted average remaining life contracted (years)	2019 Weighted average exercise price (£)	2019 Number of shares	2019 Weighted average remaining life expected (years)	2019 Weighted average remaining life contracted (years)
0–0.1	0.042	115,700,000	6.21	6.21	0.04	121,150,000	7.02	7.02
0.1–0.2	0.154	9,650,000	0.93	0.93	0.16	15,150,000	1.55	1.55

16 OTHER RESERVES

Group	Merger reserve £	Translation reserve £	Other reserve £	Total £
At 1 January 2019	10,888,760	(11,880,652)	(1,048,100)	(2,039,991)
Other comprehensive income	—	—	—	—
Currency translation differences	—	(2,626,938)	—	(2,626,938)
At 31 December 2019	**10,888,760**	**(14,507,590)**	**(1,048,100)**	**(4,666,930)**
Other comprehensive income	—	—	—	—
Currency translation differences	—	(8,151,944)	—	(8,151,994)
At 31 December 2020	**10,888,760**	**(22,659,534)**	**(1,048,100)**	**(12,818,874)**

Company	Merger reserve £	Total £
At 1 January 2019 and 31 December 2019	10,888,760	10,888,760
At 1 January 2020 and 31 December 2020	**10,888,760**	**10,888,760**

Other reserve

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

Merger Reserve

During the year ended 31 December 2010 the Company acquired 100% of Teck Cominco Brasil S.A and Lontra Empreendimentos e Participações Ltda (refer note 5). These acquisitions were effected by the issue of shares in Horizonte Minerals plc. These shares qualified for merger relief under section 612 of the Companies Act 2006. In accordance with section 612 of the Companies Act 2006 the premium on the shares issued was recognised in a separate reserve within equity called merger reserve.

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

17 TRADE AND OTHER PAYABLES

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Non-current				
Contingent consideration payable to:				
Xstrata Brasil Mineração Ltda	**2,893,877**	2,975,935	**2,893,877**	2,975,935
Vale Metais Basicoc S.A.	**3,033,148**	3,270,134	**3,033,148**	3,270,134
Total contingent consideration	**5,927,025**	6,246,069	**5,927,025**	6,246,069
Current				
Trade and other payables	**304,461**	538,933	**123,657**	176,588
Amounts due to related parties (refer note 22)	**—**	—	**413,930**	413,930
Social security and other taxes	**83,203**	30,000	**31,822**	30,000
Accrued expenses	**244,743**	115,000	**124,700**	115,000
	632,407	683,933	**694,109**	735,518
Total trade and other payables	**6,559,432**	6,930,002	**6,621,134**	6,981,587

Contingent Consideration payable to Xstrata Brasil Mineração Ltda

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

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

- US$2,000,000 in ordinary shares in the capital of the Company which was settled by way of issuing new shares in the Company as follows: US$660,000 was paid in shares to a subsidiary of Glencore during 2015 and the transfer of the Serra do Tapa and Pau Preto deposit areas (together: SdT) during 2016 initiated the final completion of the transaction with a further US$1,340,000 shares in the Company issued.
- US$1,000,000 after the date of issuance of a joint Feasibility Study for the combined Araguaia & GAP project areas, to be satisfied in HZM Shares (at the 5 day volume weighted average price taken on the tenth business day after the date of such issuance) or cash, at the election of the Company. Of this $330,000 is due upon the inclusion of Vale dos Sonhos in a Feasibility Study and $670,000 for Serra do Tapa, during 2018 a Feasibility Study including Vale dos Sonhos was published and the consideration settled by way of issuing 13,855,487 new Shares in the Company occurred during 2019. Serra do Tapa is not included in the current project plans, therefore management have concluded it's not currently probable that the consideration for Serra do Tapa will be paid. This consideration is therefore not included in contingent consideration; and
- The remaining US$5,000,000 consideration will be paid in cash, as at the date of first commercial production from any of the resource areas within the Enlarged Project area. Following transfer of the concession for the VdS deposit area to a subsidiary of the Company, this has been included in contingent consideration payable.

