



HORSESHOE METALS

LIMITED

A.B.N. 20 123 133 166

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

CORPORATE INFORMATION

Directors

Michael George Fotios (Non-Executive Chairman)
Alan Wallace Still (Non-Executive Director)
Neil Stephen Porter (Non-Executive Director)

Company Secretary

Carol New

Registered Office

24 Mumford Place
Balcatta WA 6021
Telephone: +61 8 6241 1844
Facsimile: +61 8 6241 1811

Solicitors

Squire Paton Boggs
Level 21
300 Murray Street
Perth WA 6000

Bankers

National Australia Bank
1232 Hay Street
West Perth WA 6005

Share Register

Computershare Investor Services Pty Ltd
Level 11, 172 St Georges Terrace
Perth WA 6000
Telephone: +61 8 9323 2000

Auditors

Rothsay Auditing
Level 1 Lincoln House
4 Ventnor Avenue
West Perth WA 6005
Telephone: +61 8 9486 7094

Securities Exchange Listing

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

Website www.horseshoemetals.com.au

HORSESHOE METALS LIMITED
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

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HORSESHOE METALS LIMITED

DIRECTORS' REPORT

31 DECEMBER 2018

Your Directors present their report, together with the financial statements of Horseshoe Metals Limited and controlled entity (the Group) for the year ended 31 December 2018.

DIRECTORS

The names of the Directors in office at any time during, or since the end of the year are:

NAME	POSITION	APPOINTED/RETIRED
Mr Michael Fotios	Non-Executive Chairman	
Mr Alan Still	Non-Executive Director	
Mr Neil Porter	Non-Executive Director	

Directors have been in office since the start of the year to the date of this report unless otherwise stated.

INFORMATION ON DIRECTORS

The names, qualifications and experience of each person who has been a Director during the year and to the date of this report are:

Mr Michael Fotios BSc (Hons) MAusIMM

Mr Fotios has qualifications in geology specialising in economic geology with extensive experience in exploration throughout Australia working with gold, base metals, tantalum, tin and nickel from exploration to feasibility. Mr Fotios has held the position of Managing Director of a number of listed companies in the past and has substantial interests in the mining and exploration industry.

During the previous three years, Mr Fotios has held directorships in the following ASX listed companies:

- Redbank Copper Limited – current;
- Scorpion Minerals Limited – resigned 31 October 2018;
- Oklo Resources Limited – resigned 24 December 2018;
- Eastern Goldfields Limited – resigned 28 August 2018;
- General Mining Corporation Limited – merged with Galaxy Resources Limited on 1 September 2016; and
- Galaxy Resources Limited – resigned 28 December 2016.

Mr Alan Still

Mr Alan Still is a metallurgist with over 40 years' experience in a variety of commodities. In the previous three years Mr Still was also a director of the following ASX listed companies:

- Eastern Goldfields Limited – resigned 28 August 2018;
- Scorpion Minerals Limited – resigned 31 October 2018; and
- General Mining Corporations Limited – resigned 9 August 2016.

Mr Neil Porter

Mr Porter is a Commercial Manager with over 20 years' experience specialising in supply and logistics across all facets of the mining industry. He has created and operated two logistics and supply companies (SLR Australia and National Supply Partners) servicing the mining and industrial sectors. In the previous three years Mr Porter was also a director of the following ASX listed companies:

- Redbank Copper Limited – current; and
- Scorpion Minerals Limited – resigned 11 February 2019.

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COMPANY SECRETARY

Ms Carol New appointed as Company Secretary on 16 January 2019, Mr Brendon Morton (resigned 16 January 2019) and Ms Shannon Coates (resigned 30 June 2018) held the position of Company Secretary during the year.

Ms New is a Chartered Accountant with over 20 years' experience in financial accounting and compliance for public companies. Ms New is also Company Secretary to a number of ASX listed companies.

DIRECTORS' INTERESTS

At the date of this report, the interests of each Director in the securities of Horseshoe Metals Limited were:

Director	Fully Paid Shares	Unlisted Options	Performance Rights
M. Fotios	37,334,236	-	-
A. Still	-	-	-
N Porter	495,319	-	-

MEETINGS OF DIRECTORS

During the year, no meetings of directors (including committees of directors) were held. All decisions at Board level were made via circulating resolution of the Directors.

DIVIDENDS PAID OR RECOMMENDED

No dividends have been paid, declared or recommended by the Directors during the year.

INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

The Group has agreed to indemnify all the Directors of the Group for any liabilities to another person (other than the Group or related body corporate) that may arise from their position as Directors of the Group and its controlled entity, except where the liability arises out of conduct involving a lack of good faith.

During the financial year the Group paid a premium in respect of a contract insuring the Directors and officers of the Group against any liability incurred in the course of their duties to the extent permitted by the *Corporations Act 2001*.

NON-AUDIT SERVICES

Rothsay Auditing, the Group's auditors, did not provide any non-audit services during the year ended 31 December 2018.

PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings.

The Group was not a party to any such proceedings during the year.

AUDITORS INDEPENDENCE DECLARATION

The auditor's independence declaration for the year ended 31 December 2018 has been received and can be found on page 22 of the financial report.

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OPTIONS AND PERFORMANCE RIGHTS

At the date of this report, there were no unissued ordinary shares of Horseshoe Metals Limited under option.

Option holders do not have any rights to participate in any issues of shares or other interests in the Group or any other entity. For details of options issued to directors and other key management personnel as remuneration, refer to the remuneration report.

During the year ended 31 December 2018, no ordinary shares in Horseshoe Metals Limited were issued on the exercise of options granted. No further shares have been issued since that date. No amounts are unpaid on any of these shares. No options were issued during, or since the end of the year.

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of any other body corporate.

PRINCIPAL ACTIVITIES

The principal activities of the Group during the year were:

- Exploration and development evaluation of the Horseshoe Lights Project;
- Exploration of the Kumarina Project;
- Investment of cash assets in interest bearing bank accounts; and
- The general administration of the Group.

There were no significant changes in the nature of the Group's principal activities during the year.

OPERATING RESULTS

The consolidated loss of the Group after providing for income tax amounted to \$640,384 (31 December 2017: loss \$2,426,295).

REVIEW OF OPERATIONS

Horseshoe Lights Copper/Gold Project (HOR: 100%) (GRR: 3% NSR Royalty)

The Horseshoe Lights Project is located 140km north of the town of Meekatharra in Western Australia. The project tenements cover a total of approximately 60 km² in area, and are located approximately 75km west of Sandfire Resources NL's (ASX:SFR) DeGrussa copper-gold mine (see Figure 1).

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, including over 110,000 tonnes of Direct Shipping Ore (DSO) which graded between 20-30% copper from the mining of two massive sulfide lenses.

The Horseshoe Lights ore body is interpreted as a deformed Volcanogenic Hosted Massive Sulphide (VMS) deposit that has undergone supergene alteration to generate the gold-enriched and copper-depleted cap that was the target of initial mining. The deposit is hosted by quartz-sericite and quartz-chlorite schists of the Lower Proterozoic Narracoota Formation.

Past mining was focused on the Main Zone, a series of lensoid ore zones which passed with depth from a gold-rich oxide zone through zones of high-grade chalcocite mineralisation into massive pyrite-chalcopyrite. To the west and east of the Main Zone, copper mineralisation in the Northwest Stringer Zone and Motters Zone consists of veins and disseminations of chalcopyrite and pyrite and their upper oxide copper extensions.

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During the year the company released Results received from the 15-hole RC drilling program, which targeted bedrock mineralisation and historic waste rock landforms (WRL). Results reported (refer Table 1) included:

- **Bedrock** **11m @ 1.54% Cu from 72m, and**
 8m @ 0.96% Cu from 50m
- **WRL** **4m @ 2.2 g/t Au from 1m, and**
 3m @ 1.4% Cu from surface

Previous drilling through Waste Rock Landforms (WRL) at Horseshoe returned elevated copper and gold intersections, and to test this potential an initial twelve-hole drill program totalling 180m was completed on the Northwest and Southern WRLs, to investigate their use as a possible resource for low-capex oxide copper ore treatment (the SMART program). This was followed by a three-hole exercise testing the bedrock targets.

Results from the WRL drilling showed a range of copper values, with a best result of **3m @ 1.4% Cu** from surface, inside a broader zone of 10m @ 0.52% Cu, with a maximum value of 2.3% Cu (refer Table 2); and a zone of **4m @ 2.23 g/t Au** from 1m.

Notably all anomalous copper zones were recorded from surface on the WRL's, assisting any possible recovery of potential material for the SMART program. The Company is examining the opportunity for additional targeted holes in the vicinity of better results from this and previous drilling.

The best bedrock drilling result was **8m @ 0.96% Cu** from 50 m and **11m @ 1.54% Cu** from 72m in a broad mineralised zone in Hole RC1144.

The Company also discussed pursuing ore sorting technology as a means of improving the grade of the waste and bedrock mineralisation being assessed as part of the SMART program.

Waste Rock Landform drilling

Previous drilling on the Motters and NW Stringer Zone (refer Figure 1) had to collar through the Northern Waste Rock Landforms. These incidental samples previously returned elevated copper and gold intersections. As the other Waste Rock Landforms (WRL) on the property had limited information, an initial 12 RC hole (WRL01 - 12) drill program totalling 180m was completed on the Northwest and Southern WRLs to investigate landforms as a possible resource for the SMART program.

This programme was very broad in nature and consider only to provide an indicative assessment. Best result was 3m @ 1.4% Cu from surface in hole WRL11, inside a broader zone of 10m @ 0.52% Cu; and 4m @ 2.23 g/t Au from 1m in WRL05; which was the only coherent gold intersection.

