

Horizonte Minerals PLC

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BIG PICTURE - Horizonte Minerals ticking the right boxes in Brazil

Horizonte Minerals (LON:HZM) is quietly ticking off the milestones en route to scheduled production from its Araguaia nickel project in 2017.

Next month sees the start of bulk sampling of ore from the site in Brazil and the firm has just wrapped up the commissioning of a pilot plant.

The pilot programme, set to begin in April, will process over 200 tonnes of iron ore continuously over 20 days, with the aim of producing 1.5/2 tonnes of nickel.

Its purpose is to give Horizonte a good idea of how processing of the ore on a full production run will work in practice.

"This is the next major milestone," said Jeremy Martin, chief executive.

"Everybody in the nickel space will be looking to see if the plant runs continuously during the pilot and can produce on a commercial scale.

"Essentially, the pilot is about proving that everything does what it should do."

Earlier this month, Horizonte told investors that the drying and agglomeration tests were successful ahead of the planned pilot.

A good early sign, given than nickel can be a tricky metal to produce.

Horizonte has already decided to use the tried and tested method of rotary kiln furnace processing, a system already employed in more than 20 plants worldwide.

The aim is to produce a ferronickel concentrate than can be shipped direct to steel makers, eliminating the need for further processing to produce pure nickel, saving substantially on costs.

What's more, the company is convinced it has got the timing of the development spot on as well and Araguaia will come on stream just as demand for the steel strengthening-metal outstrips supply.

Prices of nickel hit their lowest levels in more than a year earlier this month.

A tonne of the metal currently costs close to US\$14,000 – it's roughly the same for ferronickel.

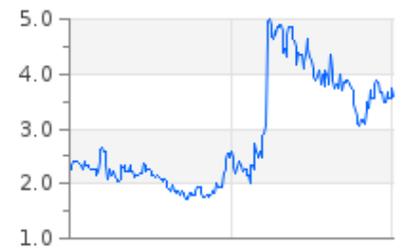
Martin, though, is unconcerned about today's low price environment.

"Even if prices remain weak over the next 24 months and investors remain wary, the fundamentals of Araguaia will not be affected," said Martin.

Price: 3.6

Market Cap: £52.07 m

1 Year Share Price Graph



January 2019 July 2019 January 2020

Share Information

Code: HZM

Listing: AIM

52 week High Low
6.9789 1.66125

Sector: General mining & base metals

Website: www.horizonteminerals.com

Company Synopsis:

Horizonte Minerals plc (AIM/TSX) is a nickel development company focused in Brazil, which wholly owns the advanced Araguaia ferronickel project and the Vermelho nickel-cobalt project, located to the south of the Carajás mineral district. The Company is developing Araguaia into the next major ferronickel mine in Brazil, with targeted production by 2022.

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Looking ahead, he expects prices to improve and with Araguaia expected to produce 15,000 tonnes of ferronickel annually, Martin is confident.

"There are a limited amount of mines producing nickel, and demand is ticking up each year," he said.

"Growth in China, curbing supply, is slowing and none of world's major miners are developing nickel projects."

His view is shared by big name brokers, too.

Bank of America Merrill Lynch expects the price to rise to US\$25,000/t in 2015 while Wood MacKenzie has predicted a long term price of US\$25,350 to US\$ 26,460/t.

Just as Martin expects nickel prices to pick up, he is confident that Horizonte's own market value will improve.

A key point here is the firm's feasibility study, on course from completion late this year, or early next.

"Typically, people want to see a nickel project fully de-risked before value accretion," said Martin.

"Until a feasibility study has been completed, people don't start to buy into it and the value sits along the bottom."

Martin sees Horizonte's current value - £13.5mIn - improving significantly after the feasibility is wrapped up.

Then, it becomes a case of funding the project.

Capital needed to build Araguaia is expected to be close to US\$560mIn. Around 60% will be debt financed.

Martin claims appetite from Brazilian banks is strong, despite economic struggles in the country and a weak commodity market in general.

Next year, the firm plans to pitch to investors in Europe.

"We're one of the most active junior companies in Brazil," said Martin.

"Overall, the strong economics of Araguaia combined with our nickel pricing forecasts presents a strong investment case."

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