Contingent consideration payable to Vale S.A

- On 19 December 2017 the Company announced that it had reached agreement with Vale S.A (Vale) to indirectly acquire through wholly owned subsidiaries in Brazil, 100% of the advanced Vermelho nickel-cobalt project in Brazil (Vermelho).
- The terms of the Acquisition required Horizonte to pay an initial cash payment of US$150,000 with a further US$1,850,000 in cash payable on the second anniversary of the signing of the asset purchase agreement. This was paid by the Group in December 2019 and is no longer included in deferred consideration.
- A final payment of US$6,000,000 in cash is payable by Horizonte within 30 days of first commercial sale of product from Vermelho. Management have assessed that with the publication of the Pre-Feasibility Study during 2019 for the Vermelho project, there is a reasonable probability that the project will advance through to production and therefore have recognised this contingent consideration within liabilities for the first time during the year.

The critical assumptions underlying the treatment of the contingent consideration are set out in note 4.2.

As at 31 December 2020, there was a finance expense of £231,780 (2019: £344,952) recognised in finance costs within the Statement of Comprehensive Income in respect of the contingent and deferred consideration arrangements, as the discount applied to the consideration at the date of acquisition was unwound.

	Contingent consideration £	Deferred consideration £	Total £
At 1 January 2019	**3,461,833**	**1,360,792**	**4,822,626**
Initial recognition – Vale	3,324,004	—	3,324,004
Unwinding of discount	253,439	91,513	344,952
Change in estimate	(534,201)	(64,459)	(598,660)
Settlement of consideration	(259,006)	(1,387,846)	(1,646,852)
At 31 December 2019	**6,246,069**	—	**6,246,069**
Unwinding of discount	445,065	—	445,065
Change in estimate	(764,109)	—	(764,109)
At 31 December 2020	**5,927,025**	—	**5,927,025**

The change in estimate during 2020 relates revisions to the estimated payment date of both considerations as a result of the start date of production being extended. Slightly offsetting this is the result of adverse movements in foreign exchange rates as both of the Contingent consideration amount payable are denominated in USD and the GBP/USD exchange rate fell during the year.

18 A) ROYALTY FINANCING LIABILITY

On 29 August 2019 the Group entered into a royalty funding arrangement with Orion Mine Finance (OMF) securing a gross upfront payment of $25,000,000 before fees in exchange for a royalty, the rate being in a range from 2.25% to 3.00% and determined by the date of funding and commencement of major construction. At inception of the loan the rate was estimated at 2.45% and at the year end the rate has been estimated at 2.65%. The royalty is paid over the first 426k tonnes of nickel produced from the Araguaia Ferronickel project. The Royalty agreement has certain provisions to increase the headline royalty rate should there be delays in securing project financing beyond a pre agreed timeframe. The royalty is linked to production and therefore does not become payable until the project is constructed and commences commercial production. The agreement contains certain embedded derivatives which as per IFRS9 have been separately valued and included in the fair value of the financial instrument in note 18 b).

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

	£
Initial recognition of Royalty	19,379,845
Fees	(1,138,640)
Fair value of embedded derivative on initial recognition	2,232,558
Unwinding of discount	572,294
Change in carrying value	91,476
Effects of foreign exchange	(567,122)
Value as at 31 December 2019	20,570,411
Unwinding of discount	3,244,873
Change in carrying value	(910,834)
Effects of foreign exchange	(851,109)
Value as at 31 December 2020	22,053,341

Management have sensitised the carrying value of the royalty liability by an increase/decrease in the royalty rate of 0.1% and it would be £832,201 higher/lower and for a $1,000/t Ni increase/decrease in future nickel price the carrying value would increase/decrease by £1,408,077.

b) Derivative financial asset

The aforementioned agreement includes several options embedded within the agreement as follows:

