



HORSESHOE METALS

LIMITED

ABN 20 123 133 166

**FINANCIAL REPORT FOR THE HALF-YEAR ENDED
30 JUNE 2014**

CORPORATE INFORMATION

Directors

Neil Andrew Marston (Managing Director)
Michael George Fotios (Non-executive Director)
Alan Wallace Still (Non-executive Director)

Company Secretary

Neil Andrew Marston

Registered Office

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Balcatta, WA 6021
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Solicitors

DLA Piper Australia
Level 31 Central Park,
152-158 St Georges Terrace
Perth WA 6000
Telephone: +61 8 6467 6000

Jeremy Shervington
52 Ord Street
West Perth WA 6005
Telephone: +61 8 9481 8760

Bankers

Westpac Banking Corporation Limited
109 St George's Terrace
Perth WA 6000

Share Register

Computershare Investor Services Pty Ltd
Level 2, 45 St George's Terrace
Perth WA 6000
Telephone: +61 8 9323 2000

Auditors

Somes Cooke
Level 2, 35 Outram Street
West Perth WA 6005
Telephone: +61 8 9426 4500

Stock Exchange Listing

The Company is listed on the Australian Securities Exchange
ASX Code: HOR

Website

www.horseshoemetals.com.au

CONTENTS

Directors' Report	2
Auditor's Independence Declaration	4
Statement of Profit or Loss and Other Comprehensive Income	5
Statement of Financial Position	6
Statement of Cash Flows	7
Statement of Changes in Equity	8
Notes to the Financial Statements.....	9
Directors' Declaration	14
Independent Review Report	15

DIRECTORS' REPORT

Your Directors submit the financial report of the consolidated group ("the Group") consisting of Horseshoe Metals Limited ("the Company") and the entity it controlled during the period for the half year ended 30 June 2014. In order to comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

Directors

The names of the directors of the Company in office during the half-year and until the date of this report are noted below. Directors were in office for this entire period unless otherwise stated.

Jeremy David Shervington	Non-executive Chairman (resigned 23 June 2014)
Neil Andrew Marston	Managing Director
Michael George Fotios	Non-executive Director
Stuart John Hall	Non-executive Director (resigned 23 June 2014)
Alan Wallace Still	Non-executive Director (appointed 23 June 2014)

Review of Operations

The principal activities of the Group throughout the half-year have comprised of the following:

- (i) exploration of the Horseshoe Lights and Kumarina Projects;
- (ii) investing cash assets in interest bearing bank accounts; and
- (iii) the general administration of the Group.

The Group realised a net loss for the half-year of (\$363,339) (2013: \$1,112,537).

Horseshoe Lights Project

The Horseshoe Lights Project is located 140km north of the town of Meekatharra in Western Australia. The project tenements cover a total of approximately 80 km² in area. The Horseshoe Lights Project includes the closed Horseshoe Lights mine which operated up until 1994, producing over 300,000 ounces of gold and 54,000 tonnes of copper.

Exploration activities during the half year were limited to field reconnaissance and sample collection and laboratory analysis, updating and reviewing databases and planning for future drilling activities.

Kumarina Project

The Kumarina Project is located 235km north of the town of Meekatharra in Western Australia. The project tenements cover a total of 433 km² in area. Copper mineralisation was discovered at Kumarina in 1913. Historically approximately 580 tonnes of copper metal is reported to have been mined from the Kumarina Project.

Exploration activities for the half year were limited to updating and reviewing databases and planning for future drilling activities.

HORSESHOE METALS LIMITED
ABN 20 123 133 166
HALF YEAR REPORT 30 JUNE 2014

AUDITOR'S INDEPENDENCE DECLARATION

The Company has obtained an independence declaration from its auditors, *Somes Cooke*, as per s.307(C) of the *Corporations Act 2001* which forms part of this report. A copy of that declaration is included on page 4 of this report.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to s.306 (3) of the *Corporations Act 2001*.



Neil Marston
Managing Director
Perth, Western Australia
Dated this 9th day of September 2014

AUDITOR'S INDEPENDENCE DECLARATION

To those charged with governance of Horseshoe Metals Limited

As auditor for the review of Horseshoe Metals Limited for the period ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been:

- a) No contraventions of the independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) No contraventions of any applicable code of professional conduct in relation to the review.



