



HORIZONTE MINERALS PLC

**ANNUAL INFORMATION FORM
FOR THE FISCAL YEAR ENDED 31 DECEMBER 2014**

27 March 2014

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GENERAL

Unless otherwise noted herein, information in this annual information form (the “**Annual Information Form**” or “**AIF**”) of Horizonte Minerals plc (“**Horizonte**”, or the “**Company**”) is presented as at 31 December 2014. In this AIF, references to “£” are to British pounds and to “pence” or “p” are to British pence, and all references to “\$” are to Canadian dollars. The closing mid-rate on 26 March 2015, for the purchase of one British pound using Canadian dollars, as published in the Financial Times of London, was \$ 1.8508 (one Canadian dollar equalled £ 0.540). All financial information in this Annual Information Form is prepared in accordance with International Financial Reporting Standards (“**IFRS**”).

All references in this AIF to the Company also include references to all subsidiaries of the Company as applicable, unless the context requires otherwise.

CAUTIONARY STATEMENT REGARDING FORWARD LOOKING INFORMATION

Except for statements of historical fact relating to the Company, certain information contained in this Annual Information Form and incorporated by reference herein constitutes “forward-looking information” under Canadian securities legislation. Forward-looking information includes, but is not limited to, statements with respect to the potential of the Company’s current or future property interests; the future price of gold, nickel and other minerals; the success of exploration and mining activities; cost and timing of future exploration, production and development; the estimation of mineral resources and mineral reserves; the realization of mineral resource and mineral reserve estimates; and requirements for additional capital and other statements relating to the financial and business prospects of the Company. Generally, forward-looking information can be identified by the use of forward-looking terminology such as “plans”, “expects” or “does not expect”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates” or “does not anticipate”, or “believes”, or variations of such words and phrases or statements that certain actions, events or results “may”, “could”, “would”, “might” or “will be taken”, “occur” or “be achieved”. In addition, statements relating to “mineral reserves” or “mineral resources” are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the mineral resources and mineral reserves described can be profitably mined in the future. Forward-looking information is based on the reasonable assumptions, estimates, analysis and opinions of management made in light of its experience and its perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances at the date that such statements are made, and are inherently subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information, including but not limited to risks related to: exploration and mining risks, Teck Resources Limited’s (“**Teck**”) 38.3% ownership of the Company’s share capital; competition from competitors with greater capital; the Company’s lack of experience with respect to development-stage mining operations; fluctuations in metal prices; uninsured risks; environmental and other regulatory requirements; exploration, mining and other licences; the Company’s future payment obligations; potential disputes with respect to the Company’s title to, and the area of, its mining concessions; the Company’s dependence on its ability to obtain sufficient financing in the future; the Company’s dependence on its relationships with third parties; the Company’s joint ventures; the potential of currency fluctuations and political or economic instability in countries in which the Company operates; currency exchange fluctuations; the Company’s ability to manage its growth effectively; the trading market for the ordinary shares (the “**Ordinary Shares**”) of the Company; uncertainty with respect to the Company’s plans to continue to develop its operations and new projects; the Company’s dependence on key personnel;

possible conflicts of interest of directors and officers of the Company, and the legal and regulatory framework within which the Company operates.

Although management of the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking information. The Company does not undertake to update any forward-looking information, except in accordance with applicable securities laws.

TECHNICAL INFORMATION AND DISCLOSURE FOR MINERAL PROJECTS

This AIF contains disclosure regarding the Company's mineral resources. Mineral resources are not mineral reserves and do not have demonstrated economic viability. Mineral resources may never be converted to mineral reserves.

The disclosure in this AIF of scientific or technical information for the Araguaia nickel project is based on the technical report described below under "Documents Incorporated by Reference", which was prepared in accordance with National Instrument 43-101 – Standards for Disclosure for Mineral Projects of the Canadian Securities Administrators ("NI 43-101") by or under the supervision of "qualified persons" under NI 43-101, or is otherwise based on information prepared by or under the supervision of David Hall, a Director of the Company, who is also a "Qualified Person" under NI 43-101.

DOCUMENTS INCORPORATED BY REFERENCE

Information concerning certain of the Company's mineral projects, which is required to be included in this AIF in the section "Description of the Business", has been included by incorporating by reference the following document in this AIF:

- The Technical Report dated 25 March 2014 and entitled "Prefeasibility Study (PFS) for the Araguaia Nickel Project, Pará State, Brazil" prepared for Horizonte Minerals plc by Anthony Finch, P.Eng., MAusIMM (CP Mining), B.Eng., B.Econ; Harald Muller, B. Eng., (Chem), MBL, FAusIMM, FICHEM, FSAICHE, C Eng, Pr Eng; Peter Theron, Pr Eng, SAusIMM, B.Eng (Civil Eng), G.D.E; and Andrew Ross, BSc (Hons), MSc, MAIG, FAusIMM, PGeo.

CORPORATE STRUCTURE

The Company was incorporated in England and Wales under the Companies Act 1985 (the "**1985 Act**") as a public company with limited liability under the 1985 Act on 16 January 2006 with registration number 5676866. The address of the Company's head office and registered office is at 26 Dover Street, London, W1S 4LY, United Kingdom.

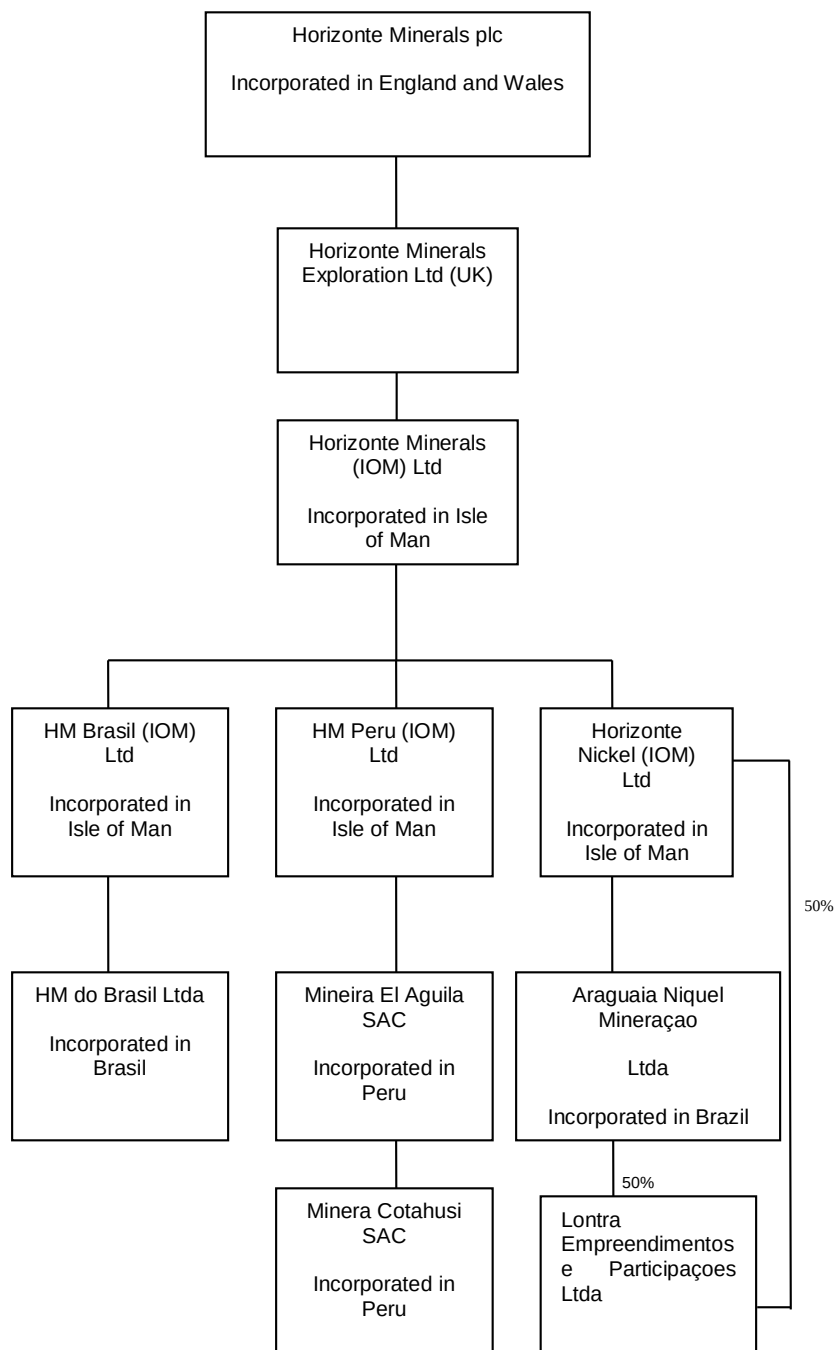
In March 2006, the Company adopted a new set of Articles of Association (the "**Articles**") to replace the articles it adopted on incorporation, which, among other things, reduced the authorised but unissued share capital of the Company from £3,000,000 divided into 300,000,000 Ordinary Shares to £1,000,000 divided into 100,000,000 Ordinary Shares.

The Company amended the Articles on 28 May 2009 to update them to reflect recent legislative changes in the United Kingdom including provisions relating to electronic communications to and from the Company (including in respect of the appointment of proxies), the requirement for directors to give reasons for any refusal to register a transfer of shares, the fact that all general meetings (other than annual general meetings) can be held on 14 days notice and provisions relating to notification by directors of conflicts of interest and the authorisation of directors' conflicts of interests (including entitling the board of directors of the Company (the "**Board**") to impose on a director terms for resolving the conflict).

Further changes to the Articles were made on 13 August 2010 to remove the concept of authorised share capital.

The principal legislation under which the Company operates and under which the Ordinary Shares are regulated is the Companies Act 2006 of England and Wales (the "**2006 Act**"). Where issues of Ordinary Shares were made prior to 28 May 2009, the principal legislation under which those shares were issued was the 1985 Act. The Company is also obliged to comply with specific obligations arising from other laws that relate to its activities. The liability of the shareholders is limited.

The following chart illustrates the inter-corporate relationships of the Company and each of its subsidiaries. Each subsidiary is 100% beneficially-owned by the Company (subject to certain nominee arrangements as described below).



- i) Windwood Nominees Limited ("**Windwood**") holds the sole issued share in the capital of Horizonte Minerals (IOM) Limited ("**HMIOM**") as a nominee of Horizonte Exploration Limited ("**HE Limited**") and is entitled to exercise voting rights in respect of that share. Windwood must exercise all voting rights in accordance with the direction of HE Limited, under the terms of a trust declaration dated 5 June 2009.
- (ii) One the 3,500,000 shares in Minera El Aguila SAC ("**MEA**") is registered in the name of Maria Rosa Haro Bustamante as nominee of HM Peru (IOM) Limited.
- (iii) One of the 12,000,000 issued and outstanding shares in HM do Brazil Ltda is registered in the name of Antonio Valerio da Silva as nominee of HM do Brasil Ltda.
- (iv) One of the 100 issued and outstanding shares in Minera Cotahuasi SAC is registered in the name Maria Rosa Haro Bustamante as nominee of HM Peru (IOM) Limited.
- (v) The 1,774,696 issued and outstanding shares in Lontra Empreendimentos e Participações Ltda are registered equally between Araguaia Niquel Mineração Ltda and Horizonte Nickel (IOM) Ltd
- (vi) One of the 80,000,000 issued and outstanding shares in Araguaia Niquel Mineração Ltda. is registered in the name of Antonio Valerio da Silva.
- (vii) Lontra Participações e Empreendimentos Ltda. is jointly held equally by Horizonte Nickel (IOM) Ltd. and Araguaia Niquel Mineração Ltda.

