HORIZONTE
MINERALS

A YEAR OF TRANSITION

2022 Report and Accounts

HORIZONTE MINERALS PLC IS DEVELOPING TWO TIER ONE NICKEL PROJECTS IN BRAZIL

Who we are

Horizonte Minerals is a leading nickel company that is developing the Araguaia ferronickel project and the Vermelho nickel-cobalt project, both high-grade, lower quartile of the cost curve, and long mine life projects. As a critical component in both stainless steel and electric vehicle battery technology, nickel is a key enabler of the clean energy transition. Listed on the AiM and TSX Stock Exchanges, we have been operating in Brazil for over a decade and have a long-term commitment to generate sustainable value for the societies and environments where we operate.

What we do

We are constructing Line 1 of the Araguaia Project, a 14,500 tonne per annum nickel mine with first production due in 1Q 2024 with an initial mine life of 28 years. The infrastructure of the site is designed to accommodate the Line 2 expansion, which will double production to 29,000 tonnes per annum. Our second Project, Vermelho, is undergoing a Feasibility Study. The Project is comprised of a 38-year mine life with average annual production expected to be 24,000 tonnes of nickel and 1,250 tonnes of cobalt.

How we do it

We are developing a new sustainable supply of nickel to enable the clean energy transition with our focus on building a profitable company which will generate long-term value for all our stakeholders.

For more information visit
www.horizonteminerals.com

@HorizontePLC

Horizonte Minerals

Horizonte Minerals Plc

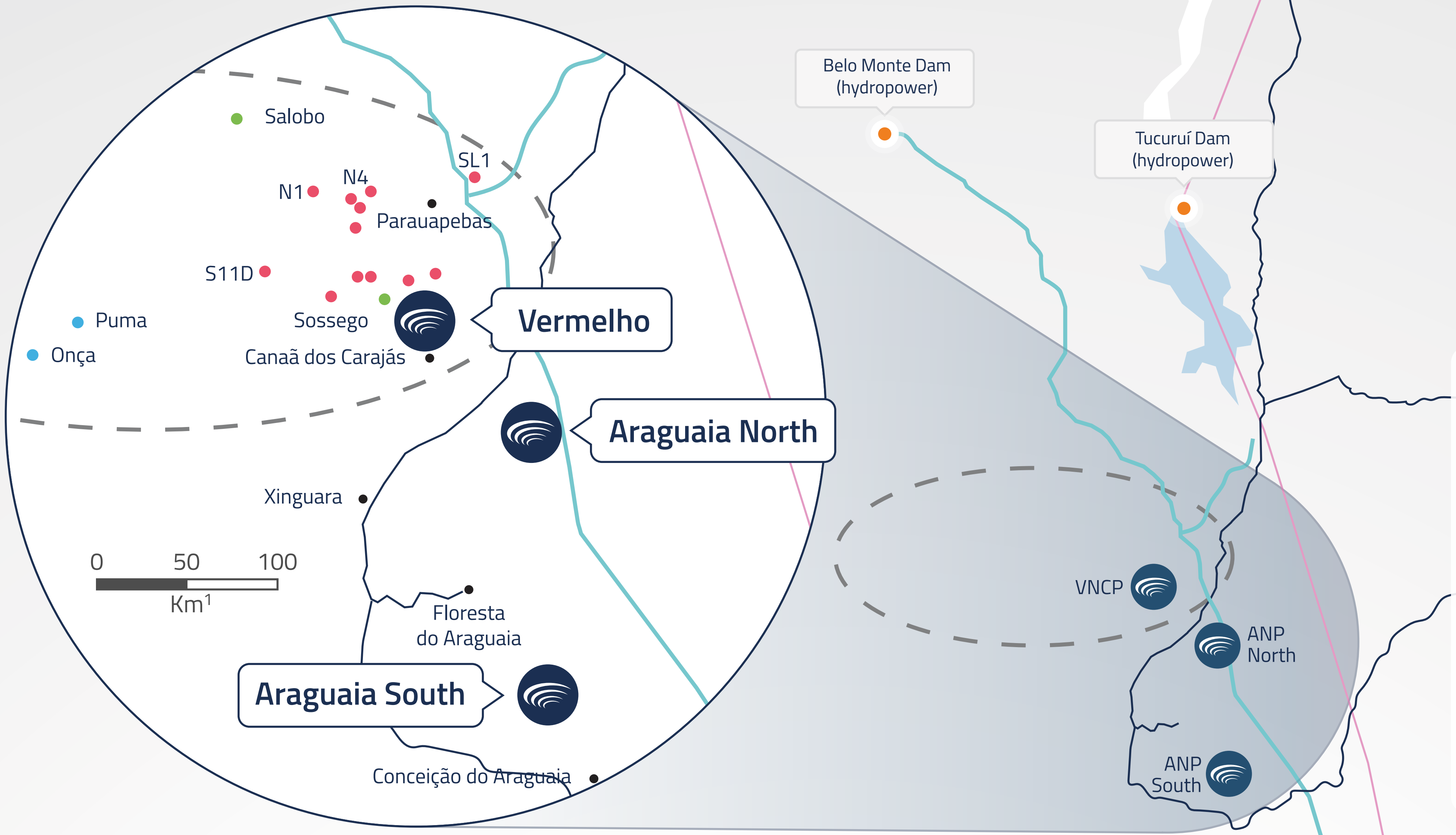
2022 HIGHLIGHTS

- Araguaia Project approval
- Secured US$633 million for Araguaia line 1
- Breaking ground at Araguaia
- Vermelho Feasibility Study initiation
- Long term power offtake supply secured from renewable sources
- First draw down of senior debt facility
- Zero fatal injuries and zero lost time recordable injuries
- Critical risk controls implemented
- Strategic partnerships with SENAI and FIEPA for local skills development initiated
- 34% project completion as of 31 December 2022

CONTENTS

AT A GLANCE

> *We are building a low-cost, scalable, nickel operation, focused on producing a low-carbon product, ethically, safely and responsibly*



Project location

Horizonte draws on the country's significant geological resources providing potential for future growth. We benefit from Brazil's skilled workforce and well developed infrastructure, we are proud to be playing an important part in developing Brazil's strategically important nickel industry. Following the construction of Araguaia, we are securing valuable employment for around 450 people in the operational phase and expect to generate in excess of US$700 million of direct socio-economic value over the life of mine.

Low cost

Both Araguaia and Vermelho are expected to be in the **lower quartile of the cost curve** for C1 costs, recently demonstrated by the signing of a ten-year power contract for Araguaia, locking in a price 30% lower than that used in the feasibility study.

Scalable

Over **3Mt** of contained nickel resources and the potential for over 60,000t per annum production, would position Horizonte as a significant global nickel producer.

Nickel operation

Nickel is fundamental in the production of stainless steel and in battery chemistry as part of the **green energy transition** and the drive towards the decarbonisation and electrification of the global economy.

Low carbon product

Leveraging the abundant **renewable energy** sources found in Brazil, Horizonte is able to ensure that the production from Araguaia emits lower levels of carbon than alternate producers reliant on hydrocarbons & non-renewable power sources.

Ethically, safely and responsibly

Horizonte has a long-standing commitment to contribute to the sustainable development of the communities associated with our operations, to conduct ourselves ethically in all our business activities and with a focus on the responsible management of ESG aspects of our projects.

- Carajás Mining District
- Power Line 500 kV
- Power Line 500 kV, in construction
- Paved Road
- Nickel Mines
- Iron Mines
- Copper Mines
- Infrastructure

1. Scale and distances are approximate

2022 IN REVIEW

MARCH

SECURED US$633 MILLION FOR ARAGUAIA LINE 1

Financing secured through a project finance debt facility of US$346.2 million from BNP Paribas, ING, Natixis, Société Générale, SEK and two export credit agencies Finnvera and EFK. The balance of the financing was through equity, cornerstoned by La Mancha, Glencore and Orion

APRIL

ENTERED STRATEGIC PARTNERSHIPS WITH LEADING BRAZILIAN SOCIAL AGENCIES

As part of Horizonte's Local Content Initiative, the Company entered partnerships with SENAI and FIEPA for local skills development

MAY

BROKE GROUND AT ARAGUAIA

Construction of the Araguaia project began, marking the Projects transition from development to the construction phase

OCTOBER

VERMELHO FEASIBILITY STUDY INITIATED

The Feasibility Study is an important step in determining the overall operational parameters and economics of this Tier 1 nickel-cobalt project

NOVEMBER

LONG TERM POWER OFFTAKE SUPPLY SECURED FROM RENEWABLE SOURCES

Electrical power will represent roughly a third of Araguaia's operational cost, by securing a 10-year fixed-price power contract 30% lower than that used in the feasibility study, Horizonte has ensured that operational costs will be in the lower quartile of the nickel cost curve

DECEMBER

34% PROJECT COMPLETION AS OF 31 DECEMBER 2022

Araguaia on schedule for first production in 1Q 2024

ZERO LOST TIME INJURIES RECORDED AFTER 990,000 HOURS WORKED

We aim to provide a safe working environment for all our people

FIRST DRAW DOWN OF SENIOR DEBT FACILITY

Following the culmination of a multi-year effort to sufficiently de-risk Araguaia, the first tranche of low-cost debt was received

Background photo — aerial view of the Tucuruí hydroelectric power plant

CHAIR'S STATEMENT

> *2022 was the year Horizonte transitioned from developer to construction*

William Fisher
Interim Non-Executive Chair

I am pleased to present my first Annual Report statement as interim Chair of Horizonte. Having been a long serving member of the Board, I am very familiar with the Company, and to that end, I would like to reiterate that we find ourselves in a truly exciting period of progression. The transition from a developer into construction is the next phase for the business but our objectives, commitments and vision have remained the same: positioning Horizonte to be a significant global producer, committed to the ethical, safe and responsible production of a low-carbon nickel product. We have built an extremely capable management team and I have every confidence that we will deliver on our mission.

Following the completion of our US$633 million funding package at the end of 2021, the transformation of Araguaia and the rate at which construction has advanced is notable and a testament to the hard work and commitment of our workforce and partners. More than 2,000 people are now employed on the Project, demonstrating the transformational potential for jobs and growth that the Project is providing to the local area.

Given the challenging nature of the market across the board in 2022, we believe that the standout quality of the asset has been the biggest reason for the success of the construction fundraise. Araguaia's long mine life of 28 years (with potential for expansion), low-cost, low-carbon nickel product is what underpins the business. The build-out of the electrification market and the move away from carbon as a fuel source have also contributed to the nickel market's strong performance over the last 12 months. Read more about our markets on pages 12-13.

During the year we also made strong progress at our second project, Vermelho, a large high-grade, long mine life, scalable resource, designed to be a low-cost producer of nickel and cobalt for the battery industry. Having successfully completed a Pre-Feasibility study in 2019, this year we initiated a Feasibility study, an important step forward in unlocking Vermelho's significant value. Read more about Vermelho on pages 22-23.

Board development

Horizonte's successful move to construction, inevitably, necessitated a reinvigoration of our governance structures and leadership at Board level. It is on this basis that, in 2022, a number of changes to the Board were effected. I'd like to formally welcome Dr Gillian Davidson and Mr Vincent Benoit, who joined the Board in March 2022. Gillian's sustainability experience in the extractives and natural resources sectors is a fantastic asset to Horizonte as we transition into a producer, as is her role as founding member and chair of the Global Battery Alliance, an initiative created to drive a sustainable battery value chain. Vincent also brings a wealth of knowledge in the mining sector with 30 years' experience in corporate finance, business development and M&A. Vincent has been a partner at La Mancha since 2012, where his work on developing greenfield sites with Endeavour Mining saw its market capitalisation quadruple and positioned La Mancha as a leading private investor in the gold mining sector. We're very pleased to have their expertise on board, and you will likely see new additions to the Board in 2023 as we transition towards becoming a producing nickel company.
David Hall, my predecessor as Chair, Allan Walker and Sepanta Dorri stepped down from the Board and I would like to thank them sincerely for their important contributions to Horizonte's success in recent years.

The Board remains committed to good corporate governance, the Quoted Company Alliance's Corporate Governance Code (QCA Code) and to aligning the skills and experience of the Directors and management with the needs of Horizonte as it advances toward production. Read more about our Governance on pages 42-49.

Sustainability

As a Company, we are committed to positioning Horizonte as a long-term partner for our stakeholders. We have always worked hard to ensure that we engage effectively with all of our local stakeholders around our projects, from local individuals and families to municipal authorities. 2022 was no exception, with the highlight of this engagement being our community development agreement with Serviço Nacional de Aprendizagem Industrial (SENAI), which we signed in July. SENAI is Brazil's leading national industrial training provider and our partnership is a key component of Araguaia's Local Content Initiative to train and develop local community members in core skills required during Araguaia's construction and operational phases. Horizonte has funded classrooms and upskilling courses in critical skills like welding and electromechanical insulation, and so far this year over 420 people have enrolled in two cohorts, including a high proportion of women, which bodes well for a diverse and educated future workforce.

As a demonstration of our commitment to responsible mining, at the end of the year we completed the construction of our biodiversity centre, where as part of our significant biodiversity programme, we will see close to eighty thousand seedlings of native species grown on-site each year, helping to replant and rehabilitate large areas of degraded land following prior agricultural practices surrounding Araguaia, including biodiversity corridors to link key areas of biodiversity habitat around the project area. You can read more about our sustainability programmes in our 3rd annual Sustainability Report found on our website as well as an update on activities during the year on pages 26-31.

Positioning Horizonte for the future

Our strategy now is to focus on the construction of Araguaia, defining the expansion potential of Araguaia as well as advancing Vermelho towards a construction decision, thereby delivering value to shareholders. As we move through this critical phase in our Company's development, on behalf of the Board, I would like to take this opportunity to thank all of our workforce partners and stakeholders for their ongoing contribution towards delivering on our vision of becoming a significant global nickel producer.

William Fisher
Interim Chair of the Board

Unique Investment Opportunity

- World-class portfolio of 100% owned projects in established mining jurisdiction
- Exposure to robust stainless steel and high-growth battery markets
- Strong corporate and project team
- Funding package for Araguaia Stage 1 with a clear path to cash flow with key strategic shareholder support
- Targeting ~60,000t per annum of low-cost, long-life and scalable nickel production – Tier 1 quality and scale
- Potential re-rating as Araguaia transitions to a producer
- Funding in place to complete a Feasibility Study on Vermelho (results due early 2024)
- Clean Energy transition driving significant nickel demand
- Scarcity of near-term Tier 1 nickel projects

BUILDING A SUSTAINABLE BUSINESS

We are focused on generating value for all our stakeholders through our purpose of "Sustainably supplying nickel to enable the clean energy transition". This purpose directs decisions, and actions, shapes our culture and drives our strategy

Our actions are informed by our guiding principles:

- Horizonte is a great place to work
- Stakeholders are proud to partner with Horizonte
- We act with integrity
- We achieve our goals for growth

When we consistently apply these principles to how we do our work, we will achieve:

Operational Excellence

Read more about our actions in our Sustainability strategy on pages 30-31

Values

In order to deliver our vision, all team members must share and uphold a universal set of values that are critical to the evolution of an enhanced culture. Our values guide our behaviours and define the way we work with each other and within the wider society.

Integrity

Prevents the negative consequences of unethical actions, acting with full transparency and honesty. Our behaviour and actions should always reflect our ethical culture. Operating with integrity is the only way to contribute to the well-being of people

Responsibility & Accountability

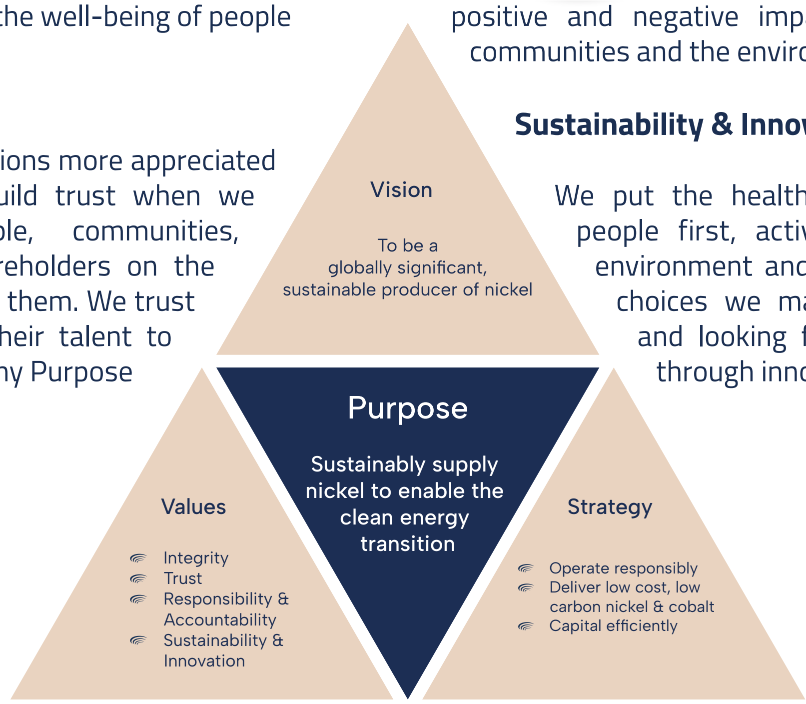
We empower our people to take responsibility and accountability in the workplace. We manage our operations and projects responsibly. Our social acceptability relies on being accountable for our positive and negative impacts on our people, communities and the environment

Trust

Makes strategic relations more appreciated and resilient. We build trust when we engage our people, communities, authorities and shareholders on the issues that matter to them. We trust in our people and their talent to deliver on our company Purpose

Sustainability & Innovation

We put the health and safety of our people first, actively considering the environment and communities in the choices we make, always learning and looking for ways to improve through innovation



Our culture is inclusive and supportive, encouraging all employees to take ownership of their work, lead by example and be accountable for their successes and failures. Proudly Brazilian, we promote local employment wherever possible and provide continual training to upskill our workforce.

BUSINESS MODEL

> *Our ability to create value is underpinned by the quality of our assets, the capability of our people, our operational performance, mitigation of risks and disciplined capital allocation*

Inputs

Market fundamentals

Global demand
Read about the demand trends on pages 12-13

Global supply
Read about expected supply shortages on pages 12-13

Commodity price
Read about the nickel price trend on pages 12-13

Integrated approach

Responsible approach
Read about our approach to sustainability on pages 26-31

Good corporate governance
Read about our corporate governance on pages 42-49

Stakeholder engagement
Read about our stakeholder engagement on page 32-33

Assets

Tier 1 projects
Read about our projects on pages 20-23

Our people
Read about our experienced team on pages 18-19

Financial position
Read about our strong financial position on pages 24-25

Renewable electricity source
Read more about our renewable sources of electricity on page 19

Our Sustainable Business Model

Explore

Maximising our geological understanding is the foundation of our business model, to ensure predictability and consistency of ore. Our geologists systematically and methodically explore our prospective land holdings, having been fundamental to delivering a resource of over 3 million tonnes of contained nickel

Develop

Every investment decision is carefully evaluated around risk, with a focus on potential returns, long-term value and sustainability. Once we have approved an investment, the design and construction process is informed by input from our partners and those stakeholders most affected. We aim to develop every potential site with safety as our first priority and to achieve optimal, long-term productivity while minimising risks and our environmental footprint

Operate

Through our commitment to sustainable business practices, we are building a portfolio of high-quality assets. At all times, we target safe, environmentally responsible working practices and a high-performing culture that delivers results on time and on budget

Sustain

By embedding our sustainability frameworks into our workplaces, meeting our own high standards and being aware of the needs and requirements of our local communities, we strive to reach the highest expectations of ethical behaviour, health and safety, environmental stewardship and governance

Value created outputs

Suppliers and customers

Through building long-term, mutually beneficial relationships, our goal is to supply our customers with low-carbon, responsibly sourced nickel

Environment

Horizonte is committed to responsible environmental stewardship and efficient use of natural resources

Employees

We strive to provide a safe, inclusive working environment, empowering our employees and contracts to fulfil their potential

Local community

Proudly Brazilian, we promote local employment and provide continual training to upskill our workforce, committed to leaving a strong legacy

Shareholders

We aim to deliver long-term value to shareholders

Underpinned by our values

- Integrity
- Trust
- Sustainability & Innovation
- Responsibility & Accountability

MARKET REVIEW

"The transition to a net-zero economy will be metal-intensive

28 Ni Nickel

Nickel has an essential role to play in delivering the low carbon, renewable energy that the world requires to help combat climate change. The International Energy Agency's roadmap to achieve net zero emissions by 2050 identifies the contributions of various renewable technologies to electrical capacity. Nickel's properties in stainless steel and battery technology are helping to reduce greenhouse gas emissions - enabling clean energy solutions to be a central part of our effort to tackle global warming.

Nickel's role in the clean energy transition

Nickel, a naturally occurring, lustrous, silvery-white metallic element has outstanding physical and chemical properties, which make it essential in hundreds of thousands of products. Its biggest use is in alloying - particularly with chromium and other metals to produce stainless and heat-resisting steels, with two-thirds of global nickel production used for its manufacture. Here nickel provides toughness, strength and enhanced corrosion resistance, significantly increasing the end product's life.

As the world transitions towards a green economy, nickel's role has begun to evolve, as its critical role in sustainable energy systems and new battery technology has emerged. The move to energy storage systems has largely been driven by significant growth in renewable energy resources, primarily wind and solar. In the US, wind and solar made up more than half of all new generating capacity in the past three years. Asia and Europe are also investing billions in renewables. However, the challenge is that the wind doesn't blow and the sun doesn't shine on demand. This is why batteries are being deployed to capture the energy and release it when required, helping stabilise our complex and widespread electricity infrastructure.

Nickel's role in the clean energy transition, includes:

- 325m EVs expected to be in operation globally by 2040. A 60Kwh NMC battery needs 39kg of nickel
- Carbon Capture & storage - 200t of nickel required to capture and store 1.5mt CO_2 / per annum
- Nickel improves the strength & durability of wind turbines. Each turbine requires 2,000 kg of nickel
- Hydro-electric plants need durable nickel-rich stainless-steel turbines. Global hydro-electric capacity is expected to grow 70% by 2040
- Nickel alloys play an important role in ensuring the integrity, durability & long-term performance of nuclear power stations.

Nickel's volatile year

Nickel has continued to attract a lot of attention over the course of 2022, in particular following an unprecedented short squeeze in the first quarter of the year, resulting in a 250% surge in prices for the metal on the London Metal Exchange (LME) in the space of twenty-four hours.

Prior to the event, nickel prices were on the rise as demand in most nickel consuming sectors continued to recover from widespread COVID-19 disruptions two years earlier, whilst strong underlying demand trends driven by the global energy transition continued to propel nickel prices higher. Following the event, the nickel market entered a state of paralysis, with limited material being traded given concerns over further price volatility and distrust of the LME. As we moved through the year, electric vehicle (EV) demand began to pick up as inventories were worked through and restocking began, with nickel ending the year at US$29,901 per tonne, 43% higher than at the start of the year.

Growing demand in 2022

2022 global nickel demand was 3 million tonnes. To put this in context, in 2000 demand had not surpassed 1.1 million tonnes. This demand growth is set to continue if the world hopes to achieve the targets set out by the Paris agreement on climate change. Governments around the world have been enacting policy change in order to hit these targets, the United States of America for instance passed the US Inflation Reduction Act in August this year, promising US$369 billion for climate and clean energy policies, at the same time setting out an ambitious target to extract and process key battery minerals locally, with an aim of reducing carbon emissions by roughly 40% by 2030. Affirmative actions such as this will help drive the change towards a green economy and to becoming net zero.

Turning to supply, despite a complicated geopolitical situation coupled with the energy crisis and rising inflation, the nickel deficit that emerged in 2021 swung to a surplus in 2022 on the back of strong Indonesian supply. The surplus observed was driven by low-grade Nickel Pig Iron (NPI), while the current Class 1 nickel tightness is likely to hold given the potential supply disruptions and bottlenecks that major existing producers are facing and the challenges in bringing online the new mine supply from outside of Indonesia.

Looking forwards, while Indonesia will be the primary source of increased nickel supply globally, the country still heavily relies on powering their processing plants through coal-fired electricity resulting in high carbon emissions. This will be a key point of difference compared to the renewable sources Horizonte will use. This is increasingly important as end users and consumers focus on transparency and the sourcing of the metals that are used in their products.

Accelerating battery demand will fundamentally alter the market

Stainless steel continues to be nickel's main driver of demand, representing around two thirds of global nickel demand. With a balanced demand profile between investment and consumption, and reasonable leverage to growing wealth, stainless steel offers annuity demand growth linked to global GDP. Longer term, BMO Commodities research believe that demand for nickel in the use of batteries is set to match or exceed that from stainless steel over the coming years positioning Horizonte well to capitalise on the potential supply demand imbalance.