- If there is a change of control of the Group and the start of major construction works (as defined by the expenditure of in excess of $30m above the expenditure envisaged by the royalty funding) is delayed beyond a certain pre agreed timeframe the following options exist:
    - Call Option – which grants Horizonte the option to buy back between 50 – 100% of the royalty at a valuation that meets certain minimum economic returns for OMF;
    - Make Whole Option – which grants Horizonte the option to make payment as if the project had started commercial production and the royalty payment were due; and
    - Put Option – should Horizonte not elect for either of the above options, this put option grants OMF the right to sell between 50 – 100% of the Royalty back to Horizonte at a valuation that meets certain minimum economic returns for OMF.
- Buy Back Option - At any time from the date of commercial production, provided that neither the Call Option, Make Whole Option or the Put Option have been actioned, Horizonte has the right to buy back up to 50% of the Royalty at a valuation that meets certain minimum economic returns for OMF.

The directors have undertaken a review of the fair value of all of the embedded derivatives and are of the opinion that the Call Option, Make Whole Option and Put Option currently have immaterial values as the probability of both a change of control and project delay are currently considered to be remote. There is considered to be a higher probability that the Group could in the future exercise the Buy Back Option and therefore has undertaken a fair value exercise on this option.

The initial recognition of the Buy Back Option has been recognised as an asset on the balance sheet with any changes to the fair value of the derivative recognised in the income statement. It been fair valued using a Monte Carlo simulation which runs a high number of scenarios in order to derive an estimated valuation.

The assumptions for the valuation of the Buy Back Option are the future nickel price ($16,191/t Ni), the start date of commercial production (2024), the prevailing royalty rate (2.65%), the inflation rate (1.5%) and volatility of nickel prices (22.6%).

	2019 £
Initial recognition of derivative	2,232,558
Change in fair value	75,372
Effects of foreign exchange	(61,121)
Value as at 31 December 2019	2,246,809
Change in fair value	(424,500)
Effects of foreign exchange	(65,756)
Value as at 31 December 2020	1,756,553

Sensitivity analysis

The valuation of the Buyback option is most sensitive to estimates for nickel price, nickel price volatility, royalty rate as well as the production rate. If the royalty rate is increased to 2.75% then the fair value would increase to $2,780,000 and if production reached 80% of the target capacity then the fair value would decrease to $930,000.

The nickel price volatilities based on both 5 and 10 year historic prices are in close proximity and this is the period in which management consider that the option would be exercised. Therefore, management have concluded that currently no reasonably possible alternative assumption for this estimate would give rise to a material impact on the valuation.

19 NOTE TO STATEMENT OF CASH FLOWS

Below is a reconciliation of borrowings from financial transactions:

	Royalty Financing £	Derivative asset £	Total £
As at 1 January 2019	—	—	—
Cashflows			
Gross proceeds	19,379,845	—	19,379,845
Fees	(1,138,640)	—	(1,138,640)
Non cash flows:			
Fair value of embedded derivative on initial recognition	2,232,558	(2,232,558)	—
Unwinding of discount	572,294	—	572,294
Change in fair value	91,476	(75,372)	16,104
Effects of foreign exchange	(567,122)	61,121	(506,001)
Total non-current borrowings 31 December 2019	20,570,411	(2,246,809)	18,323,602
Unwinding of discount	3,244,873	—	3,244,873
Change in fair value	(910,834)	424,500	(486,334)
Effects of foreign exchange	(851,109)	65,756	(785,353)
Total non-current borrowings 31 December 2020	22,053,341	1,756,553	20,296,788

20 DIVIDENDS

No dividend has been declared or paid by the Company during the year ended 31 December 2020 (2019: nil).