GENERAL DEVELOPMENT OF THE BUSINESS

Developments in 2014

On 25 March 2014 the Company released a technical report dated 25 March 2014 and entitled "Prefeasibility Study (PFS) for the Araguaia Nickel Project, Pará State, Brazil" prepared for Horizonte Minerals plc by Anthony Finch, Harald Muller, Peter Theron and Andrew Ross of Snowden.

On 19 June 2014 the Company announced that it had completed and filed its Social and Environmental Impact Assessment ("SEIA") for the Araguaia nickel project ("Araguaia" or "Araguaia project" or "Araguaia nickel project"). Review and approval of the SEIA by the Brazilian authorities is required for the awarding of the Preliminary Licence ("LP") for the Araguaia project

On 26 June 2014 the Company announced that the Araguaia project had received a "Seal of Priority" from the Department of Industry, Commerce and Mining of the State of Pará ("Seal"). The Seal is a key component of the State of Pará's "Plan for Attracting New Business", a law introduced ("Decree 913") to accelerate the development of projects deemed to be of strategic importance for economic and social development of Para. This is a significant development for Horizonte as Decree 913 confers special status to Araguaia, whereby the Project will receive priority treatment from the various regulatory, environmental and administrative organisations with which it will interact along its development path. The Seal has been granted to Araguaia as it meets various criteria laid out in Decree 913, including its location in a municipality prioritised for economic development and the value-added processing that would take place on the site with the production of ferronickel.

On July 31 2014 the Company announced closing of a C\$ 10,060,000 offering and concurrent private placement, both of ordinary shares in the Company. A total of 50,000,000 shares were issued through the Canadian public offering, at a price of C\$ 0.11 per share and a total of 41,287,608 shares were issued through the private placement, at a price of £ 0.06 per share.

On November 6th 2014 the Company announced that it had awarded a contract for an additional circa 13,500 metres of HQ3 diamond drilling to support a future Feasibility Study at Araguaia.

Highlights of the Company's Past Three Years

Fiscal Year 2013

Results were announced on January 8th from the Company's on-going infill drill programme and metallurgical tests at the Araguaia nickel project. 81 holes (2,653 metres) of the infill drill programme had been completed to date (the infill drill programme had commenced on 18 September 2012) and targeting the Jacutinga, Vila Oito, Vila Oito East and Pequizeiro West targets at Araguaia. New intersections at the Jacutinga target included: 23.2 metres grading 2.09% Ni (including 10.1 metres grading 2.91% Ni); 9.1 metres grading 2.11% Ni; 16.2 metres grading 1.73% Ni; 14.1 metres grading 1.62% Ni. FLSmidth furthermore confirmed Araguaia ore is suitable for metallurgical treatment via the high temperature Rotary Kiln-Electric Furnace route, a proven process technology

The Company elected to terminate its share purchase agreement with Guyana Frontier Mining Corp, following a due diligence review and made an announcement to this effect on January 16th.

On 14 March the Company announced results from its on-going infill drill programme at the Araguaia nickel project. 166 holes (5,500 metres) of the infill drill programme had been completed to date targeting the Jacutinga, Vila Oito, Vila Oito East and Pequizeiro West targets at Araguaia.

The Company completed its 18 month metallurgical testwork programme, which indicated the suitability of the RKEF process for the treatment of the Araguaia nickel ore to produce ferronickel, as announced on May 22nd. The testwork programme included a series of laboratory tests designed to establish the suitability of the ore for rotary kiln processing by FLSmidth at its Bethlehem, PA, USA laboratories, supplemented by additional bench scale testwork on briquette testing at K.R. Komarek of Wood Dale, Illinois, USA; work on agglomeration by Feeco International Inc. of Green Bay, WI, USA; and smelting testing undertaken at the laboratories of Xstrata Process Support in Sudbury, Ontario, Canada, supplemented by additional work on the characteristics of the slag produced by smelting Araguaia laterite and the slag melting temperature at Kingston Process Metallurgy of Kingston, Ontario, Canada.

On 11 June the Company announced a placing of 41,093,327 new ordinary shares at 7.5 pence per ordinary share, to raise proceeds of £3.082 million before expenses.

On 27 June the Company announced that it had signed an agreement with Darwin Strategic Limited for an £ 8 million Equity Financing Facility.

On 29 July the Company awarded the Pre-Feasibility Study contract with regard to Araguaia nickel project to Snowden Mining Industry Consultants.

On 10 September the Company announced the final set of results from its 3rd phase resource infill drilling campaign at the Araguaia project. Highlights included the following intersections at the Vila Oito target: 20.21 metres grading 2.29% nickel; 13.48 metres grading 1.77% nickel; 20.38 metres grading 1.68% nickel.

Fiscal Year 2012

In January 2012, the Company announced a NI 43-101 compliant Mineral Resource update for the Araguaia Project. This included 39.3 million tonnes grading 1.39% nickel in the Indicated

category and 60.9 million tonnes grading 1.22% nickel in the Inferred category, both at a nickel cut-off grade of 0.95%.

On 17 January 2012, the Company announced the departure from the Board of Mr. Nicholas Winer and the appointment of Dr. Owen Bavinton as non-executive Director.

On 7 February 2012, the Company announced the transfer to the Company of the Floresta and Vila Oito licences from affiliates of Lara Exploration Ltd (TSX-V: LRA) ("**Lara**"), and the issue of 8.5 million new shares in the Company to Lara as consideration.

On 16 February 2012, the Company announced the appointment of Dr Philip Mackey as Senior Metallurgical Advisor.

On 6 March 2012, the Company announced positive results from the preliminary metallurgical testwork from both hydrometallurgical and pyrometallurgical ore treatment processes at the Araguaia Project.

On 13 June 2012 the Company announced a placing of 71,986,190 new Ordinary shares at a price of 7.25 pence per share to raise proceeds of £ 5.2M before expenses.

On August 22nd 2012 the Company announced the results of its NI 43-101-compliant Preliminary Economic Assessment ("PEA") of the Araguaia Project. These included a post tax Net Present Value ('NPV') of US\$693M at an 8% discount rate and Internal Rate of Return ('IRR') of 15.4% based on an ore throughput of 1.75 million tonnes per annum of mineralised material treated through a 90 MW RKEF process plant using US\$8.60/lb long term nickel price. Assessment of the ATL processing option gave a post tax NPV of US\$554M at an 8% discount rate and an IRR of 18.1%. Capital payback is estimated as being 7 years for RKEF and 6 years for ATL.

The Company announced final drill results on September 10 2012 from its 9,300 metre Phase 3 drill programme at the Araguaia nickel project.

Fiscal Year 2011

On 12 January 2011, the Company announced that it had entered into an option royalty agreement (the "Option Royalty Agreement") with Anglo Pacific Group plc ("**Anglo Pac**") regarding future nickel production at the Araguaia Project (as defined below). Pursuant to the Option Royalty Agreement, Anglo Pac paid US\$500,000 (£312,500) to the Company in exchange for the option to acquire a net smelter royalty ("NSR") on nickel production at the Araguaia Project. The NSR is exercisable by Anglo Pac on the completion of a positive pre-feasibility study on the Araguaia Project within six years from the date of the Option Royalty Agreement. Upon exercise of the option, Anglo Pac will pay the Company US\$12.5 million and shall receive an NSR of 1.5% on nickel production up to 30,000 tonnes per annum. The NSR percentages scales down above this production level to minimum of 1.1% for production 50,000 tonnes per annum and above. For further details see "Material Contracts".

On 18 January 2011, the Company entered into a memorandum of understanding with Lara to acquire certain mineral rights in Brazil adjacent to the Company's 100% owned Araguaia nickel laterite project in the Carajas mineral district of Northern Brazil (the "Araguaia Project") from Lara. On 7 February 2012, the Company completed the purchase of 100% of the Vila Oito and Floresta nickel laterite projects (the "Vila Oito and Floresta Projects") from certain affiliates of Lara by issuing 8.5 million Ordinary Shares (the "Consideration Shares") valued at approximately C\$2.0 million to Lara. The Consideration Shares represent 2.95% of the outstanding Ordinary Shares on a post-closing basis.

On 4 February 2011, the Company announced a fundraising of £8.25 million (before expenses) by issuing 32,999,500 Ordinary Shares at a price of 25 pence per Ordinary Share.

On March 1st 2011 a resource was announced for the Araguaia Project of 76.6 million tonnes at 1.35% Nickel and 0.06% Cobalt, classified as an Inferred Mineral Resource in terms of definitions in NI 43-101.

Mr Bill Fisher joined the Board on June 8th 2011 as a Non-Executive Director. Mr Fisher brings over 30 years of industry experience and has held a number of senior roles in the sector.

On 17 June 2011, Ordinary Shares commenced trading on the Toronto Stock Exchange (the “**TSX**”) at the open of the market in Toronto, Canada under the symbol “HZM”. The Ordinary Shares also trade on the AIM market in London, United Kingdom (“**AIM**”) under the symbol “HZM”.

A definitive agreement was entered into on 12 July 2011 with Lara Exploration Ltd with respect to the Vila Oito and Floresta Projects. Completion of the transaction was subject to certain administrative steps in Brazil being achieved and consideration to be paid will be as per the memorandum of understanding announced on 18 January 2011.

On 12 July 2011, the Company announced that it had entered into a definitive agreement with Lara with respect to the purchase by the Company of 100% of the Vila Oito and Floresta nickel laterite projects, located south of the Carajas Mineral District of northern Brazil. See previous page.

DESCRIPTION OF BUSINESS

General

The Company is a mineral exploration and development company currently focused on the development of the Araguaia nickel laterite project in Brazil. A description of the Company's mineral properties is set out below.

Mineral Properties

Araguaia Project

The Araguaia nickel project (“**Araguaia Nickel Project**” or “**Araguaia Project**” or “**Araguaia**” or “**the Project**”) is the only material property of the Company. See “Material Property” below.

Falcao Project

On 23 August 2010, the Company entered into an option/joint venture agreement with AngloGold for the Falcao project. See “General Development of the Business – Highlights of the Company's Past Three Years – Fiscal Year 2010”. In the fourth quarter of 2013 the joint venture agreement was terminated by AngloGold due to lack of exploration success. In December 2013 the Company signed a sale and purchase agreement with Falcao Mineradora Ltda, a Brazilian company. 25,000 US Dollars (£15,042) was paid upon signature and offset against the £310,179 impairment charge in the year for Falcao. Further consideration of 140,000 US Dollars shall be paid to the Company in the event that the Final Exploration Report for the Falcao project is accepted by the Brazilian Department of Mines (‘DNPM’).

Contracts

For a summary of the material contracts applicable to the Company, see the “Material Contracts” section below. The Company is not aware of any aspect of the business reasonably expected to be affected in the current financial year by renegotiation or termination of contracts.

Employees

During 2014 the Company had an average total of 31 employees, including the non-executive directors. The number of employees varies according to the on-going field programmes at Araguaia.

The Company is dependent on the services of key executives, including the Chairman and the Chief Executive Officer of the Company and a small number of highly skilled and experienced executives and personnel. See “Risk Factors – Dependence on key personnel”.

Foreign Operations

The Company’s Araguaia project is located in Brazil. Any changes in regulations or shifts in political attitudes in Brazil, or any other jurisdictions in which the Company has projects from time to time, are beyond the control of the Company and may adversely affect its business. Future development and operations may be affected in varying degrees by such factors as government regulations (or changes thereto) with respect to the restrictions on production, export controls, income taxes, expropriation of property, repatriation of profits, environmental legislation, land use, water use, land claims of local people, mine safety and receipt of necessary permits. The effect of these factors cannot be accurately predicted. See “Risk Factors – Operations in Brazil”.

Environmental

All phases of the Company’s operations are subject to environmental regulation in the jurisdictions in which it operates. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste.

