HORIZONTE

HORIZONTE MINERALS PLC
MANAGEMENT'S DISCUSSION AND ANALYSIS
THREE MONTHS ENDED 31 MARCH 2015

Background

This Management's Discussion and Analysis of the financial position and results of operations is prepared as at 13 May 2015 and should be read in conjunction with the Consolidated Financial Statements of Horizonte Minerals plc as at 31 March 2015 which have been prepared in accordance with International Financial Reporting Standards and International Accounting Standards.

Horizonte Minerals plc (the 'Company') is a publicly listed company on the Alternative Investment Market ('AIM') of the London Stock Exchange and on the Toronto Stock Exchange (the 'TSX'), in both instances under the symbol 'HZM'.

Company Overview

The Company is actively engaged in the exploration and development of the Araguaia Nickel Project in Brazil, for which in March 2014 it issued a Pre-Feasibility Study ('PFS' or 'Pre-Feasibility Study') prepared in accordance with Canadian National Instrument 43-101 ('NI 43-101').

The Company's principal shareholders are Teck Resources Limited, which holds a 38.3% interest in the issued share capital of the Company, and Henderson Global Investors, which holds a 14.0% interest. The principal project of the Company is the wholly-owned Araguaia Nickel Project ('Araguaia Project', 'Araguaia Nickel Project' or 'Araguaia'), located in Pará State in northeastern Brazil.

In August 2012 the Company released a Technical Report prepared in accordance with NI 43-101– 'Preliminary Economic Assessment of the Araguaia Nickel Project, Brazil' ('PEA').

In mid-2013, the Company completed a 9,309 metre 3rd Phase infill drilling programme. The aim of this drilling programme was to upgrade the Inferred Resource. Horizonte Minerals also completed in May 2013 a circa 18 month metallurgical test programme, which was designed to evaluate the expected ore performance in Rotary Kiln Electric Furnace ('RKEF') processing. Work was undertaken principally by FLSmidth, Xstrata Process Support and Kingston Process Metallurgy. The results released illustrated that Araguaia's ore was found to be suitable for treatment using RKEF technology.

In March 2014 the Company completed a PFS on the Araguaia project. The PFS was based upon the RKEF process and included an updated Resource Estimate comprising 71.98Mt grading 1.33% Ni (Indicated) and 25.35Mt at 1.21% Ni (Inferred) and considered two production scenarios: a 900 thousand tonnes per annum ('Ktpa') single line Base Case ('Base Case') and a 2.7 million tonnes per annum ('Mtpa') Option ('Option'). The Base Case is the Company's preferred route to ferronickel production.

The financial evaluation of the Base Case for the PFS gave an after tax, all-equity Net Present Value at a discount rate of 8% ('NPV_8') of USD 519 million and an internal rate of return ('IRR') of 20% for an initial capital investment of USD 582 million and assuming a nickel price of USD 19,000 per tonne over the life of the project. The financial evaluation of the Option gave an NPV_8 of USD 1,204 million and an IRR of 21% (both post-tax) for an initial capital investment of USD 1,436 million.

In April 2015 the company completed a 10,255 metre 4th Phase infill resource drilling programme at Araguaia, designed to convert an initial 7-8 years of the 25 year mine life to the Measured Resource category. A geotechnical and hydrogeological drilling programme across the proposed process plant site was also completed.

The Company's near term focus is to:

- Advance the project through the Feasibility Study stage, including: undertaking a circa 200 tonne continuous pilot plant test aimed at further de-risking and optimising the RKEF processing route, engineering, geotechnical, water management, logistics and infrastructure studies.
- Advance and secure regulatory approval for the Social and Environmental Impact Assessment ('SEIA') at Araguaia, filed in June 2014 and thereafter secure the Preliminary Licence ('LP').

Highlights for the first quarter of 2015

- On 26 January 2015 the Company provided an operational update, including certain results from its on-going 4th Phase HQ3 diamond in-fill drilling programme at Araguaia.
- On 2 February 2015 the Company announced a positive outcome of its public hearing on the Araguaia Project, which took place on 30 January 2015.
- On 9 March 2015 the Company announced positive results of the first phase of its RKEF pilot plant testing in relation to the Araguaia Project.

Events after the reporting date

- On 16 April 2015 the Company announced the completion of its 10,255 metre 4th Phase infill resource drilling programme at Araguaia.

Review of Operations

Araguaia Project

The Company owns 100% of the Araguaia Project located in southern Parà State, to the south of the Carajás mineral district of northern Brazil; the Company believes the project has the potential to deliver a resource with size and grades comparable to other nickel laterite projects and mining operations in northern Brazil. Several nickel laterite deposits occur within this region of Brazil, including Glencore Xstrata's Serra do Tapa/Vale dos Sonhos deposit, which is also located within the Araguaia Fold Belt around 80km to the north of the project area.