Typically, all anomalous copper zones were recorded from surface on the WRL's, assisting any possible recovery of potential material for the SMART program. The average of copper grades >0.1% from surface was 0.26%, which could potentially be selectively high-graded.

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In addition to the WRL drilling, the company undertook reconnaissance confirmatory sampling of a number of stockpiles (the M15 Stockpiles, a subgrade stockpile; and a gold ore stockpile (refer Figure 2). Previous material estimates of the copper stockpiles have been determined as 243,400t @ 1.10% Cu (M15) and 38,000 t @ 0.5% Cu (Subgrade) - refer ASX announcement 9 March 2015.

A nominal 8 samples taken from the M15 stockpiles averaged 1.4%, and 4 samples from the subgrade stockpile averaged 1.0 % Cu, exceeding expectations and giving confidence in the possible performance of this material. The gold stockpile averaged 1.9 g/t Au from 4 samples.

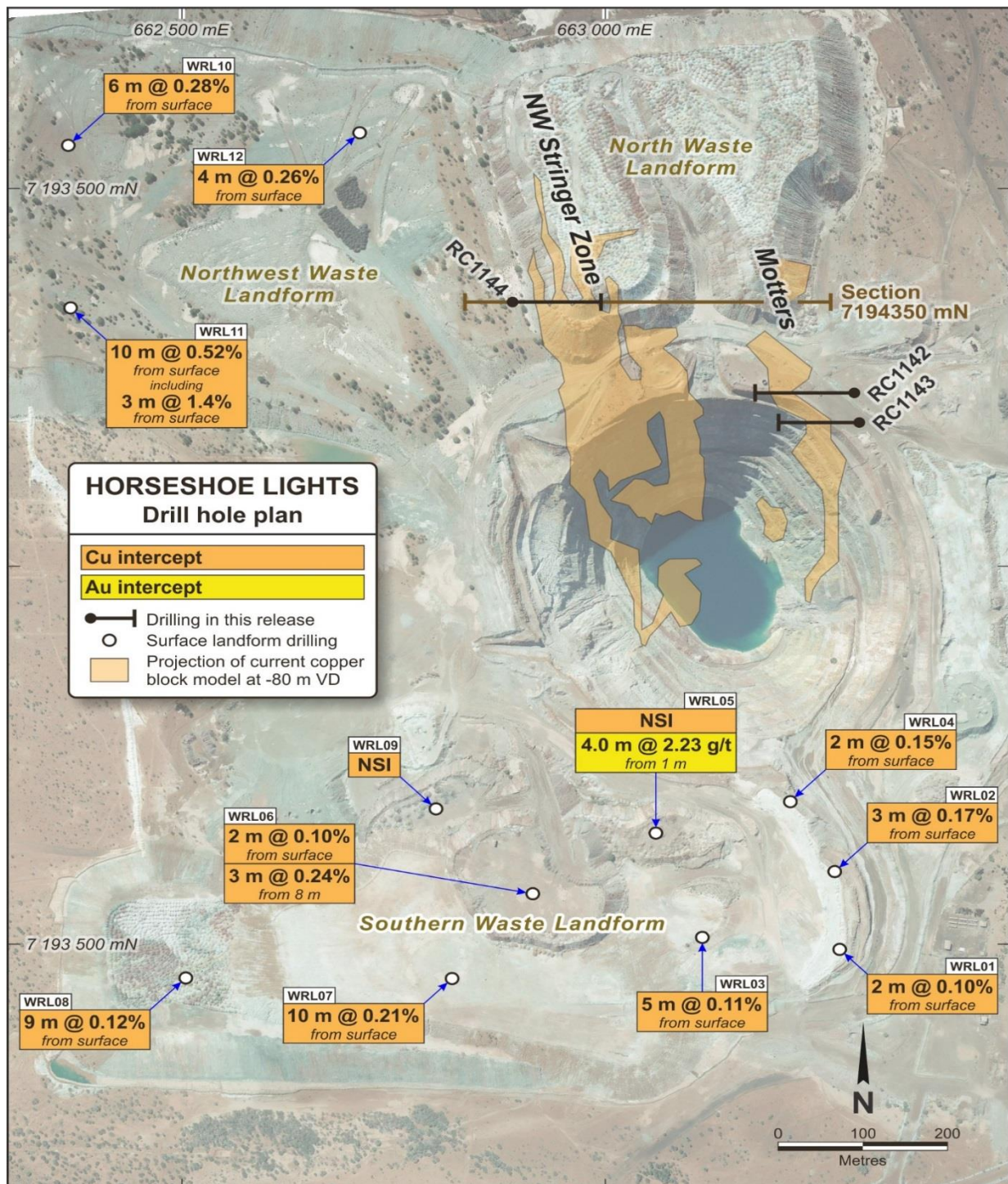


Figure 1: Location and Highlights, WRL drilling

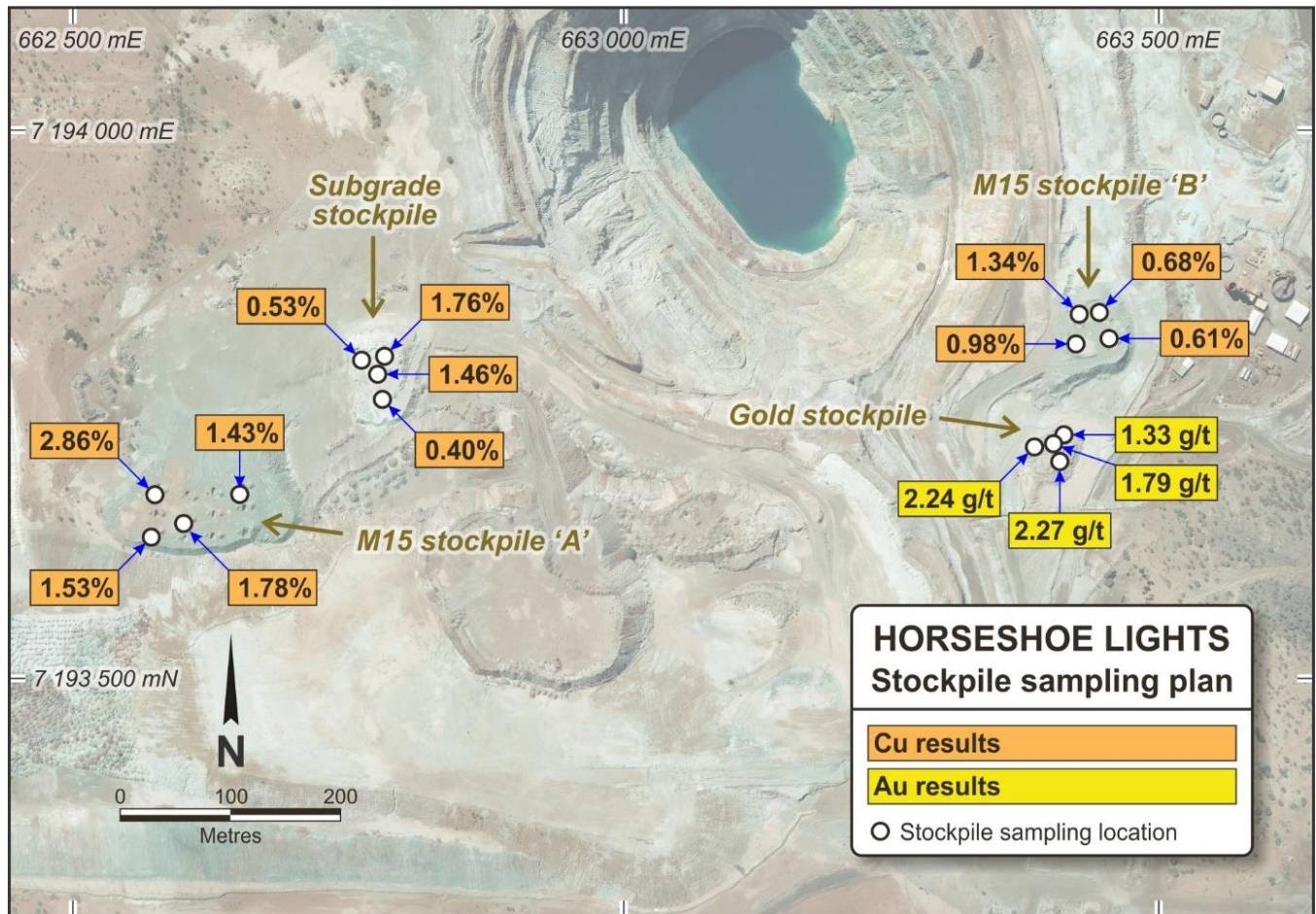


Figure 2: Location and Values, Stockpile Sampling

Bedrock Target Areas

Eastern Footwall Zone

Historical drilling of the Eastern Footwall Zone has proven difficult due to the position of the pit wall. A specialty drill rig completed two holes (RC1142 and RC1143) in a target area believed to be the linkage between the Main Zone and the Motters Zone. Drilling encountered Narracoota Formation volcanic rock with disseminated chalcopyrite observed in the target zone.

Best results for Hole RC1142 (intersections reported >2m >0.5%, minimum 2m internal dilution):

- 2m @ 0.62% Cu from 42m inside a broad lower grade intercept (>0.1%) of 15m @ 0.24% Cu from 35m;

Best results for Hole RC1143 were:

- 5m @ 0.96% Cu from 51m inside a broad low grade intercept of 33m @ 0.30% Cu from 36m;
- 2m @ 0.61% from 132m, and
- 2m @ 0.51% Cu from 136m; both inside a broad low grade intercept of 20m @ 0.26% Cu from 129m;

Both holes were not drilled perpendicular to mineralisation due to the pit proximity, and widths are considered downhole only. Results are considered generally reflective of the modelled resource, and provided confidence in the geological interpretation and modelling for this area.