To date, applicable environmental legislation has had no material financial or operational effects upon the capital expenditures or operations of the Company. See also “Risk Factors – Environmental and other regulatory requirements”.

To ensure proper environmental stewardship on its projects, the Company conducts certified baseline studies prior to all drill programs and ensures that areas explored are properly maintained and conserved. The Company subscribes to the philosophy that environmentally responsible exploration begins with the design and application of adequate environmental policy controls tailored to adapt to new projects and environments.

Competitive Conditions

The mining industry is intensely competitive in all its phases. The Company competes with many other mining and mineral exploration companies who have greater financial resources and experience. The market price of precious metals and other minerals is volatile and cannot be controlled. See “Risk Factors – The Company may face competition from competitors with much greater capital”.

MATERIAL PROPERTY

The following is partially taken from the technical report (the “**Technical Report**”) of the Company for the Araguaia Project dated 25 March 2014 and entitled “Prefeasibility Study (PFS) for the Araguaia Nickel Project, Pará State, Brazil” (“**PFS**”) prepared for Horizonte Minerals plc by the following Qualified Persons: Anthony Finch, P.Eng., MAusIMM (CP Mining), B.Eng., B.Econ; Harald Muller, B. Eng., (Chem), MBL, FAusIMM, FIChemE, FSAIChE, C Eng, Pr Eng; Peter Theron, Pr Eng, SAIMM, B.Eng (Civil Eng), G.D.E; and Andrew Ross, BSc (Hons), MSc, MAIG, FAusIMM, PGeo.

The following summary is qualified by the complete Technical Report which is available on SEDAR at www.sedar.com . Where appropriate, information has been updated to reflect the current situation of the Company.

Project Description and Location

The property comprising the Araguaia Project is located in the south east of Pará State, Brazil, centred approximately 45km northwest of the nearest town of Conceição de Araguaia and approximately 25km west of the north-south trending Araguaia River.

The Carajás mineral province (Mining District), situated approximately 200km northwest of the Araguaia Project, is host to a number of other prominent nickel laterite deposits.

The Araguaia Project is currently comprised of fourteen exploration licences in two non-contiguous blocks within the Araguaia Nickel Belt of Brazil. All the licences relating to the Araguaia Project are held by 100%-held subsidiary Araguaia Niquel Mineração Ltda.

The Araguaia Project is wholly owned by Horizonte through its Brazilian subsidiary Araguaia Niquel Mineração Ltda. The ten exploration licences encompass an area of 85 thousand hectares that extends approximately 40km in a north-south direction, and 35km in an east-west direction.

Agreements are in place with local farming landholders that allows access to land and conduct exploration with the minimum of disturbance.

In terms of Brazilian licence regulations Horizonte has received the exploration rights from the national regulatory body DNPN. Additionally a certificate “Uso do Solo” has been received from the Municipality of Conceição do Araguaia which allows exploration drilling in forestry areas with holes to a maximum depth of 100m and respecting a minimum disturbance of the ground.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

The Araguaia Project area is located approximately 25 km north of the sealed road that links the towns of Conceição de Araguaia and Redenção. This road is the main access route from the major centres of Brasília, São Paulo and Belo Horizonte to Carajas. The project area is cut by the all-weather unsealed road which links Conceição de Araguaia with Floresta, approximately 50km to the northwest of the project.

The project can be reached by air via Araguaína, an urban hub within Tocantins State, some 250 km drive on mainly sealed highways to the main Araguaia field office in Conceição de Araguaia. In addition,. The project area is approximately 45 minutes' drive from the field office in Conceição de Araguaia.

The climate in the region is tropical and humid with two distinct seasons. Dry season extends from June to September and the rainy season from October to May. Annual rainfall is approximately 1,500 mm and the average daily temperature is 25°C, but may be cooler during June and July.

Conceição do Araguaia is the largest population centre in the surrounding area and the city contains a number of banks, a post office, several basic hospitals, hotels, restaurants and other local amenities. Araguaia is the nearest major business centre, however most business activities are conducted through the city of Belo Horizonte (1,700 km distant). Population density within the project area is sparse and comprises solely isolated farms.

The area as a whole is well serviced with power. Electricity would be derived from a major dam and power station at Tucuruí, which is linked into the national grid. This energy source supplies power to the region. High capacity power lines serve Conceição although the level of supply is generally inconsistent with frequent drops in power and outages especially in bad weather. Rural locations are served with a two-phase power supply.

The Araguaia area is marked by rolling hills and long sharp strike ridges, with elevations between 300 and 450 meters (AMSL) and where local relief can be more than 100m in the Conceição block.

The physiography is typically characterised by valleys separating elevated level plateaus that represent old erosion surfaces. The targets already outlined are within these plateau regions and as such are generally level areas. The terrain across the project area as a whole is reasonably level and gradients via which access to the plateaus is possible are moderate to low.

Project History

In summary the Araguaia Project is the culmination of parallel exploration undertaken over adjacent areas by different companies mainly since 2006 as follows:

- (i) Teck Resources — licences (“**Teck Araguaia Project**” or “**Teck Araguaia Licences**”) were claimed over mafic/ultramafic bodies mapped in the regional geologic maps. Grassroots level work from 2006 to 2008 to revealed four contiguous zones of laterite mineralization;
- (ii) Lara — between 2006 and 2008, in a joint venture with Falconbridge Ltd and later Teck Resources (“**JV**”), resulted in the discovery of nickel laterite mineralization at Vila Oito, and at Floresta (together the “**Lara Licences**”); and
- (iii) Horizonte Minerals (“**Horizonte Lontra Project**” or **Lontra Project**) — prospecting in 2007 and 2008 for the discovery of the Lontra laterite mineralization to the northwest of the Teck Araguaia Project.

In August 2010, in an agreement with Teck, Horizonte acquired 100% of the Teck Araguaia Licences previously held and explored in the Teck Araguaia Project. Subsequently, in July 2011, in an agreement with Lara, Horizonte acquired 100% of the Lara Licences containing the Vila Oito West and Floresta discoveries. The Lara licences are arranged in two blocks, roughly along a north-south trend of 50km with the Floresta located in the north, Vila Oito in the south.

Teck Araguaia Project

Modern day nickel exploration across the Teck Araguaia Project licence areas dates back to the 1970's. During the period work conducted by CVRD (Docegeo) and VALE led to the discovery of a small ultramafic intrusive hosted Ni laterite deposit at Serra do Quatipuru (DNPM 850514/2004).

In the 1990's Rio Tinto Desenvolvimento Mineral (RTDM) conducted exploration for magmatic nickel mineralisation associated with ultramafic rocks in the region of Couto Magalhaes (DNPM 850514/2004). Results of this work are unknown.

From 2006 until 2008 Teck Resources completed 5 main stages of exploration, including geological sampling, airborne geophysical surveys, and drilling (reverse circulation and diamond core), which resulted in the identification of significant targets at Pequizeiro, Baião, Vila Oito, Vila Oito East and Oito and secondary targets at Pequizeiro W, NW and E and Jacutinga.

In January 2009 Teck Resources presented a conceptual grade and tonnage estimate for the combined targets in their properties together with the Vila Oito target of Lara (now called Vila Oito West) of 86Mt at 1.3% Ni (1% Ni cut-off).

Horizonte Lontra Project

The Lontra area had previously been claimed for phosphate and then iron ore exploration, although it was not apparent that any previous exploration was undertaken. While ultramafic bodies are known in the Araguaia Belt the regional geologic maps indicate that the Lontra area was underlain by packages of fine to coarse-grained clastic sediments.

Horizonte commenced exploration on the Lontra Project late in 2006, this included stream sediment, soil and rock sampling, plus auger and diamond drilling. Horizonte also engaged qualified surveyors to use differential global positions system and total station theodolite for recording diamond drill hole collars.

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

Through this work three principal areas of ophiolite emplacement with associated laterite development have been established, namely the Northern target, Raimundo target and Southern and Morro target and on which 63 diamond drill holes (1,299.5m) were completed..

The Lontra nickel prospects represent new discoveries of deeply weathered ultramafic bodies with laterite development containing potentially economic nickel mineralisation. The Lontra deposits were discovered by Horizonte as a result of a well-designed and managed sequential exploration programme.

Three principal target areas were identified during this period

In a transaction that took place in August 2010, Horizonte took control of the Teck Araguaia Licences to form a combined project merging the Teck Araguaia Project and the Horizonte Lontra Project. Subsequent to the acquisition of the Teck Araguaia Licences and combined project review by Horizonte, 15 targets were identified.

There are mineral resource estimations (see 'Mineral Resources') for 8 targets (Baião, Pequizeiro, Pequizeiro West, Pequizeiro NW, Vila Oito, Vila Oito East, Jacutinga, Oito) within the former Teck project area plus the Vila Oito West target from the former Lara Licences and the Raimundo and Northern targets from the Horizonte Lontra Licences. With the exception of the Lontra targets, which are offset to the west, the other targets are arranged along an approximate north-south trend that extends for 27km. The largest target, Baião, covers an area of approximately 8km² and

has a small satellite zone of mineralisation of 1km² in extent. Villa Oito, Oito and Pequizeiro targets cover areas between 4 and 6km², they also have some 1km² satellites. Other targets comprise 1-2km² mineralised zones or collections of zones of this size.

Araguaia Project Drilling (Post October 2010)

In October 2010 Horizonte commenced an initial drilling programme on the combined Teck Araguaia and Horizonte Lontra Licences (viz. Araguaia Project). This phase of work comprised diamond core drilling to infill the previous drilling completed by Teck to infill Teck's historic grid to 141m centres at the Pequizeiro, Pequizeiro West, Baião, Lontra North, Vila Oito East and Raimundo targets, later infilling to a 100 x 100m grid at Baião and Pequizeiro. To manage and support this programme more efficiently an exploration office was established in Conceição do Araguaia in September 2010.

A total of 7 scout holes were also completed at Lontra Sul. At both Pequizeiro and Baião a set of 25 holes was drilled on a 25 x 25 meters grid for statistical evaluation purposes.

From October 2010 to September 2011 Horizonte completed 539 drill holes for 13,261 meters as part of the infill resource drilling programme and specifically focused on converting the mineral resource estimate on the Pequizeiro and Baião targets to an Indicated resource category.

An additional (3rd) phase of mineral resource drilling (HQ3) programme was commenced in September 2012 and completed in mid-2013 and comprised 321 holes for 9,309 metres.

This programme was designed to complete infill drilling on 100 m x 100 m grids on the Jacutinga, Vila Oito West, Vila Oito, Vila Oito East and Pequizeiro West targets. A total of 321 holes (9,309 metres) were completed including 35 holes (1,186 metres) on Jacutinga, 84 holes (1,669 metres) on Vila Oito West, 133 holes (4,228 metres) on Vila Oito, 44 holes (1,509 metres) on Vila Oito East and 25 holes (717 metres) on Pequizeiro West. The results of this programme will be used in a revised mineral resource estimate which will be included in the Pre-Feasibility Study (see 'Future Exploration and Development').

Following the completion of this 3rd phase drilling programme a total of 1,412 HQ diamond holes totalling 35,200 meters have completed on the project to date.

In November 2014 a 4th Phase resource in-fill drilling programme of circa 13,000 metres was commenced at Araguaia – this programme was on-going as of the publication of this document.