In March 2011 the Company announced a NI 43-101 compliant maiden Inferred Resource of 76.6Mt with a grading of 1.35% nickel and 0.06% cobalt at Araguaia. In September 2011 the Company completed a 13,200 metre drilling programme.

In January 2012 the Company announced a resource update at Araguaia, comprising an Indicated Mineral Resource of 39.3 million tonnes grading 1.39% nickel together with an Inferred Mineral Resource of 60.9 million tonnes grading 1.22% nickel, both at a 0.95% nickel cut-off.

In August 2012 the Company released the results of a PEA and in March 2014 released the results of a Pre-Feasibility Study on the Araguaia project, both of which were prepared in accordance with NI 43-101.

The Araguaia Project area comprises 10 exploration licences totalling 85,383 ha.

The landholdings which comprise the Araguaia Project do not form part of any native reserves.

Preferred Processing Route

RKEF is the preferred processing route favoured due to availability of hydro electrical energy in the Araguaia region, combined with the presence of three operating RKEF pyrometallurgical nickel operations in Brazil.

Recent and Current Activity

Exploration Activity

Recent exploration at the site, conducted since 2006 by both the Company and prior owners, has included a total to date of 45,425 metres of diamond drilling including the 4th phase in-fill drill programme completed in April 2015. This 4th phase programme was designed to complete infill drilling on 50 m x 50 m grids on the Pequizeiro and Jacutinga deposits of the Araguaia Nickel Project. The results of this programme will be used in due course to update the current Mineral Resource Estimate which formed part of the PFS released in March 2014 and which comprises 71.98Mt grading 1.33% Ni (Indicated) and 25.35Mt at 1.21% Ni (Inferred).

Metallurgical Testwork

The metallurgical test programme was carried out to 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 additionally provided process information for the PFS work.

The metallurgical programme 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.

Testing for rotary kiln operation

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 as the laterite types as they 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:

- 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 also 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 SiO_2/MgO ratio, in a similar range as that reported during the early years of operation at the BHP-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 SiO_2/MgO ratio and the level of Al_2O_3 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.

Pilot Plant Testing Programme

In the first quarter of 2015 the Company commenced a pilot plant testing programme at the IGEO testwork facility at the Morro Azul pilot plant in Minas Gerais, Brazil ('Pilot Plant'). The circa 200 tonne (wet) bulk sample of Araguaia ore will be representative of the PFS Base Case feed for the first nine years of operation, containing a blend of approximately 60% saprolite and 40% transition material.

In March 2015 the Company announced that it had successfully completed commissioning of the 'Dryer/Agglomerator' module as part of first stage testing, ahead of the full Pilot Plant launch targeted for the second quarter of 2015. This commissioning included the following:

- *Ore Preparation.* A 20 tonne (wet) bulk sample of Araguaia ore for Drying/Agglomeration pre-testing was delivered to the Pilot Plant in January 2015. Crushing to <30mm and homogenization was carried out on this bulk sample prior to testing.

- *Drying/Agglomeration.* Drying and agglomeration testing was carried out over a range of test conditions in the 1 m diameter by 14 m long LPG-fired dryer. At steady state conditions, the required drying and agglomeration performance was achieved over the range of three test

conditions, with correctly agglomerated material being obtained while meeting the target moisture level in the dryer product (18% H_2O).

- *Kiln Pre-testing.* Kiln pre-commissioning and testing was completed on the diesel fired long kiln (1.3 m diameter by 9.4 m). The dryer product from each of the three dryer runs was mixed with coal and processed in the kiln. The kiln temperature was allowed to slowly increase so that calcine discharge temperature increased from approximately 900°C to 1000°C. Observations of the movement of the calcine material inside the kiln showed that over the above temperature range the feed showed no evidence of sticking or sintering. The calcine product had the required granulometry and averaged reduction (Fe^{2+} /Fe_t) = 54% and the calcine contained an average of 1.8% carbon.

The results of the Pilot Plant testing programme will feed into the Feasibility Study planned for Araguaia.

Geotechnical Drilling

In the first and second quarters of 2015 the Company also undertook a geotechnical and hydrogeological drilling programme across the proposed process plant site, which will provide information on ground conditions to assist in the design of the process plant structures.

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 Patrimonio, Historico e Artistico Nacional (IPHAN), which 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 – 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 the report submitted to the Brazilian State licensing authority ('SEMA') in June 2014 for the Araguaia Project's LP evaluation. The Company hopes that the LP will be awarded later in 2015.

On 30 January 2015 a public hearing ('Hearing') was held in Conceiçao do Araguaia, the municipality where the 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.

Horizonte Minerals has in place 10 exploration licences in connection with the Araguaia project, covering an area of 85,383 ha.

Spend to-date

Direct costs of the Araguaia Project since August 2010 have amounted to approximately £14.7 million up to end-March 2015.

Pre-Feasibility Study

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

*Base Case 900 Ktpa operation is Horizonte's preferred route to ferronickel production.