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Northwest Stringer Zone

Drill hole RC1144 was designed to test the continuity of oxide mineralization between holes on Section 4350 of the Northwest Stringer Zone (refer Figure 3). Three separate mineralized zones were encountered in Narracoota Formation volcanic rock as indicated by RC drilling chips containing coarse malachite.

Assays highlighted that the entire length of the hole (162m) was effectively elevated in copper, and the main horizon averaged 0.37% over 127m length from 35m.

Best results for Hole RC1144 (intersections reported >2m >0.5%, minimum 2m internal dilution):

- 8m @ 0.96% Cu from 50m, and
- 11m @ 1.54% from 72m, and
- 2m @ 0.51% Cu from 127m; and
- 2m @ 0.59% Cu from 136m;

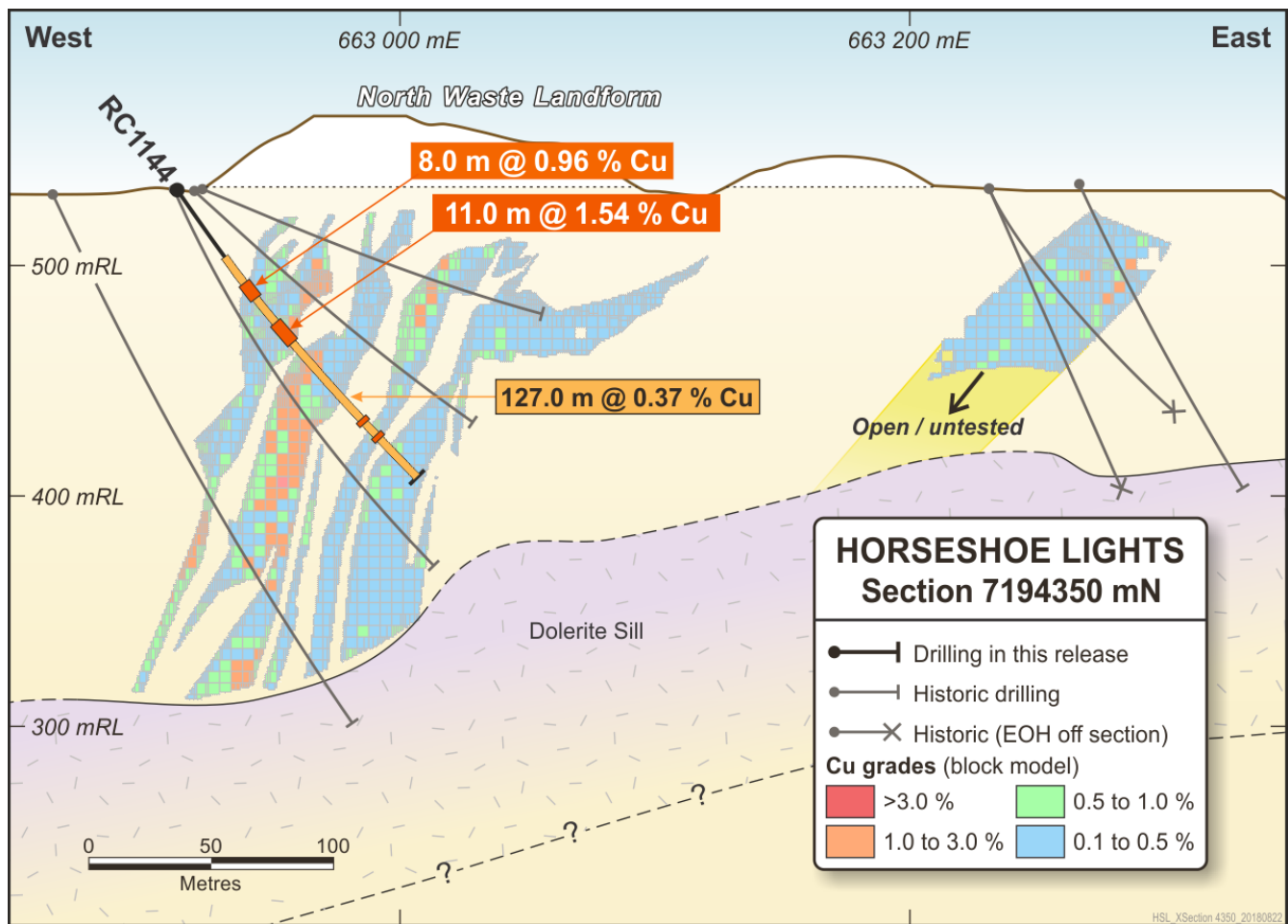


Figure 3: Cross Section 7194350mN, Horseshoe Lights Deposit, highlighting best results from Hole RC1144

Results for RC1144 are considered true width. No significant gold intersections were recorded in any of the bedrock drilling. Material from the oxide zones in Hole RC1144 were retained to provide new inputs to the SMART Project. Summary results are included in Table 3.

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Other activities

The Company's geologists have been reviewing targets within the company's tenure, and have been developing what is internally referred to as the "Below the Dolerite", or "BTD" target. As can be seen in Figure 3, Horseshoe Lights volcanogenic massive sulfide (VMS) copper-gold mineralisation in the host Narracoota Formation is terminated by a younger dolerite intrusion, which strikes roughly east-west, and dips variably to the south-southwest. This dolerite has traditionally been seen as the limit of exploration potential, was consistently used as a marker to terminate drilling, and the thickness was unknown to a number of recent workers.

The dolerite is interpreted to occupy a thrust fault that pushes the Narracoota over the Bangemall Group sediments (refer Figure 7 for regional geology plan), which means that that Narracoota Formation should re-appear beneath it, and the formation may continue to host VMS mineralisation below the dolerite (refer Figure 4- Conceptual BTD target).

Recent investigations have highlighted the paucity of understanding in relation to the nature of the relationship between these units, which has a significant impact on the deeper prospectivity of the project. The Company recently re-investigated holes that could determine the thickness of the dolerite, and found two; a diamond hole re-entry on an original RC hole drilled in 1976 (HLD-2), which penetrated 134m of dolerite before passing into a "metasedimentary rock of unknown character"; and Hole RC702 drilled in 1988, penetrating 120m of dolerite before passing briefly into 14m of black pyritic shale before being terminated. It is unclear if the logged shale can be interpreted as Bangemall sediments, or internal to the Narracoota Formation, which can occur and is observed locally at Horseshoe within the Narracoota Formation.

The Company now considers that the thickness of the dolerite should not necessarily be considered a heavy impediment to exploration targeting, particularly as it daylights up-dip to the north, and that the sequence below the dolerite should be drill tested with more rigor to establish if prospective horizons can be established within newly-located and untested Narracoota Formation, below the Bangemall sediments. The dolerite also impacts surface geophysical techniques, and drilling below the dolerite may provide a platform to identify non-shale anomalies through downhole techniques.

The Company also has Programme of Works (PoW) approval to aircore drill test a strong geochemical copper in soil anomaly to the south of Horseshoe pit on E52/2042 (refer Figure 5)

Oxide Copper Project Scoping Study

The Scoping Study is currently in abeyance, as the company considers it would benefit from additional inputs, to be provided by the RC drilling of shallow in-situ oxide copper mineralisation and mineralised dump material undertaken during the year. The Company is currently looking to engage a suitable consultant to direct remaining studies.

The Scoping Study for the SMART (Surface Material Re-Treatment) project, (*refer previous ASX announcement 20 August 2015*); expanding on previous work undertaken by the Company, but specifically evaluating the viability of a low-capex oxide copper treatment process. The SMART project was initiated following an internal review of previously reported results demonstrating it was possible to separate copper and gold concentrates by using gravity separation equipment. Investigations have continued, and involve identifying process flow-sheet options, and engaging with equipment suppliers to discuss equipment suitability.

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In addition, historical leaching test work demonstrated that oxide copper material present at Horseshoe Lights is very amenable to acid leaching with copper recoveries of over 80% achieved. The oxide resources to be considered in the Scoping Study include:

1. shallow in-situ oxide copper resources which occur from surface to a depth of 100 metres;
2. surface stockpile material (M15 and sub-grade);
3. flotation tailings, and
4. mineralised dumps.

The conceptual production rate for the study is 5,000 tonnes per annum of contained copper metal for a period at least five years. The Scoping Study will establish the technical and economic parameters that will be required to recommence copper production at the mine.

Kumarina Copper Project (HOR: 100%)

The Kumarina Project consists of two exploration licences and one mining lease covering approximately 433km². The project is located 95km north of Sandfire Resources NL's DeGrussa copper-gold mine, in the Gascoyne region of Western Australia (see Figure 7).

The company has PoW approval to undertake confirmatory infill and extensional auger sampling of targets T1-T6 generated from regional auger sampling on E52/1998. These programmes require ground clearance and board approval to proceed.