Mineral Resources

Mineral Resources for the Araguaia Nickel Project, as at March 2014 by material type (0.95% Ni cut-off grade) are:

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

Araguaia	Category	Material type	Tonnage (kT)	Density (t/m3)	Contained Ni metal (t)	Ni (%)	Co (%)	Fe (%)
TOTAL	Indicated	All	71,980	1.28	958,660	1.33	0.058	18.48
TOTAL	Inferred	All	25,350	1.34	306,730	1.21	0.063	23.40

1. Totals may not add due to rounding. Mineral Resources are inclusive of Mineral Reserves.
2. The resource classification scheme adopted by Snowden was based on the following:
 - Mineralisation was classified as Indicated where the drilling density was 100 mE by 100 mN (or less).
 - Mineralisation delineated using a drilling density larger than 100 mE by 100 mN and up to about 150 m spacing was classified as Inferred.
 - Mineralisation delineated using sparse spacings was not classified.
3. Mineral Resources reported for the PFS deposits were prepared under the supervision of Qualified Person Mr. Andrew F. Ross an employee of Snowden.
4. Mineral Resources (Inferred) for the other deposits in the project (not considered for the PFS) were prepared by Dr. Marc-Antoine Audet and were reported in Audet, M A, et al (2012).
5. The Indicated Mineral Resources are inclusive of those Mineral Resources modified to produce Mineral Reserves.

It should be noted that the Mineral Resource statement above does not include estimates for other prospects within the Project area (Morro, Southern, Oito West and Pequizeiro East) due to insufficient drill information at this stage.

Mineral Reserves

The estimation of Mineral Reserves used estimates of Indicated Mineral Resources for the Project. A Mineral Reserve estimate of 21.2Mt (dry) at an average grade of 1.66% Ni was estimated. The detailed breakdown of the Mineral Reserve by deposit is presented below. This Mineral Reserve is calculated for the Base Case only (see 'PFS Scenarios').

Mineral Reserve for the Araguaia Nickel Project, Snowden as at March 2014

Class	Deposit	Ore Dry Mass (kt)	Ni (%)	Fe (%)	Al ₂ O ₃ (%)	SiO ₂ /MgO
Probable	Baião	3,500	1.67	17.41	4.58	2.56
Probable	Pequizeiro	9,300	1.70	15.58	5.39	2.56
Probable	Pequizeiro West	380	1.57	20.38	4.63	4.29
Probable	Jacutinga	960	1.81	15.13	2.96	2.11
Probable	Vila Oito East	2,450	1.55	15.97	3.73	2.22
Probable	Vila Oito	3,580	1.63	14.61	3.63	2.05
Probable	Vila Oito West	1,020	1.59	19.35	4.25	3.32
Total Probable		21,200	1.66	16.01	4.59	2.44
Proven		NIL	N/A	N/A	N/A	N/A
Total Probable		21,200	1.66	16.01	4.59	2.44

1. The Mineral Reserves are included in the reported Indicated Mineral Resources.

2. The Minerals reserves were developed using a value of refined Nickel of USD 15,000/t a mining cost of USD 3/t for ore and USD 9/t for waste, a processing cost of USD 127.8 /t of feed and a G&A costs of USD 11.20/t of feed. Additionally, specific constraints with respect to the grade and ratio of certain compounds that the process technology could tolerate were applied. Pit slopes were limited to a maximum overall slope angle of 35 degrees.

Mining

Araguaia would utilise open pit mining methods across seven pits with Base Case production scheduled to mine on average 3.3 Mtpa in order to deliver 900 Ktpa of ore to the plant for 25 years. All seven pits were designed through a standard process of pit optimisation, waste dump design and pit design. The pit design used smoothed pit shells from the pit optimisation and altered for the removal of small satellite pits. The Project was scheduled on the basis of panels. A total of 43 panels for the project were designed and scheduled. Within each panel, a number of 'bins' are generated on the basis of rock type and nickel grade. The production schedule was completed in quarterly increments over the life of the project.

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

- Fe grade between 15.0% and 16.5%
- Al_2O_3 content between 4.0% and 5.5%
- SiO_2/MgO ratio between 2.2 and 2.6

Each of the deposits is proposed to be mined with truck and excavator mining. Although the primary fleet requirement changes throughout the life of the project a typical configuration is 6 x 48 t operating weight ('OW') excavators, 3 x 50 t OW front end loaders, 17 x 40 t rated payload ('RP') articulated off-highway trucks and 2 x 30 t RP on-highway trucks for longer inter-pit haulage. This fleet is supported by the usual array of support and ancillary equipment.

Metallurgical Testwork

Initial Testwork

In March 2012 the positive results from the preliminary metallurgical testwork were announced. The pyrometallurgical testwork completed at Xstrata Process Support (XPS), based in Sudbury, Canada, including the determination of the thermal characteristics and batch smelting demonstrated that commercial grades of ferronickel could be produced from blends considered representative of the combined Pequizeiro and Baião deposits. The Araguaia ores have a high SiO_2/MgO ratio, in a similar range to that found in the BHP Billiton Cerro Matoso ferronickel operation. The XPS study also developed a Metsim model of a potential reduction/smelting process for the Araguaia ore and found that the energy requirements will be similar to published data for other laterite smelting operations.

The hydrometallurgical testwork completed by Wardell Armstrong International comprised both Bottle Roll Leach ("BRL") tests and Atmospheric Agitated Tank Leach ("AATL") tests. Both sets of tests were undertaken on different test conditions. The tests successfully demonstrated that the ore is readily leachable in sulphuric acid solutions and it was possible to obtain 80-90% nickel and 80-95% cobalt recoveries with moderate acid consumptions. The AATL and BRL tests showed that the mean acid consumption was around 650 kg/t to reach a nickel recovery of 80%

from the blend ore sample. Normalized acid consumption was found to be 52 kg acid per kg of nickel extracted for nickel recoveries of 80 to 90%.

Subsequent Testwork

The metallurgical test programme was then further developed to feed into the PFS and determine the suitability of the RKEF process to treat Araguaia ore and develop preliminary process data. The programme was completed during the first half of 2013 and included:

- > A series of laboratory tests designed to establish the suitability of the ore for rotary kiln processing by FLSmidth at their Bethlehem, PA, USA laboratories;
- > Work on agglomeration by Feeco International Inc. of Green Bay, WI, USA, supplemented by briquette testing at K.P. Komarek of Wood Dale, IL, USA; and
- > Smelting testing was undertaken at the laboratories of Xstrata Process Support in Sudbury, Ontario, Canada supplemented by additional work on the characteristics of the slag produced by smelting Araguaia laterite and slag melting temperature tests at Kingston Process Metallurgy of Kingston, Ontario, Canada.

The testing for rotary kiln operation and smelting conditions included the full range of physical and chemical laboratory tests intended to understand the characteristics of Araguaia ore under RKEF conditions.

The testwork at FLSmidth was completed on two blends of laterite, one a blend of limonite, transition and saprolite ore and a second blend of transition and saprolite only. The blends were made up in the same proportions that laterite types occur in the in-situ mineral resource. A total of approximately 6,000 kg of laterite material was sent to FLSmidth. The test work showed the following:

The laboratory study primarily showed that Araguaia ore is suited for rotary kiln processing in an RKEF plant and the range of operating conditions was identified. This included information on agglomeration features for the dryer design, calcine temperatures and pre-reduction levels to be considered applicable for electric furnace design.

The tests showed that Araguaia ore is characterised by a fine natural particle size. Further, the fine particles demonstrated binding properties similar to clays when dried, thereby yielding relatively hard agglomerates resistant to significant degradation and dusting. The end result is that with tendency for the formation of agglomerates, the dusting potential was considered reasonable and comparable to that of a number of other laterite ores currently processed in commercial RKEF operations. The test work further showed that kiln operations should be conducted so as to allow for a calcine temperature of 800–825°C during rotary kiln processing (versus a range of 850–900°C in a number of other commercial operations). The work also showed that 10% Ni and 60% Fe were reasonable pre-reduction targets for design.

Supporting rotary drum agglomeration testing at Feeco International, with subsequent testing of the product at FLSmidth, demonstrated the production of agglomerates resistant to fines generation during the tumbling action. The result of these studies indicated that provided the dryer design incorporated lifter features to promote ore agglomeration and particle strength (as included in some commercial dryers), the production of fines and dust would correspond to that in typical current laterite RKEF operations. It is noted that briquetting was also found to produce a satisfactory agglomerated feed, however due to the successful work at Feeco, briquetting was considered not necessary in the process design.

Laboratory smelting tests carried out at the laboratories of Xstrata Process Support in Sudbury, Ontario, Canada showed that smelting Araguaia ores can produce ferronickel alloy over a range of Fe-Ni compositions – from about 15% Ni to over 40% Ni – and a low nickel slag. The testwork was carried out on a blend of limonite, transition and saprolite and a transition/saprolite blend with equally acceptable results. Hatch of Toronto, Ontario, Canada reviewed this work plus the results of the FLSmidth study (and also the slag compositional data) and confirmed that the Araguaia ore is amenable to processing in an RKEF plant under the conditions indicated. Araguaia ores have a high SiO₂/MgO ratio, in a similar range as that reported during the early years of operation at the BHB-Billiton Cerro Matoso ferronickel operation. Kingston Process Metallurgy of Kingston, Ontario, Canada, examined the characteristics of the slag produced by smelting Araguaia laterite ore. This work both mapped a range of slag compositions using the FACT thermodynamic database, and also experimentally measured the slag melting point using the TGA/DTA technique. Measured slag melting points were in the range of 1,400°C, depending on the specific SiO₂/MgO ratio and the level of Al₂O₃ in the slag. These results confirmed the electric furnace smelting conditions when producing a 20% Ni grade of ferronickel, and further confirmed the suitability of the RKEF process for the Araguaia ore. A market study undertaken for Horizonte by CRU Strategies has also confirmed the potential market of this grade of ferronickel to meet the requirements of stainless steel plants.

Geotechnical Drilling

In preparation for the PFS a geotechnical drilling programme designed by Snowden was completed in H2 2013. The programme comprised two parts:

- > Potential Pit Areas – 12 HQ diamond drillholes totalling 386m were completed over six target areas. The targets included Pequizeiro, Baião, Jacutinga, Vila Oito, Vila Oito East and Vila Oito West.
- > Potential Plant Site – 8 HQ diamond drillholes were completed totalling 210m at the potential plant site near the Pequizeiro Target.

Processing

The Project would produce ferronickel via the pyrometallurgical process of Rotary Kiln Electric Furnace technology. This is a circa 60 year old technology with circa 20 plants operating worldwide today. The Base Case assumes a single line RKEF installation for 900ktpa (dry) ore, producing approximately 15,000tpa nickel as Fe-Ni. The overall process flow block diagram can be accessed on the Company's website under the 'Araguaia Project' tab.

The initial process stages encompass ore preparation, where the ore is sized to match the subsequent metallurgical process requirements. Kiln dust is recycled to the process before the secondary crushing stage in a roll crusher with an 80mm gap. The ore is then homogenised, partially dried and fed to the kiln with the addition of metallurgical coal. In the kiln, the ore is completely dried and calcined to remove chemically combined moisture, and partially pre-reduced. Calcined material is transferred into a single 50 MW electric furnace for the separation of the metal and slag at high temperatures. The metal is conveyed in ladles to the refining stage. The refined oxidised slag is granulated with water, while the reduced slag is transported molten and disposed of in a specific site. The final Fe-Ni product is granulated with water, screened, dried and stockpiled prior to dispatch to the market. The average nickel grade over the life of project is estimated at 20% nickel in Fe-Ni. The Base Case is for a 25 year Life of Mine with ore processing capacity of 900 ktpa and 674 ktpa slag production respectively.