The PFS is a compliant Technical Report ('the Report') which has been prepared for the Company in accordance with NI 43-101 and under the supervision of Qualified Persons within the meaning of National Instrument 43-101 Standards of Disclosure for Mineral Projects. This report was prepared by Snowden Mining Industry Consultants Limited ('Snowden'), with the following groups involved in the preparation of contributory material: IGEO Mineração Inteligente Ltda (IGEO), KH Morgan and Associates (KHM) and Prime Resources (Pty) Ltd (Prime). The Report summarises the geological, hydrological and engineering studies performed at a PFS level (± 25% accuracy) and used in the economic evaluation of the Project with the objective of proving the economic viability of Araguaia to produce ferronickel ('Fe-Ni'). The Report is published on SEDAR (www.sedar.com) and is available to download from the Company's website (www.horizonteminerals.com).

The engineering design solutions offered in the Report are considered industry standard approaches. The mining of nickel laterites is typically open pit with well-developed mining practices and earthmoving machine applications. This study considers the open pit configuration for the exploitation of nickel laterites to establish the production of run of mine ('ROM') ore from seven open pits which supply a targeted 900 Ktpa of ore to a processing and smelter facility that uses the RKEF process with the product being sold at the mine gate (Base Case).

Two production scenarios were considered:

- 900 Ktpa (contractor operated)
- 2.7 Mtpa (contractor operated)

The Base Case of 900 Ktpa has been selected by Horizonte as the preferred route to production based upon its internal criteria to minimise the overall capital intensity as well as technical and execution risk.

The opportunity exists to increase production subject to additional engineering. The Base Case for this study assumes an ore processing rate of 900 Ktpa. A plant construction period of two years has been assumed and the pre-production capital construction costs for the plant are incurred 30% in Year 1 and 70% in Year 2. In addition, sustaining capital has been provided for over the 25 year life of mine and process plant. To minimise capital intensity, 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.

Location and Infrastructure

The Araguaia nickel project is located on the south-eastern border of Pará State with Tocantins State, approximately 40 km north of Conceição do Araguaia (population circa 46,000), south of the main Carajas Mining District. The project has good regional infrastructure including a network of Federal highways and roads, with access to low tariff hydro-electric power. The port city of São Luís provides the primary supply chain facility for in-bound and out-bound logistics for bulk material handling of coal and potentially Fe-Ni product.

The project can be reached by air from São Paulo via Palmas, the capital of Tocantins State situated to the east of Rio Araguaia. Local flights are supported by airports at Palmas (Tocantins State), and Redenção via Belém/Marabá. From Palmas it is a further 400 km drive on sealed highways to the main Araguaia field office in Conceição de Araguaia.

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
TOTAL	**Indicated**	All	71,980	1.28	958,660	1.33	0.058	18.48

Araguaia	Category	Material type	Tonnage (kT)	Density (t/m3)	Contained Ni metal (t)	Ni (%)	Co (%)	Fe (%)
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 all (2012).
5. The Indicated Mineral Resources are inclusive of those Mineral Resources modified to produce Mineral Reserves.

35,200m of core drilling (HQ) (1,412 holes) had been completed on the Araguaia Project (Phase 1 to 3 resource drilling programmes) as at the date of publication of the above Mineral Resource. A further 10,225 metre Phase 4 resource infill drilling programme was subsequently completed in April 2015, the results of which will feed into future Resource and Reserve estimates.

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.

The Project's Resource inventory is sufficient to support larger scale mining operations than those underpinning the Base Case 900 Ktpa, up to the 2.7Mtpa Option.

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.

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

Class	Deposit	Ore Dry Mass (kt)	Ni (%)	Fe (%)	Al_2O_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

Class	Deposit	Ore Dry Mass (kt)	Ni (%)	Fe (%)	Al_2O_3 (%)	SiO_2/MgO
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.
3. Totals may not add due to rounding.

Mining

Araguaia will 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.

Processing

The Project will 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.

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 complied with an accuracy level of ±25%.

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 and Sensitivities

Base Case economic model headline results before taxation

Item	Unit	Value
Net Cashflow	USD M	2,433.9
NPV_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

Item	Unit	Value
NPV_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.