Somes Cooke



Kevin Somes
Perth
9 September 2014

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 30 JUNE 2014

	Note	Consolidated HALF-YEAR TO JUNE 2014 \$	Consolidated HALF-YEAR TO JUNE 2013 \$
Revenue			
Interest income		2,103	35,888
Other Income		8,300	14,997
		10,403	50,885
Expenses			
Occupancy expenses		(12,819)	(12,819)
Consulting expenses		(8,952)	(23,080)
Administrative expenses		(210,115)	(286,347)
Depreciation expenses		(15,362)	(18,559)
Directors' remuneration		(210,330)	(469,893)
Performance shares lapsed	6	102,118	-
Other expenses		(18,282)	(49,084)
Rehabilitation expenses	4	-	(303,640)
Loss before tax		(363,339)	(1,112,537)
Income tax expense		-	-
Loss after tax from continuing operations		(363,339)	(1,112,537)
Loss for the period		(363,339)	(1,112,537)
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		(363,339)	(1,112,537)
Loss per share:			
Basic loss per share (cents per share)		(0.41)	(1.46)
Diluted loss per share (cents per share)		(0.41)	(1.46)

These financial statements should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2014

		Consolidated AS AT 30 JUNE 2014 \$	Consolidated AS AT 31 DECEMBER 2013 \$
	Notes		
ASSETS			
Current Assets			
Cash and cash equivalents		740,912	309,978
Trade and other receivables		23,396	36,488
Other current assets	2	234,845	24,450
Total Current Assets		999,153	370,916
Non-current Assets			
Property, plant and equipment		107,209	122,571
Exploration and evaluation assets	3	6,607,227	6,484,800
Total Non-current Assets		6,714,436	6,607,371
TOTAL ASSETS		7,713,589	6,978,287
LIABILITIES			
Current Liabilities			
Trade and other payables		225,555	200,747
Borrowings		4,756	23,501
Provisions	4	1,145	32,778
Total Current Liabilities		231,456	257,026
Non-current Liabilities			
Borrowings		19,670	19,670
Provisions	4	4,291,640	4,291,640
Total Non-current Liabilities		4,311,310	4,311,310
TOTAL LIABILITIES		4,542,766	4,568,336
NET ASSETS		3,170,823	2,409,951
EQUITY			
Issued capital	5	15,936,789	14,710,460
Reserves	6	442,600	544,718
Accumulated losses		(13,208,566)	(12,845,227)
TOTAL EQUITY		3,170,823	2,409,951

These financial statements should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 30 JUNE 2014

	Consolidated HALF-YEAR TO JUNE 2014 \$	Consolidated HALF-YEAR TO JUNE 2013 \$
Cash flows from operating activities		
Payments to suppliers and employees	(164,627)	(321,377)
Interest received	2,103	35,888
Fuel tax rebate received	8,300	14,997
Net cash used in operating activities	(154,224)	(270,492)
Cash flows from investing activities		
Payments for property, plant and equipment	-	(4,618)
Payments for exploration and evaluation expenditure	(122,427)	(747,869)
Net cash used in investing activities	(122,427)	(752,487)
Cash flows from financing activities		
Repayment of debt	(18,745)	(5,458)
Proceeds from the issue of shares	798,978	549,990
Payment for costs of raising capital	(72,648)	(40,453)
Net cash flows from financing activities	707,585	504,079
Net increase/(decrease) in cash and cash equivalents	430,934	(518,900)
Cash and cash equivalents at beginning of the period	309,978	1,148,697
Cash and cash equivalents at end of the period	740,912	629,797

These financial statements should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 30 JUNE 2014

	Issued Capital	Accumulated Losses	Share based Payment Reserve	Option Premium Reserve	Total
	\$	\$	\$	\$	\$
Balance as at 1 Jan 2014	14,710,460	(12,845,227)	544,718	-	2,409,951
Loss attributable to members of the parent entity	-	(363,339)	-	-	(363,339)
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	(363,339)	-	-	(363,339)
Share issues for cash during the period	798,978	-	-	-	798,978
Share issues to retire debts and for prepaid services during the period	500,000	-	-	-	500,000
Transaction costs	(72,649)	-	-	-	(72,649)
Share based payment expense	-	-	(102,118)	-	(102,118)
Sub-total	1,226,329	(363,339)	(102,118)	-	760,872
Balance as at 30 June 2014	15,936,789	(13,208,566)	442,600	-	3,170,823

HALF-YEAR TO 30 JUNE 2013

	Issued Capital	Accumulated Losses	Share based Payment Reserve	Option Premium Reserve	Total
	\$	\$	\$	\$	\$
Balance as at 1 Jan 2013	14,088,232	(4,936,386)	578,135	209,296	9,939,277
Loss attributable to members of the parent entity	-	(1,112,537)	-	-	(1,112,537)
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	(1,112,537)	-	-	(1,112,537)
Share issues during the period	549,990	-	-	-	549,990
Transaction costs	(40,453)	-	-	-	(40,453)
Share based payment expense	-	-	209,081	-	209,081
Expiry of options	209,296	311,951	(311,951)	(209,296)	-
Sub-total	718,833	311,951	(102,870)	(209,296)	718,618
Balance as at 30 June 2013	14,807,065	(5,736,972)	475,265	-	9,545,358

These financial statements should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The interim financial statements are a general purpose financial report prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standard 134 'Interim Financial Reporting'.