PFS Scenarios

Two production scenarios were considered:

- 2.7 Mtpa ore throughput (contractor and owners mining and haulage)
- 0.9 Mtpa ore throughput (contractor and owners mining and haulage)

The 0.9 Mtpa was selected as the Base Case (“**Base Case**”) as a consequence of the Company’s desire to minimize the capital expenditure and overall capital intensity, and to optimise overall cash flow, payback, and the economics of the Project. Opportunity does exist to increase and expand production subject to further engineering and a potential to increase in reserve base. The Base Case for this study assumes an ore processing rate of 0.9 Mtpa after a two year initial ramp up period. A plant construction period of two years has been assumed and the pre-production capital construction costs for the plant have been divided 30%, in Year 1, and 70%, in Year 2. In addition, sustaining capital has been provided for over the life of the mine and process plant. To minimise capital, the Base Case also assumes contractor mining which includes ore haulage to the plant. Supply chain factors have also been considered for in-bound and out-bound logistics for key consumables such as coal for smelter requirements.

Base Case Capital Cost Estimates

Item	USD million
Plant direct	376
Plant indirect	38
Owners costs	18
Infrastructure	56
Slag storage facility	5
Social	6
Mining	5
Contingency at 15%	77
First fills and spares	1
Total pre-production capital costs	582

The capital cost estimates have been compiled with an accuracy level of $\pm 25\%$.

Base Case Operating Cost Estimates

Item	USD million	USD/tonne - ore
Mining (contractor)	553	26
Processing	2,642	125
Off-site overheads	99	5
Total operating costs	3,294	155.32

Economic Analysis

Base Case economic model headline results before taxation

Item	Unit	Value
Net Cashflow	USD M	2,433.9
NVP ₈	USD M	730.1
IRR	%	22
Production payback period	years	4.1

Base Case economic model headline results after taxation

Item	Unit	Value
Net Cashflow	USD M	1,765.9
NVP ₈	USD M	519.2
IRR	%	20
Production year payback	years	4.4

Base Case economic model inputs

Item	Unit	Value
Pre-Production period	Years	2.0
Life of project production	Years	24.75
LOM ore mined and processed	kt	21,206
LOM waste mined	kt	60,050
LOM Average Ni grade	%	1.66
LOM Average Fe grade	%	16.01
LOM Average Ni recovery	%	93.0
LOM Average Fe recovery	%	37.9
LOM Average product Ni grade	%	20.3
LOM Average product Fe grade	%	79.7
Plant throughput	Mtpa	0.9
LOM Ni Price	USD/t	19,000
LOM Fe Price	USD/t	150

The LOM Ni price of USD19,000 per tonne was adopted following a review of multiple information sources including a report produced by Consensus Economics Inc. in December 2013 and based

on forward price estimations from 19 analyst and banking groups, together with analysis of average nickel prices over the past 10 years combined with industry benchmarking.

Environmental and Social Baseline Studies and Permitting

The baseline data collection programme, designed to meet IFC standards, that commenced in November 2011 was completed in 2013, with the exception of the archaeological investigation, which was completed in February 2014. The archaeological report was submitted to the Instituto do Patrimônio, Histórico e Artístico Nacional (IPHAN), who granted approval of the study in October 2014. The environmental baseline programme included information on: climate, particulate matter, groundwater composition and depth, soils, surface water composition and flow, spring locations, fauna and flora.

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

The baseline studies included independent research and investigations undertaken by various groups or individuals:

- > Environmental technical investigations for baseline studies and the Social and Environmental Impact Assessment (“SEIA”) – WALM Engenharia e Tecnologia Ambiental.
- > Biodiversity (flora and fauna) surveys – DBO Engenharia Ambiental.
- > Social and community surveys and data analysis resulting in a document on stakeholder mapping, scenario assessment, risk analysis, and communication programme – Integratio Mediação Social e Sustentabilidade (Integratio).

The results of these studies were incorporated into the PFS and will influence the Group’s day-to-day social and environmental activities.

The SEIA was finalised and report submitted to Brazilian State licensing authority (‘SEMA’) in June 2014 for the Araguaia Project’s preliminary license (‘LP’) evaluation.

On January 30 2015 a public hearing (‘Hearing’) was held in Conceição do Araguaia, the municipality where Araguaia project is located. The primary aim of the Hearing was to inform, clarify and encourage further community participation in project planning and it was attended by over 1,000 people including representatives of the local and State authorities. The outcome was positive. The Hearing is a part of the environmental licence process and necessary for the awarding of the LP.

RISK FACTORS

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

The following discussion summarises the principal risk factors that apply to the Company's business and that may have a material adverse effect on the Company. In addition to all other information set out in this AIF, and the usual risks associated with an investment in a business at an early stage of development, potential investors should carefully consider the risk factors described below, which the directors consider to be the most significant to potential investors in the Company, before making a decision to invest in the Company. If any events or circumstances giving rise to any of the following risks, together with the possible additional risks and uncertainties of which the directors are currently unaware or which they consider not to be material in relation to the Company's business, actually occur, the Company's business, financial condition, results or future operations could be materially and adversely affected. In such circumstances, the price of the Ordinary Shares could decline and investors could lose all or part of their investment.

Exploration and mining risks

The business of exploring for minerals and mining involves a high degree of risk. Only a small proportion of the properties that are explored are ultimately developed into producing mines. The mining areas presently being assessed by the Company may not contain economically recoverable volumes of minerals or metals. The operations of the Company may be disrupted by a variety of risks and hazards which are beyond the control of the Company, including geological, geotechnical and seismic factors, fires, power outages, labour disruptions, flooding, explosions, cave-ins, land-slides and the inability to obtain suitable or adequate machinery, industrial and mechanical accidents, equipment or labour and environmental hazards (including discharge of metals, pollutants or hazardous chemicals) and other risks involved in the operation of mines and the conduct of exploration programmes.

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

development of ore bodies or the processing of new or different grades, may have an adverse effect on exploration or mining operations and on the results of operations.

Major shareholder

Teck currently beneficially owns 38.3 per cent of the Company's issued share capital. Teck is able to exercise a significant degree of influence over matters requiring shareholder approval, including the approval of significant corporate transactions, which may have the effect of delaying, preventing or deterring a change in control of the Company; depriving shareholders of an opportunity to receive a premium for their Ordinary Shares as part of a sale of the Company; and impacting upon the market price of the Ordinary Shares and/or other securities of the Company.

The Company will need additional access to capital in the future

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

The Company may face competition from competitors with much greater capital

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

Dependence on the Araguaia Project

The Company's activities are focused primarily on the Araguaia Project. Any adverse changes or developments affecting the Araguaia Project, such as, but not limited to, the Company's inability to successfully obtain financing on commercially suitable terms, hire suitable personnel and mining contractors, or secure an off-take agreement on commercially suitable terms or at all, may have a material adverse effect on the Company's financial performance and results of operations.

No production revenues

To date, the Company has not recorded any revenues from its mining projects nor has the Company commenced commercial production on any of its properties. There can be no assurance that significant additional losses will not occur in the near future or that the Company will be profitable in the future. The Company's operating expenses and capital expenditures may increase in subsequent years as the required consultants, personnel and equipment associated with advancing exploration, development and commercial production of its properties are added. The amounts and timing of such expenditures will depend on the progress of ongoing exploration and development, the results of consultants' analyses and recommendations, the rate at which operating losses are incurred, the execution of any joint venture agreements with strategic partners, and the Company's acquisition of additional properties and other factors, some of which are beyond the Company's control. The Company expects to continue to incur losses unless and until such time as its properties enter into commercial production and generate sufficient revenues

to fund its continuing operations. The development of the Company's properties will require the commitment of substantial resources to conduct the exploration and development of properties. There can be no assurance that the Company will generate any revenues or achieve profitability.

Effecting service of process

Certain of the Company's directors reside outside of Canada. Substantially all of the assets of these persons are located outside of Canada. It may not be possible for investors to effect service of process within Canada upon certain of the directors, officers and experts named in this AIF. It may also not be possible to enforce against the Company, certain of its directors and officers, and certain experts named herein, judgments obtained in Canadian courts predicated upon the civil liability provisions of applicable securities laws in Canada.

Operations in Brazil

The Company's operations are primarily conducted in Brazil and, as such, the Company's operations are exposed to various levels of political, economic and other risks and uncertainties. These risks and uncertainties vary from time to time and include, but are not limited to: terrorism; hostage taking; military repression; extreme fluctuations in currency exchange rates; high rates of inflation; labour unrest; the risks of war or civil unrest; expropriation and nationalization; renegotiation or nullification of existing concessions, licences, permits and contracts; illegal mining; changes in taxation policies; restrictions on foreign exchange and repatriation; and changing political conditions, currency controls and governmental regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction.

Changes, if any, in mining or investment policies or shifts in political attitude in Brazil or any other relevant jurisdiction in which the Company operates may adversely affect the Company's operations or profitability. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, currency remittance, income and other taxes, expropriation of property, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people, water use and mine safety. Failure to comply strictly with applicable laws, regulations and local practices relating to mineral right applications and tenure, could result in loss, reduction or expropriation of entitlements, or the imposition of additional local or foreign parties as joint venture partners with carried or other interests. The occurrence of these various factors and uncertainties cannot be accurately predicted and could have an adverse effect on the Company's operations or profitability.

No experience of development-stage mining operations

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

Estimates of mineral inventory and production risks

No assurance can be given that any proven or probable reserves will be discovered, or that any particular level of recovery of minerals will in fact be realised, or that an identified target will ever qualify as a commercially mineable (or viable) deposit which can be economically exploited.

Mineral exploration is speculative in nature and there can be no assurance that any mineralisation discovered will result in the establishment of proven and probable mineral reserves, as those terms are defined in NI 43-101. Production can be affected by such factors as permitting regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations and work interruptions. The indication of the mineral inventory described in this document should not be interpreted as assurances of commercial viability, potential or profitability of any future operations.

Metal prices

The metal exploration and development industry in general is intensely competitive and there is no assurance that, even if commercial quantities of proven and probable mineral reserves are discovered, a profitable market may exist for the sale of the same. Factors beyond the control of the Company may affect the marketability of any substances discovered. Metal prices have fluctuated widely in recent years. The marketability of metals is also affected by numerous other factors beyond the control of the Company, including government regulations relating to price, royalties, allowable production and importing and exporting of minerals, the effect of which cannot accurately be predicted. A decline in the market price of metals mined by the Company may render mineral reserves containing relatively low grades of mineralisation uneconomic and may in certain circumstances ultimately lead to a restatement of mineral reserves.

Uninsured risks

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

Environmental and other regulatory requirements

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

The current exploration activities of the Company require permits from various governmental authorities and such operations are and will be governed by laws and regulations governing prospecting, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, safety and other matters. Companies engaged in exploration activities generally experience increased costs and delays as a result of the need to comply with applicable laws, regulations and permits. There can be no assurance that all permits which the Company may require for exploration or exploitation will be obtainable on reasonable terms or on a timely

basis or at all, or that such laws and regulations would not have an adverse effect on any project that the Company may undertake. The Company believes it is in substantial compliance with all material laws and regulations which currently apply to its activities. However, there may be unforeseen environmental liabilities resulting from exploration and/or mining activities and these may be costly to remedy or not capable of being remedied.

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

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

Exploration, mining and other licences

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

Risk of payment obligations

Under the exploration licences and certain other contractual agreements to which subsidiaries of the Company are or may in the future become parties, such subsidiaries are or may become subject to payment and other obligations. If such obligations are not complied with when due, in addition to any other remedies that may be available to other parties, this could result in dilution or forfeiture of interests held by such subsidiaries.

The Company may not have, or be able to obtain, financing for all such obligations as they arise.

Title matters and land access

Title to, and the area of, mining concessions, may be disputed. While the Company has diligently investigated title to all of its mineral concessions and, to the best of its knowledge, title to all of its concessions is in good standing, the concessions may be affected by undisclosed and undetected defects. In addition, although the holder of a mineral concession in Brazil has relevant land access through private property, including the soil and subsoil in the area in question as well as in neighbouring areas, for performance of the relevant work, the Company has in the past experienced challenges from landowners relating to land access, rent and compensation for parts

of property that are affected by exploration. There can be no assurance that the Company will not receive further challenges from landowners in the future. Any such challenges could prevent the Company from obtaining access to land in order to carry out exploration or mining works and could have a material effect on exploration or mining operations and on the results of operations.