Pre Tax Sensitivity table for NPV_8

The sensitivity analysis determines how the NPV_8 is affected with changes to one variable at a time while holding the other variables constant. The pre tax results of the Base Case sensitivity analysis are presented the table below:

	-20%	-10%	-5%	0%	5%	10%	20%
Grade Ni	231	480	605	730	855	980	1229
Grade Fe	715	723	726	730	734	738	745
Mining reserves	678	723	728	730	750	773	813
Recovery Ni	231	480	605	730	855	918	918
Recovery Fe	715	723	726	730	734	738	745
Price Ni	231	480	605	730	855	980	1229

	-20%	-10%	-5%	0%	5%	10%	20%
Price Fe	715	723	726	730	734	738	745
Pre-production capital	836	783	757	730	704	677	624
Production capital	734	732	731	730	729	728	726
Mining cost	774	752	741	730	719	708	686
Processing cost	922	826	778	730	682	634	538
Overhead cost	750	740	735	730	725	720	710

Next Phase of Project Development

The next stage to the Project development will be to proceed to a Feasibility Study. This is expected to include:

- Definition of a Proven Reserve, using the results of the 4th Phase 10,225 metre resource infill drilling programme completed in April 2015
- Additional metallurgical test work to include continuous large scale piloting
- Secure approval for the SEIA filed in June 2014 and thenceforth receipt of the LP
- Engineering, geotechnical, water management, logistics and infrastructure studies

Technical Disclosure

All scientific and technical information contained in this Management's Discussion and Analysis has been prepared by or under the supervision of David Hall, Chairman of the Company, a ''qualified person' within the meaning of NI 43-101. For further details on the Araguaia Project, please refer to ''Prefeasibility Study (PFS) for the Araguaia Nickel Project Parà State Brazil NI 43-101 Technical Report', dated 25 March 2014 available on the Company's website at www.horizonteminerals.com and on SEDAR at www.sedar.com.

Summary of Financial and Operating Performance

Summary of Cashflows

>> 3 months ended	**31 March 2015 £**	31 March 2014 £
>> Net cash flows used in operating activities	**(275,700)**	(254,115)
>> Net cash used in investing activities	**(1,101,448)**	(493,441)
>> Net cash flow generated from financing activities	**-**	-
>> Net increase /(decrease) in cash and cash equivalents	**(1,377,148)**	(747,556)

The net cash flows used in operating activities for the 3 months ended 31 March 2015 and 31 March 2014 are driven by activities in the management of the Araguaia Project. These management activities were at a similar level in 2015 as compared to 2014 – the lower negative cashflows from operating activities in 2015 as compared to the same period in 2014 is principally to working capital movements, offset by a weaker Brazilian Real in 2015. See 'Results from Operations' for further analysis.

Cash used in investing activities has increased to £(1,101,448) in the 3 months ended 31 March 2015 when compared to £(493,411) in the 3 months ended 31 March 2014. The higher spend in the first quarter of 2015 as compared to 2014 is driven by the 4th Phase diamond in-fill drilling programme at Araguaia, which commenced in November 2014, with cashflows used in investing activities in the first quarter of 2014 being driven by completion of the PFS at Araguaia.

Quarterly Financial Information

Quarter Ended	31 March 2015 £	31 December 2014 £	30 September 2014 £	30 June 2014 £	31 March 2014 £	31 December 2013 £	30 September 2013 £	30 June 2013 £
Revenue	—	—	—	—	—	—	—	—
Profit/(Loss) from continuing operations	(956,035)	(587,816)	(350,066)	(392,092)	88,038	(1,407,819)	(411,610)	(509,824)
Total comprehensive income attributable to equity holders of the Company	(3,629,912)	(1,626,372)	(1,634,940)	(437,787)	996,012	(3,413,850)	(2,280,344)	(2,811,466)
Basic earnings/(loss) pence per share	(0.194)	(0.119)	(0.155)	(0.098)	0.022	(0.351)	(0.103)	(0.139)

Profit/(loss) from continuing operations in each of the periods disclosed is driven on an on-going basis by administrative expenses, including exploration costs expensed, together with stock option charges, (loss)/gain on foreign exchange and finance income and costs. Project impairment costs also arose in the fourth quarter of 2013 and in the first quarter of 2014 and changes in fair value of contingent consideration arose in the fourth quarter of 2013 and in each quarter subsequently(see below).

The loss from continuing operations of £(509,824) in the second quarter of 2013 was after an exchange loss of £(109,986) – this exchange loss was the principal driver behind the increased loss from continuing operations as compared to the first quarter of 2013 and was due to a weakening during the quarter of the Brazilian Real against Sterling.

The loss from continuing operations of £(411,610) in the third quarter of 2013 was after an exchange loss of £(84,329) as the Brazilian Real continued to weaken against Sterling.

The loss from continuing operations of £(1,407,819) in the fourth quarter of 2013 was after an exchange loss of £(26,951) as the Brazilian Real continued to weaken against Sterling, together with a £(1,033,240) net impairment charge on the El Aguila and Falcao projects. A change in fair value of contingent consideration of £46,940 was also booked in the fourth quarter of 2013.

Overall in 2013, share options costs amounted to £(171,277) and which contributed to the lower quarterly losses from continuing operations in 2013 versus 2012.

Furthermore, losses from continuing operations in 2013 benefitted from lower General and Administration costs in 2013 than in 2012 and were at a similar level in 2014 as compared to 2013.

The profit from continuing operations of £88,038 in the first quarter of 2014 was after a change in fair value of contingent consideration payable to Teck Resources of £429,955. The first quarter of 2014 also saw a project and fixed asset impairment charge of £(31,989) and a loss on foreign exchange of £(9,861).