STRATEGY

> *Our vision is to be a globally significant, sustainable producer of nickel to fulfil our purpose of supplying sustainable metals to enable the clean energy transition*

STRATEGIC PILLARS	2022 PERFORMANCE	2023 PRIORITIES
Operate responsibly Horizonte has a long-standing commitment to contribute to the sustainable development of the communities associated with our operations, to conduct ourselves ethically in all our business activities and with a focus on the professional management of ESG aspects of our projects	- Zero fatal injuries and zero recordable injuries - Golden Rules implemented - Critical risk controls implemented - Inaugural employee satisfaction survey completed - Long term power offtake supply secured from renewable sources - Submitted Social Environmental Impact Assessment for Vermelho - Appointed Gillian Davidson as an independent non-executive director and Vincent Benoit as a non-executive director to the Board - Appointment of Philipa Varris as Head of Sustainability - Published our 3rd Annual Sustainability Report	- Zero fatalities and zero recordable injuries - Authorise Group Health, Safety and Wellbeing Policy - Employee pulse survey program to monitor culture evolution through transition to operations - Zero reportable environmental incidents - HZM Supplier Code of Conduct implementation - Group level policies for governance framework endorsed - Continue critical risk control implementation through construction
Deliver low cost, low carbon nickel and cobalt Progressing our two, tier one projects through construction and into production is central to our business model and allows us to deliver value to our stakeholders	- Began construction of Araguaia - Araguaia approved as a Strategic Minerals Project by the Brazilian Government - Award of Electro-mechanical contract - Araguaia construction remains on schedule having advanced 34% - Initiated a Feasibility Study for Vermelho	- Maintain construction schedule of Araguaia - Initiate Ore Stockpiling - Begin cold commissioning of Araguaia - Undertake a Feasibility Study on Line 2 expansion of Araguaia - Advance Vermelho development
Capital efficiently A strong balance sheet and efficient capital allocation provides the financial security and flexibility, central to successfully delivering our vision	- Secured the US$346.2m Senior Debt Facility - ~US$400m of key contracts awarded as of 31 December 2022 - Secured an oversubscribed equity fundraise of ~US$80m - Completed first draw down of Senior Debt - Cash balance of US$154 million as of 31 December 2022 - Liquidity of US$495 million as of 31 December 2022	- Remain within project budget for Araguaia - Maintain a strong balance sheet

KEY PERFORMANCE INDICATORS

We use various financial and non-financial performance measures to help evaluate the ongoing performance of our business. Linked to our strategic objectives, the following measures are considered by management to be some of the most important in evaluating our overall performance year on year

	ENVIRONMENTAL AND SOCIAL			CONSTRUCTION		FINANCIAL
	LOST TIME INJURY FREQUENCY RATE (per 1,000,000 hours worked)	**MAJOR ENVIRONMENTAL INCIDENTS**	**LOCAL EMPLOYMENT**	**SCHEDULE**	**BUDGET**	**LIQUIDITY**
KPI	2022: 0 2021: 0 2020: 0 2019: 0	2022: 0 2021: 0 2020: 0 2019: 0	2022: 39% 2021: 50% 2020: 53% 2019: 46%	**34% constructed as of 31 December 2022**	**US$537 million**	**2022: US$495m[1],** **2021: US$211m[2],** **2020: US$15m[3]**
Why we measure	An indicator of safety in the workplace and the effectiveness of our management controls to protect our workforce. We aim to provide a safe working environment for all our people	An indicator of environmental and social impact and the effectiveness of management controls to protect the area in which we operate, key to our long-term success. We operate in an environmentally conscientious manner and minimise the impact of our activities, targeting zero environmental incidents.	An indicator of the socio-economic benefit to our host communities and our effectiveness to enhance our local economic participation in Pará state. We remain committed to delivering shared value to our local communities, partially achieved through creating employment opportunities for local community members. We refer to local employment as people from Pará state, not Brazil as a whole given the vast majority of our people are Brazilian	Vital for the continued growth of Horizonte and our ability to deliver Araguaia on time	An indicator of fiscal control and management's ability to preserve value. Provides the capex budget for the construction of Araguaia	We are focused on securing a strong balance sheet to fund the construction of Araguaia Stage 1 and maintain financial flexibility
2022 Performance	We continue our demonstrable track record of zero LTIFR in 2022	We continue to maintain our strong track record of zero environmental incidents	As Araguaia construction has ramped up, an experienced and technical workforce is required meaning we have sourced labour from outside of Pará state. As Horizonte transitions into an operator, the Company would expect for the downward trend to reverse, as we train more people from Pará state	On schedule	US$~80m of additional equity funding was raised in 2022 following cost to complete analysis, primarily driven by inflation and interest rates	US$495m as of 31 December 2022, 135% higher year-on-year
Link to Strategy	Operate responsibly. Deliver low cost, low carbon nickel and cobalt	Operate responsibly. Deliver low cost, low carbon nickel and cobalt	Operate responsibly. Deliver low cost, low carbon nickel and cobalt	Deliver low cost, low carbon nickel and cobalt	Deliver low cost, low carbon nickel and cobalt. Capital efficiently	Deliver low cost, low carbon nickel and cobalt. Capital efficiently
Link to Risks	Safety, Health and Wellbeing	Stakeholder relations and social licence. Critical permits delayed or declined	Stakeholder relations and social licence. Human Capital	Capital project delivery and operational transition	Capital project delivery and operational transition. Liquidity, access to capital and debt covenants	Liquidity, access to capital and debt covenants

1. As of 31 December 2022 2. As of 31 December 2021 3. As of 31 December 2020

CHIEF EXECUTIVE'S REVIEW

"A ground breaking year for Horizonte

Jeremy Martin
CEO

It is a pleasure to reflect on the achievements of 2022 which was a ground breaking year for Horizonte and has laid the foundations for the years ahead, positioning the Company to be a significant global producer, committed to the ethical, safe and responsible production of a low carbon nickel product.

Araguaia Nickel Project

Our focus for 2022 at Araguaia was to secure the funding, build our team, award key equipment and construction contracts required for construction and the move to operations, commencing our 24-month journey to becoming a nickel producing Company. We're delighted to have finished the year having advanced construction by 34% and importantly, remain on track to produce first metal in Q1 2024.

The 2022 reporting period began by closing out the Araguaia construction funding package, in which a total of US$633 million was raised comprising a combination of senior debt and equity with support from a number of high-quality, long-term financial institutions and leading mining sector investors. By the end of the year and following a multi-year effort to de-risk Araguaia, we were able to successfully access the low-cost debt and draw down on the first tranche of funds.

The rigorous due diligence process, and the extensive list of obligations that Horizonte was required to meet to access this funding, should provide all our stakeholders with confidence in the robustness of Araguaia and the quality of the team working on the project.

The first debt drawn-down milestone demonstrates that we had made significant progress on construction and were able to satisfy the Senior Lenders that we had, among others;

i. shown that Araguaia is funded through to completion and first cash flows following the subsequent ~US$80m equity raise;
ii. made significant progress with construction, and in line with the project schedule;
iii. awarded all of the key material contracts, including equipment supply, Engineering Procurement and Construction Management (EPCM), port access and power supply;
iv. have a long-term offtake in place for 100% of Araguaia's production from line 1 with a high-quality counterparty in Glencore; and lastly,
v. have built out an experienced team to deliver the Project.

To highlight, the most critical of these contracts, is the low-cost power contract. Electrical energy makes up approximately a third of our operating costs, so having a power contract with renewable sourcing, at the extremely competitive pricing that we were able to lock in, means that Araguaia will be operating in the lowest quartile of the cost curve for at least the ten-year duration of the initial contract life. Furthermore, this contract demonstrates our ability to become one of the lowest CO_2 nickel producers, a major competitive advantage when compared to nickel peers.

Turning to the physical progress that we saw on the ground at Araguaia, 2022 was a hugely transformative year in the process of developing the greenfield site into a producing asset. The foundations of the furnace and rotary kiln are now well-advanced and earthworks are close to completion. To facilitate reliable power to site, a 125 kilometre, 230kV powerline is being constructed and pre-assembly of the towers and construction of the main substations at site made good progress.

Vermelho

Horizonte has a second Tier 1 asset in Vermelho. 100% owned, it is an excellent opportunity to develop a low-cost supply of nickel and cobalt to meet the fast-growing demand due to global efforts to transition to net zero emissions.

In October 2022 we awarded the principal engineering contract to undertake the Feasibility Study (FS) at Vermelho to Wood plc, a major milestone in advancing the project through to a funding decision. Wood is a global engineering and technical services provider with extensive experience specifically in the nickel sector, and undertook the original Vermelho FS for its previous owner, Vale, from 2003 to 2006, resulting in a positive construction decision. We anticipate results from the Feasibility Study in 1H 2024.

We were also pleased to announce the filing of the Social and Environmental Impact Assessment (EIA) for Vermelho in late 2022, an essential part of the permitting process of the project. Approval of the EIA and subsequent granting of a preliminary licence is expected during 2024, the first stage in a three-stage environmental licencing process to develop a mine in Brazil. This filing followed an 18-month period where Horizonte, in conjunction with Rambol Group ("Rambol") (a leading global environmental and social consultancy firm) together with Integratio (a leading Brazilian social consultancy firm), undertook the collection and analysis of the baseline social and environmental data specified by the Pará State Secretariat for Environment and Sustainability (SEMAS), to reflect the current physical, biological and social settings at Vermelho.

Health and Safety first

Alongside the difficult macro inflationary environment, there have been some challenges specific to the construction phase. Brazil itself experienced a sudden step-up in industrial activity in 2022 following COVID-19 disruption, meaning that construction contractors were scarce, as was the labour force. Securing and maintaining our high-quality team at Araguaia has therefore been an added challenge, but one which we have managed to overcome. We now have over 2,000 people working at site, with this number expected to increase to 3,100 by the end of Q2 2023. Notwithstanding this sharp increase in employment and activity on site, we are extremely proud to have lost zero hours to injury this year, giving us a lost-time injury frequency rate ("LTIFR") rate of 0.00, for the fifth consecutive year. There is of course no place for complacency and the health and safety of our people remains central to everything we do. Further information relating to our health and safety can be found on pages 28-29 of this report and also in our 3rd annual Sustainability Report found on our website.

Building out our Team

As mentioned above, 2022 saw the Horizonte owners team continue to grow as well. At the beginning of the year, we had a team of around 25 people. By year-end this had grown close to 150 people spanning across various disciplines from environmental and social-focused activities to commissioning and Business readiness professionals. Creating a strong working culture is key for 2023 as we look to engage our people over the long term to instil a culture that encourages commitment to results, empowerment, flexibility, collaboration, transparency and participation.

New Chair

I'd like to welcome Mr William (Bill) Fisher to the role of Interim Chair of the Board. Bill has served alongside me on the Board for the past eight years, so he is very familiar with the business. We have always had a view that we want to maintain continuity throughout the construction stages, and as we move into ramp-up, Bill brings this required balance.

2023 Objectives

Looking ahead to the coming 12 months, we are cognisant of the work that lies ahead. Our primary focus will be on delivering Araguaia on-time, on-budget and safely. We are targeting cold commissioning towards the end of 2023 with hot commissioning and subsequent first nickel in 1Q 2024. Alongside this work, we are planning to conduct a feasibility study on the second line at Araguaia, a relatively low capex project that will double production from 14,500 tonnes per annum to 29,000 tonnes per annum. Vermelho workflows will be centred around the Feasibility study and EIA permitting process, both expected to be finalized in 2024. Although these objectives are, in practice, considerable undertakings, we are reassured by the progress already made across the Group, and are confident in the ability of our teams on the ground to deliver.

Thank you

To conclude, I would like to thank all our stakeholders for your continued support which is never taken for granted. I would also like to take this opportunity to directly thank the Horizonte team, led on the ground in Brazil by Mike Drake, our Head of Projects and Leo Vianna, our Project Director. The whole team has achieved many significant milestones this year. We have entered 2023 with confidence and look forward to delivering and communicating our progress as we continue to unlock value from across our portfolio.

Jeremy Martin
Chief Executive Officer

PROJECTS
ARAGUAIA

Araguaia on schedule for first nickel in 1Q 2024

Ownership
100% Horizonte Minerals

Location
Para, Brazil

Stage of development
Construction

Process
Rotary Kiln and Electric Furnace (RKEF)

Commercial production timeline
1Q 2024

Anticipated production from Line 1
Average annual production of 14,500 tonnes nickel

Average grade over the first 10 years of mine life
1.8%

Product
Ferronickel (FeNi)

Life of mine
28 years

Total budgeted capex of Line 1
US$537 million

About the project

Araguaia is a 100% owned project comprising of an open pit nickel laterite operation that will mine a 27.3 Mt mineral Reserve, part of a larger 119 Mt mineral resource. Annually, line 1 is designed to produce 52,000 tonnes of ferronickel (FeNi) containing 14,500 tonnes of nickel over a 28-year mine life. The metallurgical process comprises of a Rotary Kiln and Electric Furnace (RKEF), a proven technology with over 60 years of commercial experience in more than 30 operations worldwide, three of which are located in Brazil, operated by Anglo American and Vale.

After a construction period expected to last 24 months and an initial ramp-up period of 12 months, the plant will reach full capacity of approximately 900,000 tonnes of dry ore feed per year. The FeNi product will be transported by road to the port of Vila do Conde for sale to overseas customers.

The Value Engineering Study and subsequent Execution Preparation Phase work has optimised the RKEF flow sheet and worked to establish integrated process islands with tier one suppliers linked to the Export Credit Agency (ECA) project financing.

A key part of the Stage 1 project design was that the RKEF plant and associated infrastructure was designed to accommodate the addition of a second RKEF process line (Line 2 expansion), which is intended to double Araguaia's production capacity from 14,500 tonnes nickel per annum up to 29,000 tonnes per annum 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/pa 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, then expand the plant to 1.8 Mt/pa via the addition of a second line.

Key operational developments in the year

2022 was a transformational year for Araguaia having broken ground in May when construction began. Over the following months, earthworks transformed the site, preparing the groundwork ahead of the plant foundations being laid mid-year. Construction work is now into the electro mechanical installation phase where steel work is being erected. By 31 December 2022, project construction had advanced 34%, importantly remaining on schedule for first nickel by 1Q 2024.

As of 31 December, around US$400m of a total US$537m had been committed, representing close to three quarters of the total budget.

Key contracts signed during the year included:

- EPCM Contract
- Earthworks contract
- Civils contract
- All major long-lead time process plant equipment contracts
- 125km power line construction
- Electro mechanical contract
- Ten-year renewable power
- Port contract

PROJECTS VERMELHO

Ownership
100% Horizonte Minerals

Location
Pará, Brazil

Stage of development
Feasibility Study

Process
High Pressure Acid Leach (HPAL)

Anticipated production
Average annual production of 24,000 tonnes nickel, 1,250 tonnes cobalt

Average grade for the first 10 years
1.8%

Product
Nickel & Cobalt mixed hydroxide precipitate (MHP)

Life of mine
38 years

> *There are very few high-grade scalable nickel cobalt resources of this quality at an advanced stage of development, positioning Vermelho to be able to capitalise on the growing demand for sustainable critical metals*

About the project

Vermelho is a 100% owned project located in the Carajás mining district, an area that features well-developed infrastructure and abundant hydroelectric power. Comprising of a planned 38-year mining operation through an open pit nickel laterite mine, Vermelho has a Probable Mineral Reserve of 141.3 million tonne (at a cut-off of 0.7% Ni) and is forecast to produce 924,000 tonnes of nickel contained in nickel sulphate and 36,000 tonnes of cobalt contained in cobalt sulphate over the life of mine.

The Vermelho project pre-feasibility study utilised a hydro-metallurgical process comprised of a beneficiation plant where ore is upgraded prior to being fed to a High-Pressure Acid Leach (HPAL) plant.

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 MHP product will be transported by road to the port of Vila do Conde (the same facility planned for Araguaia) for sale to overseas customers.

At full production capacity, the Project is expected to produce an average of 24,000 tonnes of nickel and 1,250 tonnes of cobalt per year.

Key operational developments in the year

A Feasibility Study (FS) was initiated in 2022 with results due to be published in 1H 2024. In parallel with the FS, Horizonte submitted the Social Environmental Impact Assessment ("EIA") with the Pará State Environmental Agency ("SEMAS"), which forms an essential part of the permitting process, and the Company is targeting the approval of the EIA and subsequent granting of a preliminary licence in during 2024.

Over the coming months, Horizonte will continue to work closely with local stakeholders as Vermelho is expected to contribute significant employment opportunities for the region and deliver significant socio-economic value.

All assumptions are as per October 2019 NI 43-101 Technical Report

FINANCIAL REVIEW

Simon Retter
Chief Financial Officer

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. Horizonte Minerals Plc changed its presentation currency from Pounds Sterling to US Dollars effective 1 January 2022. The presentation currency has been revised as the financing package concluded by the Group to construct the Araguaia project is denominated in US Dollars and future revenues will also be in US Dollars. The board therefore believes that US Dollar financial reporting provides more relevant presentation of the Group's financial position, funding and treasury functions, financial performance and its cash flows. The principal financial key performance indicators ('**KPIs**') monitored by the Board concern levels and usage of cash. The main financial KPIs for the Group allow it to monitor costs and plan future exploration and development activities and are as follows:

	2022	2021
Cash and cash equivalents	**US$154M**	US$210.5M
Administrative expenses as a percentage of Total assets	**2.41%**	2.53%
Funds raised to advance Araguaia	**US$175M**	US$197M
Funds raised to advance Vermelho	**US$25M**	—
Undrawn senior debt facility available	**US$341.2M**	—
Mine Development and exploration costs capitalised	**US$188.6M**	US$13.6M

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 decreased, as a result of financing secured during the year to finance the Araguaia project construction and increased activity in advancing the Araguaia project which was capitalised to the Mine Development asset.

Exploration costs capitalised predominantly relate to expenditure on the Araguaia project construction. This amount excludes capitalised borrowing costs as a result of the Royalty financing arrangement, convertible loan notes and loan facilities. It also excludes the capitalised environmental rehabilitation provision.

During the current year US$175 million was secured to advance the Araguaia project construction. US$95 million (US$65 million convertible loan notes, US$25 million cost overrun facility and US$5 million first utilisation on senior debt facility) was part of the US$633 million funding package concluded in December 2021 to finance the construction of the Araguaia project. Gross proceeds of US$80million was secured through an equity fundraise as the forecast capital cost for the construction of the Araguaia Project increased due global inflationary pressures, engineering improvements to de-risk the project and to accelerate engineering studies and basic engineering for the development of line 2 at Araguaia, as well as further invest in the decarbonisation strategy for the Project.

	Year ended 31 December 2022 US$	Year ended 31 December 2021 US$
Loss before taxation	**(5,317,302)**	(13,370,515)
Trade and other receivables	**58,739,737**	13,796,627
Cash and cash equivalents	**154,027,967**	210,492,280
Exploration & Mine Development assets	**276,799,663**	67,435,919
Fair value of derivative asset (Royalty buy-back options)	**14,489,387**	4,950,000
Royalty finance liability	**89,745,254**	44,496,504
Convertible loan notes	**59,447,520**	—
Senior debt facility	**4,328,241**	—
Cost overrun facility	**23,809,827**	—
Total equity	**299,429,702**	229,284,646
Loss per share (pence)	**(2.634)**	(15.698)

Loss for the year

The loss for the year is US$5.3 million compared to a loss of US$13.4 million in 2021. This was primarily due to increased headcount and activity in securing the financing for the construction of the Araguaia Project, gain on change in fair value of convertible loan note embedded derivative, overall net foreign exchange gain due to the weakening of the Pound Sterling to the US Dollar and an increase in net finance cost.

The Group has continued to keep a tight control on its administrative costs, but they are expected to rise as the Group increases its headcount and progresses with the construction at Araguaia as well as the continued advancement of Vermelho. As a result of this the administrative expenses increased during the year from US$7.8 million to US$12.5 million.

The convertible loan notes issued during the year were classified as a hybrid financial instrument, whereby a debt host liability component and an embedded derivative liability component was determined at initial recognition. The movement in the embedded derivative fair value from initial recognition to the year-end date was a gain of US$6.8 million. For further details on the valuation refer to note 22.

The value of the Mine Development asset and intangible assets has increased significantly during year due to the additions arising from the Araguaia Project construction and the capitalisation of interest. During the year US$13.2 million of borrowing costs was capitalised to the Mine Development asset for the Araguaia Project compared to US$7.1 million in 2021. The net finance costs of US$6.4 million is primarily the borrowings costs as a result of the Vermelho royalty agreement. These borrowing costs are not capitalised as the project has not yet commenced development.

Furthermore, total comprehensive loss attributable to equity holders of US$10.9 millon included loss on currency translation differences of US$6.7 million. This was due to the weakening of Pound Sterling against the USD as at 31 December 2022, as compared to 31 December 2021. The BRL strengthened against the USD and GBP as at 31 December 2022 when compared to 31 December 2021.

Intangible Assets & PPE

Intangible Assets & PPE, which comprise both the Araguaia and Vermelho projects, have increased to US$ 276.8 million as at 31 December 2022 as compared to US$67.4 million at 31 December 2021. The Group incurred US$184million in capital expenditure relating to the Araguaia Project construction; as well as borrowing costs capitalisation of US$13million.

There was also a foreign exchange revaluation gain of US$7 million due the strengthening of the BRL. The exploration assets of the business are recorded in the functional currency of Brazil, the country in which they are located.

Trade and other receivables

Included in trade and other receivables are prepaid transactions costs of US$42 million (2021: US$12.6million) relating to the senior debt finance facility. The transaction costs will be offset against the debt when it is drawn down.

Cash and cash equivalents

The group held cash and cash equivalents of US$154 million compared to US$210.5 million in the prior year. The decrease was a result of funds spent in the Araguaia Project construction.

Royalty Liability

The Group has secured two royalty financing arrangements of US$25million each for each of its projects -Araguaia and Vermelho.

The Araguaia royalty finance secured in 2019 has been recognised as a liability and valued using the amortised cost basis at US$48.8 million at 31 December 2022 (US$44.5 million at 31 December 2021). This funding is not repayable until the project enters into production and following that the royalty payments are made at a royalty rate of 2.95%. 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 royalty 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 buy-back price is driven by the holder obtaining certain milestones on its return on investment. The result of these options is a derivative asset being recognised on the balance sheet at a fair value of US$5 million (2021: US$4.95 million).

The Vermelho royalty finance secured in 2022 has been recognised as a liability and valued using the amortised cost basis at US$41 million at 31 December 2022. This funding is not repayable until the project enters into production and following that the royalty payments are made at a royalty rate of 2.1%. The royalty rate will increase to 2.25% if substantial construction of the Vermelho Project has not commenced within 5 years of the closing date, 30 March 2022. The royalty is due on revenue on a quarterly basis and has been revalued based on the expectation of the future royalty 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 buy-back price is driven by the holder obtaining certain milestones on its return on investment. The result of these options is a derivative asset being recognised on the balance sheet at a fair value of US$9.5 million. For more details on the royalty financing arrangements, refer to note 21 of the financial statements.

Convertible loan note liability

The Company issued convertible loan notes to the value of US$65 million at an interest rate of 11.75% with interest accruing quarterly in arrears. The convertible loan notes were issued at a discount of 5.75%. The maturity date of the instruments is 15 October 2032.

At any time until the Maturity Date, the Noteholder may, at its option, convert the notes, partially or wholly, into a number of ordinary shares up to the total amount outstanding under the Convertible Note divided by the Conversion Price. The conversion price is £1.268/US$1.71.

The convertible loan is a hybrid financial instrument, whereby a debt host liability component and an embedded derivative liability component was determined at initial recognition. For convertible notes with embedded derivative liabilities, the fair value of the embedded derivative liability is determined first and the residual amount is assigned to the debt host liability. Thereafter the debt host liability is valued using the amortised cost basis. At 31 December 2022 the total carrying value for the convertible loan notes was US$59 million. For more details on the convertible loan notes refer to note 22 of the financial statements.

Senior debt facility

On 7 December 2022, the Group satisfied all conditions precedent for the first utilisation under the senior debt facility of US$346.2 million. The first utilisation was for US$5million.

The total senior debt facility is US$346.2million (Commercial Facility US$200million and ECA Facility US$146.2million). The final maturity date on the Commercial Facility is 15 July 2030. The final maturity date on the ECA Facility is 15 July 2032.

Both the Commercial and ECA facilities are valued using the amortised cost basis. At 31 December 2022 the total carrying value for the senior debt facility is US$4.3 million. For more details on the senior debt facility refer to note 24 of the financial statements.

Cost overrun facility

On 30 November 2022, the Group satisfied all conditions precedent in relation to the cost overrun facility (COF) and had received all COF funds from Orion. Access to the COF funds is restricted and will only be available in the case of a cost overrun against the Araguaia Project construction schedule and budget.

The COF is US$25million with an interest rate of 13% and a maturity date of 15 October 2032. Interest will be calculated quarterly and be payable in arrears.

The COF is valued using the amortised cost basis. At 31 December 2022 the carrying value of the COF was US$23.8 million. For more details on the COF refer to note 23 of the financial statements.

Simon Retter
Chief Financial Officer

28 March 2023

SUSTAINABILITY GOVERNANCE

Dr Gillian Davidson
Chair of the Board Sustainability Committee

> *Companies with good governance are more likely to have enhanced environmental and social practices relative to their peers*

As an experienced non-executive director and sustainability practitioner, the feedback I receive from stakeholders that, 'companies with good governance are more likely to have enhanced environmental and social practices relative to their peers', resonates with me.

The last year marked a number of important achievements for Horizonte, not just in the development of our Araguaia project, but also in the further evolution of our governance framework and associated systems.

I am delighted to be the Chair of Horizonte's inaugural Sustainability Committee, established in April 2022. Our vision *to be a globally significant, sustainable nickel producer*, means that sustainability plays a critical part in our overall business strategy. The mandate of the Sustainability Committee has wide-reaching objectives that reflect our strategy:

- maintaining healthy and safe work places, environmentally sound and responsible resource development, good community relations and the protection of human rights;
- promoting the appropriate culture, behaviours and actions in relation to these matters; and
- communicating the Board's commitment to these matters to the Group's employees, contractors and other stakeholders.

The Sustainability Committee will meet three times a year, including a visit to our operations in Brazil, to provide oversight, but also to support and promote leadership in sustainability throughout the Horizonte. In fact, during our October 2022 visit to Brazil I was impressed by the excellent programs designed to increase the number of local people in our workforce. On a visit to our '*Transforming Horizons*' partnership with SENAI, I met a lady with her infant grand-daughter, who was studying to become a worker at our mine, whilst her own daughter was studying university night classes. I was thrilled to hear that the program was recognised in the ESG Category of the Ser Humano Awards in Brazil.

Within the workplace we are supported by local, Pará State and Brazilian companies and I have been delighted to see the increasing participation by these teams in our safety programs. Our programs have a strong behaviour-based safety focus and leading indicators to support this. Contracting partners who initially struggled to participate are now significantly better performing, with the resulting benefits to workplace safety and health. Look at our highlights overleaf to see these results.

The discussions we have had on advancing our enterprise risk management (ERM) and materiality processes also brought me great satisfaction. Risk management is the foundation of how we demonstrate respect and caring for our stakeholders, and most importantly, those who may be impacted – positively and negatively – by our activities. This year we invited, for the first time, a number of external stakeholders to participate in our materiality assessment process, which is industry leading practice (see the following page). In 2023 we will also formalise our ERM continuous improvements with Management reports to the Board on ERM action plan implementation.

Reflecting our commitment to the successful achievement of the growth principle of our strategy - with production at Araguaia fast approaching and successful funding of a feasibility study for Vermelho underway – we completed a systematic review of our corporate policies. We subsequently endorsed a Horizonte Policy on Security and a Policy on Inclusion and Diversity, as well as supporting Management's development of a Supplier Code of Conduct, to complement our existing Policies. Additional complementary corporate policies are expected to be released in 2023. I will share more details of these objectives in our 2022 Horizonte Sustainability Report.