21 EARNINGS PER SHARE

(a) Basic

The basic loss per share of 0.157p loss per share (2019 loss per share: 0.219p) 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	**2020** £	2019 £
Loss attributable to owners of the parent	**(2,277,411)**	(3,171,214)
Weighted average number of ordinary shares in issue	**1,447,323,588**	1,445,504,202

(b) Diluted

The basic and diluted loss per share for the years ended 31 December 2020 and 31 December 2019 are the same as the current year result for the year was a loss, the options and warrants outstanding would be anti-dilutive. Therefore, the dilutive loss per share is considered as the same as the basic loss per shares.

On 3 September 2020 the Group issued 3,000,000 new ordinary shares at a price of 3.1 pence per share in relation to the exercise of options by an employee of the Company.

In January 2019 the Group issued a further 13,855,487 new ordinary shares at a price of 1.875 pence per share in settlement for deferred contingent consideration due to Glencore, had this occurred prior to the end of the year this would have impacted the basic and diluted earnings per share figures.

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

22 RELATED PARTY TRANSACTIONS

The following transactions took place with subsidiaries in the year:

A fee totalling £nil (2019: £474,782 was charged to HM do Brazil Ltda, £nil (2019: £1,950,790) to Araguaia Níquel Metais Ltda and £nil (2019: £120,197) to Typhon Brasil Mineração Ltda by Horizonte Minerals Plc in respect of consultancy services provided and funding costs.

Amounts totalling £5,464,842 (2019: £2,545,769) were lent to HM Brazil (IOM) Ltd, Horizonte Nickel IOM Ltd, HM do Brasil Ltda, Araguaia Níquel Metais Ltda and Typhon Brasil Mineração Ltda to finance exploration work during 2020, by Horizonte Minerals Plc. No Interest is charged on balances outstanding during the year. The amounts are repayable on demand.

See note 27 for balances with subsidiaries at the year end.

All Group transactions were eliminated on consolidation.

23 ULTIMATE CONTROLLING PARTY

The Directors believe there to be no ultimate controlling party.

24 DIRECTORS' REMUNERATION (INCLUDING KEY MANAGEMENT)

	Short term benefits		Post employment benefits		Cost to Company	Non-Cash	
	Aggregate emoluments	Other Emoluments[1]	Pension costs	**Total**	Social Security costs	Share Based Payment Charge	Grand Total
Group 2020	£	£	£	**£**	£	£	£
Non-Executive Directors							
Sepanta Dorri	—	—	—	**—**	—	—	—
David Hall	38,000	36,250	—	**74,250**	4,031	—	78,281
William Fisher	16,850	37,000	—	**53,850**	—	—	53,850
Allan Walker	47,500	32,513	—	**80,013**	9,829	—	89,842
Owen Bavinton	42,092	32,513	25,605	**100,210**	9,083	—	109,293
Executive Directors							
Jeremy Martin	252,000	181,283	—	**433,283**	58,580	—	491,863
Key Management							
Simon Retter	195,000	139,338	3,000	**337,338**	39,921	—	377,259
	591,442	**458,897**	**28,605**	**1,078,944**	**121,444**	**—**	**1,200,388**

[1]Denotes amounts payable for annual performance related bonuses

Group 2019	Aggregate emoluments £	Other emoluments £	Pension costs £	**Total £**	Social Security costs £	Share Based Payment Charge £	Grand Total £
Non-Executive Directors							
Alexander Christopher	—	—	—	**—**	—	—	—
David Hall	30,234	32,500[1]	—	**62,824**	2,981	34,224	100,029
William Fisher	26,400	32,500[1]	—	**58,900**	—	29,946	88,846
Allan Walker	30,359	32,500[1]	—	**62,859**	7,483	29,946	100,288
Owen Bavinton	31,043	—	39,396	**70,439**	1,696	29,946	102,081
Executive Directors							
Jeremy Martin	231,130	200,000[1]	16,662	**447,792**	51,405	68,448	567,645
Key Management							
Simon Retter	155,640	94,164[2]	12,000	**261,804**	20,295	34,224	316,323
	504,896	**391,664**	**68,058**	**964,618**	**83,860**	**226,735**	**1,275,212**

[1] Denotes bonuses paid regarding a long term incentive plan related to the successful publication of a Feasibility Study for Araguaia, Pre-Feasibility Study for Vermelho and closure of $25m royalty funding arrangement with OMF.