The loss from continuing operations of £(392,092) in the second quarter of 2014 was after a change in fair value of contingent consideration payable to Teck Resources of £95,808. The second quarter of 2014 also saw a loss on foreign exchange of £(22,099).

The loss from continuing operations of £(350,066) in the third quarter of 2014 was after a change in fair value of contingent consideration payable to Teck Resources of £(68,181). The third quarter of 2014 also saw a gain on foreign exchange of £29,396.

The loss from continuing operations of in the fourth quarter of 2014 of £(587,816) was after a change in fair value of contingent consideration payable to Teck Resources of £(41,880). The fourth quarter of 2014 also saw a loss on foreign exchange of £(43,800). The loss from continuing operations in the fourth quarter of 2014 of £(587,816) was also after administrative expenses of £(433,400) – this was higher in the previous quarters due to payment in the quarter of management bonuses of £(85,000), which were awarded in connection with delivery of the Pre-Feasibility study in March of 2014.

The loss from continuing operations in the first quarter of 2015 of £(956,035) was after: a change in fair value of contingent consideration payable to Teck Resources of £ (245,375), which is explained more fully in 'Contingent Consideration' in the section 'Critical Accounting Policies and Estimates'; a one-off non cash charge of £ (253,006) which arose on the transfer out of the available for sale reserve of losses previously incurred in connection with the impairment of an available for sale asset – this was offset by a corresponding credit to Other Comprehensive Income; a charge for administrative expenses of £ (214,437) was also incurred – this was at a similar level to that of the same quarter in 2014.

Total comprehensive income attributable to equity holders of the company is driven by results from continuing operations, combined with finance income and costs, change in value of available for sale financial assets and exchange differences arising on translating foreign operations.

Finance costs comprise the unwinding of contingent consideration payable to Teck Resources. The contingent consideration arrangement requires the Company to pay the former owners of Teck Cominco Brasil S.A. 50% of the tax effect on utilisation of the tax losses existing in Teck Cominco Brasil S.A at the date of acquisition in 2010. This is more fully explained in 'Contingent Consideration' in the section 'Critical Accounting Policies and Estimates'.

The finance cost due to the unwinding of the discount on the contingent consideration payable to Teck Resources amounted to £(47,296) in each of the quarters of 2013 and £(43,476) in each of the quarters of 2014.

Also included in Total Comprehensive Income is the charge for the change in fair value of available-for-sale financial assets – this amounted to £(992), £224 and £117 in each of the first, second and third quarters respectively of 2014, driven by foreign exchange movements on the asset held, which was denominated in Canadian Dollars. The charge for the change in value of available-for-sale financial assets in the fourth quarter of 2014 amounted to £(22,079) as the asset was entirely written down. The charge for the change in value of available-for-sale financial assets for the 12 months to 31 December 2013 amounted to £(174,985).

Exchange differences arising on translating foreign operations arise as the values of the exploration assets of the Company are denominated in the currency of the country in which they are located.

The total comprehensive income attributable to equity holders of the company dropped in the second quarter of 2013 as compared to the first, from £1,439,090 to £(2,811,466), as the second quarter included currency translation differences on translating foreign operations of £(2,274,165), as opposed to a gain of £1,943,298 in the first quarter. This is because the Brazilian Real strengthened against Sterling in the first quarter of 2013, but dropped in the second quarter.

Total comprehensive income attributable to equity holders of the company in the third quarter of 2013 of £(2,280,344) was after exchange differences arising on translating foreign operations of £(1,842,767) as the Brazilian Real had continued to weaken against Sterling in the quarter.

Total comprehensive income attributable to equity holders of the company in the fourth quarter of 2013 of £(3,413,850) was after exchange differences arising on translating foreign operations of £(1,662,169) as the Brazilian Real had continued to weaken against Sterling in the quarter.

Total comprehensive income attributable to equity holders of the company in the first quarter of 2014 of £996,012 was after exchange differences arising on translating foreign operations of £908,966 as the Brazilian Real strengthened against Sterling in the quarter.

Total comprehensive income attributable to equity holders of the company in the second quarter of 2014 of £(437,787) was after exchange differences arising on translating foreign operations of £(45,919) as the Brazilian Real weakened against Sterling in the quarter.

Total comprehensive income attributable to equity holders of the company in the third quarter of 2014 of £(1,634,940) was after exchange differences arising on translating foreign operations of £(1,284,991) as the Brazilian Real weakened against Sterling in the quarter.

Total comprehensive income attributable to equity holders of the company in the fourth quarter of 2014 of £(1,626,372) was after exchange differences arising on translating foreign operations of £(1,016,477) as the Brazilian Real weakened against Sterling in the quarter.