As a result of conversations at the World Economic Forum (WEF) in 1999, the then Secretary-General of the United Nations (UN) and Nobel Peace prize laureate, Kofi Annan issued a call for a '*Global compact of shared values and principles'* on human rights, labour standards, environmental practices and anti-corruption. This was the genesis of what later became the UN Global Compact (UNGC), a movement of over 21,000 companies and 162 countries! As a former member of the WEF team, I have seen first-hand, around the world, the significant positive impacts that mining companies can bring to host communities when aligned to these values, principles and the Sustainable Development Goals. Horizonte's efforts in 2022 to commence target setting and reporting aligned with the UNGC, for a company which had not yet even commenced construction, was leading practice.

Accompanying the Sustainability Report and our reporting on our progress in implementation of the UNGC targets that we set for ourselves, will be a significantly expanded set of disclosures of our sustainability performance to standards, supporting our transition from developer to producer and a demonstration of our commitment to honesty (integrity) and courage in our actions.

Beyond our own work in sustainability governance, the Horizonte Board of Directors is supported by the work of an independent, environmental and social consultancy. This group conduct quarterly assurance reviews of our Araguaia operations to monitor conformance to the international standards that have been adopted by Horizonte. The outcome of these reviews are presented to the Sustainability Committee and inform the processes of governance that we undertake on behalf of shareholders and stakeholders.

Dr. Gillian Davidson
Chair of the Board Sustainability Committee

Materiality

Each year we analyse the most important sustainability issues for our business and stakeholders to inform our strategy and focus areas for the upcoming year. In 2022/3 we enhanced this process to reflect the evolution of our business. In this more comprehensive process we:

- Identified topics from industry and peer bench-marking, enterprise risk management processes, industry standards, ESG rating services and grievance mechanisms;
- Undertook a detailed analysis of our peer group and their published material topics assessment;
- Invited a variety of internal and external stakeholder to complete a materiality survey to indicate to us which sustainability topics are of most importance;
- Conducted an assessment process to identify priorities - using weighting to 'draw out' issues that also intersect with our enterprise risk management, peer-based norms and industry trends; and
- Completed a validation process with executive and sustainability specialised Board members.

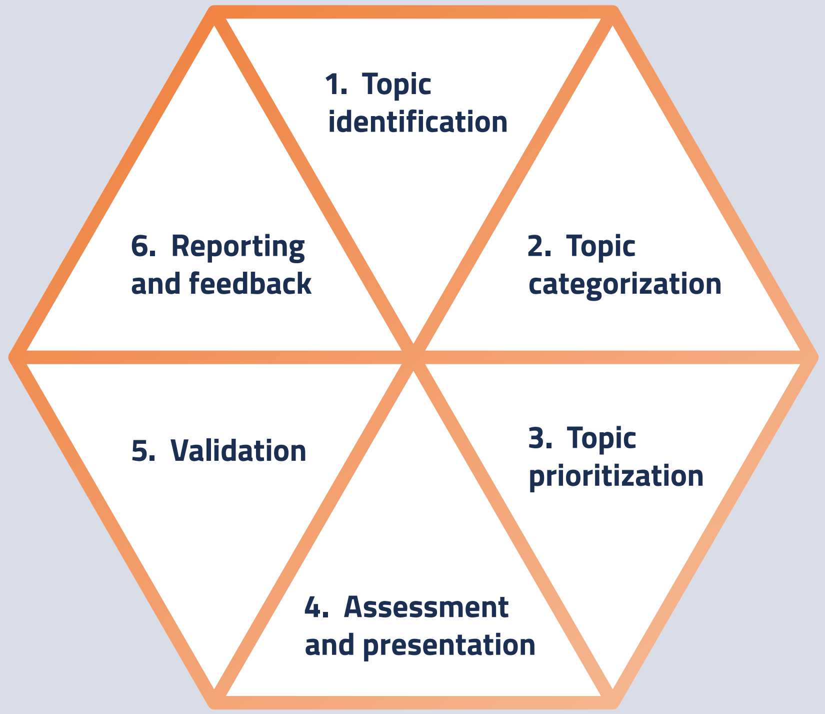


Figure – Overview of materiality assessment process

SUSTAINABILITY HIGHLIGHTS

		2022 HIGHLIGHTS	2023 OBJECTIVES AND TARGETS
Horizonte is a great place to work	Safety, health and wellbeing	Zero fatal injuries Zero recordable injuries No material impact from COVID and 100% workforce vaccination Leading practice 3D intelligent design review implemented at ANP[1] Golden Rules implemented Critical risk controls implemented ANP occupational hygiene monitoring commenced	Zero fatal injuries Zero recordable injuries Group Health, Safety and Wellbeing Policy Continue critical risk control implementation through construction Develop Crisis Management Framework to complement Incident and Emergency Management Frameworks
	People and culture	Grievance mechanism embedded Zero human rights complaints 29% of employees are female Group Inclusion and Diversity Policy drafted Inaugural employee satisfaction survey	Group I&D Policy and related programming commencement Grievance mechanism continuous improvement Employee pulse survey program to monitor culture evolution through transition to operations Requisite organisation design for evolution to producer
Stakeholders are proud to partner with Horizonte	Local socio-economic development	ANP strategic partnerships with SENAI and FIEPA for local skills development ANP local community employment program started	Continue SENAI and FIEPA partnerships implementation Achieve >70% local community employment program graduates into ANP workforce
	Environmental stewardship	ANP Biodiversity Action Plan implementation ANP Critical Habitat Assessment completed Advanced PPP[2] to enhance community infrastructure and mitigate ANP access road impacts	Update ANP BAP for operations Update ANP Ecosystems Services Assessment Invasive Species Management Plan developed for ANP Zero reportable environmental incidents Implement additional PPP initiatives including ANP access road asphalting
	Supplier partnerships	HZM Supplier Code of Conduct development ANP supplier development program inaugurated	HZM Supplier Code of Conduct implementation Continue ANP supplier development program implementation
We act with integrity	Environment and social governance	Review of the governance architecture by the BoD[3] Inauguration of the Board Sustainability Committee BoD endorsed HZM Security Policy	Upgrade ERM[4] systems to reflect producer evolution Group level policies for governance framework endorsed
We achieve our goals for growth	Doing what we say we will do	Continued implementation of ANP Environmental Control Plans ESIA and RIMA for Vermelho submitted to regulator	Vermelho public hearing
	Construction partners performance	HZM Supplier Code of Conduct development ANP Contractor Safety Scorecard implemented	HZM Supplier Code of Conduct implementation
	Planning for the future	ANP Critical Habitat Assessment to complement BAP	Vermelho BFS sustainability technical studies
	Creating and retaining value	Disclosed government payments in line with EITI[5] Disclosed local supply chain value as per Mining LPRM[6]	Continued improvement in disclosures
Operational excellence	Energy and climate change	10 year energy supply secured providing renewable supply to Araguaia	Conduct climate scenario modelling Complete physical risk assessment Update transition risk assessment Prepare for TCFD disclosure
	Waste and tailings	ANP re-designed to avoid on-site landfill Engagement of specialist solid waste management provider	Complete GISTM gap analysis for ANP slag facility

1. Araguaia Nickel
2. Private public partnership
3. Board of Directors
4. Enterprise risk management
5. Extractive Industry Transparency Initiative
6. Local Procurement Reporting Mechanism

SUSTAINABILITY **STRATEGY**

Supporting the Horizonte strategy are four key strategic principles. As a Company, we recognise that it is through operating in line with our values-founded principles, that we will achieve our vision – to be a globally significant and sustainable nickel producer

Horizonte is a great place to work

Mission

Safe and healthy workplaces

Inclusive culture

Material issues

Appropriate culture, behaviours and actions within the business

Diversity and equal opportunity

Emergency management and preparedness

Occupational health and safety

Pre-production targets

- Zero fatalities and serious potential incidents.
- Maintain rigorous adherence to our COVID-19 management protocols and procedures.
- Continue implementation of our construction safety program including hazard and operability studies.
- Commence development of a Horizonte Health and Safety strategy and policy.
- Develop an Inclusion and Diversity Policy and programming for the company.
- Develop programming to maintain and enhance our successful levels of female workforce representation as we transition to operations.
- Develop and implement a Horizonte Minerals Code of Conduct.

Stakeholders are proud to partner with Horizonte

Mission

Protection of human rights

Good community relations built on interdependent relationships

Environmental sound and responsible resource development

Transparent communications

Protection of privacy

Material issues

Biodiversity

Child labour

Community economic development

Community health

Community and stakeholder engagement

Human rights

Land use and reforestation

Local and national employment

Resettlement

Pre-production targets

- Develop a Policy on Security aligned with the Voluntary Principles on Security and Human Rights.
- Zero legitimate human rights complaints against Horizonte.
- Develop and implement a Supplier Code of Conduct.
- Continue to advance our programs on local procurement and commence disclosure in line with the Mining Local Procurement Reporting Mechanism.
- Review supply chain systems and policies to strengthen these ahead of construction and operations.
- Develop an Environmental Policy as the 'umbrella' for extensive and detailed Environmental Control Plans.

We act with integrity

Mission

Responsible and ethical conduct in all interactions

Fairness and integrity in all our business dealings

Material issues

Anti-corruption and bribery

Ethics and transparency

Governance and risk management

Pre-production targets

- Update the Horizonte Governance Framework to reflect the next phase of company development for endorsement by the Board of Directors.
- Develop an enhanced stand-alone Anti-corruption Policy to complement the Business Integrity Policy and other governance systems.
- Enhance our existing disclosures through alignment to the Extractive Industries Transparency Initiative (EITI).
- Commence development of systems to identify conflict of interest within the business ahead of rapid workforce expansion.
- Enhancement transparency of our activities by disclosing against international standard of relevance to the mining industry and seeking assurance of our sustainability reporting.

Operational excellence

Mission

By adhering to our principles, we will achieve our vision and create the platform for operational excellence.

We achieve our goals for growth

Mission

Doing what we say we will do

Data driven decision-making

Thinking about the future

Creating and retaining value

Efficient and requisite systems

Enabling a culture of accountability and authority

Material issues

Climate change risk and adaptation

Economic performance

Permitting and compliance

Tailings management

Waste management and effluents

Water management and stewardship

Pre-production targets

- Zero reportable environmental incidents.
- Zero significant spills.
- 100% compliance with air quality, noise and vibration, and water regulatory requirements.
- Advance development of our net carbon neutral strategy and associated technical studies:
  - Conduct climate scenario modelling for our Brazilian projects.
  - Update the transition and physical risk assessments for the company.
  - Complete PFS on Araguaia RKEF decarbonisation opportunities.

Early development targets

- Conduct baseline energy audit for the Araguaia operation
- Advance development of our net carbon neutral strategy and associated technical studies:
  - Complete feasibility study on Araguaia RKEF decarbonisation opportunities.

STAKEHOLDER ENGAGEMENT

Clear and timely engagement with stakeholders

Our principal decisions

We consider 'principal decisions' to be those decisions linked with our strategy, or resulting from major regulatory changes, that entail significant implications for our stakeholders and the Company's future.

During 2022, the Board's principal decisions with relevant implications for our stakeholders and the Company's future were:

- Approval of the construction of the Araguaia project
- The approval of the Company's Business Plan and Budget
- The award of key equipment packages to certain suppliers
- The appointment of two Non-Executive directors to the Board
- Approval of ~US$80 million equity fundraise package for the construction finance of the Araguaia Project

The Board and its Committees are mindful of the potential impact of decisions on relevant stakeholders whilst also having regard to a number of broader factors, including the need to foster the Company's business relationships with suppliers, customers and others. Particular consideration is given to the impact of the Company's projects on the community and environment, responsible business practices and the likely consequences of principal Board decisions in the long term.

The Company, its Board of Directors and Company management are fully committed to effectively engaging with all key stakeholders.

All members of the Board of Directors understand the duties as directors under Section 172 of the Companies Act 2006. We are committed to fostering strong relationships with our stakeholders through purposeful engagement, and value creation, with fair and thoughtful consideration of stakeholder perspectives within our strategic decisions. We recognise that we can only achieve long-term success by considering how our projects affect stakeholders such as communities and the environment, supported by a strong ethics culture.

Responsibility for stakeholder engagement is embedded across the business, from the Board to the Executive Committee and site leadership teams, to our community liaison teams and our contractors. Everyone who interacts with Horizonte's employees, investors, lending banks, national or local government, suppliers and host communities is responsible for ensuring that we not only understand the context and impacts of our operations, but also the benefits that can arise from our activities.

Our stakeholders

We identify our relevant stakeholders on the right by considering their influence on the success of our business model and strategy. Here we explain the importance of engagement, how we do it, significant topics raised, Horizonte's responses and the actions the Company has undertaken. In our 'Managing Our Risks and Opportunities' section on pages 34-41, we evaluate the risks associated with these relationships and the strategies we use to mitigate them.

	EMPLOYEES	COMMUNITIES	SHAREHOLDERS	SUPPLIERS AND CONTRACTORS	GOVERNMENT AND CIVIL SOCIETY
Importance of engaging	At Horizonte, we believe that our employees are the cornerstone of our business and that a partnership approach is vital to achieving business objectives. We provide competitive remuneration and invest in professional and personal development while providing an engaging, safe and healthy working environment.	Trust, understanding and cooperation with the communities that surround our projects are 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.	Our shareholders are Horizonte's owners and their continued support is critical to the business. As we seek to develop a sustainable mining company for the long-term, they provide the capital to develop and build our operations responsibly and sustainably and consequently, we need to ensure we continue to deliver a compelling investor proposition.	Building stable, long-term relationships based on mutually beneficial terms with our suppliers and contractors ensures we are not only able to deliver our projects on time and on budget, but is also critical in maintaining our reputation. It is integral to business success that we work in collaboration with the whole value chain, as we strive for compliance with our ethical, environmental and safety standards.	Horizonte complies with laws and regulations applicable to it and we are focused on ensuring Brazil shares in the benefits of our Projects through the creation of long-term value creation. The ongoing support from all government bodies and civil society is critical to this development and we value the importance of working collaboratively and productively with all relevant entities.
How Horizonte engages	- Maintain open lines of communication for employees, senior management and the Board - Hold weekly team meetings and host quarterly virtual town hall meetings - Undertake quarterly staff engagement surveys - Provide regular health and safety training - Operate an independent whistleblowing service	- Host formal and informal ad hoc community meetings to understand and discuss our host communities' concerns and priorities - Operate grievance mechanisms to address community concerns and maintain a grievance register - Conduct quarterly sustainability audits to identify potential positive and negative impacts of our project's activities	- Organise one-on-one meetings and roadshows - Attend investor conferences - Host webinars and group presentations - Direct dialogue at the Annual General Meeting - Produce corporate materials including announcements, company website, Annual Report and social media updates - Provide on-going dialogue with retail investors via our info@horizonteminerals.com email address	- Regular direct communication - All suppliers are required to adhere to our Business Integrity Policy - Operate an independent whistleblowing service - Committed to improving the socio-economics of our host area, promoting local procurement	- Direct engagement with local, provincial and national government authorities regarding mining rights, environmental issues and permitting - Provide regular progress updates to relevant government departments - Built strong relationships with the relevant government officials to ensure the Company receives the required permits
Significant topics raised	- Team resources - Training and development opportunities - Working conditions - Labour and human rights - Health and safety	- Employment and procurement opportunities - Socio-economic development - Environmental stewardship - Health and safety	- Operational progress - Project financing - Board and team capability - Environmental, social and governance performance	- Contract awards - Operational progress - Project financing - Working conditions - Labour and human rights - Health and safety	- Employment opportunities - Social initiatives - Health and safety - Compliance with applicable laws and regulations
Responses and actions taken	- Undertake continuous safety training - Local SENAI training initiative to aid recruitment - Investigate any reports under the whistle-blower protocol	- Launched a host community development programme with Brazil's leading national industrial training provider, SENAI. - Created an information centre in our local town - Ran multiple community focused media campaigns - Undertook employment drives in our host state, and across Brazil	- Investor engaged as part of the ~US$80m equity fundraise - In depth due diligence ahead of first tranche of Senior debt following conditions precedents - Key senior appointments - New Chair of the Board and two new directors appointed - Third Sustainability Report published	- Competitive tendering processes undertaken - Strict monitoring of sub-contractors Health and Safety (H&S) performance - Detailed technical evaluation & Know Your Client (KYC) undertaken prior to any contract award	- Launched a host community development programme with Brazil's leading national industrial training provider, SENAI - Undertook employment drives in our host state, and across Brazil

MANAGING OUR RISKS AND OPPORTUNITIES

A key accountability and authority of the Horizonte Board of Directors is defining the boundaries of risk tolerance and appetite within the business, to drive alignment to the company values, ethics and business conduct standards. The Horizonte risk management system operationalises the processes of Board input and oversight into the management of risk, as well as the mechanisms by which the Executive Management determine materiality.

The risk management system, aligned to ISO 31000, is designed to achieve the following:

- Board visibility on material risks.
- Personnel understand their accountabilities and authorities in relation to risk, including:
  - Any Horizonte team member may stop an activity that they consider presents a threat of loss of life, loss of human rights and/or loss of protected environmental, cultural or social values.
  - Only the CEO has the authority to approve activity with a residual (after controls) 'catastrophic' level of risk.
- Executive Management are accountable to identify, assess and manage strategic risks, including cumulative, emerging and evolving risks, as well as those of a tactical nature.

To deliver these objectives, the risk management system comprises:

- Enterprise Risk Management – the process by which the Board and Management identify and manage Horizonte's strategic risk universe.
- Materiality assessment - the process through which the Board, Management, specialists and key external stakeholders identify and manage material sustainability risks and associated governance related disclosures.
- A risk matrix to ensure consistency in risk assessment across the company.
- Project pipeline risk identification, assessment and management processes including due diligence, impact assessments and related analysis.
- Business unit (Araguaia, Vermelho) level risk identification, assessment and management processes including the documentation of risk registers.

In undertaking the Horizonte enterprise risk management process to identify and assess the prevailing risk universe, the company reviews industry trends, peer group benchmarks, market analysis and business unit risk registers.

RISK FACTORS

In accordance with disclosure and transparency laws, the company is required to provide a description of the material adverse risks and uncertainties that it faces. These risks are similar to those faced by many companies in the mining industry and specifically companies in the operational development phase.

A description of such risks and uncertainties, as well as mitigating factors and controls applied by Horizonte, are documented in the following table.

This table is not prioritised list, nor is it exhaustive. It is rather the Board's view of principal risks at this point in time. There are additional risks which are not yet considered material or which are not yet known to the Board or fully understood but which may assume greater importance in the future.

Impact of metals prices and global macroeconomic developments

Nature of risk		Management and Mitigation
The value of the Company's assets, potential earnings or viability of projects may be affected by fluctuations in commodity prices, such as the US$ denominated nickel and cobalt prices. Commodity prices can significantly fluctuate and are exposed to numerous factors beyond the control of the Company such as world demand for base metals, forward selling by producers, and production cost levels in major metal producing regions. Other factors that can affect commodity prices include expectations regarding inflation, the financial impact of movements in interest rates, global, regional and local economic trends, and domestic and international fiscal, monetary and regulatory policy settings.		• Monitor price movements and market dynamics using primarily third-party analysis and forecasts • Hedging policies for exchange rate risk
Risk trend	**Risk Class**	**Strategy Element**
Slightly improved	External	• Deliver low cost, low carbon nickel and cobalt • Capital efficiency

Capital project delivery and operational transition

Nature of risk		Management and Mitigation
It is not uncommon for new mining developments to experience unexpected problems, increased costs and delays during construction, commissioning and production start-up, or indeed for such projects to fail. Any adverse event affecting Horizonte's projects, either during their development or following the commencement of production, would have a material adverse effect on the Company's business, results of operations, financial condition and the price of its Ordinary Shares.		• Project execution planning and monitoring by Management with the support of specialist Technical Committees and independent third parties • US$400m of key contracts awarded as of 31 December 2022 and significantly advanced detailed engineering at Araguaia • Pursuing acceleration options to reduce the time required to reach first production • Highly experienced projects and commissioning teams
Risk trend	**Risk Class**	**Strategy Element**
Slightly increased	Operational	• Deliver low cost, low carbon nickel and cobalt • Capital efficiency

MANAGING OUR RISKS AND OPPORTUNITIES CONTINUED

Critical permits delayed or declined

Nature of risk	Management and Mitigation
Horizonte's current and future operations require approvals and permits from various federal, state and local governmental authorities, and such operations are and will continue to 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 can be no assurance that the group will obtain required permits on reasonable terms or on a timely basis, nor that delays will not occur in connection with obtaining, maintaining or renewing any approvals or permits necessary for the business.	Develop a culture aligned with our commitment to sustainable operations Maintain cooperative and proactive relations with relevant government departments Established compliance obligations systems for permits, regulations, and title requirements Collaborate with other members of the mining community through the Brazilian Mining Association (IBRAM) and as a member of the Nickel Institute

Risk trend	Risk Class	Strategy Element
Unchanged	External	Operate responsibly Deliver low cost, low carbon nickel and cobalt

Stakeholder relations and social licence

Nature of risk	Management and Mitigation
Horizonte is committed to building and operating our projects in a safe and responsible manner. At both a local and a global level, the mining industry's stakeholders have high expectations relating to social and environmental performance. These expectations go beyond the responsible management of negative impacts, to include continuous engagement and meaningful contribution to stakeholder economic development. Failure to adequately address these expectations increases the risk of opposition to mining projects and operations. Negative sentiment towards mining or specifically towards Horizonte Minerals plc could have an impact on our reputation and acceptability in the regions where we have a presence. Legal or administrative proceedings, civil unrest, protests, direct action or campaigns against us could materially and adversely affect our business, financial condition or project development.	Application of international standards for social risk management Local development agenda agreed at Araguaia Social development plans approved by regulator Up-to date compliance register of commitments and obligations Independently operated grievance mechanism Dedicated community relations and social specialists Independent monitoring and review of social performance Transparent performance reporting

Risk trend	Risk Class	Strategy Element
Slightly increased	Operational	Operate responsibly Deliver low cost, low carbon nickel and cobalt

Key contractors and supplier reliance

Nature of risk	Management and Mitigation
The mining industry frequently engages specialist EPCM contractors to deliver major project construction. Horizonte is working with EPC teams for the construction of its Araguaia project. The outsourced nature of these activities means that the performance of such contractors and suppliers can impact project deliverables. Performance issues by contractors or misalignment in goals may manifest as delays to the construction programme schedule, unanticipated costs being incurred, and/or in plant and equipment performance in commissioning or operations.	Establishment of project execution plans and controls Technical Committee and independent third-party review Active performance and change management processes Major project authorisation and intervention thresholds Business key performance indicators for project delivery, health and safety and sustainability as components of the rewards framework

Risk trend	Risk Class	Strategy Element
Unchanged	Operational	Operate responsibly Deliver low cost, low carbon nickel and cobalt Capital efficiency

Liquidity, access to capital and debt covenants

Nature of risk	Management and Mitigation
Pre-revenue mining companies are typically reliant on external funding to provide the required liquidity to operate and to undertake project development activities. The inability to obtain external funding of a sufficient quantum that allows project development to be completed and production to generate positive operating cash flows, presents the risk that the developer would not be able to continue to operate. External funding when secured is contingent upon conformance to highly detailed, prescriptive and sometimes onerous conditions. The ability to conform to these conditions may be affected by inputs outside of the borrower's control, which could lead to breach of debt covenants and related impacts.	Horizonte secured a US$713m funding package for the development of Araguaia which included a US$45m of cost over-run, growth and contingency allowance Horizonte secured a $25m royalty agreement for the Vermelho Feasibility Study Supportive shareholder and lender group Active investor relations to address existing and new investor expectations Financial delegation of authority framework to control deployment of capital

Risk trend	Risk Class	Strategy Element
Improved	Financial	Deliver low cost, low carbon nickel and cobalt Capital efficiency

MANAGING OUR RISKS AND OPPORTUNITIES CONTINUED

Human capital

Nature of risk	Management and Mitigation
The development and success of a mine developer depends on the ability to recruit and retain high quality and experienced staff, reflecting the various skills and competencies needed for the phases of evolution of the business. The loss of service of key personnel or the inability to attract additional qualified personnel at key points in the business growth, could have an adverse effect on financial conditions and business delivery. Horizonte has traditionally operated with a small number of key individuals, in particular its senior Management, reflecting the pre-revenue nature of the business. Talent management processes, such as succession planning, attractive incentive plans comprising both short and long term elements, and contractual agreements aim to secure and retain the services of these and other key personnel, however, the retention of their services cannot be guaranteed.	• Significant recruitment programme undertaken in Brazil • Araguaia Owner's Lead Team recruited including specialist operational readiness resources • London corporate office strengthened to support business growth • Formal Board nomination committee inaugurated in 2022 • Rewards benchmarking

Risk trend	Risk Class	Strategy Element
Slightly improved	Strategic	• Operate responsibly • Deliver low cost, low carbon nickel and cobalt

Safety, Health and Wellbeing

Nature of risk	Management and Mitigation
It is an inherent risk in the mining industry, that incidents due to unsafe acts or conditions, or the failure of equipment or infrastructure could lead to injuries or fatalities. Safety and health incidents could result in harm to employees, contractors and local communities. Within Horizonte's workplaces people will work with materials that are potentially explosive, or hazardous, they may work with electricity, heavy equipment and machinery and at heights, as well as being exposed to other occupational exposures. Ensuring the safety and wellbeing of people in the workplace is both an ethical obligation and regulatory requirement, and failure to do so can impact lives, maintain licence to operate, ability to attract and retain talent and can affect the company reputation and share price.	• Safety, health and wellbeing are inherent to the Horizonte vision, values and strategic principles • Establishment of systems of leadership accountability • Safety Management Systems incorporating targets, competency, monitoring and auditing processes • Dedicated safety specialists and external specialist support • Routine reviews by Management and the Board Sustainability Committee

Risk trend	Risk Class	Strategy Element
Unchanged	Operational	• Operate responsibly • Deliver low cost, low carbon, nickel and cobalt

Accuracy of resource estimates

Nature of risk	Management and Mitigation
There are numerous uncertainties inherent in estimating mineral reserves and resources, including many factors beyond Horizonte's control. The accuracy of these estimates is a function of the quantity and quality of available data, orebody characteristics and assumptions and judgments used in engineering and geological interpretation, which could prove to be unreliable, thereby affecting estimate accuracy, and ability to mine or process profitably or at all. Fluctuations in metal prices, results of drilling, metallurgical testing, changes in operating costs, production, and the evaluation of mine plans subsequent to the date of any estimate could require a revision of the estimates. The volume and grade of material mined and processed, and recovery rates, might not be the same as currently anticipated. Any material reductions in estimates of the Company's reserves and resources, or of its ability to extract these, could have a material adverse effect on its results of operations and financial conditions.	• Detailed production grade control drilling underway to give high level of confidence around short term mine planning. • External specialist resource consulting group contracted to work as part of the owners team to review and validate updated short term mine plans • Review by external audit group to form part of ongoing quarterly project audit

Risk trend	Risk Class	Strategy Element
Unchanged	Operational	• Deliver low cost, low carbon, nickel and cobalt

Climate and Decarbonisation

Nature of risk	Management and Mitigation
Nickel has a critical role to play in the transition to a low carbon economy, as a primary component of materials used in the construction of solar, wind and hydro power generation, as well as being a key component of electric batteries and stainless steel. Mining operations themselves are reliant on energy and other natural resources and typically result in the production of greenhouse gases. Physical risks, such as extreme weather events and transition risks, such as changes in legislation resulting from global community expectation, may also impact the industry and markets.	• Strategic purpose to be a low-carbon, nickel and cobalt producer • Conduct of decarbonisation conceptual studies for Araguaia • Conduct detailed climate scenario modelling in 2023 to inform updates of the Company transition and physical risk assessments • Commence disclosure in line with the recommendations of the Task-force on Climate Related Financial Disclosures in 2023 disclosures

Risk trend	Risk Class	Strategy Element
Evolving risk	Strategic	• Operate responsibly • Deliver low cost, low carbon, nickel and cobalt

MANAGING OUR RISKS AND OPPORTUNITIES CONTINUED

Cybersecurity

Nature of risk	Management and Mitigation
As a modern mining company, Horizonte has and will deploy technologically advanced, automated systems and processes. This is possible as a result of the use of advanced information systems, data platforms, technologies and global systems, each of which may be exposed to risk of failure or sabotage or which may be used as an avenue for illicitly obtaining intellectual property or other commercially sensitive information. Such failures or sabotage could lead to disruption to critical business systems, loss or theft of confidential information, competitive advantage, or intellectual property, financial and/or reputational harm.	• Support of internal and external, certified IT specialists to ensure reliability and protection of information systems • Third-party specialists provide network assurance • On-going strategic and tactical efforts to address the evolving nature of cyber threats • Increased user training and IT security awareness

Risk trend	Risk Class	Strategy Element
Unchanged	Operational	• Deliver low cost, low carbon, nickel and cobalt

Country risk

Nature of risk	Management and Mitigation
Horizonte has operated in Brazil for over a decade where there has been a stable operating regime for mining; however, it remains subject to risks similar to those prevailing in many developing nations, including economic and social instability, changing regulatory or tax regime or disputes with the authorities in relation to the same. These risks may cause disruption to the Company or cause an increase in costs in order to mitigate their impact; for example a potential increases in taxes could have an adverse effect on the Group's financial results.	• Maintain a positive working relationship with all levels of Government through dialogue • Continue to collaborate with other members of the mining community through IBRAM, the Brazilian mining chamber, to lobby against any potential legislative changes that may have a negative effect to the business • Continue to comply with all applicable environmental and fiscal regulations • Internal and external compliance reviews of Horizonte's tax administration

Risk trend	Risk Class	Strategy Element
Unchanged	External	• Deliver low cost, low carbon nickel and cobalt

The Strategic Report on pages 6 to 41 was approved by the Board of Directors and signed on its behalf by:

Simon Retter
Company Secretary and CFO
28 March 2023

NOTE FROM THE CHAIR

Our governance structure supports our business model to ensure we create long-term value for all our stakeholders

The Board believes in the value of good corporate governance in improving performance and mitigating risk and acknowledges its duty to take into account all stakeholders during its decision-making process. The Board is committed to ensuring the sustainability of its development strategy and to delivering on its commitments to shareholders, clients, employees, partners and other stakeholders with sustainability in mind.