[2] Includes £65,000 bonus paid regarding a long term incentive plan related to the successful publication of a Feasibility Study for Araguaia, Pre-Feasibility Study for Vermelho and closure of $25m royalty funding arrangement with OMF.

There are no other long term or termination benefits granted to key management.

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

25 EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS AND KEY MANAGEMENT)

Group	**Group 2020 £**	2019 £	**Company 2020 £**	2019 £
Wages and salaries	**2,180,283**	1,856,864	**1,384,126**	1,220,693
Social security costs	**269,069**	254,503	**161,157**	125,626
Indemnity for loss of office	**1,315**	16,865	**—**	—
Share options granted to Directors and employees (note 15)	**—**	326,413	**—**	326,413
	2,450,667	2,454,645	**1,545,283**	1,672,732
Management	**13**	10	**8**	8
Field staff	**24**	18	**—**	—
Average number of employees including Directors and Key Management	**37**	28	**8**	8

Employee benefit expenses includes £1,110,358 (2019: £892,500) of costs capitalised and included within the Mine Development Property.

Share options granted include costs of £nill (2019: £192,511) relating to Directors.

26 INVESTMENTS IN SUBSIDIARIES

Company	**2020 £**	2019 £
Shares in Group undertakings	**2,348,142**	2,348,042
	2,348,142	2,348,042

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 LOANS TO SUBSIDIARIES

Balances with subsidiaries at the year end were:

Company	**2020 Assets £**	2019 Assets £
HM do Brasil Ltda	**—**	944,928
HM Brazil (IOM) Ltd	**6,297,961**	3,149,326
Horizonte Nickel (IOM) Ltd	**53,530,300**	35,641,959
Araguaia Níquel Metais Ltda	**—**	10,244,040
Horizonte Minerals (IOM) Ltd	**253,004**	253,004
Typhon Brasil Mineração Ltda	**—**	4,378,487
Trias Brasil Mineração Ltda	**—**	801,403
Champol (IOM) Ltd	**4,610,891**	—
Total	**64,692,156**	55,413,147

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

During the year Typhon was closed down and the intercompany loan and assets was transferred to another group company. In addition the Group undertook a restructure resulting in a transfer of some other intercompany loan balances between various group entities. The result of this restructure has been set out in the table below in addition to the other changes to the loan balances.

Company	1 January 2019 £	Amounts advanced during year £	Expected credit loss £	2019 £	Transfers £	Amounts advanced during year £	Expected credit loss £	2020 £
HM do Brasil Ltda	883,909	122,038	(61,019)	944,928	(2,173,475)	283,619	944,928	—
HM Brazil (IOM) Ltd	3,021,172	256,308	(128,154)	3,149,326	2,173,473	524,962	450,200	6,297,961
Horizonte Nickel (IOM) Ltd	33,145,934	2,496,025	—	35,641,959	17,409,339	479,992	—	53,530,290
Araguaia Níquel Metais Ltda	9,747,742	496,298	—	10,244,040	(11,434,152)	1,190,112	—	—
Horizonte Minerals (IOM) Ltd	253,004	—	—	253,004	—	—	—	253,004
Typhon Brasil Mineração Ltda	1,625,087	3,004,807	(251,407)	4,378,487	(7,967,759)	1,712,777	1,876,495	—
Trias Brasil Mineração Ltda	—	—	—	—	(1,012,620)	—	1,012,620	—
Champol (IOM) Ltd	—	—	—	—	4,150,055	1,274,283	(813,447)	4,610,891
Cluny (IOM) Ltd	801,403	—	—	801,403	(1,144,861)	—	343,458	—
Total	**49,478,251**	**6,375,476**	**(440,580)**	**55,413,147**	**—**	**5,464,745**	**3,814,254**	**64,692,156**