Total comprehensive income attributable to equity holders of the company in the first quarter of 2015 of £(3,629,912) was after exchange differences arising on translating foreign operations of £(2,926,883) as the Brazilian Real further weakened against Sterling in the quarter.

Results from Operations

>>	**3 months ended 31 March 2015**	3 months ended 31 March 2014
>>	**£**	£
>> **Analysis of Operating Loss:**		
>> **General and Administration Costs**		
>> Compensation	**(80,820)**	(46,802)
>> Travel/Expenses	**(15,988)**	(20,332)
>> Exploration Costs Expensed	**(37,936)**	(60,931)
>> Professional Fees	**(34,096)**	(30,159)
>> Investor Relations	**(20,392)**	(45,264)
>> TSX fees and associated costs	**(5,135)**	(17,196)
>> Overheads/Other	**(20,070)**	(37,409)
>> **Total General and Administration Costs**	**(214,437)**	(258,093)
>> Charge for share options granted (non-cash)	**(42,211)**	(4,720)
>> Changes in fair value of contingent consideration	**(245,375)**	429,955

>>	Project/Fixed Asset Impairment	**-**	(31,989)
>>	Other losses – impairment of available for sale asset	**(253,006)**	-
>>	Loss on Foreign Exchange	**(127,142)**	(9,861)
>>	**Operating Loss**	**(882,171)**	125,292

General and Administration costs have remained at an overall similar level in the 3 months ended 31 March 2015 at £ (214,437) as compared to the 3 Months ended 31 March 2014, when they amounted to £ (258,093).

Within General and Administration costs:

> Compensation has increased from £ (46,802) in the 3 months to 31 March 2014 to £(80,820) in the 3 months ended 31 March 2015. This is due to timings of certain payments and movements in accruals. The actual level of compensation remained unchanged in the two periods.

> Travel costs of £ (15,988) in the 3 months to 31 March 2015 were at similar levels to the 3 months ended 31 March, when they amounted to £ (20,332).

> Exploration costs expensed amounted to £ (37,936) in the 3 months ended 31 March 2015 as compared to £ (60,931) in the equivalent period in 2014 due to the reversal of certain accruals. Underlying exploration costs expensed were otherwise at similar levels in 2015 as compared to 2014.

> The level of professional fees also remained at a similar level: £ (34,096) in the 3 months ended 31st March 2015, as compared to £ (30,159) in the equivalent period in 2014. Professional fees include legal fees and fees from technical and specialist advisors as well as corporate advisory, accounting, audit and secretarial charges.

> Investor relations charges were reduced to £ (20,392) in the first 3 months of 2015 as compared to £ (45,264) in the equivalent period in 2014 due to cost reduction initiatives.

> The charge for stock options has risen to £ (42,211) during the 3 months ended 31 March 2015, as compared to £ (4,720) during the equivalent period in 2014 due to the charge for options issued in May 2014. These are non-cash charges.

There have also been a number of non-cash cost items which impacted Profit / (Loss) from operations and which arose in the first quarters of 2015 and 2014, as follows:

> The change in fair value of contingent consideration in the 3 months ended 31 March 2014 resulted in a credit to the profit and loss of £429,955. It was due to exchange rate changes in the functional currency in which the contingent consideration liability is payable in each of the years, together with changes to the underlying financial model, made following publication of the PFS in March2014. The charge in the first three months of 2015 of £ (245,375) was due to exchange rate changes. See 'Contingent consideration' in 'Critical Accounting Policies and Estimates' for further analysis and explanation.

> The project impairment in the first quarter of 2014 arose due to the writing off of the Rio Maria project to the value of (£31,989). There was no impairment of intangible assets in the first quarter of 2015.

> The £ (253,006) charge in the 3 months ended 31 March 2015 in relation to 'other losses – impairment of available for sale asset' is a non-cash charge arising with the transfer out of available for sale reserves of losses in connection with a financial asset held by the group. It is offset with a corresponding credit to other comprehensive income in the condensed consolidated statement of comprehensive income for the 3 months ended 31 March 2015.

Additional movements:

> The (loss)/gain on foreign exchange is associated with movements arising on cash deposits held by the Company in currencies other than Sterling.

Analysis of Intangible Assets

>> Group	**3 months ended 31 March 2015 £**	3 months ended 31 March 2014 £
>> Brazil – Araguaia/Lontra /Vila Oito and Floresta (together: Araguaia)	**19,455,465**	21,313,952
>>	**19,455,465**	21,313,952

Impairment reviews for exploration and evaluation assets are carried out either on a project by project basis or by geographical area. The Group's sole intangible asset as at 31 March 2015 comprises the Araguaia Project. Intangible assets to the value of £31,989 were impaired in 2014 in connection with the Rio Maria Project.

The accounting policies of the Group specify that intangible assets are to be denominated in the functional currency of the country in which the asset is located. The Araguaia Project together with the other intangible assets held in Brazil are thus denominated in Brazilian Reais.