We believe that transparency and fair dealing, particularly in relation to environmental and community issues, are essential in achieving the medium to long-term success of the Company. As part of securing the senior debt funding package, Horizonte undertakes quarterly reviews across a wide variety of topics using an independent third party. These include, but not limited to, Project execution, expenditure and ESG related topics.

Horizonte's primary listing is on the AIM Market of the London Stock Exchange (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. Evolving the Company's corporate governance is a key part of the Company's transition. We have therefore committed to a corporate governance review and will be reporting on subsequent changes in 2023 and beyond.

William Fisher
28 March 2023

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
1. Establish a strategy and business model which promotes long-term value for shareholders	See pages 10-11 and 14-15
2. Seek to understand and meet shareholder needs and expectations	See pages 32-33
3. Take into account wider stakeholder and social responsibilities and their implications for long-term success	See pages 26-31
4. Embed effective risk management, considering both opportunities and threats, throughout the organisation	See pages 34-41
5. Maintain the board as a well-functioning, balanced team led by the chair	See pages 45-47
6. Ensure that, between them, the directors have the necessary up-to-date experience, skills and capabilities	See pages 48-49
7. Evaluate board performance based on clear and relevant objectives, seeking continuous improvement	See pages 48-49
8. Promote a corporate culture that is based on ethical values and behaviours	See pages 8-9 and 30-31
9. Maintain governance structures and processes that are fit for purpose and support good decision making by the board	See pages 42-43
10. Communicate how the company is governed and is performing by maintaining dialogue with shareholders and other relevant stakeholders	See page 49

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
- Review and approval of the Annual Report, financial statements, MD&A and quarterly financial statements. These documents are also reviewed and approved by the Audit & Risk Committee
- Establishment of expenditure limits and approval of exceptions
- Hiring, review and compensation of CEO and CFO (following recommendation from the Remuneration Committee)
- Director recruitment
- Appointment of Chair
- Appointment of Committee Chair 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.

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.

Chair

The primary responsibility of the Chair 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 Chair 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 Chair 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.

Remuneration Committee

The remuneration committee comprises William Fisher (Chair), Owen Bavinton and Vincent Benoit 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 Vincent Benoit (Chair), William Fisher and Gillian Davidson, 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.

Nomination Committee

In December 2021, the company established a formal nomination committee comprising Jeremy Martin (Chair), Owen Bavinton and William Fisher. The committee is responsible for finding and assessing appropriate candidates for the Board in line with the company's evolving required skillset of mine building and production. The committee will also develop a formal succession plan.

Sustainability & ESG

In April 2022, the Company established a formal Sustainability and ESG Committee initially comprising Dr Gillian Davidson (Chair) and Dr Owen Bavinton. The committee is responsible for assisting the Board in maintaining healthy and safe workplaces, environmentally sound and responsible resource development, good community relations and the protection of human rights; promoting the appropriate culture, behaviours and actions in relation to these matters; and communicating the Board's commitment to these matters to the Group's employees, contractors and other stakeholders

BOARD OF DIRECTORS

- Audit and Risk Committee
- Remuneration Committee
- Nomination Committee
- Sustainability & ESG
- C Committee Chair

WILLIAM FISHER
Interim Non-Executive Chair

Appointed
2011

Qualifications
Mr Fisher graduated as a geologist in 1979 and is registered as a Professional Geoscientist of Ontario (PGO).

Skills and Experience
Mr Fisher 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 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 Chair 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 and was CEO of Goldquest Mining Corp which discovered the Remero gold deposit in the Dominican Republic.

JEREMY MARTIN
MSc, ASCM
Director and Chief Executive Officer

Appointed
2006

Qualifications
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.

Skills and Experience
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.

OWEN BAVINTON
BSc (hons), MSc, DIC, PhD
Non-Executive Director

Appointed
2012

Qualifications
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.

Skills and Experience
Dr Bavinton has over 40 years of varied international experience in the minerals exploration and mining sector in several commodities. After brief periods as a junior consultant and an underground mine geologist on a Witwatersrand gold mine, from 1974 to 1985 he had several positions with Western Mining Corporation, finally as director of WMC's activities in Brazil. From 1986 to 1992 he was Chief Executive Officer of Aredor Guinea SA. In 1992 he joined the Anglo American group where he stayed until his retirement in 2010. Based initially in Turkey and then in Budapest, he was responsible for Anglo American's exploration and project evaluation activities in the Former Soviet Union, 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.

GILLIAN DAVIDSON
MA (hons), PhD
Non-Executive Director

Appointed
2022

Qualifications
Dr Davidson has an Honours Master of Arts in Geography from the University of Glasgow, a PhD in Development Economics and Geography from the University of Liverpool and is an alumna of the Governor General of Canada's Leadership Conference.

Skills and Experience
Dr Davidson, an industry leader in sustainability, has over 25 years of experience in the extractives and natural resources sectors. She is an independent sustainability advisor and currently serves as a non-executive director on the boards of AIM quoted Central Asia Metals plc and TSX listed Lundin Gold and New Gold Inc. Dr Davidson is a founding member and Chair of the Global Battery Alliance, an initiative created to drive a sustainable battery value chain. Gillian Davidson is also Chair of International Women in Mining. Dr Davidson was, until 2017, Head of Mining & Metals at the World Economic Forum, leading global and regional initiatives for responsible and sustainable development. Prior to this, she was Director of Social Responsibility at Teck Resources Limited. She holds a MA (Hons) in Geography from the University of Glasgow, a PhD in Development Economics and Economic Geography from the University of Liverpool and is an alumnus of the Governor General of Canada's Leadership Conference.

VINCENT BENOIT
MSc, CA
Non-Executive Director

Appointed
2022

Qualifications
Mr Benoit holds a MSc from Kedge Business School and is a Chartered Accountant with 30 years of corporate finance, business development and M&A experience in the mining, telecom and energy sectors.

Skills and Experience
Mr Benoit joined La Mancha as Head of Strategy & Business Development in 2012. Between 2013 and 2015, he led La Mancha's portfolio restructuring and contributed to the enhancement of its mines performance in Australia and Africa. Mr Benoit identified and executed the combinations with Evolution and Endeavour, which positioned La Mancha as a leading private investor in the gold mining sector. From 2016 to 2019, Mr Benoit was CFO and EVP Corporate Development at Endeavour where he reshaped the strategy, improved the mine portfolio quality, and enhanced the balance sheet to fund the organic growth. Endeavour's market capitalization was quadrupled by the time he left at the end of 2019. In early 2020, he re-joined La Mancha to oversee investments and fund raising. Previously, Mr Benoit was at Orange (2006-2012) where he served as EVP M&A. He led the development of the group's footprint in Africa and Europe and formed strategic partnerships with key European telecoms players. Prior to this, he held various finance positions including with Orano (ex-Areva), Bull Information Systems and PwC.

BOARD REPORTS

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. Dr Owen Bavinton, Dr Gillian Davidson and Mr William Fisher are each considered an independent director since they are each independent of management and free from any material relationship with the Company. The basis for this determination is that, despite their tenures on the board, since 17 January 2012 and 7 June 2011 respectively, Dr Owen Bavinton and Mr William Fisher have not worked for the Company, received remuneration from the Company or had material contracts with or material interests in the Company which could interfere with their ability to act with a view to the best interests of the Company. Dr Gillian Davidson was appointed to the Board on 24 March 2022 and has no direct or indirect material relationship with the Company. The Board continually assesses the independence of its directors, the composition and effectiveness of the Board as a whole and is actively considering supplementing the Board with additional independent non-executive directors in 2023 as the Company transitions to become a producing nickel company.

Each of Messrs Vincent Benoit and Jeremy Martin are considered to be non-independent directors as a result of their respective relationship with the Company.

The Board maintains the exercise of independent supervision over management by encouraging open and candid discussion from its independent directors. In addition, although Mr Vincent Benoit is not considered to be independent, the Board does not view this relationship as impairing the ability of the Board to act independently of management.

Key Strengths

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

	Project Development	Natural Resources	Business Development	Governance	Capital Markets	Sustainability	Brazil
William Fisher	X	X	X	X			X
Jeremy Martin	X	X	X	X	X	X	X
Dr Owen Bavinton	X	X	X	X		X	X
Dr Gillian Davidson		X		X		X	
Vincent Benoit	X	X	X	X	X		

Board changes

As part of the ongoing succession planning for the Board, and as mentioned in the Chair's letter, David Hall stepped down as Chair of the Board during 2022. Sepanta Dorri and Allan Walker both stepped down from the Board at the 2022 AGM. Dr Gillian Davidson and Vincent Benoit both joined the Board in March 2022.

Board diversity

We continue to recognise and embrace the benefits of having a diverse Board; particularly the value that different perspectives and experience bring to the quality of Board debate and decision-making. We hold fast to the importance of making Board appointments on the basis of merit; but we also take seriously considerations such as background and experience, age, gender, and shareholder perspectives in our reviews of the composition of the Board. We believe that setting targets for the number of people from a particular background or gender is not an effective approach and therefore we have no specific quotas or targets. Nevertheless, currently the Board believes that continuity of Board members and familiarity with the Araguaia Project are critical to the Company at its stage in its development. The Board intends to consider whether it should adopt specific policies and practices regarding the representation of women on the Board and in executive positions, including the setting of targets for such representation at such a time as the Corporation moves beyond its development stage into production.

Board Changes and Nominations

The Company's Nomination Committee has assumed responsibility for the recommendation for appointment and assessment of directors. While there are no specific criteria for Board membership, the Company attempts to attract and maintain directors with business knowledge and a particular knowledge of mining, mineral exploration and development or other areas (such as accounting or finance) which would assist in providing guidance to the officers of the Company. As such, nominations tend to be the result of recruitment efforts and discussions amongst the Nomination Committee and the Chief Executive Officer prior to the consideration of the Board as a whole.

Chairs	Board Meetings
David Hall [1]	5/5
William Fisher [1]	11/11
Board Members	
Jeremy Martin	11/11
Dr Owen Bavinton	11/11
Dr Gillian Davidson[2]	8/9
Vincent Benoit[2]	9/9
Alan Walker[3]	5/5
Sepanta Dorri[3]	5/5

1. David Hall stepped down from the Board at the AGM, William Fisher was appointed Interim Non-Executive Chair at the AGM.
2. Dr Gillian Davidson and Mr Vincent Benoit both joined the Board in March 2023.
3. Alan Walker and Sepanta Dorri both stepped down from the Board at the AGM.

The audit committee meets quarterly 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 focused 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
- Carrying value of investment in subsidiaries and intercompany loans
- Convertible loan note accounting and valuation
- Accounting treatment of FEC hedges
- Senior debt facility accounting treatment and valuation
- 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 Chair, co-ordinated by the Company Secretary and concluded by Chair interviews where necessary. In addition, the Non-Executive Directors met, informally, without the Chair 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 Chair 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, CFO and Head of Investor Relations, but the Chair 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 pages 32-33.

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.

2022 shareholder engagement

Q1	Q2	Q3	Q4
• CEO & CFO attended the BMO Metals and Mining Conference • 2021 financial results • Publication of Annual Report • Multiple operational updates • Investor video interview with CEO	• Annual General Meeting • Publication of Sustainability Report • 1Q22 financial results	• Operational updates • 1H22 interim financial results	• 3Q22 financial results • Shareholder interview and Q&A session hosted by CEO & CFO • Multiple operational updates

AUDIT AND RISK COMMITTEE REPORT

Vincent Benoit
Chair of the Audit & Risk Committee

The Audit and Risk Committee currently comprises Vincent Benoit (Chair), Gillian Davidson and William Fisher. The Audit and Risk Committee met five times during the year.

The Auditors have unrestricted access to the Chair of the Audit and Risk Committee.

Audit and Risk Committee meetings are usually attended by the Auditor and, by invitation, senior management.

The main responsibilities of the Audit and Risk Committee include:

- Monitoring the integrity of the Group's financial statements, including review of the financial statements of the Company including its annual and half-yearly reports and any formal announcements relating to its financial performance;
- Reviewing the effectiveness of the Group's financial reporting, internal control policies and procedures for the identification, assessment and reporting of risk;
- Monitoring the effectiveness of the internal control environment;
- Making recommendations to the Board on the appointment of the Auditors;
- Making a recommendation to the Board on Auditors' fees;
- Agreeing the scope of the Auditors' annual audit programme and reviewing the output;
- Ensuring the independence of the Auditors is maintained;
- Assessing the effectiveness of the audit process; and
- Developing and implementing policy on the engagement of the Auditors to supply non-audit services.

The Audit and Risk Committee has considered the Group's internal control and risk management policies and systems, their effectiveness and the requirements for an internal audit function in the context of the Group's overall risk management system.

The Committee is satisfied that the Group does not currently require an internal audit function; however, it will continue to periodically review the situation. An essential part of the integrity of the financial statements lies around the key assumptions and estimates or judgments to be made. The Committee reviewed and was satisfied that the judgements exercised by management contained within the Report and Financial Statements are reasonable.

Details of fees payable to the Auditors are set out in Note 7.

Vincent Benoit

Chair of the Audit & Risk Committee

28 March 2023

REMUNERATION COMMITTEE REPORT

The remuneration committee comprises William Fisher, Owen Bavinton and Vincent Benoit.

The main purpose of the Remuneration committee is to:

- Review the performance of the Executive Director and senior management
- Setting the framework and broad policy for the scale and structure of their remuneration, taking into account all factors which it shall deem necessary
- Recommend the allocation of share options for the Board to approve: and
- Set any performance criteria in relation to the exercise of options granted under any share options schemes adopted by the Group
- Demonstrate to shareholders that the remuneration of the Executive Director and senior management of the Group is set by a committee whose members have no personal interest in the outcome of their decision and who will have due regard to the interests of the shareholders.

Procedures for developing policy and fixing remuneration

The Remuneration Committee fixes executive remuneration and ensures that no Director is involved in deciding their own remuneration. The Committee is authorised to obtain outside professional advice and expertise. The Remuneration Committee is authorised by the Board to investigate any matter within its terms of reference and it is authorised to seek any information that it requires from any employee.

Details of the remuneration policy

The fees to be paid to the Directors and senior management are set by the Remuneration Committee.

Directors' service agreements

Service agreements for Directors and senior management are terminable by either party on 12 months notice period.

Directors' remuneration

The following remuneration comprises Directors' fees and benefits in kind that were paid to Directors during the year:

	Short term benefits			Post employment benefits		Cost to Company	Non-Cash	
	Aggregate emoluments	Other Emoluments (1)	Long-term incentive plan	Pension costs	Total	Social Security Costs	Share Based Payment Charge (4)	Grand Total
Group 2022	£	£	£	£	£	£	£	£
Non-Executive Directors								
William Fisher	65,503	—	—	—	65,503	—	—	65,503
Owen Bavinton	80,634	—	—	17,070	97,704	24,115	—	121,819
Gillian Davidson	50,250	—	—	—	50,250	5,979	—	56,229
Vincent Benoit	50,250	—	—	—	50,250	5,979	—	56,229
David Hall (2)	15,833	—	100,000	—	115,833	15,111	—	130,944
Allan Walker (3)	13,958	—	100,000	—	113,958	14,956	—	128,914
Sepanta Dorri (3)	—	—	—	—	—	—	—	—
Executive Directors								
Jeremy Martin	363,025	240,000	447,745	—	1,050,770	213,156	478,735	1,742,661
Key Management								
Simon Retter	250,000	187,500	447,745	—	885,245	198,827	361,013	1,445,085
	889,453	**427,500**	**1,095,490**	**17,070**	**2,429,513**	**478,123**	**839,748**	**3,747,384**

	Short term benefits			Post employment benefits		Cost to Company	Non-Cash	
	Aggregate emoluments	Other Emoluments (1)	Long term incentive plan	Pension costs	Total	Social Security costs	Share Based Payment Charge	Grand Total
Group 2021	£	£	£	£	£	£	£	£
Non-Executive Directors								
William Fisher	33,500	—	100,000	—	133,500	—	—	133,500
Owen Bavinton	36,000	—	100,000	31,295	167,295	17,548	—	184,843
David Hall	38,000	—	100,000	—	138,000	17,824	—	155,824
Allan Walker	40,000	—	100,000	—	140,000	18,100	—	158,100
Sepanta Dorri	—	—	—	—	—	—	—	—
Executive Directors								
Jeremy Martin	291,461	143,240	700,150	—	1,134,851	155,565	—	1,290,416
Key Management								
Simon Retter	204,750	122,150	700,150	—	1,027,050	140,032	—	1,167,082
	643,711	**265,390**	**1,800,300**	**31,295**	**2,740,696**	**349,069**	—	**3,089,765**

1. Denotes amounts payable for performance related bonuses
2. David Hall stepped down as Chair at the 2022 AGM. Table reflects remuneration received until resignation date
3. Sepanta Dorri and Allan Walker retired from the board at the 2022 AGM. Table reflects remuneration received until resignation date
4. Share options awarded during the year represent options awarded for the periods 2018 to 2021 as the company was unable to undertake its normal annual awards due to restrictions around being in a closed period as a result of the ongoing discussions around the Araguaia Project financing. Following the successful closure of the project financing in December 2021 an award was made to compensate for the prior 4 years.

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.

Directors' interests in shares

Director	**Shares 31 December 2022**	Shares 31 December 2021 (After share consolidation)	Shares 31 December 2021 (before share consolidation)
Jeremy Martin	**117,819**	90,195	1,803,900
Owen Bavinton	**110,000**	100,000	2,000,000
William Fisher	**98,750**	98,750	1,975,000
Gillian Davidson	—	—	—
Vincent Benoit	—	—	—
David Hall (1)	—	51,997	1,039,955
Allan Walker (1)	—	35,273	705,479
Sepanta Dorri (1)	—	—	—

1. Stepped down as directors in 2022.

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 2022 and 28 March 2023.

Share options

The Group operates two Share Option Schemes pursuant to which Directors and senior executives may be granted options to acquire Ordinary shares in the Company at a fixed option exercise price.

Director	**Options 31 December 2022**	**Options 31 December 2021** (After share consolidation)	**Options 31 December 2021** (before share consolidation)
Jeremy Martin	**5,026,250**	1,137,500	**22,750,000**
Owen Bavinton	**575,000**	575,000	**11,500,000**
William Fisher	**575,000**	575,000	**11,500,000**
Gillian Davidson	—	—	—
Vincent Benoit	—	—	—
David Hall (1)	—	650,000	**13,000,000**
Allan Walker (1)	—	575,000	**11,500,000**
Sepanta Dorri (1)	—	—	—

1. Stepped down as directors in 2022.

Further details of the Share Option Schemes can be found in note 17.

Long Term Incentive Plan ("LTIP")

In 2019 the Company put in place a Long-Term Incentive Plan ('LTIP') for the purpose of incentivising, motivating and rewarding certain employees in respect of their contributions to the Company's mid and long-term commercial objectives designed to create value for shareholders. The performance conditions are based upon major project milestones delivered across the Company's two projects; Araguaia and Vermelho.

The agreements for members include four performance conditions. The amount of any bonus payment shall be determined by the performance conditions set out in the applicable bonus agreement for each individual participant.

The performance conditions are:
1. Completion of a comprehensive bankable feasibility study for each Project ('Feasibility Study');
2. Securing full project finance to construct either Project ('Securing Project Finance');
3. The first commercial production of each Project ('First Commercial Production'); and
4. The sale of any interest in either Project or a specified percentage of the share capital of the Company ('Sale').

Both the CEO and the CFO are eligible for certain bonuses upon reaching certain operational milestones which are deemed to be aligned with shareholder value enhancing points in the development pathway of both the Araguaia and Vermelho projects. They are eligible for a fee of 0.475% of gross funds raised with certain Non-Executive Directors receiving Bonuses of £200,000 upon securing Project Financing.

In 2021 the company secured a project finance package to fully fund the Araguaia project through construction therefore triggering one of the key performance conditions of the LTIP. The bonuses paid in 2021 to the CEO & CFO represent those due upon the settlement of the equity portion of the project finance which was closed in 2021. The LTIP bonuses paid in cash during the year to the CEO and CFO represent those due upon the settlement of the convertible loan notes, cost overrun facility and the Vermelho Royalty which was closed in 2022. The non-executive directors that stepped down as directors during the year received the balance of their LTIP bonus. All awards due for the senior debt portion of the project finance package including 50% of any awards due to certain Non-Executive Directors have been deferred until the second draw down of the senior debt facility at which time the award will be paid in full to those eligible. The award has been deferred in order to align with value creation for the shareholders. The CEO and CFO will be eligible for a fee of 0.475% of the senior debt facility of US$346.2million.

By Order of the Board

William Fisher
Chair of the Remuneration Committee
28 March 2023

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 2022.

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 results and dividends

The Group results for the year are set out on page 64. The Group is currently involved in exploration, evaluation and development activities and not actively mining. As a result, the Group is not revenue generative.

During the year the Group made good progress on the construction of the Araguaia Nickel Project which remains on-budget and on-schedule to commence production in Q1-2024. The Group has also advanced the permitting process for the Vermelho Nickel Cobalt Project in parallel with ongoing work on the Feasibility Study which is expected to be published in H1-2024.

In October 2022 the Group conducted a further fundraising (the Fundraise) and raised gross proceeds of ~ US$80 million. Although the development of Araguaia was running to schedule and a number of key milestones achieved, in light of global inflationary pressures and engineering improvements to de-risk the project the total capital cost for Araguaia is forecast to be US$537 million versus US$477million. The Fundraise is anticipated to allow the Group to complete the construction of the Project. In addition, the Fundraise will allow the Group to accelerate engineering studies and basic engineering for the development of line 2 at Araguaia, as well as further invest in its decarbonisation strategy for the Project.

On 7 December 2022, the Group satisfied all conditions precedent for the first utilisation under the senior debt facility of US$346.2 million. The first utilisation was for US$5million. In addition the Group also satisfied all conditions precedent in relation to the cost overrun facility (COF) and received all COF funds from Orion.

The Directors do not recommend payment of a dividend (2020: £Nil).

Sustainability

Details of the Company's approach and activities in relation to sustainability can be found on pages 26-31 of the Strategic Report included within this Annual Report and in a standalone Sustainability Report available on the Company's website www.horizonteminerals.com.

While there is no requirement to publish information under SECR in 2022, 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.

Share Capital

Changes in the share capital of the Company are set out in note 15 of the Financial Statements.

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 risks 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 38 to the Financial Statements.

Future developments

In 2023 the Group will be working towards constructing and bringing the Araguaia project into commercial production. Having published a Pre-Feasibility Study on the Vermelho project during 2019, the Group is focused 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 2022 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
28 March 2023

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group and company financial statements in accordance with UK adopted international accounting standards. 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.

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 UK adopted international accounting standards 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 group and the company will continue in business.