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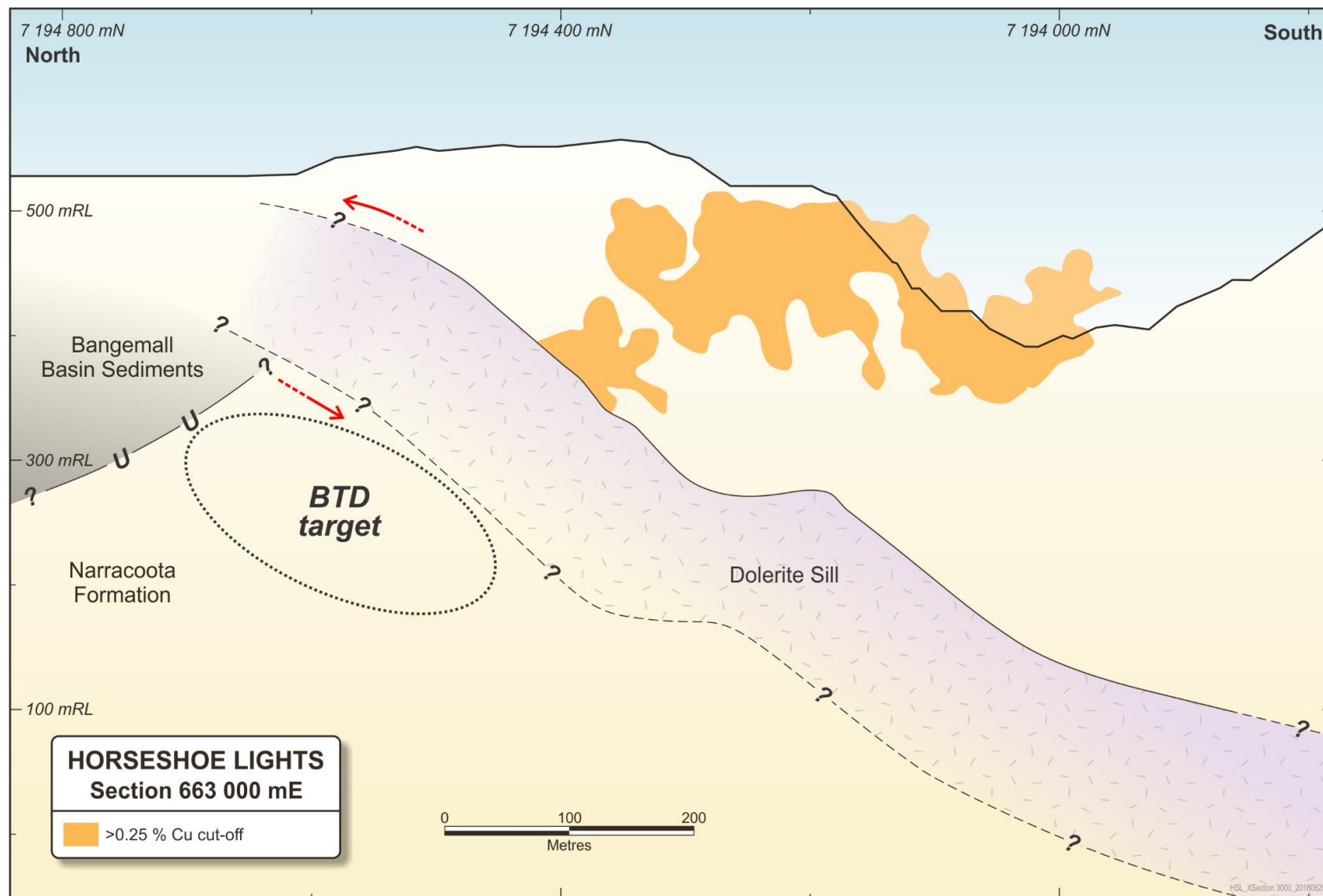


Figure 4: Conceptual BTM Target, Cross Section 663000 mE, looking East, Horseshoe Lights Deposit

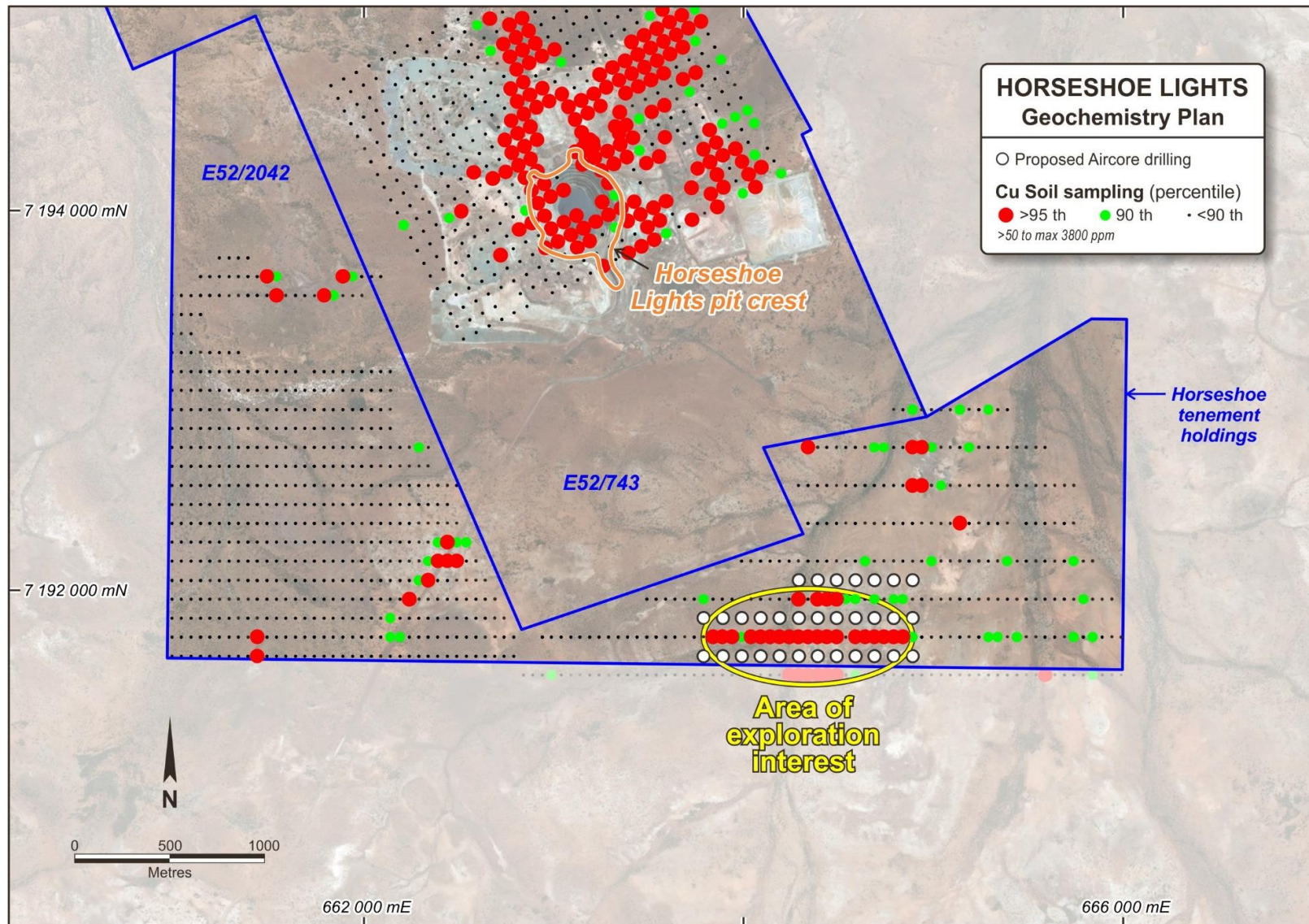


Figure 5: Plan of compiled historical soil sampling, Horseshoe Lights Project

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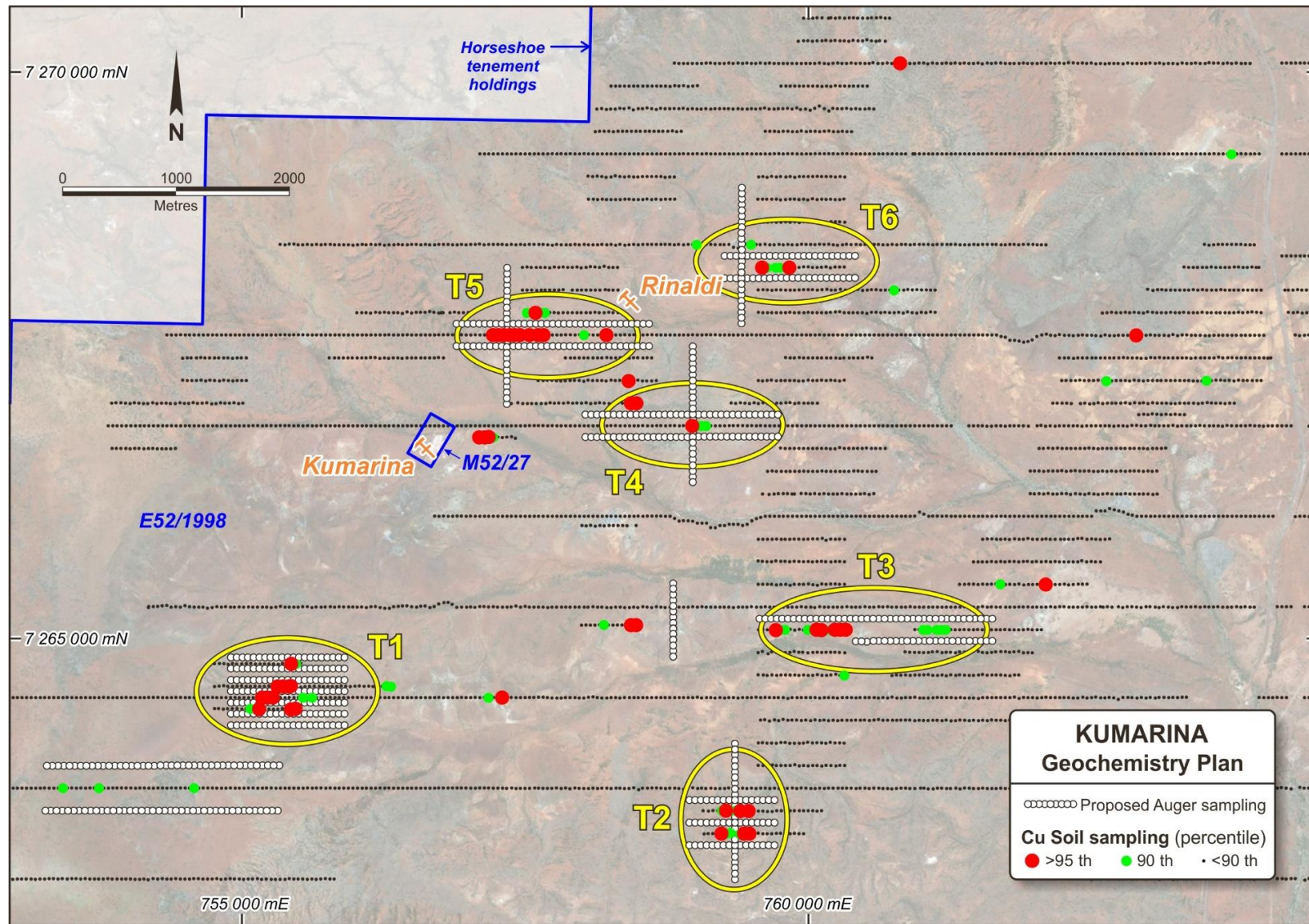