Other Information
Outstanding Share Data

>>	**31 March 2015 Number**	**31 March 2015 £**	31 March 2015 Number	31 March 2015 £
>> Issued and fully paid Ordinary shares of 1p each				
>> At 1 January	**492,427,105**	**4,924,271**	401,139,397	4,011,395
>> Issue of ordinary shares	**-**	**-**	-	-
>> At 31 March	**492,427,105**	**4,924,271**	401,139,397	4,011,395

Stock Options in the Company
Total options outstanding as at the date of this document amount to 38,300,000 with exercise prices ranging from 7.25 pence to 15.5 pence, and which will be fully vested by November 9th 2015. There is no other share-based compensation paid by the Company.

The Company recognises as an expense the cost of stock based compensation based upon the estimated fair value of new stock options granted. The fair value of each stock option is estimated on the date of grant using the Black-Scholes option pricing model and is expensed over the vesting period.

Liquidity, Capital Reserves and Financing Activities
The Company is not in commercial production on any of its properties and accordingly it does not generate cash from operations and finances its activities by raising capital through equity issues.

As at 31 March 2015 the Company had £3,527,280 in cash at bank and on deposit. As at 31 March 2014 cash at bank and on deposit amounted to £2,334,463.

All of the Company's cash and cash equivalents as at 31 March 2015 are held in interest bearing accounts. The Company has not invested in any short-term commercial paper, asset backed securities or other financial instruments.

In management's view the Company has sufficient financial resources to fund currently planned exploration programmes and ongoing operating expenditures over the next 12 months, which are reviewed and adjusted on a regular basis as appropriate and in line with the financial resources of the Company. The Company will continue to be dependent on raising equity capital as required until and unless it reaches the production stage and generates cash flow from operations.

Contractual Obligations

£	*Payments Due by Period*		
	Total	*Less than 1 year*	*1-3 years*
Operating leases	88,754	53,807	34,947
Other contracts	233,333	233,333	-

Operating leases relate to office space. Other contracts relate to on-going consultancy arrangements in connection with professional services rendered.

Comparison of Budgeted to Actual Expenditure

As per the Short Form Prospectus issued by the Company and dated 24 July 2014, the use of proceeds were set out as follows:

Objective	**Budgeted Use of Net Proceeds in Canadian Dollars**
Resource in-fill drilling and bulk sampling	CAD 5,300,000
Undertake large scale continuous pilot plant tests on Araguaia ore	CAD 1,245,000
Advance the Araguaia Project into the feasibility stage	CAD 1,815,000
General working capital and corporate purposes	CAD 1,000,000
TOTAL	CAD 9,360,000

As at the date of this document, the Resource in-fill drilling and bulk sampling programme were underway, with completion anticipated for the second quarter of 2015, to be followed by the continuous pilot plant tests on Araguaia ore. The actual total costs of the objectives are not therefore yet known, although the following comments can be made:

Resource in-fill drilling and bulk sampling

The anticipated cost of these activities, which commenced in early November 2014, are expected to amount to circa CAD 5.4 M, with the activities proceding according to budget, with the variance due to exchange rates since the prospectus date.

Undertake large scale continuous pilot plant tests on Araguaia ore

The continuous pilot tests are anticipated to cost circa CAD 600 K, lower than the budgeted amount as the tests will be carried out using a local Brazilian supplier, rather than one outside of Brazil as previously anticipated.

Advance the Araguaia Project into the feasibility stage
This is planned to occur following the completion of the *Resource* in-fill drilling and bulk sampling and the large scale continuous pilot plant tests on Araguaia ore. The Company is currently assessing proposals from various service providers and the cost cannot be quantified at the current stage.

General working capital and corporate purposes
General working capital and corporate expenditure is expected to amount to circa CAD 1.3 M over the 12 months from the date of the prospectus. The overspend versus budget will be funded from financial resources already at hand in the Company before the Public Offering which closed on 31 July 2014.

Transactions with Related Parties
The charges levied during the 3 months ended 31 March 2015 and the comparative period in 2014 are as follows and cancel out upon consolidation:

>>	Brazil		Other		Total	
>>	3 m/e 31 March 2015 £	3 m/e 31 Marc 2014 £	3 m/e 31 March 2015 £	3 m/e 31 March 2014 £	3 m/e 31 March 2015 £	3 m/e 31 March 2014 £
>> Intragroup charges	**205,578**	152,232	**—**	16,434	**205,578**	168,666

Critical Accounting Policies and Estimates
The financial information disclosed within this document was prepared on a going concern basis using accounting policies consistent with International Financial Reporting Standards (IFRS).

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the end of each reporting period.

Significant items subject to such estimates include:

Valuation of Intangible Assets
In accordance with IFRS 6, the Company capitalises as Intangible Assets all exploration and evaluation costs, including acquisition costs, field exploration and analysis costs relating to specific properties until those properties are brought into production, at which time they will be amortised on a unit-of-production basis or until the properties are abandoned, sold or considered to be impaired in value, at which time an appropriate charge is made.