This half-year report does not include full disclosures of the type normally included within the annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of Horseshoe Metals Limited and consolidated entity ("the Group") as in the full financial report.

It is recommended that this financial report be read in conjunction with the annual financial report of the Group for the year ended 31 December 2013 and any public announcements made by Horseshoe Metals Limited during the half-year in accordance with continuous disclosure requirements arising under the ASX Listing Rules.

The accounting policies adopted are consistent with those applied and disclosed in the 31 December 2013 annual report.

Basis of Preparation

The interim report has been prepared on a historical cost basis modified, where applicable, by measurement at fair value of selected items. Cost is based on the fair values of the consideration given in exchange for assets.

For the purpose of preparing the interim report, the half-year has been treated as a discrete reporting period.

The interim report has been prepared on the going concern basis, which contemplates the continuation of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

As at the date of this interim report, the Group has approximately \$1.0 million in cash and cash equivalents. However, the directors recognise that the ability of the Group to continue as a going concern and to pay its debts as and when they fall due is dependent on the ability of the Group to secure additional funding through either the issue of further shares and or options.

The directors have reviewed the business outlook and are of the opinion that the use of the going concern basis of accounting is appropriate as they believe the Group will achieve the matters set out above. As such, the directors believe that they will continue to be successful in securing additional funds as and when the need to raise working capital arises.

Should the Group be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different from those stated in the financial report.

The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that may be necessary should the Group be unable to continue as a going concern.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2014**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

New and Revised Accounting Standards Issued and Effective

A number of new and revised accounting standards, effective 1 January 2014, became mandatory for the first time during the period. These new and revised accounting standards have not had a material impact on the amounts and disclosures in the Groups' financial statements.

New Accounting Standards and Interpretations not yet adopted

A number of new accounting standards, amendments to standards and interpretations that are not yet mandatory, but may be adopted early for annual periods beginning on or after 1 January 2014, have not been applied in preparing these financial statements. These standards are not expected to have a material impact on the Group's financial statements.

NOTE 2: OTHER ASSETS

	Consolidated AS AT 30 JUNE 2014 \$	Consolidated AS AT 31 DECEMBER 2013 \$
(a) Current		
Prepayments (i)	<u>234,845</u>	<u>24,450</u>
Total Current	<u><u>234,845</u></u>	<u><u>24,450</u></u>

- (i) On 23 June 2014 pursuant to a resolution passed by shareholders at the Company's Annual General Meeting held on 23 May 2014, new shares were issued at 2 cents per shares as a prepayment for related party drilling services to the value of \$234,845, which are to be provided by March 2015.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2014**

NOTE 3: EXPLORATION AND EVALUATION ASSETS

	Consolidated \$
Costs carried forward in respect of areas of interest:	
At 1 January 2014	6,484,800
Expenditure Incurred	122,427
At 30 June 2014 (i)	6,607,227

- (i) The carrying amount as at 30 June 2014 of \$6,607,227 is represented by accumulated capitalized costs of \$13,338,196, net of impairment charges of \$6,730,969. Recoverability of the carrying amount is dependent upon the successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

NOTE 4: PROVISIONS

	Consolidated AS AT 30 JUNE 2014 \$	Consolidated AS AT 31 DECEMBER 2013 \$
(a) Current		
Provision for Employee Entitlements	1,145	32,778
Total Current	1,145	32,778
(b) Non Current		
Provision for Rehabilitation (i)	4,291,640	4,291,640
Total Non-Current	4,291,640	4,291,640

- (i) Pursuant to the *Mining Rehabilitation Fund Regulations 2013 (WA)* the Company is required to assess its rehabilitation obligations across all its tenement holdings as at 30 June each year. The assessed cost of rehabilitation as at 30 June 2014 using the methodology adopted under the *Mining Rehabilitation Fund Regulations 2013 (WA)* is \$4,291,640, an amount which has not changed since 30 June 2013.