Figure 6: Plan of compiled auger sampling and geochemistry targets, E52/1998, Kumarina Project

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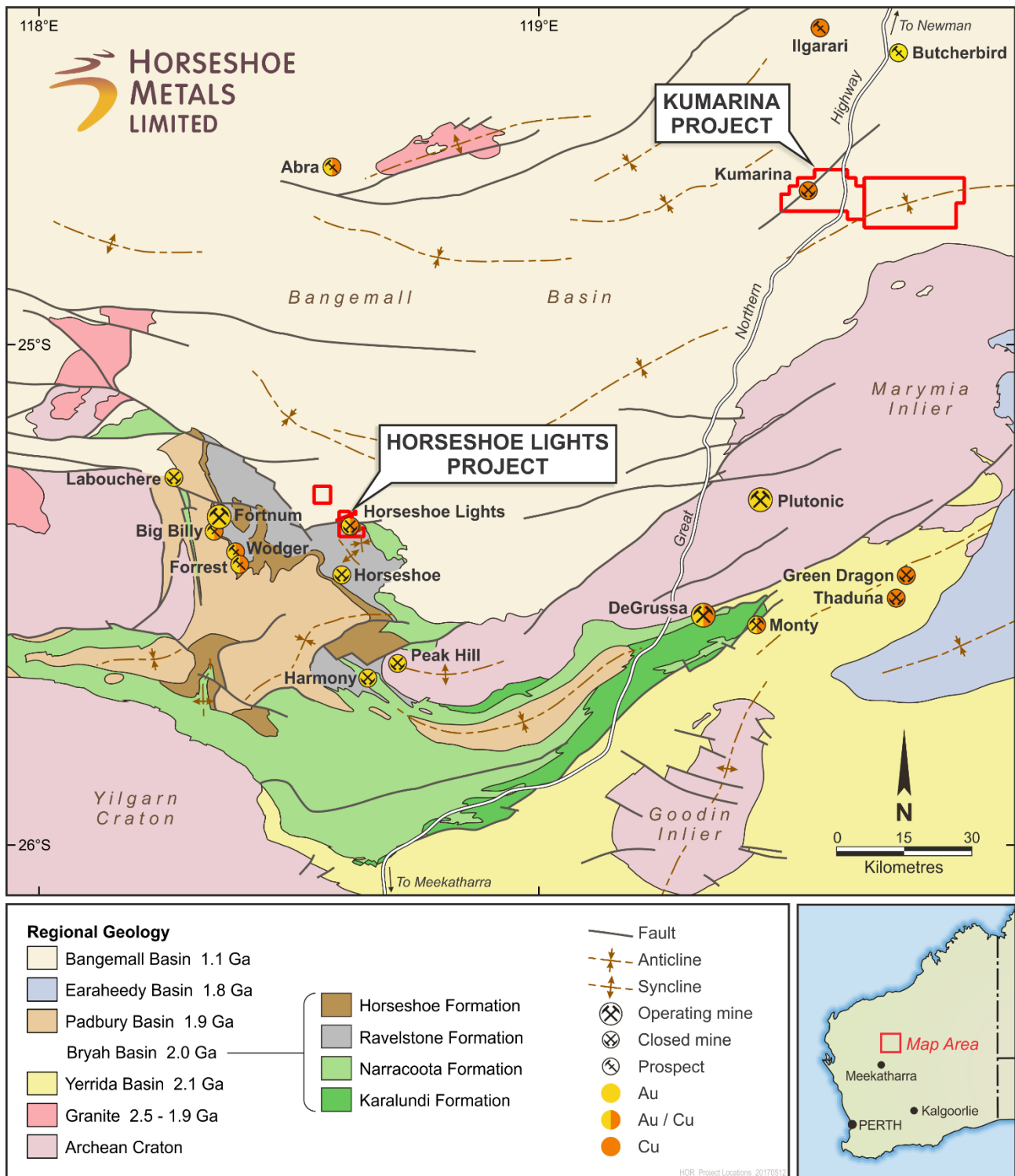


Figure 7: Location map and geology, Horseshoe Lights and Kumarina Projects

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Table 1: Horseshoe Lights Project, RC Drilling Program: Drillhole Information

<i>Hole ID</i>	<i>Easting (m)</i>	<i>Northing (m)</i>	<i>Azimuth (degrees)</i>	<i>Dip</i>	<i>Depth (m)</i>	<i>Location Target Area</i>
WRL01	663277	7193503	360	-90	12	Waste Rock Landform
WRL02	663272	7193606	360	-90	10	Waste Rock Landform
WRL03	663115	7193519	360	-90	17	Waste Rock Landform
WRL04	663219	7193698	360	-90	8	Waste Rock Landform
WRL05	663132	7193658	360	-90	9	Waste Rock Landform
WRL06	662915	7193576	360	-90	23	Waste Rock Landform
WRL07	662819	7193464	360	-90	15	Waste Rock Landform
WRL08	662504	7193465	360	-90	14	Waste Rock Landform
WRL09	662798	7193675	360	-90	12	Waste Rock Landform
WRL10	662366	7194568	360	-90	20	Waste Rock Landform
WRL11	662368	7194352	360	-90	14	Waste Rock Landform
WRL12	662710	7194585	360	-90	26	Waste Rock Landform
RC1142	663294	7194225	270	-44	155	Eastern Footwall
RC1143	663300	7194200	270	-55	159	Eastern Footwall
RC1144	662891	7194348	090	-50	162	NW Stringer Zone

Table 2: Results from 2017 WRL Drilling, Horseshoe Lights.

Hole_ID	Final Depth	Grid Easting	Grid Northing	Max Cu_ppm	Max Au_ppb	Best Intersection*
WRL01	12	663277	7193503	1837	85	2m @ 0.10% Cu from surface
WRL02	10	663272	7193606	3562	154	3m @ 0.17% Cu from surface
WRL03	17	663115	7193519	1611	768	5m @ 0.11% Cu from surface
WRL04	8	663219	7193698	2104	69	2m @ 0.15% Cu from surface
WRL05	9	663132	7193658	673	3120	NSI (Cu) 4m @ 2.23 g/t Au from 1m
WRL06	23	662915	7193576	4081	236	2m @ 0.10% Cu from surface; and 3m @ 0.24% Cu from 8m
WRL07	15	662819	7193464	9201	139	10m @ 0.21% Cu from surface
WRL08	14	662504	7193465	2046	114	9m @ 0.12% Cu from surface
WRL09	12	662798	7193675	605	2690	NSI
WRL10	20	662366	7194568	5857	78.9	6m @ 0.28% Cu from surface
WRL11	14	662368	7194352	22670	449	10m @ 0.52% Cu from surface (including 3m @ 1.4% Cu from surface)
WRL12	26	662710	7194585	3234	67.4	4m @ 0.26% Cu from surface

*Cu Intervals >0.1% Cu, 2m internal dilution, minimum width 2m

*Au Intervals >1.0 g/t Au, no internal dilution, minimum width 2m; NSI unless stated

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Table 3

Horseshoe Lights Project, 2017 RC Drilling Program: Bedrock Drilling Results Summary

Hole	MGA Northing	MGA Easting	MGA RL	MGA Azimuth	Dip	Max Depth	From	To	Interval (m)	Cu % >0.5	Au g/t >0.5	Drill Type	Target
RC1142	7194225	663294	531	270	-47	155.0	42.0	44.0	2.0	0.62	NSI	RC	Eastern Footwall
RC1143	7194200	663300	532	270	-55	159.0	51.0	56.0	5.0	0.96	NSI	RC	Eastern Footwall
							132.0	134.0	2.0	0.61	NSI		
							136.0	138.0	2.0	0.51	NSI		
RC1144	7194348	662891	532	90	-50	165.0	50.0	58.0	8.0	0.96	NSI	RC	NW Stringer Zone
							72.0	83.0	11.0	1.54	NSI		
							127.0	129.0	2.0	0.51	NSI		
							136.0	138.0	2.0	0.59	NSI		

Notes:

No upper cut applied, 2m minimum interval; 2m maximum interval waste unless otherwise specified

Cu analysis by microwave-assisted, HF-based digestion with ICP-MS finish; DL 0.2ppm

Au analysis by 25gm charge aqua-regia and ICP-MS finish; DL 0.5ppb

Coordinates in MGA94 zone 51.

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FINANCIAL POSITION

The net assets of the Group have decreased from \$1,240,276 at 31 December 2017 to a net asset deficiency of \$1,880,660 at 31 December 2018. This decrease is largely due to the following factors:

- An increase in the provision for environmental rehabilitation; and
- An increase in exploration activities at the Horseshoe Lights and Kumarina projects resulting in an increase in trade creditors.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

The Group is focused on the exploration and development of its mineral assets and as such needs to issue equity to raise exploration funds. No significant changes in the Group's state of affairs occurred during the year.

EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

On the 6th March 2019 Horseshoe Metals Limited announced that it was undertaking a strategic review of options to deliver best value for shareholders from the Company's 100% owned Horseshoe Lights Copper-Gold Project.

Following several unsolicited approaches from third parties expressing an interest in Horseshoe Lights, the Company has appointed leading Perth advisory firm PCF Capital Group to carry out a sale process to identify options that deliver best value for Horseshoe shareholders. Any potential sale will be subject to shareholder and any regulatory approvals.

No additional matters or circumstances have arisen since the end of the year which significantly affected or could significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future years.

LIKELY DEVELOPMENTS

The Directors have excluded from this report any further information on the likely developments in the operations of the Group and the expected results of those operations in future financial periods, as the Directors believe that it would be speculative and prejudicial to the interests of the Group to include any such information in this report.

ENVIRONMENTAL ISSUES

The Group's operations are subject to various environmental laws and regulations under government legislation. The exploration tenements held by the Group are subject to these regulations and there have been no breaches of the Group's environmental obligations in this regard.

At the Horseshoe Lights Project, there are several un-rehabilitated legacy areas including dumps, stockpiles and tailings storage facilities associated with previous mining operations. A review of the cost to rehabilitate these areas has been completed during the reporting period and the financial statements of the Group adjusted where required. A remediation programme to address possible standing water in the immediate mine environs after heavy rainfall is planned in the current year.

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REMUNERATION REPORT (AUDITED)

REMUNERATION POLICY

The Board of Directors of Horseshoe Metals Limited is responsible for determining and reviewing compensation arrangements for the key management personnel ("KMP"). The Board's remuneration policy has been implemented to ensure that the remuneration package properly reflects the person's duties and responsibilities, with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team. The policy seeks to provide remuneration and benefits that encourage high standards of performance and demonstrates the value the Group places on its officers.

The Board of Horseshoe Metals Limited presently operates a separate Remuneration Committee. The Committee has been in effect since February 2012.

REMUNERATION STRUCTURE

In accordance with best practice Corporate Governance, the structure of Non-Executive Director and executive remuneration is separate and distinct.

Non-Executive Director Remuneration

The Remuneration Committee seeks to set aggregate remuneration at a level that provides the Group with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

The ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. The latest determination was at the Annual General Meeting held on 25 May 2010 when shareholders approved an aggregate remuneration (not including share based payments) of \$250,000 per year. The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually or as required. The Remuneration Committee considers advice from external stakeholders as required as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process.

Executive Director Remuneration

Remuneration consists of fixed remuneration and variable remuneration (comprising short-term and long-term incentive schemes). Fixed remuneration is reviewed annually or as required. The process consists of a review of relevant comparative remuneration in the market and internally and, where appropriate, external advice on policies and practices. The Remuneration Committee has access to external, independent advice where necessary.

RELATIONSHIP BETWEEN REMUNERATION POLICY AND COMPANY PERFORMANCE

Short Term

The objective of the short term incentive program is to link the achievement of the Group's operational targets with the remuneration received by the executives charged with meeting those targets. The total potential short term incentive available is set at a level so as to provide sufficient incentive to KMP to achieve the operational targets and such that the cost to the Group is reasonable in the circumstances. Actual payments granted to each KMP depend on the extent to which specific operating targets set at the beginning of the financial year are met. It is envisaged that targets will consist of a number of key performance indicators covering financial and non-financial, corporate and individual measures of performance.

HORSESHOE METALS LIMITED

DIRECTORS' REPORT

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Long Term

The Group also makes long term incentive payments to reward KMP in a manner that aligns this element of remuneration with the creation of shareholder wealth. This includes the ability to recognise the efforts of KMP of the Group who have contributed to the success of the Group and to provide them with rewards where deemed appropriate. It also provides an incentive to the Directors, employees and consultants to achieve the long term objectives of the Group and improve the performance of the Group. A Performance Rights Plan for the Group was approved by shareholders on 25 May 2012.

Company Performance

The Remuneration Committee considers that at this time evaluation of the Group's financial performance using generally accepted measures such as profitability, total shareholder return or peer company comparison are not relevant.

PERFORMANCE CONDITIONS LINKED TO REMUNERATION

Performance conditions for employees and key management personnel of the Group are limited to the granting of options and performance rights as remuneration with various vesting conditions and short term cash incentives based on achievement of measureable targets.

USE OF REMUNERATION CONSULTANTS

The Group did not employ the services of any remuneration consultants during the financial year ended 31 December 2018.

EMPLOYMENT DETAILS OF MEMBERS OF KEY MANAGEMENT PERSONNEL AND OTHER EXECUTIVES

The following table provides employment details of persons who were, during the financial year, members of key management personnel of the Group. The table also illustrates the proportion of remuneration that was performance and non-performance based and the proportion of remuneration received in the form of options.

		NON PERFORMANCE RELATED %	SHARES %	OPTIONS/ RIGHTS %
Director	Position			
Mr Michael Fotios	Non-executive Director	100	-	-
Mr Alan Still	Non-executive Director	100	-	-
Mr Neil Porter	Non-executive Director	100	-	-

SERVICE AGREEMENTS

On appointment to the Board, all Non-Executive Directors enter into a service agreement with the Company in the form of a letter of appointment. The letter summarises the Board policies and terms, including compensation, relevant to the office of Director.

HORSESHOE METALS LIMITED
DIRECTORS' REPORT
31 DECEMBER 2018

REMUNERATION DETAILS FOR THE YEAR ENDED 31 DECEMBER 2018

The following table of benefits and payments details, in respect to the year, the components of remuneration for each member of the key management personnel of the Group.

Table of benefits and payments

	SHORT TERM			POST EMPLOYMENT	SHARE BASED PAYMENTS		
	CASH SALARY FEES	BONUS	NON MONETARY	SUPERANNU- ATION	OPTIONS AND RIGHTS	SHARES AND UNITS	
2018	\$	\$	\$	\$	\$	\$	\$
Directors							
Mr Michael Fotios	30,000	-	-	-	-	-	30,000
Mr Alan Still	24,000	-	-	-	-	-	24,000
Mr Neil Porter	24,000	-	-	-	-	-	24,000
	78,000	-	-	-	-	-	78,000

	SHORT TERM			POST EMPLOYMENT	SHARE BASED PAYMENTS		
	CASH SALARY FEES	BONUS	NON MONETARY	SUPERANNU- ATION	OPTIONS AND RIGHTS	SHARES AND UNITS	
2017	\$	\$	\$	\$	\$	\$	\$
Directors							
Mr Michael Fotios	30,000	-	-	-	-	-	30,000
Mr Alan Still	24,000	-	-	-	-	-	24,000
Mr Neil Porter	24,000	-	-	-	-	-	24,000
	78,000	-	-	-	-	-	78,000

HORSESHOE METALS LIMITED
DIRECTORS' REPORT
31 DECEMBER 2018

OPTION HOLDINGS OF KEY MANAGEMENT PERSONNEL

Details of options provided as remuneration and shares issued on the exercise of such options by each key management person of the Group during the financial year is as follows:

31 DECEMBER 2018	BALANCE AT BEGINNING OF YEAR	GRANTED AS REMUN- ERATION	EXERCISED	OTHER CHANGES	BALANCE AT THE END OF YEAR	VESTED DURING THE YEAR	VESTED AND EXERCISABLE
Directors							
Mr Michael Fotios	-	-	-	-	-	-	-
Mr Alan Still	-	-	-	-	-	-	-
Mr Neil Porter	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
31 DECEMBER 2017							
Directors							
Mr Michael Fotios	-	-	-	-	-	-	-
Mr Alan Still	-	-	-	-	-	-	-
Mr Neil Porter	-	-	-	-	-	-	-
	-	-	-	-	-	-	-

SHAREHOLDINGS OF KEY MANAGEMENT PERSONNEL

The number of ordinary shares in Horseshoe Metals Limited held by each key management personnel of the Group during the financial year is as follows:

31 DECEMBER 2018	BALANCE AT BEGINNING OF YEAR	ON EXERCISE OF OPTIONS	OTHER CHANGES DURING THE YEAR	BALANCE AT END OF YEAR
Directors				
Mr Michael Fotios	37,334,236	-	-	37,334,236
Mr Alan Still	-	-	-	-
Mr Neil Porter	495,319	-	-	495,319
	37,829,555	-	-	37,829,555
31 DECEMBER 2017				
Directors				
Mr Michael Fotios*	37,334,236	-	-	37,334,236
Mr Alan Still	-	-	-	-
Mr Neil Porter	-	-	495,319	495,319
	37,334,236	-	495,319	37,829,555

HORSESHOE METALS LIMITED
DIRECTORS' REPORT
31 DECEMBER 2018

OPTIONS AND RIGHTS GRANTED DURING THE YEAR TO 31 DECEMBER 2018

No options or rights were granted to key management personnel as remuneration in the year ended 31 December 2018.

End of audited section.

Signed in accordance with a resolution of the Board of Directors:

A handwritten signature in black ink, appearing to be 'MF' or similar initials, written in a cursive style.