Financing risks

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

Dependence on relations with third parties

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

Joint ventures

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

Foreign country and political risk

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

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

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

Currency exchange risk

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

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

United Kingdom Stamp Taxes on Transfer of Shares to CDS Clearing and Depository Services Inc.

Persons wishing to transfer Ordinary Shares held outside CDS Clearing and Depository Services Inc. ("CDS") into CDS will be required to meet the UK stamp duty (or SDRT if there is an agreement but no instrument) payable by CDS on the transfer and to provide evidence to the UK registrar that such stamp duty or SDRT has been paid in order for the transfer to be registered. Accordingly, until such time as sufficient Ordinary Shares have been transferred to CDS to allow shareholders resident in North America to transfer shares between each other within CDS, a person resident in North America who wishes to acquire a number of Ordinary Shares in excess of the Ordinary Shares available to acquire within CDS will have to acquire such further shares outside of CDS and should then transfer such shares to CDS. Such persons will be required to meet the UK stamp duty (or SDRT if there is an agreement but no instrument) payable by CDS (at 1.5% of the consideration payable for such shares) on the transfer and to provide evidence to the UK registrar that such stamp duty or SDRT has been paid in order for the transfer to be registered. If an existing holder of Ordinary Shares wishes to transfer his Ordinary Shares onto the Canadian register, he will be required to transfer the Ordinary Shares to CDS and pay UK stamp duty (or SDRT if there is an agreement but no instrument) at 1.5% of the open market value of the Ordinary Shares as at the date of transfer. See "Capital Structure –Stamp Duty Reserve Tax".

Management of future growth

The Company's plans to continue its growth will place additional demand on the Company's management and administrative and technological resources. If the Company is unable to

manage its growth effectively, its business operations or financial condition may deteriorate. To date, the Company has grown through acquisitions and through organic growth.

Project development risks

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

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

Trading market for the Ordinary Shares

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

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

Listing of the Ordinary Shares on the TSX should not be taken as implying that there will be a liquid market for the Ordinary Shares and there is no guarantee that an active market will develop or be sustained after such admission. It may be more difficult for an investor to realise its investment in the Company than in a company whose shares are quoted on the Toronto Stock Exchange.

Dependence on key personnel

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

Possible conflicts of interest of directors and officers

Certain of the directors and officers of the Company may also serve as directors and/or officers of other companies involved in natural resource exploration and development and, consequently, there exists the possibility for such directors and officers to be in a position of conflict. The Company expects that any decision made by any of such directors and officers involving the Company will be made in accordance with their duties and obligations to deal fairly and in good faith with a view to the best interests of the Company and its shareholders, but there can be no assurance in this regard.

Legislation and regulation

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

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

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

DIVIDENDS

The Company has never declared or paid cash dividends on the Ordinary Shares.

Subject to the provisions of the 2006 Act, the Company may declare dividends in general meeting, but no dividend shall exceed the amount recommended by the Board. Subject to the aforesaid, the Board may pay such interim dividends as appear to be justified by the profits of the Company available for distribution. Should at any time the share capital of the Company be divided into different classes the Board may pay such interim dividends in respect of those shares which confer on the holders thereof deferred or non-preferential rights as well as in respect of those shares which confer on the holders thereof preferential rights with regard to dividend but no interim dividend shall be paid on shares carrying deferred or non-preferential rights if at the time of payment any preferential dividend is in arrears. There is no fixed date on which an entitlement to dividend arises. Subject to the rights of those entitled to shares with special rights as to dividend, all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid. No amount paid up on a share in advance of calls may be treated as paid up on the share.

DESCRIPTION OF CAPITAL STRUCTURE

General Description of Capital Structure

The Company has the power to issue an unlimited number of Ordinary Shares. As at the date hereof there were 493,427,105 Ordinary Shares issued and outstanding.

Each Ordinary Share has one vote attached to it. Ordinary Shares may be transferred as follows: (i) in the case of certificated shares, by instrument, in writing in any usual or common form, or in such other form as the Board shall from time to time approve; and (ii) in the case of uncertificated shares, in accordance with and subject to the CREST Regulations and the facilities and requirements of the relevant scheme concerned.

Except as described below, the Ordinary Shares are freely transferable provided that in relation to certificated shares the transfer is in respect of only one class of share and is accompanied by the share certificate and any other evidence of title required by the Board and that the provisions in the Articles relating to the deposit of instruments for transfer have been complied with. The Board may, in its absolute discretion and without giving any reason, refuse to register a transfer of any share: (i) to more than four joint holders; or (ii) where the share is not fully paid up provided that such action does not prevent dealings in the shares from taking place on an open and proper basis; or (iii) on which the Company has a lien. In addition, the Board may refuse to register a

transfer if a notice has been duly served on any member or other person appearing to be interested in any shares (representing at least 0.25 per cent. of the issued shares of the class in question (excluding any shares of that class held as treasury shares) pursuant to section 793 of the 2006 Act and the notice has not been complied with within the period stipulated in the notice.

Shareholders do not have any pre-emption rights in respect of transfers of issued Ordinary Shares.

Shareholders have the benefit of statutory pre-emption rights under the 2006 Act. The Company may not allot Ordinary Shares or grant rights to subscribe for, or convert any security into, Ordinary Shares without first offering such shares or rights to subscribe to existing shareholders in proportion to their holdings, unless shareholders resolve to disapply those rights. The rights may be disapplied by a special resolution of the Company (being a majority of not less than three-quarters of shareholders or their proxies at a Company general meeting). Pre-emption rights do not apply if shares or rights to subscribe shares are allotted for non-cash consideration or in respect of certain issuances of shares and options under employee share schemes.

Shareholders have the right to receive dividends as described above. See "Dividends".

The Ordinary Shares may, subject to a resolution of the Company's shareholders, be converted into stock or paid up shares of any denomination.

The Ordinary Shares may, subject to a resolution of the Company's shareholders, be consolidated, divided, cancelled or sub-divided.

The Ordinary Shares rank equally for capital and on any winding up.

Stamp Duty Reserve Tax

The following statements are intended as a general guide to the current tax law and practice in the UK concerning the application of UK stamp duty or UK stamp duty reserve tax ("SDRT") in the circumstances set out. Persons who are in any doubt about their tax position should consult their own professional advisers.

There is generally no UK stamp duty or SDRT on the issue of shares by companies incorporated in the UK. Accordingly, no UK stamp duty or SDRT should be payable by investors who are issued Ordinary Shares directly by the Company. Subsequent transfers of Ordinary Shares will give rise to stamp duty at the rate of 0.5% of the consideration paid. Where there is an agreement to sell Ordinary Shares but there is no instrument of transfer, SDRT would be payable at the rate of 0.5% of the consideration payable under the agreement.

Payments of stamp duty are rounded up to the nearest £5 and payments of SDRT are rounded up to the nearest penny. The payment of SDRT in respect of a transfer will frank any stamp duty due and vice versa.

The issue of Ordinary Shares to CDS (or any similar non-European Union based depositary or clearance service) will give rise to a charge to UK stamp duty (or SDRT if there is an agreement but no instrument) at 1.5% of the offering price of such shares. Subsequent transfers of Ordinary Shares within CDS will not give rise to a charge to stamp duty or to SDRT. Transfers of Ordinary Shares held outside CDS into CDS will also give rise to UK stamp duty (or SDRT if there is an agreement but no instrument) at 1.5% of the open market value of the Ordinary Shares as at the date of transfer. Persons wishing to transfer Ordinary Shares held outside CDS into CDS will be required to meet the UK stamp duty or SDRT payable by CDS on the transfer and to provide

evidence to the UK registrar that such stamp duty or SDRT has been paid in order for the transfer to be registered.

Accordingly, until such time as sufficient Ordinary Shares have been transferred to CDS to allow shareholders resident in North America to transfer shares between each other within CDS, a person resident in North America who wishes to acquire a number of Ordinary Shares in excess of the Ordinary Shares available to acquire within CDS will have to acquire such further shares outside of CDS and should then transfer such shares to CDS. Such persons will be required to meet the UK stamp duty (or SDRT if there is an agreement but no instrument) payable by CDS (at 1.5% of the consideration payable for such shares) on the transfer and to provide evidence to the UK registrar that such stamp duty or SDRT has been paid in order for the transfer to be registered.

If an existing holder of Ordinary Shares wishes to transfer his Ordinary Shares onto the Canadian register, he will be required to transfer the Ordinary Shares to CDS and pay UK stamp duty (or SDRT if there is an agreement but no instrument) at 1.5% of the open market value of the Ordinary Shares as at the date of transfer.

MARKET FOR SECURITIES

Trading Price and Volume

The Ordinary Shares are listed and traded on the TSX under the symbol “HZM”. The following table indicates the high and low values and volume with respect to trading activity for the Ordinary Shares on the TSX on a monthly basis during the fiscal year ended 31 December 2014.

Period (2014)	High (CAD)	Low (CAD)	Average Daily Volume
January	0.11	0.11	310
February	0.12	0.11	5526
March	0.17	0.12	2190
April	0.115	0.11	2900
May	0.115	0.115	48
June	0.12	0.12	48
July	0.15	0.1	4727
August	0.1	0.08	80267
September	0.09	0.075	197456
October	0.08	0.07	409
November	0.065	0.05	31559
December	0.075	0.055	8409

Source: Bloomberg

The Ordinary Shares are also listed and traded on the AIM market of the London Stock Exchange (“**AIM**”) under the symbol “HZM”. The following table indicates the high and low values and volume with respect to trading activity for the Ordinary Shares on the AIM on a monthly basis during the fiscal year ended 31 December 2014.

Period (2014)	High	Low	Average Daily Volume
January	6.875	5.625	167,902
February	6.875	5.625	433,775
March	7.75	6.125	1,139,716
April	6.5	5.625	254,877
May	6.75	6.375	157,272
June	6.875	6.375	103,526
July	6.75	5.625	287,579
August	5.75	5.125	170,704
September	5.625	5.125	443,218
October	4.75	3.625	306,415
November	3.875	3.125	307,210
December	3.375	2.625	118,220

Source: Bloomberg

DIRECTORS AND OFFICERS

The following table sets forth the name and province and country of residence of each director and executive officer of the Company, as well as such individual’s position with the Company, principal occupation within the five preceding years and period of service as a director (if applicable). Each of the directors of the Company hold office until the earlier of the director’s death, resignation or removal. At each annual general meeting, each of the directors shall be eligible for re-election. As of 27 March 2015, an aggregate of 2,024,032 Ordinary Shares (representing approximately 0.4% of all issued and outstanding Ordinary Shares as of the date hereof) were beneficially owned or controlled or directed (directly or indirectly) by all of the directors and executive officers of the Company, as a group.

Name and Province and Country of Residence	Position	Principal Occupation Within Five Preceding Years	Director Since	Number of Ordinary Shares Owned, Controlled or Directed⁽¹⁾
Alexander Christopher British Columbia, Canada	Non-Executive Director	Vice President at Teck	13 September 2010	Nil
David Hall Ireland ⁽²⁾⁽³⁾	Non-Executive Chairman	Chairman of the Company and Stratex plc	8 May 2006	765,908
Jeremy Martin United Kingdom	Chief Executive Officer and Executive-Director	Chief Executive Officer of the Company	17 March 2006	1,083,908
Owen Bavinton ⁽³⁾ United Kingdom	Non-Executive Director	Group Head of Exploration and Geology at Anglo American plc / Consultant	17 January 2012	Nil
Allan Walker Abu Dhabi, U.A.E. ⁽²⁾⁽³⁾	Non-Executive Director	Manager at Masdar Capital	17 March 2006	Nil
William Fisher ⁽²⁾⁽³⁾ Ontario, Canada	Non-Executive Director	Company Director	8 June 2011	Nil
Jeffrey Karoly United Kingdom	Chief Financial Officer	Chief Financial Officer of South American Ferro Metals from 2008 to 2010. From 2010 to present, Chief Financial Officer of the Company	N/A	174,216

Notes:

- (1) The information as to Ordinary Shares beneficially owned or over which any of the directors or executive officers exercises control or direction (directly or indirectly) not being within the knowledge of the Company has been furnished by the respective directors and executive officers individually.
- (2) Member of the Remuneration Committee of the Company. Mr. David Hall is the Chairman.
- (3) Member of the Audit Committee. Mr. David Hall is the Chairman.