The Gross and net intercompany loan position following the expected credit loss as each year end is set out below:

Company	2020 Gross Loan £	2020 Expected credit loss £	2020 Net Loan £	2019 Gross Loan £	2019 Expected credit loss £	2019 Net Loan £
HM do Brasil Ltda	—	—	—	1,889,856	(944,928)	944,928
HM Brazil (IOM) Ltd	8,997,087	(2,699,126)	6,297,961	6,298,652	(3,149,326)	3,149,326
Horizonte Nickel (IOM) Ltd	53,530,300	—	53,530,300	35,641,959	—	35,641,959
Araguaia Níquel Metais Ltda	—	—	—	10,244,040	—	10,244,040
Horizonte Minerals (IOM) Ltd	253,004	—	253,004	253,004	—	253,004
Typhon Brasil Mineração Ltda	—	—	—	6,254,982	(1,876,495)	4,378,487
Trias Brasil Mineração Ltda	—	—	—	1,012,620	(1,012,620)	—
Champol (IOM) Ltd	5,424,578	(813,687)	4,610,891	240	(240)	—
Cluny (IOM) Ltd	—	—	—	1,144,861	(343,458)	801,403
Total	**68,204,969**	**(3,512,813)**	**64,692,156**	**62,740,214**	**(7,327,067)**	**55,413,147**

Impairment provisions for receivables and loans to related parties are recognised based on using the general approach to determine if there has been a significant increase in credit risk since initial recognition and whether the receivables and loans are credit impaired in accordance with IFRS9.

The loan to the subsidiary companies, are classified as repayable on demand. IFRS 9 requires consideration of the expected credit risk associated with the loans. As the subsidiary companies do not have any liquid assets to sell to repay the loan, should it be recalled, the conclusion reached was that the loan should be categorised as credit impaired.

As part of the assessment of expected credit losses of the intercompany loan receivable, the Directors have assessed the cash flows associated with a number of different recovery scenarios. This included consideration of the:

- exploration and development project risk,
- positive NPV of the Araguaia project as demonstrated by the Feasibility Study
- positive NPV of the Vermelho Nickel Cobalt Project demonstrated by the Pre-Feasibility Study
- ability to raise the finance to develop the projects
- ability to sell the projects
- market and technical risks relating to the projects
- participation of the subsidiaries in the Araguaia project

The directors have concluded that certain amounts may not be fully recovered giving rise to the expected credit loss adjustment. After taking into consideration all of the above factors the rate of expected credit loss varies from 0% (2019: 0%) for the Araguaia project, to 30% (2019: 50%) for the receivables from HM Brazil and 15% (2019: 30%) for the Vermelho Project. The reduction in expected credit loss assessment for HM Brazil is due Araguaia's the further progress towards development and continuing improving prospects for Vermelho.

The credit loss allowance was assessed at the date of 31 December 2020.

28 COMMITMENTS

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

Group	2020 £	2019 £
Mine Development Property	7,314,000	—

The Company has conditional capital commitments totalling £7.3 million ($10m) relating to certain items of plant and equipment. These commitments remain subject to a number of conditions precedent which have not been met at the date of this report. $1.5m of the purchase will be payable upon completion with the remaining amounts payable over future periods with $5m payable after commencement of sales by the Araguaia project. $1.5m of the purchase will be payable upon completion with the remaining amounts payable over future periods with $5m payable after commencement of sales by the Araguaia project.

29 CONTINGENT LIABILITIES

Other Contingencies

The Group has received a claim from various trade union organisations in Brazil regarding outstanding membership fees due in relation to various subsidiaries within the Group. Some of these claims relate to periods prior to the acquisition of the relevant subsidiary and would be covered by warranties granted by the previous owners at the date of sale. The Directors are confident that no amounts are due in relation to these proposed membership fees and that the claims will be unsuccessful. No subsequent actions, claims or communications from the various trade union organisations have been received subsequent to the requests for payment. As a result, no provision has been made in the Financial Statements for the year ended 31 December 2020 for amounts claimed. Should the claim be successful, the maximum amount payable in relation to fees not subject to the warranty agreement would be approximately £64,000.