Intangible Assets are reviewed for impairment to determine if a write down of their carrying amount is required. Each exploration project is subject to an annual review by either a consultant or senior company geologist to determine if the exploration results returned to date warrant further exploration expenditure and have the potential to result in an economic discovery. This review takes into consideration long-term metal prices, anticipated resource volumes and grades, permitting and infrastructure. In the event that a project does not represent an economic exploration target and results indicate there is no additional upside, a decision will be made to discontinue exploration. The Directors have reviewed the estimated value of each project prepared by management and consider no impairment charge necessary for the 3 months ended 31 March 2015. In the 3 months ended 31 March 2014 the Directors considered an impairment charge necessary to the value of £(31,989) in connection with the Rio Maria project.

Estimated impairment of goodwill
Goodwill has a carrying value at 31 March 2015 of £237,724 (31 March 2014: £298,501). The Group tests annually whether goodwill has suffered any impairment, as per intangible assets. Management have concluded that there is no impairment charge necessary to the carrying value of goodwill.

Fair value of exploration assets acquired in business combinations
Management has made various estimations regarding the fair value of exploration assets acquired in the absence of NI 43-101 compliant resource data available at acquisition. The fair value of exploration assets acquired has been estimated based on a number of valuation techniques.

Where acquisitions represent transactions between knowledgeable and willing parties on an arm's length basis the exploration assets acquired have been valued on the basis of the consideration transferred. Where acquisitions do not represent arm's length transactions management have compared them to similar transactions that are on an arm's length basis taking into account key factors such as certainty over the level of defined resource, processing technology and location infrastructure.

Management has also undertaken an exercise to compare their estimated fair values based on the level of work completed and geological upside potential with similar exploration companies in the form of a benchmarking exercise.

Contingent consideration
Contingent consideration has a carrying value of £2,561,867 as at 31 March 2015 (31 March 2014: £2,090,831). The contingent consideration arrangement requires the Group to pay the former owners of Teck Cominco Brasil S.A (subsequently renamed Araguaia Niquel Mineração Ltda) 50% of the tax effect on utilisation of the tax losses existing in Teck Cominco Brasil S.A at the date of acquisition, which was completed in August 2010. Under the terms of the acquisition agreement, tax losses that existed at the date of acquisition and which are subsequently utilised in a period greater than 10 years from that date are not subject to the contingent consideration arrangement.

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

As at 31 March 2015, Management reassessed the fair value of the potential contingent consideration in accordance with the group accounting policies. The cash flow model used to estimate the contingent consideration has been adjusted, taking into account changed assumptions in the timing and value of cash flows as derived from the Araguaia Pre-Feasibility Study, released in March 2014. The change in the fair value of contingent consideration has generated a debit to the profit and loss of £ (245,375) due to changes in the exchange rate of the functional currency in which the liability is payable. In the quarter ended 31 March 2014 there was a credit to profit and loss of £429,955 due to changes in the exchange rate of the functional currency in which the liability is payable and in the timing of cash flows, which arose from the change to using the operating and financial assumptions in the cashflow model derived from the Araguaia Project Pre-Feasibility study published by the Company in March 2014.

Current and deferred taxation

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

Deferred tax liabilities have been recognised on the fair value gains in exploration assets arising on the acquisitions of Teck Brasil and Lontra. A deferred tax asset has been recognised on acquisition of Teck Cominco Brasil S.A for the utilisation of the available tax losses acquired. Should the actual final outcome regarding the utilisation of these losses be different from management's estimations, the Company may need to revise the carrying value of this asset.

Forward Looking Statements

Except for statements of historical fact relating to the Company, certain information contained in this management's discussion and analysis 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 properties; the future price of minerals; success of exploration activities; cost and timing of future exploration and development; the estimation of mineral resources; 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'. Forward-looking information is 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:

The Company's goal of creating shareholder value by concentrating on the acquisition and development of properties that have the potential to contain economic mineral deposits;

- future plans for the Araguaia Project and other property interests held by the Company or which may be acquired on a going forward basis, if at all;
- management's outlook regarding future trends;
- the Company's ability to meet its working capital needs at the current level in the short term; and
- governmental regulation and environmental liability.

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: unexpected events and delays during permitting; the possibility that future exploration results will not be consistent with the Company's expectations; timing and availability of external financing on acceptable terms and in light of the current decline in global liquidity and credit availability; uncertainty of mineral resources; future prices of minerals; currency exchange rates; government regulation of mining operations; failure of equipment or processes to operate as

anticipated; risks inherent in mineral exploration and development including environmental hazards, industrial accidents, unusual or unexpected geological formations; and uncertain political and economic environments. 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.

Additional Information

Additional information relating to the Company, including its annual financial statements for its most recently completed fiscal year as well as its annual information form are available on SEDAR at www.sedar.com.