None of the directors hold 10% or more of the outstanding Ordinary Shares either directly or through their associates.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

To the knowledge of the Company, no director or executive officer of the Company:

- (a) is, as at the date of this AIF, or has been within 10 years before the date of this AIF, a director, chief financial officer or chief executive officer of any company that was subject to:
- (i) a cease trade or similar order or an order which denied the relevant company access to any exemption under securities legislation for a period of more than 30

days (an “Order”) that was issued while the individual was acting in such capacity;
or

- (ii) an Order after the individual ceased to act in such capacity and which resulted from an event that occurred while the individual was acting in that capacity.
- (b) is or within the last 10 years has:
- (i) been a director or executive officer of any company (including the Company) that, while the individual was acting in that capacity or within a year of such individual ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy/insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
 - (ii) within the last 10 years become bankrupt, made a proposal under any legislation relating to bankruptcy/insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets (either personally or via a personal holding company);

To the knowledge of the Company, no director or executive officer of the Company has been subject to:

- (a) any penalties or sanctions imposed by a court relating to securities legislation, or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or
- (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor.

Other than otherwise disclosed herein, no director of the Company is eligible to be elected under any arrangement between the director and any other party. Alex Christopher has been elected pursuant to a relationship agreement between Teck and the Company. See “Material Contracts”.

Conflicts of Interest

Under English law, a director of a company must, among other things, refrain from putting himself in a position in which his duty to the company and his personal interests may conflict. The Board is permitted under the Articles to authorise any such conflict. In addition, under applicable law and the Articles, a director who has an interest in a proposed transaction or arrangement with the Company must disclose his interest to the Board. Save as otherwise provided in the Articles, a director shall not vote in respect of any transaction or arrangement or any other proposal whatsoever in which he has any material interest otherwise than by virtue of his interests in shares or debentures or other securities of or otherwise in or through the Company. A director shall not be counted in the quorum at a meeting in relation to any resolution from which he is debarred from voting. In the future, circumstances may arise where officers or members of the Board are directors or officers of corporations which are in competition with the interests of the Company. No assurances can be given that the opportunities identified by such Board members will be provided to the Company. See also “Risk Factors - Conflicts of Interest”.

AUDIT COMMITTEE INFORMATION

The members of the Audit Committee of the Company are currently Dr. Owen Bavinton, Mr. William Fisher and Mr. Allan Walker. Each of the members of the Audit Committee are independent and financially literate within the meaning of applicable securities legislation. Each of the members of the Audit Committee are familiar with accounting principles, financial statements and financial reporting requirements as a result their previous experience which is summarised below.

David J. Hall, BA (Hons), MSc, Fellow SEG, PGeo Non-Executive Chairman

Mr Hall is a graduate in geology from Trinity College Dublin and holds a Masters Degree in mineral exploration from Queen's University, Kingston, Ontario. He has over 30 years of experience in the exploration and mining sector and has worked on and assessed exploration projects and mines in over 40 countries. From 1992, Mr Hall was Chief Geologist for Minorco SA, responsible for Central and Eastern Europe, Central Asia and the Middle East. He moved to South America in 1997 as a consultant geologist for Minorco South America and subsequently became exploration manager for AngloGold South America in 1999, where he was responsible for exploration around the Cerro Vanguardia gold mine in Argentina, around the Morro Velho and Crixas mines in Brazil and establishing the exploration programme that resulted in the discovery of the La Recantada gold deposit in Peru as well as certain joint ventures in Ecuador and Colombia. In April 2002, Mr Hall became an executive director of Minmet and operations director in September 2002. Mr Hall led the divestment of Minmet's exploration assets in the Dominican Republic into GoldQuest Mining Corporation, which is listed on the TSX Venture Exchange. Mr Hall is also founder of Stratex International Plc, an AIM traded company with exploration assets in Turkey and in which Teck is an equity shareholder. Mr Hall is a fellow of the Society of Economic Geologists and EuroGeol.

Allan M. Walker, MA, Non-Executive Director

Mr Walker has over 30 years of experience in investment banking, primarily focused on project finance and private equity in the energy and natural resource sectors particularly in emerging markets. He has extensive contacts in these sectors worldwide as well as with governments, multilateral agencies and regional development banks. He has most recently been with Masdar Capital in Abu Dhabi, as Executive Director, responsible for managing the third party private equity funds management business for Masdar, the Abu Dhabi government's clean energy and sustainability company. Previously he founded and ran a similar fund for Black River Asset Management Limited, an indirectly held subsidiary of Cargill Inc. Prior to Black River, Mr Walker, from 2002 until 2005, was head of power and infrastructure in London for Standard Bank Plc, a world leader in emerging markets resource banking. He was also previously a Director in the Global Energy and Project Finance Group of Credit Suisse First Boston in London and ran the energy company at CSFB Garantia in Sao Paulo, Brazil from 1998 to 2001. Mr Walker graduated with an MA in economic geography from Cambridge University in 1982 and speaks Portuguese and Spanish.

William Fisher, P. Geo, Non-Executive Director

Mr Fisher graduated as a geologist in 1979 and has extensive industry experience which has included a number of residential posts in Africa, Australia, Europe and Canada in both exploration and mining positions. Under his leadership, Karmin Exploration discovered the Aripuanã base metal sulphide deposits in Brazil. From 1997 to 2001 Mr Fisher was Vice President, Exploration for Boliden AB, a major European mining and smelting company where he was responsible for thirty five projects in nine countries. From 2001 to 2008, Mr Fisher led GlobeStar Mining Corp.

from an exploration company to an emerging base metal producer in the Dominican Republic which developed and operated the Cerro de Maimon mine until it was sold to Perilya for USD 186 million. Mr Fisher was also Chairman of Aurelian Resources which was acquired by Kinross in 2008 for USD 1.2 Billion after the discovery of the Fruta del Norte gold deposit in Ecuador. Mr Fisher currently serves as Executive Chairman of Goldquest Mining Corp. (TSX: GCQ), independent director of Treasury Metals Inc. (TSX: TML) and Chairman of Rame Energy (AIM: RAME).

Owen A Bavinton BSc(Hons), MSc, DIC, PhD, Non-Executive Director

Dr Bavinton graduated from the University of Queensland in Geology in 1969 and holds a Masters Degree in Mineral Exploration from Imperial College, London and a PhD in Economic Geology from ANU, Canberra, Australia. He has over 40 years of varied international experience in the mineral exploration and mining 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 ('WMC'), finally as director of WMC's activities in Brazil. From 1986 to 1992 he was Chief Executive Officer of Aredor Guinea SA. In 1992 he joined the Anglo American Group where he stayed until his retirement in 2010. Based initially in Turkey and then in Budapest, he was responsible for Anglo American's exploration and project evaluation activities in the FSU, Central Europe and the Middle East. He moved to London in 1998, initially as Head of Exploration for Minorco, and later Group Head of Exploration and Geology for the Anglo American Group. In those roles he was responsible for worldwide exploration and geosciences covering a range of exploration projects through all stages of development, including advanced projects and feasibility studies, as well as providing geoscience input into numerous acquisitions. He is a fellow of the Society of Economic Geologists, the Association of Applied Geochemists and the Institute of Materials, Mining and Metallurgy. Dr Bavinton is currently an independent consultant.

Responsibilities of the Audit Committee

The Audit Committee reviews the Company's annual and interim financial statements before submission to the Board for approval. The Audit Committee also reviews regular reports from management and the external auditors on accounting and internal control matters. When appropriate the Audit Committee monitors the progress of action taken in relation to such matters.

For a description of the responsibilities of the Audit Committee, please refer to Schedule "A" attached hereto.

Audit Fees

The following chart summarizes the aggregate fees billed by the external auditors of the Company for professional services rendered to the Company (on a consolidated basis) during the fiscal years ended 31 December 2014 and 31 December 2013 for audit and non-audit related services:

Type of Work	Year Ended 2014 £ (excluding VAT)	Year Ended 2013 £ (excluding VAT)
Audit fees ⁽¹⁾	35,025	34,000
Audit-related fees ⁽²⁾	-	-
Tax advisory fees ⁽³⁾	2,950	2,400
All other fees	13,150	7,500
Total	51,125	43,900

Notes:

- (1) Aggregate fees billed for the Company's consolidated annual financial statements and services normally provided by the auditor in connection with the Company's statutory and regulatory filings.
- (2) Aggregate fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the Company's consolidated financial statements and are not reported as "Audit fees".
- (3) Aggregate fees billed for tax compliance, advice, planning and assistance with tax for specific transactions.

AUDITOR

PKF Littlejohn LLP is the current auditor of the Company, and was first appointed as auditor of the Company on 16 January 2006.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

In 2013 the Group received an infraction notice from the Brazilian Environmental Agency's (IBAMA) district office in Conceição do Araguaia in connection with carrying out drilling activities in 2011 without the relevant permits. Drilling equipment was furthermore impounded on the Group's property. The Group strongly believes that it operated with all necessary permits and has initiated legal proceedings to overturn the impounding of the drilling equipment. The Group is also concurrently in discussions with the authorities aimed at cancelling the injunction and its associated fine of approximately £33,000.

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

In December 2014 the Group received a writ from the State Attorney in Conceição do Araguaia regarding alleged environmental damages caused by drilling activities in 2011. To ensure proper environmental stewardship, the Group conducts certified baseline studies prior to all drill programmes and ensures that areas explored are properly maintained and conserved in accordance with local environmental legislation. After drilling has occurred, drill sites and access routes are rehabilitated to equal or better conditions and evidence is retained to demonstrate that such rehabilitation work has been completed. The Group has filed a robust defence in January 2015 and no substantive financial claim has currently been made against the Group under the terms of the writ. The Group is working towards having the writ withdrawn in due course and as a result no provision has been made in the Financial Statements for the year ended 31 December 2014.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as disclosed elsewhere in this Annual Information Form, no director, executive officer or principal shareholder of the Company, or any associate or affiliate of the foregoing, has had any material interest, direct or indirect, in any transaction within the three most recently completed financial years or during the current financial year prior to the date of this Annual Information Form that has materially affected or will materially affect the Company other than Teck in respect of the

Teck Acquisition and related relationship agreement. See the “Material Contracts” for further details.

TRANSFER AGENT AND REGISTRAR

The Company's transfer agent and registrar is Computershare Investor Services Inc. of 100 University Avenue, 9th Floor, Toronto, Ontario M5J 2Y1.

The Company's principal share registry is Computershare Investor Services (Ireland) Limited at Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18, Republic of Ireland.

MATERIAL CONTRACTS

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company or another member of the Company: (i) within the two years immediately preceding the date of this document and are, or may be, material; or (ii) at any time and contain provisions under which the Company has an obligation or entitlement which is material to the Company at the date of this AIF:

Relationship Agreement

The Company is a party to a relationship agreement with Teck dated 26 July 2010 (the “**Relationship Agreement**”) which regulates the degree of control that Teck may exercise over the management of the Company. The principal purposes of the Relationship Agreement are to ensure that:

- (i) the Company is capable of carrying on its business independently of Teck and its affiliates; and
- (ii) the Company's transactions and relationships with Teck and its affiliates are at arm's length and on a normal commercial basis.