In December 2014, the Group received a writ from the State Attorney in Conceição do Araguaia regarding alleged environmental damages caused by drilling activities in 2011. To ensure proper environmental stewardship, the Group conducts certified baseline studies prior to all drill programmes and ensures that areas explored are properly maintained and conserved in accordance with local environmental legislation. After drilling has occurred, drill sites and access routes are rehabilitated to equal or better conditions and evidence is retained to demonstrate that such rehabilitation work has been completed. In January 2015 the Group filed a robust defence against the writ. A court hearing was held in May 2015 at which documents were requested to confirm that valid environmental authorisations were in place. These were subsequently submitted as requested. No substantive financial claim continues to be made against the Group under the terms of the writ. The Group continues to believe that the writ is flawed and is working towards having it withdrawn in due course. As a result, no provision has been made in the Financial Statements for the year ended 31 December 2020.

30 FINANCIAL INSTRUMENTS

Financial Assets

Group	Fair Value 2020 £	Amortised cost 2020 £	Total 2020 £	Fair Value 2019 £	Amortised cost 2019 £	Total 2019 £
Cash and cash equivalents	—	10,935,563	10,935,563	—	17,760,330	17,760,330
Derivative financial asset	1,756,553	—	1,756,553	2,246,809	—	2,246,809
Trade and other receivables	—	270,540	270,540	—	134,726	134,726
Total	1,756,553	11,206,103	12,962,656	2,246,809	17,895,056	20,141,865

	Amortised cost	
Company	2020 £	2019 £
Cash and cash equivalents	5,308,954	17,393,773
Loans to subsidiaries	64,692,156	55,413,060
Trade and other receivables	96,196	135,376
Total	70,097,306	72,942,209

Financial Liabilities

	Amortised cost	
Group	2020 £	2019 £
Trade and other payables	632,407	683,933
Contingent consideration	5,927,026	6,246,071
Royalty Finance	22,053,341	20,570,411
Total	28,612,774	27,500,415

	Amortised cost	
Company	2020 £	2019 £
Trade and other payables	280,179	321,588
Contingent consideration	5,927,036	6,246,071
Loans from subsidiary	12,194,094	17,735,009
Total	18,401,309	24,302,668

Financial instruments not measured at fair value includes cash and cash equivalents, trade and other receivables, trade and other payables, and, contingent and deferred consideration which are discounted.

31 PARENT COMPANY GUARANTEE

Horizonte Minerals plc has, together with other group companies, provided a parent guarantee to Orion Mine Finance related to the $25 Million Royalty Financing arrangement granted by Nickel Production Services B.V. in respect of the project owned by Araguaia Níquel Metais Ltda during the financial year. The royalty payments are conditional upon entering into commercial production and therefore cannot become due until this is achieved. Horizonte Mineral plc's obligation to pay under the guarantee only arises if Nickel Production Services B.V. as grantor of the royalty or any of the other provider of a parent guarantee fails to make any payment under the royalty agreement. The Company considers the probability of such scenarios to be minimal at the current stage of the business' development and therefore any fair value assessment of such potential financial liability has been deemed to be immaterial

32 EVENTS AFTER THE REPORTING DATE

On 23 February 2021 the company announced a £18.8 million fund raise comprising approximately £12.2m received for the issue of issued 162,718,353 new ordinary shares by way of a placing, alongside approximately £6.6m for the issue of 88,060,100 special warrants, which entitled the holder to convert the warrants into ordinary shares in the company following the publication of a prospectus to meet the requirement of the Toronto Stock Exchange.

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)
Sepanta Dorri (Non-Executive Director)
Owen Alexander Bavinton (Non-Executive Director)

COMPANY SECRETARY
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