Michael Fotios
Non-Executive Chairman

29 March 2019



Level 1, Lincoln House, 4 Ventnor Avenue, West Perth WA 6005
P.O. Box 8716, Perth Business Centre WA 6849
Phone (08) 9486 7094 www.rothsayresources.com.au

The Directors
Horseshoe Metals Limited
24 Mumford Place
Balcatta WA 6021

Dear Sirs

In accordance with Section 307C of the Corporations Act 2001 (the "Act") I hereby declare that to the best of my knowledge and belief there have been:

- i) no contraventions of the auditor independence requirements of the Act in relation to the audit of the 31 December 2018 financial statements; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Graham R Swan FCA (Lead auditor)

Rothsay Auditing

Dated 29th March 2019



HORSESHOE METALS LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

		2018	2017
	NOTE	\$	\$
Other income		275,444	-
Interest income		2,334	-
		<u>-</u>	<u>-</u>
Consulting expenses		(138,296)	(78,765)
Administrative expenses		(195,185)	(182,583)
Depreciation expense		(10,791)	(14,540)
Directors' remuneration	19	(78,000)	(76,000)
Other expenses		-	(4,153)
Interest expense		(100,502)	-
Care and maintenance		(37,881)	(61,185)
Project exploration and evaluation expenses		(320,617)	(467,169)
Provision for Environmental Rehabilitation - additions	12	(36,890)	(1,541,900)
Loss before income taxes		(640,384)	(2,426,295)
Income tax expense	4	-	-
Other comprehensive income, net of tax		-	-
Total comprehensive income		(640,384)	(2,426,295)
		<u>(640,384)</u>	<u>(2,426,295)</u>
		<u>(640,384)</u>	<u>(2,426,295)</u>
Total Comprehensive Income attributable to members of the parent entity		(640,384)	(2,426,295)
		<u>(640,384)</u>	<u>(2,426,295)</u>
Loss per share			
Basic and diluted loss per share (cents)	14	(0.33)	(1.25)

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

HORSESHOE METALS LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	NOTE	2018 \$	2017 \$
CURRENT ASSETS			
Cash and cash equivalents	5	3,593	7,657
Trade and other receivables	6	60,888	139,492
Other assets	7	7,034	7,711
TOTAL CURRENT ASSETS		<u>71,515</u>	<u>154,860</u>
NON-CURRENT ASSETS			
Property, plant and equipment	8	33,389	44,180
Exploration and evaluation expenditure	9	6,508,801	6,508,801
TOTAL NON-CURRENT ASSETS		<u>6,542,190</u>	<u>6,552,981</u>
TOTAL ASSETS		<u>6,613,705</u>	<u>6,707,841</u>
CURRENT LIABILITIES			
Trade and other payables	10	632,218	660,380
TOTAL CURRENT LIABILITIES		<u>632,218</u>	<u>660,380</u>
NON-CURRENT LIABILITIES			
Trade and other payables	10	1,186,337	927,990
Borrowings	11	862,920	583,747
Provisions	12	5,812,890	5,776,000
TOTAL NON-CURRENT LIABILITIES		<u>7,862,147</u>	<u>7,287,737</u>
TOTAL LIABILITIES		<u>8,494,365</u>	<u>7,948,117</u>
NET ASSETS		<u>(1,880,660)</u>	<u>(1,240,276)</u>
EQUITY			
Issued capital	13	17,158,393	17,158,393
Accumulated losses		(19,093,053)	(18,398,669)
TOTAL EQUITY		<u>(1,880,660)</u>	<u>(1,240,276)</u>

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

HORSESHOE METALS LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

2018

	ISSUED CAPITAL \$	ACCUMULATED LOSSES \$	SHARE BASED PAYMENT RESERVE \$	OPTION PREMIUM RESERVE \$	TOTAL EQUITY \$
Balance at 1 January 2018	17,158,393	(18,398,669)	-	-	(1,240,276)
Losses attributable to members of the parent entity	-	(640,384)	-	-	(640,384)
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income for the year	-	(640,384)	-	-	(640,384)
Shares issued during the year	-	-	-	-	-
Transaction costs	-	-	-	-	-
Expiry of rights and options	-	-	-	-	-
Sub-total	-	(640,384)	-	-	(640,384)
Balance at 31 December 2018	17,158,393	(19,039,053)	-	-	(1,880,660)

2017

	ISSUED CAPITAL \$	ACCUMULATED LOSSES \$	SHARE BASED PAYMENT RESERVE \$	OPTION PREMIUM RESERVE \$	TOTAL EQUITY \$
Balance at 1 January 2017	17,158,393	(16,066,634)	94,260	-	1,186,019
Losses attributable to members of the parent entity	-	(2,426,295)	-	-	(2,426,295)
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income for the year	-	(2,426,295)	-	-	(2,426,295)
Shares issued during the year	-	-	-	-	-
Transaction costs	-	-	-	-	-
Expiry of rights and options	-	94,260	(94,260)	-	-
Sub-total	-	(2,332,035)	(94,260)	-	(2,426,295)
Balance at 31 December 2017	17,158,393	(18,398,669)	-	-	(1,240,276)

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

HORSESHOE METALS LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

		2018	2017
	NOTE	\$	\$
CASH FROM OPERATING ACTIVITIES			
Receipts from customers		238,856	-
Payments to suppliers and employees		(156,045)	(123,350)
Other Income		-	-
Interest received		2,334	-
Payments for exploration and evaluation expenditure		(195,257)	(38,298)
Net cash used by operating activities	23	(110,112)	(161,648)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		-	(5,547)
Net cash used by investing activities		-	(5,547)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	13	-	-
Proceeds from borrowings		106,048	168,463
Payment for costs of raising capital		-	-
Net cash provided by financing activities		106,048	168,463
Net (decrease)/increase in cash and cash equivalents		(4,064)	1,268
Cash and cash equivalents at beginning of the year		7,657	6,389
Cash and cash equivalents at end of the year	5	3,593	7,657

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

HORSESHOE METALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1. REPORTING ENTITY

This financial report includes the consolidated financial statements and notes of Horseshoe Metals Limited and Controlled Entities (the 'Group'). The financial statements were authorised for issue by the Board of Directors on 29 March 2019.

Horseshoe Metals Limited is a public company limited by shares, incorporated in Australia. The Company is domiciled in Western Australia.

The nature of operations and principal activities of the Company are described in the Directors' Report. The registered office and principal place of business of the Company is 24 Mumford Place, Balcatta WA 6021.

2. BASIS OF PREPARATION

(a) General information

This financial report:

- Has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board as applicable to a for-profit entity.
- Has been prepared on a historical cost basis.
- Is presented in Australian dollars, which is the functional currency of the Company and each of its subsidiaries.
- Adopts all new and amended Accounting Standards and Interpretations issued by the AASB that are relevant to the operations of the Group and effective for reporting periods beginning on or before 1 January 2018.
- Does not early adopt any Accounting Standards and Interpretations that have been issued or amended but are not yet effective.

(b) Going concern

The financial statements have been prepared on the going concern basis that contemplates normal business activities and the realisation of assets and extinguishment of liabilities in the ordinary course of business.

Cash and cash equivalents on hand as at the date of this report was \$3,593. The going concern basis is dependent upon the Group raising sufficient funds to pay the Group's debts as and when they fall due.

On the 6th March 2019, the Company has signed a mandate with PCF Capital Group to carry out a sale process of the Horseshoe Lights Copper-Gold Project to identify options that deliver best value for Horseshoe shareholders. Any potential sale will be subject to shareholder and any regulatory approvals.

The Company has executed a loan facility agreement with Non-executive Chairman Michael Fotios and associated entities, including Delta Resource Management and Investmet Limited. The loan facility with Michael Fotios and associated entities is to be repaid in cash within 7 days of the successful completion of a capital raising. Prior to a capital raising any lender may convert all or some of the outstanding balance of the loan in ordinary shares at the price at which the capital raising is to be completed. Conversion of the loan to ordinary shares is subject to compliance with the applicable laws and regulations including the requirement to seek shareholder approval for a related party transaction. The loan bears interest of 8% p.a. The undrawn loan balance available to the Company as at 31 December 2018 from Michael Fotios and associated entities amounts to \$173,700.

In addition, Michael Fotios as chairman of Whitestone Mining Services Pty Ltd, Delta Resource Management Pty Ltd and Investmet Ltd has confirmed unconditionally that these entities will not call on or demand any repayment of the advances made to the Company up to 31 December 2018 until such time as the Group's financial position improves.

HORSESHOE METALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

(b) Going concern (continued)

The Directors have also prepared a cash flow forecast that further indicates the Company's ability to continue to operate as a going concern.

In the Directors opinion, at the date of signing the financial report there are reasonable grounds to believe that the matters set out above will be achieved and have therefore prepared the financial statements on a going concern basis.

Should the Directors not achieve the matters set out above, there is material uncertainty whether the Group will be able to continue as a going concern. The financial report does not include any adjustments relating to the recoverability or classification of recorded asset amounts, or to the amounts or classification of liabilities, which might be necessary should the Group not be able to continue as a going concern.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Horseshoe Metals Limited at the end of the reporting period. A controlled entity is any entity over which Horseshoe Metals Limited has the power to govern the financial and operating policies so as to obtain benefits from its activities. Control will generally exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are also considered.

A list of controlled entities is contained in Note 21 to the financial statements.

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended.

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the Group have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

(b) Revenue and other income

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

(c) Income tax

The income tax expense for the year comprises current income tax expense and deferred tax expense.

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at the end of the reporting period. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

HORSESHOE METALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

(c) Income tax (continued)

Current and deferred income tax expense is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at the end of the reporting year. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

Current assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Horseshoe Metals Limited and its 100% owned Australian resident subsidiary are a consolidated group for tax purposes.

(d) Property, plant and equipment

Each class of property, plant and equipment is stated at historical cost, including any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, less accumulated depreciation and impairment.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the Group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements. Land is not depreciated.