The Relationship Agreement will continue until the earlier of: (i) the Ordinary Shares ceasing to be admitted to trading on AIM; or (ii) Teck ceasing to be a controlling shareholder in the Company provided that Teck's right to appoint a director shall continue for so long as it holds 20 per cent of the issued and outstanding Ordinary Shares (see below). For these purposes a “**controlling shareholder**” is any person (or persons acting jointly by agreement whether formal or otherwise) who is entitled to exercise, or to control the exercise, of 30 per cent. or more of the rights to vote at the Company's general meetings or able to control the appointment of directors who are able to exercise a majority of votes at the Board meetings of the Board.

Under the Relationship Agreement, Teck has agreed that (and in relation to its affiliates, will use all reasonable efforts to procure, so far as it is properly able and subject to all applicable law and regulation, that each affiliate will comply with the following):

- (i) it will not take action which restricts the Company from carrying on its business independently of Teck;
- (ii) all transactions and relationships with the Company will be at arm's length and on a normal commercial basis;
- (iii) it will not vote in support of any amendment to the Company's articles of association which would breach any of the provisions of the Relationship Agreement;

- (iv) it will vote in favour of any issue of Ordinary Shares made on a pre-emptive basis to all shareholders on the same terms; and
- (v) for a period of two years from the date of the Relationship Agreement, it will support or abstain from any decision relating to the Company's gold activities.

In addition, the entry into, amendment or termination of any transaction, agreement or relationship between the Company and Teck (or any of its affiliates) will require the approval of a majority of directors who are independent from Teck and any other controlling shareholder ("**Independent Directors**").

Teck undertakes that it will exercise its voting rights to support the following:

- (i) there will at all times be a majority of Independent Directors on the Board and any standing committee of the Board;
- (ii) the chairman of the Board and any committee of the Board will at all times be an Independent Director and such chairman will have a casting vote on resolutions of the Board and any committee of the Board;
- (iii) at any meeting of shareholders, the chairman of the meeting shall at all times be independent from Teck;
- (iv) the Company is managed in accordance with the corporate governance principles set out in the Relationship Agreement or otherwise as may be approved by the majority of Independent Directors;
- (v) the Company is managed in a way in which all holders of Ordinary Shares are treated equally in respect of the rights attaching to such Ordinary Shares; and
- (vi) the Company will at all times be a company to which the UK City Code on Takeovers and Mergers applies unless otherwise approved by the majority of the Independent Directors.

Pursuant to the Relationship Agreement, Teck has the right to appoint a director to the Board for so long as it is entitled to exercise or control the exercise of 20 per cent or more of the rights to vote at the Company's general meetings. To the extent that there are any members of the Board who have been appointed by Teck, Teck has undertaken that it will procure that such director will not vote at meetings of the Board on matters in which Teck or its affiliates, or such director is in any way directly or indirectly interested.

The Relationship Agreement is governed by the laws of England and Wales.

INTERESTS OF EXPERTS

Anthony Finch, P.Eng., MAusIMM (CP Mining), B.Eng., B.Econ; Harald Muller, B. Eng., (Chem), MBL, FAusIMM, FIChemE, FSAICHE, C Eng, Pr Eng; Peter Theron, Pr Eng, SAIMM, B.Eng (Civil Eng), G.D.E; and Andrew Ross, BSc (Hons), MSc, MAIG, FAusIMM, PGeo are the qualified persons responsible for the Technical Report.

The PFS has been prepared for the Company under the supervision of qualified persons within the meaning of National Instrument 43-101 Standards of Disclosure for Mineral Projects (NI 43-101). The PFS was prepared by Snowden Mining Industry Consultants Pty Ltd.

None of the aforementioned persons held securities of the Company or of any associate or affiliate of the Company when they prepared the Technical Report referred to herein, or following the preparation of such report, and did not receive any direct or indirect interest in any securities of the Company or of any associate or affiliate of the Company in connection with the preparation of such report. None of the aforementioned firms or persons, nor any directors, officers or employees of such firms, is currently, or is expected to be elected, appointed or employed as, a director, officer or employee of the Company or of any associate or affiliate of the Company.

PKF Littlejohn LLP is the auditor of the Company and is independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of England and Wales.

ADDITIONAL INFORMATION

Additional information relating to the Company, including the audited financial statements of the Company for the fiscal years ended 31 December 2014, 31 December 2013 and 31 December, 2012, together with the auditor's report and management's discussion and analysis in respect thereof for its most recently completed financial year, is available on SEDAR at www.sedar.com.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and options to purchase securities authorized for issuance under the Company's stock option plans is contained in the Company's Management Information Circular dated 25 February 2015 and prepared for its most recent annual meeting of shareholders.

SCHEDULE A

AUDIT COMMITTEE TERMS OF REFERENCE

MEMBERSHIP

1. The committee shall be appointed by the board, in consultation with the chairman of the audit committee, and shall consist of a minimum of two members.
2. At least three members of the committee shall be independent non-executive directors, at least one of whom shall have recent and relevant financial experience.
3. Only members of the committee have the right to attend committee meetings. However, other individuals such as the chairman of the board, chief executive, chief financial officer, other directors, the heads of risk, compliance and internal audit and representatives from the finance function may be invited to attend all or part of any meeting as and when appropriate.
4. The external auditors will be invited to attend meetings of the committee on a regular basis.
5. Appointments to the committee shall be for a period of up to two years, which may be extended for two further three-year periods, provided the director remains independent.
6. The board shall appoint the chairman of the committee. In the absence of the chairman and/or an appointed deputy, the remaining members present shall elect one of their number to chair the meeting.
7. If a regular member is unable to act due to absence, illness or any other cause, the chairman of the committee may appoint another independent non-executive director of the company to serve as an alternate member.

SECRETARY

The company secretary or his nominee shall act as the secretary of the committee.

QUORUM

The quorum necessary for the transaction of business shall be two members. A duly convened meeting of the committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in Or exercisable by the committee.

FREQUENCY OF MEETINGS

The committee shall meet not less than once per year at the appropriate time in the reporting and audit cycle and at such other times as may be required.

NOTICE OF MEETINGS

8. Meetings of the committee shall be summoned by the secretary of the committee at the request of any of its members or at the request of external or internal auditors if they consider it necessary.
9. Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed shall be forwarded to each member of the committee, any other person required to attend and all other non-executive directors not less than five working days prior to the date of the meeting. Supporting papers shall

be sent to members of the committee, and to other attendees as appropriate, at the same time.

MINUTES OF MEETINGS

10. The secretary shall prepare minutes of the proceedings and resolutions of all meetings of the committee, including recording the names of those present and in attendance.
11. The secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.
12. Minutes of committee meetings shall be circulated promptly to all members of the committee and, once agreed, to all members of the board.

ANNUAL GENERAL MEETING

The chairman of the committee shall attend the Annual General Meeting and shall be prepared to respond to any questions from shareholders concerning the committee's activities.

DUTIES

The committee should carry out the duties below for the parent company, major subsidiary undertakings and the group as a whole, as appropriate.

FINANCIAL REPORTING

13. The committee shall monitor the integrity of the financial statements of the company, including its annual and interim reports, preliminary results' announcements and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgements which they contain. The committee shall also review summary financial statements, significant financial returns to regulators and any financial information contained in certain other documents, such as announcements of a price sensitive nature.
14. The committee shall review and challenge where necessary:
 - (a) the consistency of, and any changes to, accounting policies both on a year on year basis and across the company/group;
 - (b) the methods used to account for significant or unusual transactions where different approaches are possible;
 - (c) whether the company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
 - (d) the clarity of disclosure in the company's financial reports and the context in which statements are made; and
 - (e) all material information presented with the financial statements, such as the operating and financial review and the corporate governance statement (insofar as it relates to the audit and risk management);

INTERNAL CONTROLS AND RISK MANAGEMENT SYSTEMS

The committee shall:

15. keep under review the effectiveness of the company's internal controls and risk management systems; and
16. review and approve the statements to be included in the Annual Report concerning internal controls and risk management.'

WHISTLEBLOWING

The committee shall review the company's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.

INTERNAL AUDIT

The committee shall:

17. monitor and review the effectiveness of the company's internal audit function in the context of the company's overall risk management system;²
18. approve the appointment and removal of the head of the internal audit function;
19. consider and approve the remit of the internal audit function and ensure it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards. The committee shall also ensure the function has adequate standing and is free from management or other restrictions;
20. review and assess the annual internal audit plan;
21. review promptly all reports on the company from the internal auditors;
22. review and monitor management's responsiveness to the findings and recommendations of the internal auditor; and
23. meet the head of internal audit at least once a year, without management being present, to discuss their remit and any issues arising from the internal audits carried out. In addition, the head of internal audit shall be given the right of direct access to the chairman of the board and to the committee.

EXTERNAL AUDIT

The committee shall:

24. consider and make recommendations to the board, to be put to shareholders for approval at the AGM, in relation to the appointment, re-appointment and removal of the company's external auditor. The committee shall oversee the selection process for new auditors and if an auditor resigns the committee shall investigate the issues leading to this and decide whether any action is required;
25. oversee the relationship with the external auditor including (but not limited to):
 - (a) approval of their remuneration, whether fees for audit or non-audit services, and that the level of fees is appropriate to enable an adequate audit to be conducted;

- (b) approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
 - (c) assessing annually their independence and objectivity taking into account relevant UK professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services;
 - (d) satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the company (other than in the ordinary course of business);
 - (e) agreeing with the board a policy on the employment of former employees of the company's auditor, then monitoring the implementation of this policy;
 - (f) monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partners, the level of fees paid by the company compared to the overall fee income of the firm, office and partner and other related requirements; and
 - (g) assessing annually their qualifications, expertise and resources and the effectiveness of the audit process which shall include a report from the external auditor on their own internal quality procedures;
26. meet regularly with the external auditor, including once at the planning stage before the audit and once after the audit at the reporting stage. The committee shall meet the external auditor at least once a year, without management being present, to discuss their remit and any issues arising from the audit;
27. review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement;
28. review the findings of the audit with the external auditor. This shall include, but not be limited to, the following:
- (a) a discussion of any major issues which arose during the audit;
 - (b) any accounting and audit judgements; and
 - (c) levels of errors identified during the audit;
29. review the effectiveness of the audit;
30. review any representation letter(s) requested by the external auditor before they are signed by management;
31. review the management letter and management's response to the auditor's findings and recommendations; and
32. develop and implement a policy on the supply of non-audit services by the external auditor, taking into account any relevant ethical guidance on the matter.

TERMS OF REFERENCE

The committee shall make available its terms of reference explaining clearly its role and the authority delegated to it by the board.

REPORTING RESPONSIBILITIES

33. The chairman of the committee shall report formally to the board on its proceedings after each meeting on all matters within its duties and responsibilities.
34. The committee shall make whatever recommendations to the board it deems appropriate on any area within its remit where action or improvement is needed.
35. The committee shall compile a report to shareholders on its activities to be included in the company's Annual Report.

OTHER MATTERS

The committee shall:

36. have access to sufficient resources in order to carry out its duties;
37. give due consideration to laws and regulations, the provisions of the Combined Code and the requirements of the AIM Rules as appropriate;
38. oversee any investigation of activities which are within its terms of reference; and
39. at least once a year, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the board for approval.

AUTHORITY

The committee is authorised by the board:

40. to seek any information it requires from any employee of the company in order to perform its duties;
41. in connection with its duties to obtain, at the company's expense, any outside legal or other professional advice; and
42. to call any employee to be questioned at a meeting of the committee as and when required.