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

Website publication

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

FINANCIAL STATEMENTS

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 2022 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with UK adopted international accounting standards 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 subsidiaries (the 'Group') for the year ended 31 December 2022 which comprise of 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 Flowsand 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 UK adopted International Accounting Standards and, as regards to 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.

Material uncertainty related to going concern

We draw attention to note 2.2 to the financial statements which indicates that the Group is reliant upon further drawdowns under the Senior Debt Facility to construct the Ararguaia Project. These drawdowns are conditional on the satisfaction of certain conditions precedent and there is no guarantee that these conditions will be met. As stated in note 2.2 these events or conditions, along with the other matters set out in note 2.2 indicate that a material uncertainty exists that may cast significant doubt on the Group and Parent Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

We have determined going concern to be a key audit matter as a result of the judgements and estimates made by the Directors and significance of this area.

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 and our response to this key audit matter is set out below:

- We obtained the Directors' Group cash flow forecast to 31 December 2024. We assessed the reasonableness of underlying assumptions, including forecast levels of expenditure used in preparing these forecasts. To assess the reasonableness and timings of the cash inflows and outflows, we used our knowledge of the business and compared the Directors' forecasts to budgets used to raise equity in the 2022 financial year.
- We agreed the total remaining cost associated with bringing the Araguaia Project to the point of generating cashflows and the resources available to the company to the most recent cost to complete certificate dated 8 February 2023 that was prepared to facilitate the most recent draw down from the senior debt facility.
- We reviewed the conditions that are required to be complied with to draw down the Senior Debt Facility, discussed these with the Directors, and considered factors that could cause non compliance. This included considering the risks associated with forecast costs increasing above the available funds, which would prevent further draw downs on the Senior Debt Facility.
- We considered the impact on the Group and Parent Company's cash flow forecast should the Senior Debt Facility not be available due to conditions not being complied with.
- We assessed the appropriateness of the going concern disclosures included in the financial statements against the requirements of the relevant accounting standards.

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

Overview

Coverage[1]	90% (2021: 90%) of Group profit before tax 90% (2021: 90%) of Group total assets		
Key audit matters		2022	2021
	Valuation of convertible loan notes	✓	
	Going concern	✓	✓
	Carrying value of exploration and evaluation assets and mine development property		✓
	Valuation of royalty funding arrangement		✓
	Carrying value of exploration and evaluation assets and mine development property is no longer considered to be a key audit matter given there has been no impairment triggers in the period for either, the Araguaia mine which is currently under construction, or the Vermelho project, for which a feasibility study has been initiated. Valuation of royalty funding arrangement is no longer considered to be a key audit matter given the increase in the Group's materiality reduces the risk of there being a material misstatement.		
Materiality	*Group financial statements as a whole* $7.8million (2021:$4.6 million) based on 1.5% of total assets.		

1 These are areas which have been subject to a full scope audit by the group engagement team

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 components, being Araguaia Níquel Metais Ltda, which was subject to a full scope audit together with the Parent Company. The Parent Company was audited and the Group audit team and Araguaia Níquel Metais Ltda was audited by a BDO network member firm in Brazil.

In addition, Trias Brasil Mineracao Ltda, Horizonte Nickel (IOM) Ltd, Champol (IOM) Ltd, Nickel Production Services BV and Battery Material Services BV were the insignificant components, which were subject to specified audit procedures on the significant risk areas and analytical procedures performed by the Group audit team.

The remaining components of the Group were considered insignificant and these components were principally subject to analytical review procedures which were performed by the Group audit team.

Our involvement with component auditors

For the work performed by component auditors, we determined the level of involvement needed in order to be able to conclude whether sufficient appropriate audit evidence has been obtained as a basis for our opinion on the Group financial statements as a whole. Our involvement with component auditors included the following:

- Detailed Group reporting instructions were sent to the component auditors, which included the significant areas to be covered by the audits (including areas that were considered to be key audit matters), and set out the component materiality and other information to be reported to the Group audit team.
- The Group audit team was actively involved in the direction of the audits performed by the component auditor for Group reporting purposes, along with the consideration of findings and determination of conclusions drawn.
- The Group audit team reviewed the component auditor's work papers and engaged with the component auditors during their fieldwork and completion phases.
- For the principal operating component in Brazil, the Group audit team also performed audit procedures in respect of the significant risk areas.
- The Group audit team has held a number of virtual meetings with the component auditors throughout the engagement. Virtual meetings spanned pre-planning, planning, execution and finalisation of the audit engagement.

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. In addition to the matter described in the material uncertainty related to going concern of our report, we have determined the matter below to be the key audit matter to be communicated in our report.

Key audit matter		How the scope of our audit addressed the key audit matter
Valuation of convertible loan notes See notes 4.6 and 22 to the financial statements.	In the 2022 financial year, the Group issued a convertible loan note. The convertible loan is a hybrid financial instrument with a debt host liability component and an embedded derivative liability component related to the conversion option. The embedded derivatives was valued by independent valuation experts using a Monte Carlo simulation method at both inception and at the year end. This method of determining fair value is reliant upon significant estimations over the Company's future share price volatility and GBP:USD exchange rate volatility at the conversion date. The host loan is accounted for using the amortised cost basis. Due to conditions attached to when the note holders will be repaid, estimation is required in determining repayments dates and amounts that impact the effective interest rate that the host loan is unwound over. Accordingly, the valuation of the convertible loan note is considered to be a key audit matter.	Our procedures in relation to the valuation of the convertible loan notes debt host and embedded derivatives are set our below. We assessed the accounting treatment of the convertible loan note as a hybrid financial instrument was in accordance with accounting standards. We ensured that at inception the fair value of the embedded derivative liability was determined first and the residual amount was assigned to the debt host liability and that associated transaction costs which were deducted, were proportionately allocated. In respect of the fair value of the embedded derivative at inception and year end: - We reviewed the embedded derivative valuation methodology adopted to check that the features of the embedded derivative had been appropriately modelled. - We confirmed with BDO valuation experts that the modelling was appropriate and in line with our understanding of the embedded derivative features. - We assessed the reasonableness of the key assumptions used in the valuation, including share price and foreign exchange rate volatility by reference to independent sources of data. - We assessed the competence and independence of the valuation expert used by management. In respect of the host loan which is accounted for using the amortised cost basis: - We tested managements calculation of the effective interest rate used to unwind the host loan. This included agreeing repayment dates used in the effective interest rate calculation were modelled in accordance with the terms of the agreement and the timing and quantity of the repayments were in agreement with managements most recent budgets. - We also checked the arithmetical accuracy of the amortised loan model. **Key observations:** Based on our work, we concur with managements valuation methodology and the key estimates used in valuing the host loan and embedded derivative.

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	
	2022	2021*	2022*	2021*
Materiality	$7.8 million	$4.6 million	$5.9 million	$4.1 million
Basis for determining materiality	1.5% of total assets	1.5% of total assets	1.5% of total assets	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 as a result of the commencement of the Araguaia mine construction. There was a significant increase in total assets following the commencement of the mine construction in May 2022 and additional cash received from the 2021 prospectus debt package.			90% of Group Materiality
Performance materiality	$5.9million	$ 3.5 million	$4.4 million	$ 3.1 million
Basis for determining performance materiality	75% of materiality based on consideration of factors including the level of historical errors and nature of activities.			

**The presentational currency of the Group and Parent financial statements changed from GBP in 2021 to USD in 2022.*

Component materiality

We set materiality for each component of the Group based on a percentage of between 37% and 68% (2021: 4% to 14%) of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from $2,900,000 to $5,300,000 (2021: $196,000 to $623,000). 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 $0.2million (2021:$0.1m). 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 2022 Report and Accounts 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 Company and Group's activities and considered the laws and regulations of the UK and Brazil to be of significance in the context of the Group and component audit. In doing so, we made inquiries of management and the Audit Committee, considered the Company and 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 assessed the suspectibility of the financial statements to material misstatement, including fraud. Our risk assessment included:
  - Understanding the journals passed throughout the period to ensure that sufficient and appropriate audit procedures are designed to gain assurance over journal testing.
  - Gain an understanding of the tender and procurement process to assess the controls in place.
  - Review the terms of the financial instruments in place, including the valuation of the convertible loan notes and royalty funding arrangements, the contingent consideration, and the carrying value of exploration and evaluation assets and mine development property to gain an understanding of the accounts that are subject to greater management estimate.

  Based on our risk assessment, we consider the areas most susceptible to fraud to be the journal testing which derives from the valuations of the financial instruments that are subject to managements estimate and the tender and procurement process.
- 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. This included testing journals direct to cash and expenses, which are outside of the normal purchase to pay cycle.
  - procedures over the controls in the tender and procurement process which due to the significant level of additions were considered to be at a greater risk of susceptibility to fraud.
  - procedures on accounts subject to greater management estimate including the valuation of the convertible loan notes and royalty funding arrangements, the contingent consideration, and the carrying value of exploration and evaluation assets and mine development property.

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 who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit. For component engagement teams, we also reviewed the result of their work performed in this regard.

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.

Peter Acloque (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London
28 March 2023

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 2022

	Notes	Year ended 31 December 2022 US$	Year ended 31 December 2021 Restated (Note 2.8(a)) US$
Administrative expenses	6	**(12,544,856)**	(7,811,477)
Charge for share options granted	17	**(1,415,581)**	—
Change in fair value of derivative	21,22	**6,512,413**	2,550,000
Change in fair value of special warrant liability		—	(1,616,120)
Gain/(loss) on foreign exchange		**8,482,457**	(862,739)
Operating profit/(loss)		**1,034,433**	(7,740,336)
Net finance (cost)/income	8	**(6,351,735)**	(5,630,179)
Loss before taxation		**(5,317,302)**	(13,370,515)
Income tax	9	—	—
Loss for the year from continuing operations attributable to owners of the parent		**(5,317,302)**	(13,370,515)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Cash flow hedges – foreign forward contracts		**1,087,561**	—
Currency translation differences on translating foreign operations	18	**(6,678,108)**	258,977
Other comprehensive (loss)/income for the year, net of tax		**(5,590,547)**	258,977
Total comprehensive (loss)/income for the year attributable to owners of the parent		**(10,907,849)**	(13,111,538)
Loss per share from continuing operations attributable to owners of the parent			
Basic and diluted loss per share (p)	29	**(2.634)**	(15.698)

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 2022

	Notes	31 December 2022 US$	31 December 2021 Restated (Note 2.8(a)) US$	31 December 2020 Restated (Note 2.8(a)) US$
Assets				
Non-current assets				
Intangible assets	10	**13,208,837**	8,309,484	8,490,339
Property, plant and equipment	11	**277,902,428**	70,594,091	42,090,825
Right of use assets	26	**957,878**	380,482	—
Trade and other receivables	12	**9,965,590**	—	—
Derivative financial assets	14	**61,777**	—	—
		302,096,510	79,284,057	50,581,164
Current assets				
Trade and other receivables	12	**48,774,147**	13,796,628	369,237
Derivative financial asset	14, 21	**15,342,314**	4,950,000	2,400,000
Cash and cash equivalents	13	**154,027,967**	210,492,280	14,925,021
		218,144,428	229,238,908	17,694,258
Total assets		**520,240,938**	308,522,965	68,275,422
Equity and liabilities				
Equity attributable to owners of the parent				
Share capital	15	**70,332,641**	52,215,236	20,666,053
Share premium	16	**306,719,689**	245,388,102	65,355,677
Other reserves	18	**(29,938,166)**	(23,260,058)	(23,519,035)
Cash flow hedge reserve		**1,087,561**	—	—
Share options reserve	17	**1,415,581**	—	—
Retained losses		**(50,187,603)**	(45,058,633)	(33,304,238)
Total equity		**299,429,703**	229,284,647	29,198,457
Liabilities				
Non-current liabilities				
Contingent consideration	20	**6,895,737**	6,734,134	8,082,092
Deferred consideration	20	**4,808,431**	4,493,861	—
Royalty Finance	21	**89,745,255**	44,496,504	30,131,755
Convertible loan notes	22	**59,447,520**	—	—
Cost overrun facility	23	**23,809,827**	—	—
Senior debt facility	24	**4,328,241**	—	—
Environmental rehabilitation provision	25	**634,883**	—	—
Lease liabilities	26	**715,290**	321,717	—
Trade payables	19	**723,333**	608,975	—
		191,108,517	56,655,191	38,213,847
Current liabilities				
Trade and other payables	19	**28,481,038**	21,574,362	863,118
Deferred consideration	20	**950,000**	950,000	—
Lease liabilities	26	**271,680**	58,765	—
		29,702,718	22,583,127	863,118
Total liabilities		**220,811,235**	79,238,318	39,076,965
Total equity and liabilities		**520,240,938**	308,522,965	68,275,422

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 28 March 2023 and were signed on its behalf.

William Fisher
Interim Chair of the Board

Jeremy J Martin
Chief Executive Officer

COMPANY STATEMENT OF FINANCIAL POSITION

Company number: 05676866
As at 31 December 2022

	Notes	31 December 2022 US$	31 December 2021 Restated (Note2.8(a)) US$	31 December 2020 Restated (Note2.8(a)) US$
Non-Current Assets				
Investment in subsidiaries	33	**2,827,030**	3,164,591	3,204,979
Loans to subsidiaries	34	**368,980,168**	94,085,538	88,298,324
		371,807,198	97,250,129	91,503,303
Current assets				
Trade and other receivables	12	**1,502,311**	13,158,399	131,298
Cash and cash equivalents	13	**24,607,673**	198,595,764	7,246,192
		26,109,984	211,754,163	7,377,490
Total assets		**397,917,182**	309,004,292	98,880,793
Equity and liabilities				
Equity attributable to equity shareholders				
Share capital	15	**70,332,641**	52,215,236	20,666,053
Share premium	16	**306,719,689**	245,388,102	65,355,677
Other reserves	18	**(19,432,807)**	10,353,031	7,637,872
Share options reserve	17	**1,415,581**	—	—
Retained losses		**(31,048,767)**	(25,780,330)	(19,894,744)
Total equity		**327,986,337**	282,176,039	73,764,858
Liabilities				
Non-current liabilities				
Convertible loan notes	22	**59,447,520**	—	—
Contingent consideration	20	**6,895,737**	6,734,134	8,089,798
		66,343,257	6,734,134	8,089,798
Current liabilities				
Trade and other payables	19	**3,089,258**	16,282,547	382,417
Loans from subsidiary	34	**498,330**	3,811,572	16,643,720
		3,587,588	20,094,119	17,026,137
Total liabilities		**69,930,845**	26,828,253	25,115,935
Total equity and liabilities		**397,917,182**	309,004,292	98,880,793

The above Company Statement of Financial Position should be read in conjunction with the accompanying notes, loss for the period was US$5,456,769 (Restated 2021: £7,501,706 loss).

The Financial Statements were authorised for issue by the Board of Directors on 28 March 2023 and were signed on its behalf.

William Fisher
Interim Chair of the Board

Jeremy J Martin
Chief Executive Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Attributable to the owners of the parent						
	Share capital US$	Share premium US$	Other reserves US$	Cash flow hedge reserve US$	Share options reserve US$	Retained losses US$	Total US$
As at 1 January 2021 Restated (Note 2.8(a))	20,666,053	65,355,677	(23,519,035)	—	—	(33,304,238)	29,198,457
Loss for the year	—	—	—		—	(13,370,515)	(13,370,515)
Other comprehensive income:							
Currency translation differences on translating foreign operations	—	—	258,977	—	—	—	258,977
Total comprehensive income for the year	—	—	**258,977**	—	—	**(13,370,515)**	**(13,111,538)**
Issue of ordinary shares	30,335,627	183,255,417	—	—	—	—	213,591,044
Issue costs	—	(10,389,470)	—	—	—	—	(10,389,470)
Conversion of special warrants into shares	1,213,556	7,986,413	—	—	—	1,616,120	10,816,089
Special warrants issue costs	—	(819,935)	—	—	—	—	(819,935)
Total transactions with owners, recognised directly in equity	**31,549,183**	**180,032,425**	—	—	—	**1,616,120**	**213,197,728**
As at 31 December 2021 Restated (Note 2.8(a))	**52,215,236**	**245,388,102**	**(23,260,058)**	—	—	**(45,058,633)**	**229,284,647**
Loss for the year	—	—	—	—	—	(5,317,302)	(5,317,302)
Other comprehensive income:							
Cash flow hedges – foreign forward contracts	—	—	—	1,087,561	—	—	1,087,561
Currency translation differences on translating foreign operations	—	—	(6,678,108)	—	—	—	(6,678,108)
Total comprehensive income for the year	—	—	**(6,678,108)**	**1,087,561**	—	**(5,317,302)**	**(10,907,849)**
Issue of ordinary shares	18,117,405	63,830,692	—	—	—	188,332	82,136,429
Issue costs	—	(2,499,105)	—	—	—	—	(2,499,105)
Share options granted	—	—	—	—	1,415,581	—	1,415,581
Total transactions with owners, recognised directly in equity	**18,117,405**	**61,331,587**	—	—	**1,415,581**	**188,332**	**81,052,905**
As at 31 December 2022	**70,332,641**	**306,719,689**	**(29,938,166)**	**1,087,561**	**1,415,581**	**(50,187,603)**	**299,429,703**

A breakdown of other reserves is provided in note 18.

COMPANY STATEMENT OF CHANGES IN EQUITY

Company	Share capital US$	Share premium US$	Other reserves US$	Share options reserve US$	Retained losses US$	Total US$
	Attributable to equity shareholders					
As at 1 January 2021 Restated (Note 2.8(a))	20,666,053	65,355,677	7,637,872	—	(19,894,744)	73,764,858
Comprehensive income						
Loss for the year	—	—	—	—	(7,501,706)	(7,501,706)
Other comprehensive income						
Presentation currency translation differences	—	—	2,715,159	—	—	2,715,159
Total comprehensive income for the year	—	—	2,715,159	—	(7,501,706)	(4,786,547)
Issue of ordinary shares	30,335,627	183,255,417	—	—	—	213,591,044
Issue costs	—	(10,389,470)	—	—	—	(10,389,470)
Conversion of special warrants into shares	1,213,556	7,986,413	—	—	1,616,120	10,816,089
Special warrants issue costs	—	(819,935)	—	—	—	(819,935)
Total transactions with owners, recognised directly in equity	31,549,183	180,032,425	—	—	1,616,120	213,197,728
As at 31 December 2021 Restated (Note 2.8(a))	52,215,236	245,388,102	10,353,031	—	(25,780,330)	282,176,039
Comprehensive income						
Loss for the year	—	—	—	—	(5,456,769)	(5,456,769)
Other comprehensive income						
Presentation currency translation differences	—	—	(29,785,838)	—	—	(29,785,838)
Total comprehensive income for the year	—	—	(29,785,838)	—	(5,456,769)	(35,242,607)
Issue of ordinary shares	18,117,405	63,830,692	—	—	188,332	82,136,429
Issue costs	—	(2,499,105)	—	—	—	(2,499,105)
Share options granted	—	—	—	1,415,581	—	1,415,581
Total transactions with owners, recognised directly in equity	18,117,405	61,331,587	—	1,415,581	188,332	81,052,905
As at 31 December 2022	70,332,641	306,719,689	(19,432,807)	1,415,581	(31,048,767)	327,986,337

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 2022

	Notes	31 December 2022 US$	31 December 2021 Restated (Note 2.8(a)) US$
Cash flows from operating activities			
Loss before taxation		**(5,317,302)**	(13,370,515)
Charge for share options granted	17	**1,415,581**	—
Net finance costs	8	**6,351,735**	5,630,179
Exchange differences		**(8,482,457)**	862,739
Change in fair value of derivative asset	21,22	**(6,512,413)**	(2,550,000)
Fair value of special warrant liability		—	1,616,120
Operating loss before changes in working capital		**(12,544,856)**	(7,811,477)
Increase in trade and other receivables		**(2,693,021)**	(13,427,391)
Increase in trade and other payables		**5,336,114**	16,675,664
Cash used in operating activities		**(9,901,763)**	(4,563,204)
Income taxes paid		—	—
Net cash used in operating activities		**(9,901,763)**	(4,563,204)
Cash flows from investing activities			
Purchase of exploration and evaluation assets		**(4,349,092)**	(405,221)
Purchase of property, plant and equipment		**(191,740,544)**	(14,271,709)
Interest received		**7,117,103**	500,634
Net cash used in investing activities		**(188,972,533)**	(14,176,296)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		**82,136,429**	213,591,044
Issue costs		**(2,499,105)**	(10,389,470)
Proceeds from issue of convertible loan notes		**61,262,500**	—
Issue costs		**(950,287)**	—
Proceeds from royalty finance arrangement		**25,000,000**	—
Issue costs		**(847,939)**	—
Proceeds from cost overrun facility		**25,000,000**	—
Issue costs		**(1,198,634)**	—
Proceeds from senior debt facility		**5,000,000**	—
Issue costs		**(678,536)**	—
Lease liability repayments		**(207,552)**	—
Loan facilities interest payments		**(304,892)**	—
Senior debt facility prepaid transaction costs		**(42,250,088)**	—
Proceeds from issue of share warrants		—	10,816,089
Share warrants issue costs		—	(819,935)
Net cash generated from financing activities		**149,461,896**	213,197,728
Net (decrease)/increase in cash and cash equivalents		**(49,412,400)**	194,458,228
Cash and cash equivalents at beginning of year		**210,492,280**	14,925,021
Exchange (loss)/gain on cash and cash equivalents		**(7,051,913)**	1,109,031
Cash and cash equivalents at end of the year	13	**154,027,967**	210,492,280

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 2022

	Notes	31 December 2022 US$	31 December 2021 Restated (Note 2.8(a)) US$
Cash flows from operating activities			
Loss before taxation		**(5,456,769)**	(7,501,706)
Charge for share option granted	17	**1,415,581**	—
IFRS9 Expected credit loss (credit)/charge		**384,409**	38,485
Finance income		**(396,992)**	(1,286,295)
Finance costs		**6,602,998**	—
Exchange differences		**(5,502,679)**	623,889
Change in fair value of derivative	22	**(6,821,201)**	—
Fair value of special warrant liability		—	1,616,120
Operating loss before changes in working capital		**(9,774,653)**	(6,509,507)
Decrease/(increase) in trade and other receivables		**11,656,088**	(13,027,101)
(Decrease)/increase in trade and other payables		**(13,193,290)**	15,900,131
Cash flows used in operating activities		**(11,311,855)**	(3,636,477)
Taxes paid		—	—
Net cash flows used in operating activities		**(11,311,855)**	(3,636,477)
Cash flows from investing activities			
Loans to subsidiary undertakings		**(296,901,621)**	(18,619,364)
Interest received		**396,992**	6,565
Net cash used in investing activities		**(296,504,629)**	(18,612,799)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		**82,136,429**	213,591,044
Issue costs		**(2,499,105)**	(10,389,470)
Proceeds from issue of convertible loan notes		**61,262,500**	—
Issue costs		**(950,287)**	—
Proceeds from issue of share warrants		—	10,816,089
Share warrants issue costs		—	(819,935)
Net cash generated from financing activities		**139,949,537**	213,197,728
Net increase/(decrease) in cash and cash equivalents		**(167,866,947)**	190,948,452
Cash and cash equivalents at beginning of year		**198,595,764**	7,246,192
Exchange gain/(loss) on cash and cash equivalents		**(6,121,144)**	401,120
Cash and cash equivalents at end of the year	13	**24,607,673**	198,595,764

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 Regent 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 UK adopted international accounting standards. Financial Statements have been prepared under the historical cost convention except for the following items (refer to individual accounting policies for details):

- Contingent consideration
- Financial instruments – fair value through profit and loss
- Cash settled share-based payment liabilities
- Cash flow hedges at fair value through other comprehensive income (OCI)

The 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.

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.

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 6 and 7; 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 has cash reserves and access to liquidity which are considered sufficient by the Directors to fund the Group's committed expenditure both operationally and on its exploration project for the foreseeable future.

The Group concluded a comprehensive funding package of US$633 million in December 2021. The net proceeds of the fundraisings will be used towards the construction of the Araguaia project as well as for general working capital purposes. In addition, the company has also concluded a US$25million royalty on the Vermelho Project, the net proceeds from the sale of this royalty will be used to advance a feasibility study and permitting work streams on the Vermelho project. The equity fundraise (US$197million of the US$633 million) was finalized and funds received in December 2021 with a further equity fund raise completed in November 2022 for a gross US$80 million. The debt elements of the funding package include Convertible Loan Notes (US$65 million), a cost overrun facility (US$25 million) and a senior debt facility (US$346.2 million).

Funds from the convertible loan notes and the royalty were received in March 2022. The cost overrun facility funds were received in November 2022 and the first drawdown under the senior debt facility was completed in December 2022 following the satisfaction of certain conditions precedent customary to a financing of this nature. Subsequent drawdowns under the senior debt facility are expected to follow during the remainder of the construction period, again following the satisfaction of certain conditions precedent customary to a financing of this nature including but not limited to satisfaction of a cost to complete exercise prior to each draw down on the facility, satisfaction of minimum order values from certain suppliers, maintaining the good standing of operational licences and permitting, and financial models detailing the Group's budget forecasting compliance with covenants and ratios.

The funds held at the year-end along with those to be raised post year end following the satisfaction of any condition's precedent for further drawdowns of the senior debt facility (including access to any of the funds secured as part of the cost overrun facility), are considered sufficient by the Directors to execute the construction of the Araguaia Project and fund its general working capital requirements for the foreseeable future. However, there exists a risk that the senior debt facility is not able to be drawn due to unforeseen circumstances or noncompliance with any conditions precedent which may or may not be within the control of the Group.

At the time of the second drawdown of the senior debt facility (completed after the year end) the total remaining cost associated with bringing the Araguaia Project to the point of generating cashflows were estimated to be US$356 million which includes a contingency of US$19 million. This will be funded through the undrawn senior debt facility of US$341.2 million. In addition, the Group has a cost overrun facility available of US$25million. If expected or actual costs were to increase as a result of delays or increases in capital or pre-production operating costs by more than US$48 million (14% increase) of the total budget the project would fail the cost to complete test, a condition precedent of the senior debt facility. Additionally, despite being approximately 45% complete a number of risks still exist around escalation costs linked to several of the major construction packages (these include labour and materials) potentially exceeding the contingency. This could result in future drawdowns on the senior debt facility not being permitted and require the Group to pursue alternative sources of funding to meet its commitments.

As the project moves into operational ramp-up phase there are a number of risk areas around commissioning the furnace and rotary kiln. If any of these ramp-up risks exceed the pre-production funding allocated to the unit areas there will be a requirement for additional funding.