Rehabilitation provisions mostly relate to rehabilitation obligations on the Horseshoe Lights Mining Lease M52/743 associated with the flotation tailings dam, the waste dumps and the plant and camp sites.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2014**

NOTE 5: ISSUED CAPITAL

	Consolidated AS AT 30 JUNE 2014 \$	Consolidated AS AT 31 DECEMBER 2013 \$
<i>Ordinary Shares</i>		
Ordinary Shares - Fully Paid	15,936,789	14,710,460
	Number	Number
Ordinary Shares - Fully Paid	140,164,722	86,072,974
<i>Movement in Ordinary Shares on issue</i>	Ordinary shares (Number)	Value (\$)
At 1 January 2014	86,072,973	14,710,460
Ordinary Shares Issue – 19 June 2014 (i)	8,348,892	166,978
Ordinary Shares Issue – 23 June 2014 (ii)	45,742,857	1,132,000
Transaction Costs	-	(72,649)
At 30 June 2014	140,164,722	15,936,789

- (i) On 19 June 2014, a total of 8,348,892 shares were issued pursuant to the terms of a 2 for 3 Rights Issue at an issue price of \$0.02 per new share, raising \$166,978 before costs.
- (ii) On 23 June 2014, pursuant to a number of resolutions passed by shareholders at the Company's Annual General Meeting held on 23 May 2014, a total of 45,742,857 new shares were issued raising \$632,000 in cash, retiring debts to the value of \$265,155 and as a prepayment for related party drilling services to the value of \$234,845, which are to be provided by March 2015.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2014

NOTE 6: RESERVES

	Consolidated AS AT 30 JUNE 2014 \$	Consolidated AS AT 31 DECEMBER 2013 \$
Share-based Payment Reserve (i)	442,600	544,718
	442,600	544,718

(a) Nature and Purpose of Reserves

(i) *Share-based Payment Reserve*

This reserve records the cumulative value of services received for the issue of share options and performance rights. When the options and performance rights are exercised the amount in the share based payment reserve is transferred to share capital.

On 23 June 2014, 1,000,000 performance rights (previously issued in July 2012) lapsed due to the resignation of directors Jeremy Shervington and Stuart Hall. As a result, the accumulated amount that had previously been expensed in relation to these performance rights (of \$102,118) was reversed to the statement of comprehensive profit or loss and other comprehensive income during the period.

At the date of this report there are:

- (a) 2,800,000 performance rights on issue; and
- (b) 5,400,000 options on issue, expiring on 25 May 2015, which are exercisable into ordinary shares at 60 cents per share.

NOTE 7: SEGMENT REPORTING

For management purposes, the Group is organised into one main operating segment, which involves the exploration of minerals and evaluation of investment opportunities for its investors, presently solely in Australia. All of the Group's activities are interrelated, and discrete financial information is reported to the Board (chief operating decision maker) as a single segment. Accordingly, all significant operating decisions are based upon analysis of the Group as one segment.

The financial results from this segment are equivalent to the financial statements of the Group as a whole. The accounting policies applied for internal reporting purposes are consistent with those applied in the preparation of these financial statements.

NOTE 8: EVENTS SUBSEQUENT TO REPORTING DATE

On 18 July 2014, 28 July 2014 and 14 August 2014 the Company issued a combined total of 28,825,000 shares at \$0.02 per new share, raising \$576,500, which includes placement fees of \$31,500 which were issued equity in lieu of cash. These new shares were issued as a part placement of the 49,033,090 Shortfall Shares not subscribed to under the 2 for 3 non-renounceable rights issue which closed on 12 June 2014.

No other significant events have occurred subsequent to the Reporting Date.

DIRECTORS' DECLARATION

The directors declare that:

- (a) In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- (b) In the directors' opinion, the attached financial statements and notes and additional disclosures are in accordance with the Corporations Act 2001, including:
 - i. complying with Accounting Standard 134: Interim Financial Reporting; and
 - ii. giving a true and fair view of the Group's financial position as at 30 June 2014 and of its performance for the half-year then ended.

Signed in accordance with a resolution of the directors made pursuant to s.303 (5) of the *Corporations Act 2001*.



Neil Marston
Managing Director
Perth, Western Australia

Dated this 9th day of September 2014

Independent Auditor's Review Report

To the members of Horseshoe Metals Limited

Report on the Half-year Financial Report

We have reviewed the accompanying half-year financial report of Horseshoe Metals Limited, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-year Financial Report

The directors of Horseshoe Metals Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of Horseshoe Metals Limited's financial position as at 30 June 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Horseshoe Metals Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Horseshoe Metals Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Horseshoe Metals Limited's financial position as at 30 June 2014 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of matter – Inherent uncertainty regarding continuation as a going concern

Without modifying our opinion, we draw attention to Note 1, which outlines that the ability of the Group to continue as a going concern and pay its debts as and when they fall due is dependent on the ability of the Group to secure additional funding through either the issue of shares or options.

As a result, there is a material uncertainty related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern, and therefore whether it will realize its asset and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.



Somes Cooke



Kevin Somes

9 September 2014

Perth
Western Australia