As some of these events are outside of the Group's control, a material uncertainty exists which may cast significant doubt about the Group's continued ability to operate as a going concern and its ability to realise its assets and discharge its liabilities in the normal course of business.

The financial statements do not include any adjustments that would result if the Group were unable to continue as a going concern.

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 2022, are:

Standard	Detail	Effective date
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
IFRS 3	Amendment - replacing a reference to an old version of the Board's Conceptual Framework for Financial Reporting with a reference to the latest version, which was issued in March 2018.	1 January 2022
Annual Improvements to IFRSs (2018-2020 Cycle) - IFRS 9	▪ IFRS 9 - Clarifies the fees a company includes in assessing the terms of a new or modified financial liability to determine whether to derecognise a financial liability.	1 January 2022

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 2022 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
IAS 1	Amendment – regarding the classification of liabilities	1 January 2024
IAS 8	Amendment – definition of accounting estimates	1 January 2023
IAS 1 and IFRS Practice Statement 2	Amendment – disclosure of accounting policies	1 January 2023
IAS 12	Amendment - Deferred Tax related to Assets and Liabilities arising from a Single Transaction	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. The adoption of the new and amended standards are not expected to have a material impact on the Group's consolidated financial statements, except for the IAS1 amendment regarding the classification of liabilities. The amendment will impact the classification of the convertible loan notes from non-current to current as the conversion option can be exercised at any time.

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:

Subsidiary undertaking	Held	Registered Address	Country of incorporation	Nature of business
Horizonte Exploration Ltd	Directly	Rex House, 4-12 Regent 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	First Names House, Victoria Road, Douglas, IM2 4DF, Isle 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
Battery Material Services B.V	Directly	Naritaweg 165, 1043BW Amsterdam, The Netherlands	The Netherlands	Provision of financial services
HM do Brasil Ltda	Indirectly	CNPJ 07.819.038/0001-30 com sede na Avenida Raja Gabaglia, n° 1.143, sala 1404, bairro Luxemburgo, Belo Horizonte/MG, CEP 30.380-403, Brazil	Brazil	Mineral Exploration
Araguaia Niquel Metais Ltda	Indirectly	CNPJ 97.515.035/0001-03 com sede na Avenida Raja Gabaglia, n° 1.143, sala 1401 e 1402, bairro Luxemburgo, Belo Horizonte/MG, CEP 30.380-403, Brazil	Brazil	Mineral Exploration
Trias Brasil Mineração Ltda	Indirectly	CNPJ 23.282.280/0001-73 com sede na Avenida Raja Gabaglia, n° 1.143, sala 1403, bairro Luxemburgo, Belo Horizonte/MG, CEP 30.380-403, Brazil	Brazil	Mineral Exploration

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.

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 on a project by project basis as each project is considered as a cash generating unit.

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 when the probability that it will be paid changes.

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 is stated at historic cost less accumulated depreciation. Historic cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. 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 non-financial 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%

Land is not depreciated. 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 the 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
- Interest charge on the convertible loan note liability
- Interest charge on the senior debt facility
- Interest charge on the cost overrun facility

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. To the extent that the Group borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the Group determines the amount of borrowing costs eligible for capitalisation by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to all borrowings of the entity that are outstanding during the period.

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.

At each balance sheet date, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered impairment. Prior to carrying out impairment reviews, the significant cash generating units are assessed to determine whether they should be reviewed under the requirements of IFRS 6 – Exploration for and Evaluation of Mineral Resources or IAS 36 – Impairment of Assets. Such determination is by reference to the stage of development of the project and the level of reliability and surety of information used in calculating value in use or fair value less costs to sell. Impairment reviews performed under IFRS 6 are carried out on a project by project basis, with each project representing a potential single cash generating unit. An impairment review is undertaken when indicators of impairment arise; typically when one of the following circumstances applies:

i. sufficient data exists that render the resource uneconomic and unlikely to be developed
ii. title to the asset is compromised
iii. budgeted or planned expenditure is not expected in the foreseeable future
iv. insufficient discovery of commercially viable resources leading to the discontinuation of activities

Impairment reviews performed under IAS 36 are carried out when there is an indication that the carrying value may be impaired. Such key indicators (though not exhaustive) to the industry include:

i. a significant deterioration in the spot price of nickel
ii. a significant increase in production costs
iii. a significant revision to, and reduction in, the life of mine plan

If any indication of impairment exists, the recoverable amount of the asset is estimated, being the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. Such impairment losses are recognised in profit or loss for the year.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss for the year.

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 subsidiaries incorporated in the Netherlands is USD, however debt costs capitalised to the mine development asset are recorded in Brazilian Real.

Horizonte Minerals Plc changed its presentation currency from Pounds Sterling to US Dollars effective 1 January 2022.

The presentation currency has been revised as the financing package concluded by the Group to construct the Araguaia project is denominated in US Dollars and future revenues will also be in US Dollars. The board therefore believes that US Dollar financial reporting provides more relevant presentation of the group's financial position, funding and treasury functions, financial performance and its cash flows.

A change in presentation currency represents a change in an accounting policy in terms of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors requiring the restatement of comparative information. In accordance with IAS 21 The Effects of Changes in Foreign Exchange Rates, the following methodology was followed in restating historical financial information from Pounds Sterling to US Dollar:

- Assets and liabilities were translated at the relevant closing exchange rate at the end of the reporting period. Items of income and expenditure and cash flows were translated at average rates of exchange for the period;
- The foreign currency translation reserve was reset to nil as at 1 January 2006, the date on which the group adopted IFRS. Share capital and premium and other reserves, as appropriate, were translated at the historic rates prevailing at the dates of underlying transactions; and
- The effects of translating the group's financial results and financial position into US Dollar were recognised in the foreign currency translation reserve.

The exchange rates used were as follows:

GBP/USD	31 December 2021	31 December 2020
Closing rate	1.3477	1.3649
Average rate	1.3757	1.2837
USD/BRL		
Closing rate	5.5710	5.1967
Average rate	5.3810	5.0869

(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.

The major exchange rates used for the revaluation of the statement of financial position at 31 December 2022 were Pounds Sterling £1:US$1.2039 (31 December 2022: £1:US$1.3477), Brazilian Real (R$):US$0.192 (31 December 2021: R$:US$0.180).

Foreign currency translation reserve includes movements that relate to the retranslation of the subsidiaries whose functional currencies are not United States Dollar.

During the year ended 31 December 2022, the Brazilian Real strengthened by 7% since 31 December 2021. Currency translation differences for the year of US$6.7 million loss (2021:US$258,976 gain) included in the consolidated statement of comprehensive income arose on the translation of property plant and equipment, intangible assets and cash and cash equivalents denominated in Brazilian Real.

The foreign exchange gain for the year of US$8.5 million included in the statement of comprehensive income relates to the translation differences of foreign currency cash and cash equivalents balances, liability financing arrangements and intercompany balances denominated in currencies other than the functional currency of the entity.

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 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 for financial instruments classified as at fair value through profit or loss (FVTPL). The subsequent measurement of financial instruments is dealt with below.

Financial assets

The Group classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. Other than financial assets in a qualifying hedging relationship, the Group's accounting policy for each category is as follows:

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 statement of comprehensive income in the operating profit or loss line. All directly attributable transaction costs are recognised in profit or loss as incurred.

The buy-back options in the Group's royalty financing arrangements are embedded derivative financial assets measured at fair value through profit or loss.

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 and subsidiaries are recognised based on a forward looking expected credit loss model. 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.

Fair value through other comprehensive income

The Group does not have any assets held at fair value through other comprehensive income.

Financial liabilities

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

Fair value through profit or loss

This category comprises out-of-the-money derivatives where the time value does not offset the negative intrinsic value. They are carried in the consolidated statement of financial position at fair value with changes in fair value recognised in the consolidated statement of comprehensive income. All directly attributable transaction costs are recognised in profit or loss as incurred. The Group's embedded derivative in its convertible loan notes is measured at fair value through profit or loss.

Other financial liabilities

Financial liabilities are 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, Group's Royalty liability, Convertible loan notes liability, Senior debt facility as well as the cost overrun facility.

Hedge accounting

The Group has elected to adopt the hedge accounting requirements of IFRS 9 Financial Instruments, in respect of its foreign exchange hedging strategy. The Group enters into hedge relationships where the critical terms of the hedging instrument and the hedged item match, therefore, for the prospective assessment of effectiveness a qualitative assessment is performed. Hedge effectiveness is determined at the origination of the hedging relationship. Quantitative effectiveness tests are performed at each period end to determine the continuing effectiveness of the relationship. In instances where changes occur to the hedged item which result in the critical terms no longer matching, the hypothetical derivative method is used to assess effectiveness.

Foreign exchange risk arises when the Group enters into transactions denominated in a currency other than their functional currency. Where the risk to the Group is considered to be significant, the Group will enter into a matching non-deliverable forward foreign exchange contracts with a reputable bank.

The hedged forecast transactions denominated in foreign currency are expected to occur between 14 May 2022 and 31 March 2025. Gains and losses recognised in the hedging reserve in equity on non-deliverable forward foreign exchange contracts are recognised in the consolidated statement of comprehensive income in the period during which the hedged forecast transaction affects the consolidated statement of comprehensive income,   unless the gain or loss is included in the initial carrying value of non-current assets through a basis adjustment (immediate transfer from cash flow hedging reserve to cost of asset) in which case recognition is over the lifetime of the asset as it is depreciated. The ineffective portion of the cash flow hedge is recognised immediately in the profit or loss.

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 has such short duration leases and lease payments are charged to the income statement with the exception of Araguaia's (Group's wholly owned subsidiary) leases for the Belo Horizonte office and vehicles lease.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the group if it is reasonable certain to assess that option;
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the group is contractually required to dismantle, remove or restore the leased asset

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

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 discounted at a pre-tax rate reflecting current market assessments of the time value of money and risks specific to the liability 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.

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 substantive changes in the Group's exposure to financial instrument risks compared to previous periods, however, its objectives, policies and processes for managing those risks or the methods used to measure them are consistent with 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:

- Contingent and deferred consideration
- Lease liability
- Trade and other receivables
- Cash and cash equivalents
- Trade and other payables
- Royalty finance
- Convertible loan note liability
- Senior debt facility
- Cost overrun facility
- Derivative financial assets and liabilities
- Non-deliverable forward foreign exchange contracts

(ii) *Financial instruments by category*

Financial Assets

	Fair Value	Amortised cost	Total	Fair Value	Amortised cost	Total
	2022	**2022**	**2022**	2021	2021	2021
Group	**US$**	**US$**	**US$**	US$	US$	US$
Cash and cash equivalents	**—**	**154,027,967**	**154,027,967**	—	210,492,280	210,492,280
Derivative financial asset	**15,404,091**	**—**	**15,404,091**	4,950,000	—	4,950,000
Total	**15,404,091**	**154,027,967**	**169,432,058**	4,950,000	210,492,280	215,442,280

	Amortised cost	
	2022	2021
Company	**US$**	US$
Cash and cash equivalents	**24,607,673**	198,595,764
Loans to subsidiaries	**368,980,168**	94,085,540
Total	**393,587,841**	292,681,304

Financial Liabilities

	Fair Value	Amortised Cost	Total	Amortised Cost	Total
	2022	**2022**	**2022**	2021	2021
Group	**US$**	**US$**	**US$**	US$	US$
Trade and other payables	**—**	**29,204,371**	**29,204,371**	22,183,337	22,183,337
Contingent consideration	**—**	**6,895,737**	**6,895,737**	6,734,134	6,734,134
Deferred consideration	**—**	**5,758,431**	**5,758,431**	5,443,861	5,443,861
Royalty Finance	**—**	**89,745,255**	**89,745,255**	44,496,504	44,496,504
Convertible loan notes	**29,636,887**	**29,810,633**	**59,447,520**	—	—
Cost overrun facility	**—**	**23,809,827**	**23,809,827**	—	—
Senior debt facility	**—**	**4,328,241**	**4,328,241**	—	—
Lease liability	**—**	**986,970**	**986,970**	—	—
Total	**29,636,887**	**190,539,465**	**220,176,352**	78,857,836	78,857,836

	Fair Value	Amortised Cost	Total	Amortised Cost	Total
	2022	**2022**	**2022**	2021	2021
Company	**US$**	**US$**	**US$**	US$	US$
Trade and other payables	**—**	**3,089,258**	**3,089,258**	16,282,547	16,282,547
Contingent consideration	**—**	**6,895,737**	**6,895,737**	6,734,134	6,734,134
Convertible loan notes	**29,636,887**	**29,810,633**	**59,447,520**	—	—
Loans from subsidiaries	**—**	**498,330**	**498,330**	3,811,572	3,811,572
Total	**29,636,887**	**40,293,958**	**69,930,845**	26,828,253	26,828,253

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 or various forms of debt funding. Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. At present the settlement of some of the Group's liabilities 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 monthly 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 US$	Between 3 & 12 Months US$	Between 1 & 2 Years US$	Between 2 & 5 Years US$	Over 5 Years US$
At 31 December 2022					
Trade & other payables	28,481,038	—	723,334	—	—
Royalty financing arrangement	—	—	4,963,148	32,505,373	817,690,046
Contingent consideration	—	—	—	6,000,000	5,000,000
Deferred consideration	950,000	950,000	2,266,667	2,233,333	—
Cost overrun facility	821,528	2,482,639	3,304,167	17,816,211	20,346,517
Senior debt facility	100,125	299,285	398,334	5,097,936	—
Convertible loan notes	—	—	—	60,479,094	69,169,333
Lease liabilities	49,497	154,564	206,085	437,193	—
Total	30,402,188	3,886,488	11,861,735	124,569,140	912,205,896

The cash flows related to the royalty finance represent the estimated future payments in future years as these payments will depend on production levels and spot commodity prices.

	Up to 3 Months US$	Between 3 & 12 Months US$	Between 1 & 2 Years US$	Between 2 & 5 Years US$	Over 5 Years US$
At 31 December 2021					
Trade & other payables	21,574,362	—	608,976	—	—
Royalty financing arrangement	—	—	3,201,150	24,576,969	227,256,744
Contingent consideration	—	—	—	6,000,000	5,000,000
Deferred consideration	—	950,000	950,000	4,500,000	—
Lease liabilities	21,540	64,620	93,743	279,483	—
Total	21,595,902	1,014,620	4,853,869	35,356,452	232,256,744

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

Company	Up to 3 Months US$	Between 3 & 12 Months US$	Between 1 & 2 Years US$	Between 2 & 5 Years US$	Over 5 Years US$
At 31 December 2022					
Trade & other payables	3,089,258	—	—	—	—
Intercompany loans	498,330	—	—	—	—
Contingent consideration	—	—	—	6,000,000	5,000,000
Convertible loan notes	—	—	—	60,479,094	69,169,333
Total	3,587,588	—	—	66,479,094	74,169,333

	Up to 3 Months £	Between 3 & 12 Months £	Between 1 & 2 Years £	Between 2 & 5 Years £	Over 5 Years £
At 31 December 2021					
Trade & other payables	16,282,547	—	—	—	—
Intercompany loans	3,811,572	—	—	—	—
Contingent consideration	—	—	—	6,000,000	5,000,000
Total	20,094,119	—	—	6,000,000	5,000,000

(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 Group is predominantly exposed to currency risk on its BRL denominated capital expenditure for the development of the Araguaia Ferronickel Project. With the funding base being primarily US Dollars, the Group and its senior lenders agreed to implement a foreign exchange hedging strategy that ensures that at least 70% of its BRL denominated capital expenditure is hedged by entering into a series of non-deliverable forward transactions.

At 31 December 2022, if the Brazilian Real had weakened/strengthened by 5% against US Dollar with all other variables held constant, post tax loss for the year would have been approximately US$16 million (2021: US$3million) lower/higher mainly as a result of foreign exchange losses/gains on translation of Brazilian Real assets, liabilities and expenditure. If the USD:GBP rate had increased by 5% the effect would be US$16 million (2021: US$13 million).

As of 31 December 2022 the Group's net exposure to foreign exchange risk was as follows:

	Functional Currency							
Group	USD 2022	USD 2021	GBP 2022	GBP 2021	BRL 2022	BRL 2021	Total 2022	Total 2021
Currency of net assets/ liabilities	US$	US$	US$	US$	US$	US$	US$	US$
Financial assets/(liabilities)								
GBP	**(64,581)**	(1,258,582)	—	—	—	—	**(64,581)**	(1,258,582)
USD	—	—	**(61,392,389)**	121,571,410	**46,578,165**	(5,475,538)	**(14,814,224)**	116,095,872
BRL	**31,846,773**	19,777,981	—	—	—	—	**31,846,773**	19,777,981
CAD	—	—	**340,887**	9,416,317	—	—	**340,887**	9,416,317
EUR	**94,392**	17,291	—	—	—	—	**94,392**	17,291
Total net exposure	**31,876,584**	18,536,690	**(61,051,502)**	130,987,727	**46,578,165**	(5,475,538)	**17,403,247**	144,048,879

Company	GBP 2022	GBP 2021
Currency of net	US$	US$
Financial assets/(liabilities)		
USD	**(60,998,423)**	108,396,536
CAD	**305,219**	8,377,760
Total net exposure	**(60,693,204)**	116,774,296

(c) Interest rate risk

The Group is exposed to interest rate risk on the variable rate on the senior debt facility. As at 31 December 2022 more than 80% of the Group's external borrowings are fixed rate borrowings. The Group's borrowings at variable rate were denominated in US Dollar. The Group's interest rate risk also arises from its cash held on short-term deposit for which the Directors use a mixture of fixed and variable rate deposits. The Group currently does not hedge it exposure interest rate fluctuations. The cost of managing the interest rate fluctuations exceeds any potential benefits. The Directors monitor this risk on an ongoing basis and will review this as the Group moves towards production. 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 products from the Araguaia and Vermelho projects, being FerroNickel and Nickel Cobalt respectively. The Group has royalties over both its 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 Group's exposure to commodity prices amounted to the carrying value of the Araguaia royalty liability of US$48,783,266 (2021: US$44,496,504) and the Vermelho royalty liability of US$40,961,987 (2021: US$0). A 15% adjustment to the long-term commodity prices would result in a royalty liability valuation variance of between US$6.1million and US$7.5million. In addition the commodity price exposure also impacts the royalty buy-back options valuation, resulting in an adjustment to fair value of US$5,007,496 (2021: US$4,950,000) and US$9,481,891 on the Araguaia and Vermelho derivative assets respectively. A 15% adjustment to the long-term commodity prices would results in valuation variance of between US$2.7million and US$3.7million.

(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 Group's exposure to credit risk amounted to US$154,027,967 (2022: US$210,492,280) and represents the Group cash positions.

The Company's exposure to credit risk amounted to US$393,587,841 (2021: US$292,681,304). Of this amount US$368,980,168 (2021: US$94,085,540) is due from subsidiary companies and US$24,607,673 represents cash holdings (2021: US$198,595,764). See note 34 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 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

Financial instruments not measured at fair value

Financial instruments not measured at fair value includes cash and cash equivalents, trade and other receivables, trade and other payables, contingent and deferred consideration, royalty financing arrangements, convertible loan notes and loans and borrowings.

Due to their short-term nature, the carrying value of cash and cash equivalents, trade and other receivables, and trade and other payables approximates their fair value.

Financial instruments measured at fair value

The fair value hierarchy of financial instruments measured at fair value is provided below.

	Level 1		Level 2		Level 3	
Group	2022	2021	2022	2021	2022	2021
	US$	US$	US$	US$	US$	US$
Financial assets and liabilities						
Derivative financial assets (fair value through profit or loss)	—	—	—	—	14,489,387	4,950,000
Derivative financial liabilities (fair value through profit or loss)	—	—	—	—	(29,636,887)	—
Derivative financial assets (designated hedge instruments)	—	—	914,704	—	—	—
Total	**—**	**—**	**914,704**	**—**	**(15,147,500)**	**4,950,000**

In 2019 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. In 2022 the Group entered into a second 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 tonnes of nickel cobalt produced over the life of mine from the Vermelho Nickel Cobalt project. The agreement also 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 the agreements are included in note 21.

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

In 2022 the Group issued $65m convertible loan notes which was secured to finance the construction of the Araguaia project. The convertible loan is a hybrid financial instrument, whereby a debt host liability component and an embedded derivative liability component was determined at initial recognition. The conversion option did not satisfy the fixed for fixed equity criterion (fixed number of shares and fixed amount of functional currency cash) as the currency of the convertible loan notes is US Dollar and the functional currency of Horizonte Minerals Plc and its share price is GBP. For convertible notes with embedded derivative liabilities, the fair value of the embedded derivative liability is determined first and the residual amount is assigned to the debt host liability. Details of the convertible loan notes are included in note 22.

The future expected market share price of the Company and the volatility of the share price are the key estimates that are critical in the determination of the fair value of the embedded derivative and subsequently the debt host liability of the Convertible Loan Notes.

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 options and the convertible loan note embedded derivative and consideration of sensitivity to changes in estimates is disclosed in note 21b) and note 22 respectively. Information relating to the level 2 designated hedge instrument is disclosed in note 14.

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 UK adopted international accounting standards 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 34 for a discussion on the adjustment passed concerning the impairment loss.

Valuation of derivative financial instruments

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 and Vermelho projects, future nickel prices as well as discount factors. The most important estimates in determining the valuation of the Buyback option are the future nickel and cobalt prices and their price volatility. The sensitivity of the valuation to these estimates are considered in note 21b).

The conversion option on convertible loan notes issued by the Group is an embedded derivatives which was valued using a Monte Carlo simulation method. This methodology of determining fair value is reliant upon estimations including the Company's future share price volatility and GBP:USD exchange rate volatility on the conversion price. The sensitivity of the valuation to these estimates are considered in note 22).

Judgements

4.1 Impairment of exploration and evaluation costs and mine development property

Exploration and evaluation costs which relate solely to Vermelho have a carrying value at 31 December 2022 of US$12,834,249 (2021: US$8,018,343). 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.

Mine development property which relates solely to Araguaia has a carrying value at 31 December 2022 of US$263,965,415 (2021: US$59,417,577) and is subject to an annual review by the management together with a consultant or a senior company geologist for impairment. The review takes into consideration long-term metal prices, anticipated resource volumes and grades, permitting, infrastructure and project financing available to continue with the project construction. In the event that the project prospects are unfavourable or additional funding needs to be secured to complete the project construction a decision may be made to impair the project. 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 Feasibility Study, the fundamentals of the nickel market and expected supply gap in the mid-term and the financing secured for the project construction.

4.2 Contingent and deferred consideration

Contingent consideration has a carrying value of US$6,895,737 (2021: US$6,734,134) and deferred consideration has a carrying value of US$5,758,431 (2021: US$5,443,861) at 31 December 2022. There are two contingent consideration arrangements in place as at 31 December 2022:

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

The deferred contingent consideration arrangement in place as at 31 December 2022 is payable to Companhia Brasileira de Alumino (CBA) in respect of plant equipment.

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 and deferred consideration for Glencore Vale and CBA is the timing of the assumed date of first commercial production. Please refer to Note 20 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 are recognised in respect of fair value adjustments to the carrying value of intangible assets as a result of the acquisition of such assets. 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. In determining whether a deferred tax asset should be recognised 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, this will only be once the operations have achieved nameplate capacity consistently over an extended period of time.

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 Araguaia royalty finance arrangement

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 21a) and 21b).

4.5 Accounting for the Vermelho royalty finance arrangement

The Group has a $25m royalty funding arrangement which was secured in order to advance a feasibility study and permitting work streams on the Vermelho project. The royalty pays a fixed percentage of revenue to the holder for production on the nickel and cobalt tonnes produced from the Vermelho project over the life of mine. 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 prior years on the Araguaia Royalty 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 and cobalt 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 prices of nickel and cobalt and the 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 and cobalt prices and volatility of such 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 21a) and 21b).

4.6 Accounting for the Convertible Loan Notes

The Group issued $65m convertible loan notes which was secured to finance the construction of the Araguaia project. The convertible loan is a hybrid financial instrument, whereby a debt host liability component and an embedded derivative liability component was determined at initial recognition. The conversion option did not satisfy the fixed for fixed equity criterion (fixed number of shares and fixed amount of functional currency cash) as the currency of the convertible loan notes is US Dollar and the functional currency of Horizonte Minerals Plc and its share price is GBP.

For convertible notes with embedded derivative liabilities, the fair value of the embedded derivative liability is determined first and the residual amount is assigned to the debt host liability.

The future expected market share price of the Company and the volatility of the share price are the key estimates that are critical in the determination of the fair value of the embedded derivative and subsequently the debt host liability of the Convertible Loan Notes.

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 22 .

4.7 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.

2022	UK 2022 US$	Brazil 2022 US$	Netherlands 2022 US$	Total 2022 US$
Administrative expenses	(9,779,571)	(2,492,228)	(273,057)	(12,544,856)
Charge for share options granted	(1,415,581)	—	—	(1,415,581)
Change in fair value of derivative	6,821,201	—	(308,788)	6,512,413
Profit/(loss) on foreign exchange	7,023,829	380,732	1,077,896	8,482,457
Loss from operations per reportable segment	**2,649,878**	**(2,111,496)**	**496,051**	**1,034,433**
Net finance costs	544,853	65,163	(6,961,751)	(6,351,735)
Loss before taxation	**3,194,731**	**(2,046,333)**	**(6,465,700)**	**(5,317,302)**
Depreciation charges	—	80,819	—	80,819
Additions to non-current assets	—	191,479,825	—	191,479,825
Capitalisation of borrowing costs	—	13,175,730	—	13,175,730
Foreign exchange movements to non-current assets	—	7,000,625	—	7,000,625
Reportable segment assets	84,919,521	420,543,962	14,777,455	520,240,938
Reportable segment liabilities	69,432,505	61,582,375	89,796,355	220,811,235

2021	UK 2021 US$	Brazil 2021 US$	Netherlands 2021 US$	Total 2021 US$
Administrative expenses	(6,510,997)	(1,119,863)	(180,617)	(7,811,477)
Change in fair value of special warrant liability	(1,616,120)	—	—	(1,616,120)
Change in fair value of derivative	—	—	2,550,000	2,550,000
Profit/(loss) on foreign exchange	(558,161)	36,003	(340,581)	(862,739)
Loss from operations per reportable segment	(8,685,278)	(1,083,860)	2,028,802	(7,740,336)
Net finance costs	1,392,614	(187,800)	(6,834,993)	(5,630,179)
Loss before taxation	(7,292,664)	(1,271,660)	(4,806,191)	(13,370,515)
Depreciation charges	—	22,874	—	22,874
Additions to non-current assets	—	24,762,913	—	24,762,913
Capitalisation of borrowing costs	—	7,073,241	—	7,073,241
Reportable segment assets	212,037,274	91,384,740	5,100,951	308,522,965
Reportable segment liabilities	23,016,684	11,716,740	44,504,894	79,238,318

6 Expenses by nature

Group	2022 US$	2021 US$
Employment related costs	**7,487,140**	5,252,983
Professional fees	**2,195,830**	1,539,581
Other	**2,861,886**	1,018,913
Total administrative expenses	**12,544,856**	7,811,477
Charge for share options granted	**1,415,581**	—

The foreign currency exchange gain for the year of US$8,482,457 (US$862,739 loss) arose from the translation of bank accounts and financing arrangements denominated in currencies other than the functional currency of the Groups' subsidiaries or parent company. This arose due to the Brazilian Real strengthening against the US Dollar and the Pound Sterling weakening against the US Dollar during the year.

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	2022 US$	2021 US$
Fees payable to the Company's auditor and its associates for the audit of the parent company and consolidated financial statements	**201,913**	98,958
Fees payable to the Company's auditor and its associates for other services:		
– Audit of subsidiaries	**16,973**	14,085
– Audit related assurance services	**80,463**	144,444
–Tax compliance services	**116,999**	34,298

As of 31 December 2022, the Group met the OEPI (Other Entities of Public Interest) market capitalisation and as a result BDO have ceased their tax compliance services as of that date.

8 Finance income and costs

Group	2022 US$	2021 US$
Finance income:		
– Interest income on cash and short-term bank deposits	**7,117,103**	500,634
Finance costs:		
– Interest on land acquisitions	**(127,029)**	(168,145)
– Interest on lease liability	**(65,097)**	—
– Commitment fees on senior debt and cost overrun facilities	**(5,314,542)**	—
– Other	**(68,607)**	—
– Gain / (loss) on non-deliverable forward contracts settlements	**(556,914)**	—
– Contingent and deferred consideration : unwinding of discount	**(775,572)**	(584,865)
– Contingent and deferred consideration : change in estimate	**299,399**	1,913,705
– Convertible loan note: unwinding of discount	**(5,956,508)**	—
– Amortisation of Royalty Finance	**(9,799,261)**	(4,637,057)
– Royalty finance carrying value adjustment	**(1,449,254)**	(9,727,692)
– Senior debt facility: unwinding of discount	**(31,808)**	—
– Cost overrun facility: unwinding of discount	**(288,321)**	—
– Federal taxes on financing transactions	**(1,541,707)**	—
Total finance costs	**(18,558,118)**	(12,703,420)
Less transaction costs capitalised to borrowings	**(969,347)**	—
Less finance costs capitalised to Araguaia mine development project	**13,175,730**	7,073,241
Net finance costs	**(6,351,735)**	(5,630,179)

9 Income Tax

Group	2022 US$	2021 US$
Tax charge:		
Current tax charge for the year	**—**	—
Deferred tax charge for the year	**—**	—
Tax on loss for the year	**—**	—

Reconciliation of current tax

Group	2022 US$	2021 US$
Loss before income tax	**(5,317,302)**	(13,370,515)
Current tax at 19% (2021: 19%)	**(1,010,287)**	(2,540,398)
Effects of:		
Expenses not deducted for tax purposes	**1,703,042**	1,178,639
Income not taxable for tax purposes	**(1,881,136)**	—
Expenses deductible for tax purposes	**(2,045,884)**	—
Tax losses carried forward for which no deferred income tax asset was recognised	**4,297,139**	1,649,762
Effect of higher overseas tax rates	**(1,062,874)**	(288,003)
Total tax	**—**	—

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

The corporation tax rate in Brazil is 34%, the Netherlands 25.8% and the United Kingdom 19%. The group incurred expenses in all of these jurisdictions during the year. The effective tax rate for the year was 0% (2021: 0%).

Deferred income tax

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

Group	2022 US$	2021 US$
Deferred tax assets	—	—
Deferred tax liabilities		
– Deferred tax liability to be settled after more than 12 months	—	—
Deferred tax liabilities (net)	—	—

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 US$27,030,879 (2021: US$23,356,093) in Brazil and excess management charges of approximately US$20,528,734 (2021: US$5,959,980) in the UK and taxable losses of approximately US$2,920,302 (2021: US$2,647,245) in the Netherlands available to carry forward against future taxable profits. Potential deferred tax assets of US$9,591,184 (2021: US$6,103,317) 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 US$	Exploration Licenses US$	Exploration and evaluation costs US$	Software US$	Total US$
Cost					
At 1 January 2021	215,979	6,831,692	1,442,670	—	8,490,341
Additions	—	103,461	209,246	92,515	405,222
Amortisation for the year	—	—	—	(2,509)	(2,509)
Exchange rate movements	(14,844)	(480,025)	(88,701)	—	(583,570)
Net book amount at 31 December 2021	201,135	6,455,128	1,563,215	90,006	8,309,484
Additions	—	—	4,255,285	93,808	4,349,093
Amortisation for the year	—	—	—	(30,743)	(30,743)
Exchange rate movements	14,081	648,566	(87,945)	6,301	581,003
Net book amount at 31 December 2022	**215,216**	**7,103,694**	**5,730,555**	**159,372**	**13,208,837**

(a) Exploration and evaluation assets

The exploration licences and exploration and evaluation costs relate to the Vermelho project. No indicators of impairment were identified during the 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 the amount was capitalised to the exploration licences held within intangible assets shown above.

On 17 October 2020 the Group published the results of a Pre-Feasibility Study on the Vermelho Nickel Cobalt Project, which confirms Vermelho as a large, high-grade resource, with a long mine life and low-cost source of nickel 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.

(b) Goodwill

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

11 Property, plant and equipment

Group	Mine Development Property US$	Vehicles and other field equipment US$	Office equipment US$	Land acquisition US$	Building improvements US$	Total US$
Cost						
At 31 December 2020	41,909,101	105,074	78,287	119,090	—	42,211,552
Additions	13,328,811	759,475	69,980	10,199,425	—	24,357,691
Transfers	—	648	(648)	—	—	—
Interest capitalized	7,073,241	—	—	—	—	7,073,241
Disposals	—	—	(1,385)	—	—	(1,385)
Foreign exchange movements	(2,893,576)	(7,204)	(5,368)	(8,186)	—	(2,914,334)
At 31 December 2021	59,417,577	857,993	140,866	10,310,329	—	70,726,765
Additions	184,319,008	—	167,364	2,606,842	37,519	187,130,733
Interest capitalized	13,175,730	—	—	—	—	13,175,730
Transfers	781,069	(813,617)	32,334	—	214	—
Environmental rehabilitation additions	634,883	—	—	—	—	634,883
Disposals	—	—	(2,828)	—	—	(2,828)
Foreign exchange movements	5,637,148	60,068	9,862	721,831	—	6,428,909
At 31 December 2022	**263,965,415**	**104,444**	**347,598**	**13,639,002**	**37,733**	**278,094,192**
Accumulated depreciation						
At 31 December 2020	—	78,036	42,719	—	—	120,755
Charge for the year	—	7,526	12,840	—	—	20,366
Transfers	—	222	(222)	—	—	—
Disposals	—	—	(168)	—	—	(168)
Foreign exchange movements	—	(5,350)	(2,929)	—	—	(8,279)
At 31 December 2021	—	80,434	52,240	—	—	132,674
Charge for the year	—	6,933	42,165	—	978	50,076
Transfers	—	(744)	726	—	18	—
Disposals	—	—	(274)	—	—	(274)
Foreign exchange movements	—	5,631	3,657	—	—	9,288
At 31 December 2022	—	**92,254**	**98,514**	—	**996**	**191,764**
Net book amount as at 31 December 2022	**263,965,415**	**12,190**	**249,084**	**13,639,002**	**36,737**	**277,902,428**
Net book amount as at 31 December 2021	59,417,577	777,559	88,626	10,310,329	—	70,594,091

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.

During the year further progress was made in the land acquisition process for the Araguaia project. US$1.7million of the land and 'right of way' purchases is included in trade and other payables as at 31 December 2022.

US$105million of the additions for the mine development property are prepayments to suppliers which have been paid in advance of delivery of mining equipment that is pre-fabricated offsite.

12 Trade and other receivables

	Group		Company	
	2022 US$	2021 US$	**2022 US$**	2021 US$
Non-current				
VAT and other taxes receivable	**6,609,779**	—	—	—
Prepayments	**3,355,811**	—	—	—
	9,965,590	—	—	—
Current				
VAT and other taxes receivable	**3,886,402**	1,196,648	**1,465,745**	558,419
Deposits	**17,266**	10,782	**17,266**	10,782
Prepayments	**2,620,391**	—	**19,300**	—
Other receivables	**42,250,088**	12,589,198	—	12,589,198
	48,774,147	13,796,628	**1,502,311**	13,158,399
	58,739,737	13,796,628	**1,502,311**	13,158,399

Other receivables relates to transaction costs for the US$633million financing package concluded in for the construction of the Araguaia Ferronickel Project. These transaction costs relate to the senior debt finance agreements and the transaction costs will be offset against the debt when it is drawn down.

13 Cash and cash equivalents

	Group		Company	
	2022 US$	2021 US$	**2022 US$**	2021 US$
Cash at bank and on hand	**122,376,147**	206,271,198	**7,091,717**	194,374,682
Short-term deposits	**31,651,820**	4,221,082	**17,515,956**	4,221,082
	154,027,967	210,492,280	**24,607,673**	198,595,764

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

	Group		Company	
	2022 US$	2021 US$	**2022 US$**	2021 US$
A+	**59,589,545**	198,537,081	**7,236,784**	198,527,111
A	**16,642,684**	115,953	—	—
BB	**60,131,801**	—	—	—
BB-	—	11,462,045	—	—
BBB+	**17,364,568**	68,653	**17,364,568**	68,653
B+	**288,068**	150,951	—	—
NA	**11,301**	157,597	**6,321**	—
	154,027,967	210,492,280	**24,607,673**	198,595,764

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.

Access is restricted to cash and cash equivalents of US$29,247,627. These funds have been secured in the case of a cost overrun against the construction schedule and budget of the Araguaia Project. Refer to note 23 for more details.

14 Derivative financial assets

Cash flow forward foreign exchange contracts

	Total US$
Derivatives designated as hedging instruments	
Non-deliverable forward contracts	**914,704**
Value as at 31 December 2022	**914,704**

Current and non-current	
Current	**852,927**
Non-current	**61,777**
	914,704

In January 2022 the Group's Board approved the budget for the development of the Araguaia Ferronickel Project (Project). With the funding base being primarily US Dollars, the Project budget includes a significant portion of spend in local currency, the Brazilian Real (BRL). The Group and its senior lenders agreed to implement a foreign exchange hedging strategy that ensures that at least 70% of its BRL denominated capital expenditure to be incurred between 14 May 2022 and 31 March 2024 is hedged to reduce the exposure of future BRL foreign exchange risk.

The Group has therefore entered into a series of monthly non-deliverable forward transactions ("NDFs") which will lock in a series of future USD: BRL rates based on the Group's projected spend profile at the time of entering into those transactions. NDFs by definition are non-deliverable and so the Group would either pay or receive an amount of BRL to ensure that it ultimately achieves the hedged rate.

The effects of the cash flow non-deliverable forward contract hedging relationship are as follows:

	US$
Carrying amount of the derivatives	914,704
Change in fair value of designated hedging instruments	(914,704)
Change in fair value of designated hedged item	914,704
Notional amount	213,683,441
Maturity date	31/01/2023 – 28/03/2024
Hedge ratio	1:1

15 Share capital

Group and Company	**2022 Number**	**2022 US$**	2021 Number (after share consolidation)	2021 US$
Issued and fully paid				
Ordinary shares of 1p each				
At 1 January	**190,118,279**	**52,215,236**	72,468,864	20,666,053
Issue of ordinary shares	**78,295,627**	**18,117,405**	113,246,410	30,335,627
Conversion of special warrants into shares	—	—	4,403,005	1,213,556
At 31 December	**268,413,906**	**70,332,641**	190,118,279	52,215,236

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

2022

On 11 April 2022 the Group issued 6,000,000 new ordinary shares (after share consolidation 300,000 shares) at a price of 4.33 pence per share in relation to the exercise of options by an employee of the Company.

On 31 May 2022 the Group completed a share consolidation on the basis of 1 new share for every 20 existing shares. As a result of the share consolidation, the Company's issued share capital consists of 268,413,906 ordinary shares (as at 31 December 2022) of £0.20 each. The 2021 number of shares has been restated to reflect the share consolidation.

On 6 July 2022 the Group issued 50,000 new ordinary shares at a price of 60 pence per share in relation to the exercise of options by an employee of the Company.

On 8 November, 77,945,627 were placed with new and existing investors at a price of 90.50 pence per share. The gross proceeds raised in the placement was US$80,000,000, and issue costs amounted to US$2,499,105.

2021

On 19 February 2021, 162,718,353 new ordinary shares (8,135,917 shares after share consolidation) were placed with new and existing investors at a price of 7.5 pence per share. The gross proceeds raised in the placement was US$17,112,276 and issue costs amounted to US$1,037,822.

On 14 April 2021, the 88,060,100 Special Warrants were converted to 88,060,100 ordinary shares of the Company (4,403,005 shares after share consolidation).

On 23 December 2021, 2,102,209,850 new ordinary shares (105,110,492 shares after share consolidation) were placed with new and existing investors at a price of 7.0 pence per share. The gross proceeds raised in the placement was US$196,478,769 and issue costs amounted to US$9,351,649.

16 Share premium

Group and Company	**2022 US$**	2021 US$
At 1 January	**245,388,102**	65,355,677
Premium arising on issue of ordinary shares	**63,830,692**	183,255,417
Issue costs	**(2,499,105)**	(10,389,470)
Premium arising on conversion of special warrants into shares	—	7,986,413
Special warrants issue costs	—	(819,935)
At 31 December	**306,719,689**	245,388,102

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

17 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, other than the options issued on 12 July 2022. Options issued on 12 July 2022 will vest in three tranches on the 12-month, 18-month and 28-month anniversaries after the date of grant (refer below for further information). All share options 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 not the Group has any legal or constructive obligation to settle or repurchase the options in cash.

Two employees exercised their share options on 11 April 2022 and 6 July 2022 respectively.

On 31 May 2022 the Group completed a share consolidation on the basis of 1 new share for every 20 existing shares. The number of share options and the exercise prices have been revised following the share consolidation.

The Group awarded new share options on 12 July 2022 (the "Award Date") over 9,736,250 ordinary shares of £0.20 each in the capital of the Company to executives (PDMRs) and key personnel in the UK and Brazil. Each share option is exercisable in return for one ordinary share in the Company and will vest in three tranches on the 12-month, 18-month and 28-month anniversaries of the Award Date at a ratio of 25%, 25% and 50%, with exercise prices of £1.68, £1.72 and £1.76 for each one third of the Awards.

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

	2022		2021			
	Number of options (after share consolidation)	Weighted average exercise price (after share consolidation)	Number of options (after share consolidation)	Weighted average exercise price (after share consolidation)	Number of options (before share consolidation)	Weighted average exercise price (before share consolidation)
		US$		US$		US$
Outstanding at 1 January	5,715,000	1.02	6,267,500	1.37	125,350,000	0.07
Forfeited	385,000	1.54	-552,500	3.75	-11,050,000	0.19
Exercised	350,000	1.00	0	0.00	0	0
Granted	9,736,250	2.07	0	0.00	0	0
Outstanding at 31 December	14,716,250	1.70	5,715,000	1.145	114,300,000	0.057
Exercisable at 31 December	5,070,000	1.003	5,715,000	1.145	114,300,000	0.057

The options outstanding at 31 December 2022 had a weighted average remaining contractual life of 7.48 years (2021: 4.47 years).

The fair value of the share options issued during the current financial year was determined using the Black-Scholes valuation model.

The expected volatility is based on historical volatility for one year 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 parameters used are detailed below:

	2022 options
Date of grant	12/07/2022
Weighted average share price £	98.5 pence
Weighted average exercise price £	172 pence
Weighted average fair value at the measurement date £	41.69 pence
Expiry date	11/07/2032
Options granted	9,736,250
Volatility	45.1%
Dividend yield	Nil
Option life	10 years
Annual risk-free interest rate	2.14%

The range of option exercise prices is as follows:

Range of exercise prices	2022 Weighted average exercise price (US$)	2022 Number of shares	2022 Weighted average remaining life expected (years)	2022 Weighted average remaining life contracted (years)	2021 Weighted average exercise price (adjusted for share consolidation) (US$)	2021 Number of shares (adjusted for share consolidation)	2021 Weighted average remaining life expected (years)	2021 Weighted average remaining life contracted (years)
0 – 100 pence (£)	0.924	4,582,500	1.1682	1.1682	1.046	5,152,500	4.3855	4.3855
100 – 200 pence (£)	2.055	10,133,750	6.3074	6,3074	2.052	562,500	0.223	0.223

The expense recognised for share options granted during the year was US$1,415,581. The expense will be recognised over the vesting period until the share options have fully vested.

Group and Company	Share options reserve US$
Charge for share options granted	1,415,581
At 31 December 2022	**1,415,581**

18 Other reserves

Group	Merger reserve US$	Translation reserve US$	Other reserve US$	Total US$
At 1 January 2021	17,046,353	(38,886,420)	(1,678,968)	(23,519,035)
Currency translation differences	—	258,977	—	258,977
At 31 December 2021	17,046,353	(38,627,443)	(1,678,968)	(23,260,058)
Currency translation differences	—	(6,678,108)	—	(6,678,108)
At 31 December 2022	**17,046,353**	**(45,305,551)**	**(1,678,968)**	**(29,938,166)**

Company	Translation reserve US$	Merger reserve US$	Total US$
At 1 January 2021	(9,408,481)	17,046,353	7,637,872
Currency translation differences	2,715,159	—	2,715,159
At 31 December 2021	(6,693,322)	17,046,353	10,353,031
Currency translation differences	(29,785,838)	—	(29,785,838)
At 31 December 2022	**(36,479,160)**	**17,046,353**	**(19,432,807)**

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. 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 US Dollar: the intangible assets of the Group are located in Brazil, and their functional currency is the Brazilian Real, which decreased in value against US Dollar during the year.

19 Trade and other payables

	Group		Company	
	2022 US$	2021 US$	**2022 US$**	2021 US$
Non-current				
Trade and other payables	**723,333**	608,975	**—**	—
Current				
Trade and other payables	**25,949,374**	4,557,525	**1,739,397**	—
Social security and other taxes	**1,304,201**	771,465	**178,318**	45,565
Accrued expenses	**1,211,296**	16,245,372	**1,171,543**	16,236,982
Commitment fees payable	**16,167**	—	**—**	—
	28,481,038	21,574,362	**3,089,258**	16,282,547
Total trade and other payables	**29,204,371**	22,183,337	**3,089,258**	16,282,547

20. Contingent and deferred consideration

20.1 Contingent Consideration payable to Xstrata Brasil Mineração Ltda

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

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

- US$2,000,000 in ordinary shares in the capital of the Company which 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.

The contingent consideration payable to Xstrata Brasil Mineração Ltda for the acquisition of the Araguaia project has a carrying value of US$2,470,215 at 31 December 2022 (31 December 2021: US$2,308,612). It comprises US$5,000,000 consideration in cash as at the date of first commercial production of ferronickel product (excluding the commissioning period) from any of the resource areas covered in the purchase agreement, i.e. Vale dos Sonhos (VDS) and Serra do Tapa (SDT). The key assumptions underlying the treatment of the contingent consideration of US$5,000,000 is a discount factor of 7.0% along with the estimated date of first commercial production from the VDS and SDT permits.

During 2020 the Araguaia project entered the development phase and as a result borrowing costs including unwinding of discount on contingent consideration for qualifying assets are capitalised to the mine development asset.

20.2 Contingent consideration payable to Vale Metais Basicos S.A.

- On 19 December 2017 the Company announced that it had reached an 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 recognised the contingent consideration within liabilities for the first time in 2019.

The contingent consideration payable to Vale Metais Basicos S.A. for the acquisition of the Vermelho project has a carrying value of US$4,425,522 at 31 December 2022 (31 December 2021: US$4,425,522). It comprises US$6,000,000 consideration in cash as at the date of first commercial production from the Vermelho project and was recognised for the first time in December 2019, following the publication of a PFS on the project. The key assumptions underlying the treatment of the contingent consideration of US$6,000,000 is a discount factor of 7.0% along with the estimated date of first commercial production. The estimated first date of commercial production was revised during the year from June 2026 to June 2027. This revision was considered necessary given the expected timelines for the feasibility study completion and thereafter commence with the Vermelho Project development which includes finance raising.

The finance costs in respect of this contingent consideration are expensed as the Vermelho project has not entered the construction phase.

20.3 Deferred consideration payable to Companhia Brasileiro de Aluminio

On 8 December 2021 the Group's subsidiary Araguaia Niquel Metais Ltda (ANM) entered into an asset purchase agreement to purchase certain new and unused ferronickel processing equipment (the "Processing Equipment") from Companhia Brasileira de Alumínio ("CBA").

The Processing Equipment comprises the key components of a conventional rotary kiln electric furnace plant ("RKEF"), excluding the furnace, and is expected to provide meaningful synergies in relation to the development of the Araguaia ferronickel project.

An upfront cost of US$600,000 is payable in cash on signing with a total consideration of up to US$7,000,000, with the balance payable upon the achievement of future milestones related to the development and operation of Araguaia. As part of the transaction CBA will continue to perform care and maintenance activities going forward until it is removed from the existing site.

The total consideration of up to US$7 million payable by ANM will be paid according to the following schedule:

- US$600,000 was paid on execution of the Agreement;
- US$950,000 is payable upon the removal of 80% of the Processing Equipment from CBA's Niquelândia operations;
- US$950,000 is payable upon reaching 50% completion of Araguaia plant construction;
- US$1,150,000 is payable upon production at Araguaia reaching 90% of nameplate capacity for a period of 60 days, on average, and with up to 50% of such amount payable in Horizonte shares, at Horizonte's election; and
- US$3,350,000 is payable by Horizonte in three equal annual instalments with the first instalment due within 45 days of the first sale of ferronickel to a third party. Horizonte may choose to pay the outstanding balance of this amount at any time of its choosing with up to 50% of the total able to be paid in Horizonte's shares, at Horizonte's election.

In addition, the contract provides that each component of the Purchase Price shall be deemed immediately due and payable to the Seller at the long stop date of December 31, 2027. The deferred consideration payable to CBA has a carrying value of US$5,758,431 at 31 December 2022 (31 December 2021: US$5,443,861). The key assumptions underlying the treatment of the deferred consideration of US$7,000,000 is a discount factor of 7.0% along with the estimated date of completion of the project milestones as outlined above.

The critical assumptions underlying the treatment of the contingent and deferred considerations are set out in note 4.2.

	Companhia Brasileira de Aluminio (in respect of Araguaia project)	Xstrata Brasil Mineração Ltda (in respect of Araguaia project)	Vale Metais Basicos S.A. (in respect of Vermelho project)	Total
	US$	US$	US$	US$
At 1 January 2021	—	3,946,090	4,136,002	8,082,092
Initial recognition	5,424,742	—	—	5,424,742
Unwinding of discount	19,119	276,227	289,520	584,866
Change in estimate	—	(1,913,705)	—	(1,913,705)
At 31 December 2021	5,443,861	2,308,612	4,425,522	12,177,995
Unwinding of discount	314,570	161,603	299,399	775,572
Change in estimate	—	—	(299,399)	(299,399)
At 31 December 2022	5,758,431	2,470,215	4,425,522	12,654,168
Reclassification to current liabilities	(950,000)	—	—	(950,000)
At 31 December 2022	**4,808,431**	**2,470,215**	**4,425,522**	**11,704,168**

The change in estimate during 2021 relates revisions to the estimated payment date of the Xstrata Brasil Mineração Ltda contingent consideration as a result of the start date of commercial production at the VDS and SDT areas being delayed.

21 a) Royalty financing liability

21 a.1) Araguaia royalty financing liability

On 29 August 2019 the Group entered into a royalty funding arrangement with Orion Mine Finance ("OMF") securing a gross upfront payment of US$25,000,000 before fees in exchange for a royalty, the rate being in a range from 2.25% to 3.00% and determined by the date of funding and commencement of major construction. The rate has been confirmed to be 2.95%. The royalty is paid over the first 426k tonnes of nickel produced from the Araguaia Ferronickel project. The royalty is linked to production and therefore does not become payable until the project is constructed and commences commercial production. 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 21 b).

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

The carrying value of the royalty reflects assumptions on expected long term nickel price, update headline royalty rate as well as the timing of payments related to expected date of commencement of production and hence payment to be made under the royalty agreement.

The long-term nickel price used in the royalty valuation as at 31 December 2022 is US$18,721/t Ni (2021:US$ 16,945/t Ni).

Management have sensitised the carrying value of the royalty liability for a US$1,000/t Ni increase/decrease in future nickel price the carrying value would change by US$2,682,547 (2021:US$2,711,505).

21 a.2) Vermelho royalty financing liability

On 23 November 2021 the Group entered into a royalty funding arrangement with Orion Mine Finance ("OMF") securing a gross upfront payment of US$25,000,000 before fees in exchange for a royalty, at a rate of 2.1%. The royalty rate will increase to 2.25% if substantial construction of the Vermelho Project has not commenced within 5 years of the closing date, 30 March 2022. The royalty will be paid over the life of mine of Vermelho. The Royalty agreement has certain provisions to revise the headline royalty rate should there be change in the mine schedule and production profile prior to construction or if the resource covered in the Vermelho Feasibility Study is depleted. The royalty is linked to production and therefore does not become payable until the project is constructed and commences commercial production. 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 21 b). The royalty funds were received on 30 March 2022.

The Royalty liability has initially been recognised using the amortised cost basis with an effective interest rate of 17.66%. When circumstances arise that lead to payments due under the agreement being revised, the group adjusts the carrying amount of the financial liability to reflect the revised estimated cash flows. This is achieved by recalculating the present value of estimated cash flows using the original effective interest rate of 17.66%. Any adjustment to the carrying value is recognised in the income statement.

The carrying value of the royalty reflects assumptions on expected long term nickel and cobalt prices, headline royalty rate as well as the timing of payments related to expected date of commencement of production and hence payment to be made under the royalty agreement.

The assumption influencing the initial valuation of the carrying value of the Vermelho royalty is the long-term nickel price of US$17,756 t/Ni (as at the initial recognition date 30 March 2022), the long-term cobalt price of US$53,355t/Co (as at the initial recognition date 30 March 2022), and the royalty rate of 2.1%. The assumptions influencing the valuation at the period end date is the long-term nickel price of US$18,721 t/Ni, the long-term cobalt price of US$56,950 t/Co. The royalty rate has remained at 2.1%.

Management have sensitised the carrying value of the royalty liability by a change in the royalty rate to 2.25% and it would be US$2,925,856 higher and for a US$1,000/t increase/decrease in future nickel price and future cobalt price the carrying value would change by US$1,981,761.

	Vermelho Royalty	Araguaia Royalty	Total
	US$	US$	US$
Net book amount at 1 January 2021	—	30,131,755	30,131,755
Unwinding of discount	—	4,637,057	4,637,057
Change in carrying value	—	9,727,692	9,727,692
Net book amount at 31 December 2021	—	44,496,504	44,496,504
Initial recognition	25,000,000	—	25,000,000
Embedded derivative – initial valuation	9,848,175	—	9,848,175
Transaction costs	(847,939)	—	(847,939)
Unwinding of discount	4,448,595	5,350,666	9,799,261
Change in carrying value	2,513,156	(1,063,902)	1,449,254
Net book amount at 31 December 2022	**40,961,987**	**48,783,268**	**89,745,255**

21 b) Derivative financial asset

21 b.1) Araguaia 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 of US$18,721/t Ni (2021:US$16,941/t Ni), the start date of commercial production in March 2024 (2021: May 2023), the prevailing royalty rate of 2.95% (2021: 2.95%), the inflation rate of 2.22% (2021: 1.76%), and volatility of nickel prices of 39.7% (2021: 22.1%).

Sensitivity analysis

The valuation of the Buyback option is most sensitive to future nickel price estimates and nickel price volatility.

A 15% adjustment to the estimated future nickel price would result in a variance between US$2.7million and US$3million in the valuation.

21 b.2) Vermelho derivative financial assets

Horizonte has the right to buy back 50% of the royalty on the first four anniversaries of closing (or on any direct or indirect change of control in respect of Vermelho up until the fourth anniversary of closing).

After the 4th anniversary, Horizonte has the right to buy back 50% of the royalty on any direct or indirect change of control in respect of Vermelho at a valuation that meets certain minimum economic returns for OMF.

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

The assumptions for the valuation of the Buy Back Option are the future nickel price (US$18,721/t Ni), the future cobalt price (US$56,950/t Co), the production profile from 2027 to 2065, the expected royalty rate (2.1%), the inflation rate (2.22%), volatility of nickel prices (22.1%) and volatility of cobalt prices (28.0%).

Sensitivity analysis

The valuation of the Buyback option is sensitive to estimates for nickel and cobalt prices and their respective volatilities.

A 15% adjustment to the estimated future nickel and cobalt prices would result in a variance of US$3.7 million in the valuation.

Refer to the table below for the summary of the derivative financial assets valuation:

	Vermelho Royalty	Araguaia Royalty	Total
	US$	US$	US$
Value as at 1 January 2021	—	2,400,000	2,400,000
Change in fair value	—	2,550,000	2,550,000
Value as at 31 December 2021	—	4,950,000	4,950,000
Initial recognition	9,848,175	—	9,848,175
Change in fair value	(366,284)	57,496	(308,788)
Value as at 31 December 2022	**9,481,891**	**5,007,496**	**14,489,387**

22 Convertible loan notes

On 29 March 2022 the Company issued convertible loan notes to the value of US$65 million at an interest rate of 11.75% with interest accruing quarterly in arrears. The convertible loan notes were issued at a discount of 5.75%. The maturity date of the instruments is 15 October 2032.

The convertible loan notes are unsecured and the noteholders will be repaid as follows:

- Interest shall be capitalised until the Araguaia Project Completion date, estimated to be 31 December 2025 (subject to various technical operating tests being passed)
- After Project Completion Date, interest shall be paid quarterly only if there is available cash (after the company meets its senior debt and other senior obligations)
- After Project Completion Date, principal repayments (including accrued capitalized interest) shall be paid quarterly subject to available cash for distribution. In addition, a cash sweep of 85% of excess cash will apply on each interest payment date
- Any amount outstanding on the CLN on the maturity date 15 October 2032, Horizonte is obliged to settle in full on the maturity date.

At any time until the Maturity Date, the Noteholder may, at its option, convert the notes, partially or wholly, into a number of ordinary shares up to the total amount outstanding under the Convertible Note divided by the Conversion Price. The Conversion Price is 125% of the Subscription Price of 0.07 pence (after share consolidation 1.40 pence converted to US$ at a rate of 1.3493). The Conversion Price is therefore US$1.89. After the equity fundraise that was completed on 8 November 2022 (refer to note 14) the conversion price was revised to £1.268 /US$1.71.

The convertible loan is a hybrid financial instrument, whereby a debt host liability component and an embedded derivative liability component was determined at initial recognition. The conversion option did not satisfy the fixed for fixed equity criterion (fixed number of shares and fixed amount of functional currency cash) as the currency of the convertible loan notes is US Dollar and the functional currency of Horizonte Minerals Plc and its share price is GBP.

For convertible notes with embedded derivative liabilities, the fair value of the embedded derivative liability is determined first and the residual amount is assigned to the debt host liability.

The initial recognition of the embedded derivative conversion feature has been recognised as a liability on the balance sheet with any changes to the fair value of the derivative recognised in the income statement. It has been fair valued using a Monte Carlo simulation which runs a high number of scenarios in order to derive an estimated valuation. The Monte Carlo simulation was performed at the transaction date 29 March 2022 and at the year-end date 31 December 2022.

The assumptions for the valuation of the conversion feature (per the Monte Carlo simulation) at initial recognition are the Horizonte Minerals Plc future share price volatility (60.3%), GBP: USD exchange rate volatility (11.1%) on the conversion price. At the year end date the share price volatility assumption was 42.9% and the GBP: USD exchange rate volatility assumption 10%.

At 29 March 2022 the fair value of the conversion feature was calculated (per the Monte Carlo simulation) as US$36,458,088. The proceeds received was US$ 61,262,500 and thus the residual allocated to the debt host liability was US$24,804,412.

The debt host liability will be accounted for using the amortised cost basis with an effective interest rate of 34%. The effective interest rate is recalculated after adjusting for the transaction costs and the discount of 5.75%. The Group will recognise the unwinding of the discount at the effective interest rate, until the maturity date, the carrying amount at the maturity date will equal the cash payment required to be made.

The directly attributable transaction costs amounted to US$2,347,041 which was allocated proportionately to the embedded derivative (US$1,396,754) and the convertible loan notes liability (US$ 950,287). The embedded derivative transaction costs were recognised in profit and loss, whereas the convertible loan liability transaction costs were deducted from the financial liability carrying amount.

After the fifth anniversary of the closing date, Horizonte shall have a one-time right to redeem the Convertible Notes, in whole, at 105% of the par value plus accrued and unpaid interest in cash if:

1. The thirty-business day VWAP of Horizonte shares exceeds 200% of the Conversion Price and the average daily liquidity of the Company's shares (across all relevant exchanges) exceeds US$2.5 million per trading day over the prior 30 trading days; or
2. There is a change of control.

Management have assessed the likelihood of the above events occurring is highly improbable and thus the value of the redemption right is immaterial and was thus not considered in the valuation of the instrument.

Sensitivity analysis – Conversion feature derivative

The valuation of the conversion feature derivative is sensitive to the Company's equity price and share price volatility. A 15% adjustment on the Company's equity price results in a variance of between US$7.6million and US$8.3million in the valuation. A 30% adjustment on the equity volatility results in a variance of US4.9million.

	Embedded derivative	Convertible loan notes liability	Total
	US$	US$	US$
Initial recognition (after discount on issue)	36,458,088	24,804,412	61,262,500
Transaction costs	—	(950,287)	(950,287)
Unwinding of discount	—	5,956,508	5,956,508
Change in fair value	(6,821,201)	—	(6,821,201)
Value as at 31 December 2022	**29,636,887**	**29,810,633**	**59,447,520**

23 Cost overrun facility

On 30 November 2022, the Group satisfied all conditions precedent in relation to the cost overrun facility (COF) and had received all COF funds from Orion. The COF benefits from the same security package as the senior debt facility but will be subordinated to the senior debt facility. Access to the COF funds is restricted and will only be available in the case of a cost overrun against the Araguaia Project construction schedule and budget, subject to certain conditions including:

1. 90% of the funding from the Equity Fundraise and Convertible loan notes have been invested in the construction of the Araguaia Project
2. A gearing ratio of 70:30 being met

The COF is US$25million with an interest rate of 13% and a maturity date of 15 October 2032. Interest will be calculated quarterly and be payable in arrears at the end of each interest period – March 31, June 30, September 30 and December 31. The first interest period was 30 November to 31 December 2022. The initial principal repayment date is 31 March 2025. 3.23% of the outstanding principal amount will be paid at each quarter end date starting from 31 March 2025.

The COF will be accounted for using the amortised cost basis with an effective interest rate of 15%. The effective interest rate is recalculated after adjusting for the transaction costs. The Group will recognise the unwinding of the discount at the effective interest rate, until the maturity date, the carrying amount at the maturity date will equal the cash payment required to be made.

	Total
	US$
Initial recognition	25,000,000
Transaction costs	(1,198,634)
Unwinding of discount	288,321
Interest repayments	(279,860)
Value as at 31 December 2022	**23,809,827**

24 Senior debt facility

On 15 March 2022 the Group entered into legally binding documentation including a comprehensive intercreditor agreement and loan agreements with two export credit agencies in relation to its senior secured project finance debt facility of US$346.2 million. The senior debt facility was executed between Araguaia Niquel Metais LTDA, and a syndicate of international financial institutions, being BNP Paribas, BNP Paribas Fortis, ING Capital LLC, ING Bank N.V., Natixis, New York Branch, Société Générale and SEK (Swedish Export Credit Corporation).

The senior debt facility includes the following:

- Commercial senior facility of US$200,000,000 provided by the Senior Lenders;
- ECA facility of US$74,562,000 guaranteed by EKF (Denmark's Export Credit Agency);
- ECA facility of US$71,638,000 guaranteed by Finnvera plc (Finland's Export Credit Agency);

On 7 December 2022, the Group satisfied all conditions precedent for the first utilisation under the senior debt facility of US$346.2 million. The first utilisation was for US$5million.

The interest rate on the ECA facility is calculated according to this formula : Margin + Term SOFR (Secured Overnight Financing Rate) + Baseline Credit Adjustment Spread (CAS). The ECA Facility margin is 1.8%. The Term SOFR was the first interest period was 4.21714% and the Baseline CAS 0.11448%. The ECA facility interest rate was therefore 6.13162% at 31 December 2022.

The interest rate on the Commercial facility is calculated according to this formula : Margin + Term SOFR (Secured Overnight Financing Rate) + Baseline Credit Adjustment Spread (CAS). The Commercial Facility margin is 4.75%. The Term SOFR was the first interest period was 4.21714% and the Baseline CAS 0.11448%. The ECA facility interest rate was therefore 9.08162% at 31 December 2022.

Interest will be calculated quarterly and be payable in arrears at the end of each interest period – March 31, June 30, September 30 and December 31. The first interest period was 7 to 31 December 2022. The initial principal repayment date is 31 March 2025. The outstanding principal amount will be paid according to the repayment schedule at each quarter end date starting from 31 March 2025.

The final maturity date on the Commercial Facility is 15 July 2030. The final maturity date on the ECA Facility is 15 July 2032.

The ECA and Commercial Facilities will be accounted for using the amortised cost basis with effective interest rates of 12.25% and 11.57% respectively. The effective interest rate is recalculated after adjusting for the transaction costs. The Group will recognise the unwinding of the discount at the effective interest rate, until the maturity date, the carrying amount at the maturity date will equal the cash payment required to be made.

The Senior Debt Facility is secured via a comprehensive security package which includes:

- Pledge of shares in the Araguaia Níquel Metais Ltda. (the "Borrower");
- Pledge of shares of the guarantors (other than Horizonte Minerals plc);
- First ranking security over all of the Araguaia Project's assets (including its mineral rights);
- Assignment of insurance policies;
- Assignment of material project contracts (including rights under hedge agreements);
- Charge over certain bank accounts of the Borrower (including the debt service bank account, the cost overrun account and the insurance proceeds account); and
- Assignment of credit related to intercompany loans (by the Group borrowing entity) and subordination of the debt related to inter-company loans (by the Group lending entity).

	ECA Facility	Commercial Facility	Total
	US$	US$	US$
Initial recognition	2,111,496	2,888,504	5,000,000
Transaction costs	(446,399)	(232,137)	(678,536)
Unwinding of discount	12,660	19,148	31,808
Interest repayments	(8,271)	(16,760)	(25,031)
Value as at 31 December 2022	**1,669,486**	**2,658,755**	**4,328,241**

As at 31 December 2022 the drawn vs undrawn balance on the senior debt facility was as follows:

	Drawn	Undrawn	Total
Commercial Facility	2,888,504	343,311,496	346,200,000
EKF ECA Facility	1,076,863	73,485,137	74,562,000
Finnvera ECA Facility	1,034,633	70,603,367	71,638,000

25 Environmental rehabilitation provision

Environmental rehabilitation provision relates to the estimated cost of returning the Araguaia Project mining property to its original state at the end of the life of mine in accordance with the Brazilian legislation. The cost is recognised as part of the Mine Development Asset and will be depreciated over the life of the mine. The main uncertainty relates to estimating the cost that will be incurred at the end of the life of mine. The costs have been estimated based on a mine closure report prepared by a third party expert taking into consideration the environmental disturbance to date. The cost was inflation adjusted over the life of mine using inflation projections from reputable Brazilian financial institution and then discounted to its present value at 8%.

	Total
	US$
Additions	634,883
Value as at 31 December 2022	**634,883**

26 Right of use assets and lease liability

In December 2021, Araguaia Niquel Metais Ltda entered into a commercial lease agreement for an office property in Belo Horizonte. The duration of the lease will be for 5 years. The instalments in the first year will be BRL 40,000 (US$7,666) per month and in years 2 to 5 the monthly instalment will be BRL 43,520 (US$8,340).

In June 2022, Araguaia Niquel Metais Ltda entered into a lease agreement to lease 17 L200 vehicles. The duration of the lease will be for 26 months with a monthly cost of BRL 107,735 (US$20,648). As at 31 December 2022, only 10 vehicles are being leased to date.

The right of use asset and lease liability was recognised in December 2021 at inception of the lease.

	Office building	Vehicles	Total
	US$	US$	US$
Right of use asset			
Initial recognition	380,482	—	380,482
Value as at 31 December 2021	380,482	—	380,482
Initial recognition	—	291,290	291,290
Additions	431,773	—	431,773
Amortisation	(138,694)	(33,610)	(172,304)
Foreign exchange movements	26,637	—	26,637
Value as at 31 December 2022	**700,198**	**257,680**	**957,878**

	Office building	Vehicles	Total
	US$	US$	US$
Lease liability			
Initial recognition	380,482	—	380,482
Value as at 31 December 2021	380,482	—	380,482
Initial recognition	—	291,290	291,290
Additions	431,773	—	431,773
Unwinding of discount	50,240	14,857	65,097
Lease payments	(165,407)	(42,145)	(207,552)
Foreign exchange movements	25,880	—	25,880
Value as at 31 December 2022	**772,968**	**264,002**	**986,970**
Reclassified to current liabilities	**143,330**	**128,350**	**271,680**
Non-current lease liability	**579,638**	**135,652**	**715,290**

27 Note to statement of cash flows

Below is a reconciliation of borrowings from financial transactions:

	Senior Debt Facility	Cost Overrun Facility	Convertible Loan Notes Liability	Royalty Financing	Derivative asset	Total
	US$	US$	US$	US$	US$	US$
As at 1 January 2021	—	—	—	30,131,755	(2,400,000)	27,731,755
Non cash flow adjustments:						
Unwinding of discount	—	—	—	4,637,057	—	4,637,057
Change in carrying value /fair value	—	—	—	9,727,692	(2,550,000)	7,177,692
Total non-current borrowings 31 December 2021	—	—	—	44,496,504	(4,950,000)	39,546,504
Cash flow adjustments:						
Initial recognition	5,000,000	25,000,000	61,262,500	25,000,000	—	116,262,500
Transaction costs	(678,536)	(1,198,634)	(950,287)	(847,939)	—	(3,675,396)
Interest payments	(25,031)	(279,860)	—	—	—	(304,891)
Non cash flow adjustments:						
Embedded derivative – initial valuation	—	—	—	9,848,175	(9,848,175)	—
Unwinding of discount	31,808	288,321	5,956,508	9,799,261	—	16,075,898
Change in carrying value /fair value	—	—	(6,821,201)	1,449,254	308,788	(5,063,159)
Total non-current borrowings 31 December 2022	4,328,241	23,809,827	59,447,520	89,745,255	(14,489,387)	162,841,456

28 Dividends

No dividend has been declared or paid by the Company during the year ended 31 December 2022 (2021: nil).

29 Earnings per share

(a) Basic

The basic loss per share of 2.634p loss per share (2021 loss per share: 15.698p) 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	2022 US$	2021 US$
Loss attributable to owners of the parent	(5,317,302)	(13,370,515)
Weighted average number of ordinary shares in issue	201,892,290	85,175,681

(b) Diluted

The basic and diluted loss per share for the years ended 31 December 2022 and 31 December 2021 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.

Details of share transactions are set out in note 15 and share options that could potentially dilute earnings per share in future periods are set out in note17.

30 Related party transactions

Vincent Benoit is the elected board representative for La Mancha Resource Capital who have a shareholding of 23.21% in the Group as at 31 December 2022. For the year ended 31 December 2022, Vincent received director's remuneration of £59,229 which was paid in full in the year.

The following transactions took place with subsidiaries in the year:

Amounts totalling US$ 284,405,473 (2021: US$6,937,622) were lent to Horizonte Nickel IOM Ltd and Champol IOM Ltd to finance exploration work during 2022, by Horizonte Minerals Plc. Amounts totalling US$912,521 were lent to Nickel Production Services B.V. and Battery Material Services B.V. to finance operating expenses. No interest is charged on balances outstanding during the year. The amounts are repayable on demand.

See note 34 for balances with subsidiaries at the year end.

All Group transactions were eliminated on consolidation.

31 Ultimate controlling party

The Directors believe there to be no ultimate controlling party.

32 Employee benefit expense (including Directors and Key Management)

Group	Group 2022 US$	2021 US$	Company 2022 US$	2021 US$
Wages and salaries	12,170,854	7,461,987	3,745,332	5,504,925
Social security costs	3,749,120	866,676	1,944,212	532,926
Indemnity for loss of office	68,934	11,626	—	—
Share options granted to Directors and employees	1,415,581	—	1,415,581	—
	17,404,489	8,340,289	7,105,125	6,037,851
Management	27	12	9	8
Field staff	119	38	6	3
	146	50	15	11
Average number of employees including Directors and Key Management	129	50	14	11

Employee benefit expenses includes US$ 6,941,222 (2021: US$3,183,923) of costs capitalised and included within intangible assets and mine development property.

Directors and key management remuneration for the year is outlined in the table below.

	2022 US$	2021 US$
Directors' emoluments	1,099,573	886,656
Amounts receivable under the long-term incentive plan	1,354,284	2,479,756
Other emoluments (performance related bonuses)	528,491	365,551
Company contributions to defined contribution pension schemes	21,103	43,106
Total emoluments	3,003,451	3,775,069
Social security costs	591,073	480,812
Share-based payment charge (non-cash)	1,038,126	—
Total cost to company	4,632,650	4,255,881

As at 31 December 2022 there were 5 directors. For details of changes in the board of directors during the year refer to the Board Report on pages 48 to 49.

Emoluments of the highest paid director was US$1.3million (2021: US$1.6million), this includes an amount of US$553,518 (2021:US$964,395) received under the long-term incentive plan.

33 Investments in subsidiaries

Company	2022 US$	2021 US$
Shares in Group undertakings		
At 1 January	3,164,591	3,204,979
Effects of foreign exchange	(337,561)	(40,388)
At 31 December	2,827,030	3,164,591

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.

34 Loans to and from subsidiaries

Balances with subsidiaries at the year-end were:

Company	2022 Assets/(Liabilities) US$	2021 Assets/(Liabilities) US$
Loans to subsidiaries		
HM Brazil (IOM) Ltd	7,582,115	8,487,762
Horizonte Nickel (IOM) Ltd	353,108,653	78,829,052
Champol (IOM) Ltd	7,199,478	6,427,750
Horizonte Minerals (IOM) Ltd	304,592	340,974
Nickel Production Services B.V.	64,581	—
Battery Material Services B.V.	720,749	—
Total	368,980,168	94,085,538
Loans from subsidiaries		
HM Exploration Ltd	(498,330)	(557,853)
Nickel Production Services B.V.	—	(3,253,720)
Total	(498,330)	(3,811,572)

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.

Company	1 January 2021 US$	Amounts advanced during year US$	Expected credit loss US$	Foreign Currency translation reserve US$	2021 US$	Amounts advanced during year US$	Expected credit loss US$	Foreign Currency translation reserve US$	2022 US$
HM Brazil (IOM) Ltd	8,596,087	—	—	(108,325)	8,487,762	—	—	(905,647)	7,582,115
Horizonte Nickel (IOM) Ltd	73,063,506	6,686,267	—	(920,721)	78,829,052	290,866,381	—	(16,586,780)	353,108,653
Horizonte Minerals (IOM) Ltd	345,325	—	—	(4,351)	340,974	—	—	(36,381)	304,593
Champol (IOM) Ltd	6,293,405	251,355	(37,703)	(79,307)	6,427,750	1,869,764	(257,218)	(840,818)	7,199,478
Nickel Production Services B.V.	(16,027,177)	12,571,488	—	201,969	(3,253,720)	3,317,537	—	764	64,581
Battery Material Services B.V.	—	—	—	—	—	847,939	(127,191)	—	720,748
Total	**72,271,146**	**19,509,110**	**(37,703)**	**(910,735)**	**90,831,818**	**296,901,621**	**(384,409)**	**(18,368,862)**	**368,980,168**

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

	2022			2021		
Company	Gross loan US$	Expected credit loss US$	Net loan US$	Gross loan US$	Expected credit loss US$	Net loan US$
HM Brazil (IOM) Ltd	10,831,593	(3,249,478)	7,582,115	12,125,374	(3,637,612)	8,487,762
Horizonte Nickel (IOM) Ltd	353,108,653	—	353,108,653	78,829,052	—	78,829,052
Horizonte Minerals (IOM) Ltd	304,593	—	304,593	340,974	—	340,974
Champol (IOM) Ltd	8,469,974	(1,270,496)	7,199,478	7,562,059	(1,134,309)	6,427,750
Nickel Production Services B.V.	64,581	—	64,581	—	—	—
Battery Material Services B.V.	847,939	(127,191)	720,748	—	—	—
Total	**373,627,333**	**(4,647,165)**	**368,980,168**	**98,857,459**	**(4,771,921)**	**94,085,538**

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 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 30% (2021:30%) for the receivables from HM Brazil and 15% (2021:15%) for the Vermelho Project. The loss on default on receivables related to the Araguaia Project is minimal, which is consistent with the view taken in the prior year. The expected credit loss assessment for HM Brazil considers Araguaia's construction progress and improving prospects for Vermelho. The credit loss allowance was assessed at the date of 31 December 2022. The expected credit loss for Champol (IOM) Ltd was adjusted to US$1,270,496 (2021: US$1,134,309) and an expected credit loss allowance was recognised for Battery Material Services B.V. of US$127,191. The expected credit loss allowance for HM Brazil (IOM) Ltd remained unchanged. The change in the allowance is due to the USD currency translation.

35 Commitments

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

Group	2022 US$	2021 US$
Mine development property	**399,900,000**	—

Capital commitments relate to contractual commitments for the Araguaia Project construction. Once incurred these costs will be capitalised as mine development property additions.

36 Contingent Liabilities

Other Contingencies

The Group believes that there are no substantive financial claims and legal proceedings against it as at 31 December 2022. As a result, no provision and no disclosure has been made in these financial statements for the year ended 31 December 2022.

37 Parent Company Guarantee

Horizonte Minerals plc has, together with other group companies, provided a parent guarantee on the following funding arrangements:

1. To Orion Mine Finance related to the $25 Million Royalty Financing arrangements granted by Nickel Production Services B.V. in respect of the project owned by Araguaia Níquel Metais Ltda.
2. To Orion Mine Finance related to the $25 Million Royalty Financing arrangements granted by Battery Materials Services B.V. in respect of the project owned by Trias Brasil Mineração Ltda
3. To Orion Mine Finance related to the $25 Million cost overrun facility (COF) granted to Araguaia Níquel Metais Ltda (Borrower)
4. To the Senior Lenders (BNP Paribas, BNP Paribas Fortis, ING Capital LLC, ING Bank N.V., Natixis, New York Branch, Société Générale and SEK(Swedish Export Credit Corporation)) related to the $346.2 Million senior debt facility granted to Araguaia Níquel Metais Ltda (Borrower)

The royalty payments are conditional upon entering into commercial production and therefore cannot become due until this is achieved.

Interest on the loan facilities (COF and Senior Debt) will be calculated quarterly and be payable in arrears at the end of each interest period – March 31, June 30, September 30 and December 31. The end of the first interest period for both facilities was due 31 December 2022. The initial principal repayment date is 31 March 2025. The outstanding principal amounts will be paid according to the repayment schedules at each quarter end date starting from 31 March 2025.

Horizonte Mineral Plc's obligation to pay under the guarantee only arises if the grantors of the royalties, the borrower in the loan facilities or any of the other provider of a parent guarantee fails to make any payment under the agreements. The Company also entered into a comprehensive intercreditor agreement, which establishes how the Senior Lenders and Orion (as the COF Lender and Royalty Holder) will consult with each other before exercising rights and remedies available to them under their respective security and finance documents. 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.

38 Events after the reporting date

Non-adjusting events after the reporting date

On 27 February 2023, the Group announced that it had drawn down US$50million from it senior secured project finance debt facility of US$346.2million.

NOTES

STATUTORY INFORMATION

Directors

William Fisher (Interim Non-Executive Chair)
Jeremy Martin (Chief Executive Officer)
Owen Bavinton (Non-Executive Director)
Gillian Davidson (Non-Executive Director)
Vincent Benoit (Non-Executive Director)

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