The estimated useful lives used for each class of depreciable assets are:

- Plant and equipment 5 – 15 years

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

HORSESHOE METALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

(e) Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. For financial assets, this is the equivalent to the date that the Group commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transactions costs, except where the instrument is classified 'at fair value through profit or loss' in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at either fair value, amortised cost using the effective interest rate method, or cost. *Fair value* represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in arm's length transaction. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

- (a) the amount at which the financial asset or financial liability is measured at initial recognition;
- (b) less principal repayments;
- (c) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the *effective interest method*; and
- (d) less any reduction for impairment.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

The classification of financial instruments depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and at the end of each reporting period for held-to-maturity assets.

(i) Financial assets at fair value through profit or loss

Financial assets are classified at 'fair value through profit or loss' when they are held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

The Group did not hold any fair value through profit or loss investments in the current or comparative financial year.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period.

HORSESHOE METALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Held-to-maturity investments are included in non-current assets, except for those which are expected to be realised within 12 months after the end of the reporting period, which will be classified as current assets.

If during the period the Group sold or reclassified more than an insignificant amount of the held-to-maturity investments before maturity, the entire held-to-maturity investments category would be tainted and reclassified as available-for-sale.

The Group did not hold any held-to-maturity investments in the current or comparative financial year.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

Available-for-sale financial assets are included in non-current assets, except for those which are expected to be realised within 12 months after the end of the reporting period.

The Group did not hold any Available-for-sale financial assets in the current or comparative financial year.

(v) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost. Fees payable on the establishment of loan facilities are recognised as transaction costs of the loan.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

De-recognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

When available-for-sale investments are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss.

(f) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options for immediate are recognised as a deduction from equity, net of any tax effects.

Preference share capital is classified as equity if it is non-redeemable or redeemable only at the company's option, and any dividends are discretionary.

Preference share capital is classified as financial liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary.

HORSESHOE METALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

(g) Impairment of non-financial assets

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include considering external sources of information and internal sources of information and dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use to the asset's carrying value. Value in use is calculated by discounting the estimated future cash flows of the asset or cash-generating unit (CGU) at a pre-tax discount rate reflecting the specific risks in the asset / CGU. Any excess of the asset's carrying value over its recoverable amount is expensed to the consolidated statement of comprehensive income.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs.

Where the future economic benefits of the asset are not primarily dependent upon the asset's ability to generate net cash inflows and when the Group would, if deprived of the asset, replace its remaining future economic benefits, value in use is determined as the depreciated replacement cost of an asset.

Impairment losses recognised in respect of CGU's are allocated first to reduce the carrying amount of goodwill to nil and then to the other assets in the unit in proportion to their carrying amount.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Assets, other than goodwill that have an allocated impairment loss are reviewed for reversal indicators at the end of each reporting period. After recognition of an impairment loss, the amortisation charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount on a systematic basis over its remaining useful life.

Impairment losses are recognised as an expense immediately, unless the relevant asset is property, plant and equipment held at fair value (other than investment property carried at a revalued amount) in which case the impairment loss is treated as a revaluation decrease as described in the accounting policy for property, plant and equipment.

Where an impairment loss on a revalued asset is identified, this is debited against the revaluation surplus in respect of the same class of asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same class of asset.

(h) Exploration and development expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. As the asset is not available for use it is not depreciated or amortised.

Exploration and evaluation assets are initially measured at cost and include acquisition of mining tenements, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortised of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

Deferred exploration and evaluation accumulated costs in relation to an abandoned area are written off in full against profit or loss in the period in which the decision to abandon that area is made.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

HORSESHOE METALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

(h) Exploration and development expenditure continued

The mining extraction and processing activities of the Group normally give rise to obligations for site closure or rehabilitation.

Costs of site restoration are provided over the life of the facility from when exploration commences except when rehabilitation obligations are assumed through a business combination. When provisions for closure and rehabilitation are recognised, or remeasured more than one year after being assumed through a business combination, the corresponding cost is expensed. The value of the provision is progressively increased over time as the effect of discounting unwinds, creating an expense. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology discounted to their present value.

(i) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less which are convertible to a known amount of cash and subject to an insignificant risk of change in value, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the consolidated statement of financial position.

(j) Trade and other payables

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the Group during the reporting period which remain unpaid. The balance includes both current and non-current liabilities.

(k) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured at the present value of management's best estimate of the outflow required to settle the obligation at the end of the reporting period. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the unwinding of the discount is taken to finance costs in the consolidated statement of comprehensive income.

Provisions recognised represent the best estimate of the amounts required to settle the obligation at the end of the reporting period.

Provisions relating to the rehabilitation of land as the result of exploration and evaluation activities are expensed in the consolidated statement of comprehensive income rather than capitalised as deferred exploration expenditure.

(l) Employee benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled.

Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Those cashflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cashflows.

HORSESHOE METALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

Equity-settled compensation

The Group operates equity-settled share-based payment share, right and option schemes. The fair value of the equity to which personnel become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using a Black-Scholes pricing model which incorporates all market vesting conditions. The fair value of the performance rights issued are calculated via a hybrid share option pricing model that simulates the share price as at the expiry date using a Monte-Carlo model. The amount to be expensed is determined by reference to the fair value of the options, rights or shares granted. This expense takes in account any market performance conditions and the impact of any non-vesting conditions but ignores the effect of any service and non-market performance vesting conditions.

Non-market vesting conditions are taken into account when considering the number of options expected to vest. At the end of each reporting period, the Group revises its estimate of the number of options or rights which are expected to vest based on the non-market vesting conditions. Revisions to the prior period estimate are recognised in profit or loss and equity.

(m) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, that are transferred to entities in the Group, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred. The lease is not recognised in the consolidated statement of financial position.

Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are charged as expenses on a straight-line basis over the life of the lease term.

(n) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(o) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the consolidated statement of financial position are shown inclusive of GST.

Cash flows are presented in the consolidated statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

HORSESHOE METALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

(p) Critical accounting estimates and judgments

The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Key estimates - impairment

The Group assesses impairment at the end of each reporting year by evaluating conditions specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using calculations which incorporate various key assumptions.

Key estimates - share based payments

The Group measures the cost of equity-settled transactions with personnel by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a Black and Scholes model in the case of options and, in the case of performance rights, a hybrid share option pricing model that simulates the share price as at the expiry date using a Monte-Carlo model. The valuation involves making key estimates such as volatility and expected exercise date.

Key Estimates - provisions for rehabilitation

Included in liabilities at the end of each reporting period is an amount that represents an estimate of the cost to rehabilitate the land upon which the Group has carried out its exploration and evaluation for mineral resources. Provisions are measured at the present value of management's best estimate of the costs required to settle the obligation at the end of the reporting period. Actual costs incurred in future periods to settle these obligations could differ materially from these estimates. Additionally, future changes to environmental laws and regulations, life of mine estimates, and discount rates could affect the carrying amount of this provision.

Key judgments - exploration and evaluation expenditure

The Group capitalises expenditure relating to exploration and evaluation where it is considered likely to be recoverable or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. While there are certain areas of interest from which no reserves have been extracted, the directors are of the continued belief that such expenditure should not be written off since feasibility studies in such areas have not yet concluded. Such capitalised expenditure is carried at the end of the reporting period at \$6,508,801.

(q) Changes in account policies

A number of new or amended standards became applicable for the current reporting period for which the Group has adopted:

- AASB 15 Revenue from Contracts with Customers; and
- AASB 9 Financial Instruments

The new accounting policies are disclosed below. There is no impact on the Group for the period ended 31 December 2018.

AASB 15 Revenue from contracts with Customers

AASB 15 Revenue from contracts with Customers replaces AASB 118 Revenue. AASB 15 was adopted by the Group on 1 January 2018. AASB 15 provides a single, principles-based five-step model to be applied to all contracts with customers. Redbank Copper Limited has considered AASB 15 and determined that there is no impact on the Groups' financial statements as the Group is not generating sales revenue at this stage.

HORSESHOE METALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

(q) Changes in account policies (continued)

AASB 9 Financial Instruments

AASB 9 Financial Instruments replaces the provisions of AASB 139 Financial Instruments. Recognition and Measurement that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The adoption of AASB 9 Financial Instruments from 1 January 2018 did not give rise to any transitional adjustments.

4. INCOME TAX EXPENSE

(a) The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax expense as follows:

	2018 \$	2017 \$
Statement of comprehensive income		
Current income tax	-	-
Current income tax charges/(benefits)	-	-
Deferred tax expense		
Relating to the origination and reversal of temporary differences	-	-

(b) The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:

	2018 \$	2017 \$
- Loss for the year at 30%	(192,115)	(727,888)
Add:		
Tax effect of:		
- share based payments	-	-
- entertainment and other permanent differences	-	-
- impairment	-	-
- non-assessable income	-	-
- temporary differences not recognised	11,067	462,570
- tax losses not brought to account as DTA	181,048	265,318
	-	-

At 31 December 2018 the Group had unused tax losses for which no deferred tax asset has been recognised in the amount of approximately \$7,872,905 (2017: \$7,691,587). The availability of these losses is subject to satisfying Australian taxation legislation requirements. The deferred tax asset attributable to tax losses has not been brought to account in these financial statements because the Directors believe it is not presently appropriate to regard realisation of the future income tax benefits probable.

HORSESHOE METALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

5. CASH AND CASH EQUIVALENTS

The following table details the components of cash and cash equivalents as reported in the statement of financial position.

	2018	2017
	\$	\$
Cash at bank	3,593	7,657
Short-term bank deposits	-	-
	<u>3,593</u>	<u>7,657</u>

6. TRADE AND OTHER RECEIVABLES

The following table details the major components of current trade and other receivables as reported in the statement of financial position.

	2018	2017
	\$	\$
Other receivables	60,889	139,492
	<u>60,889</u>	<u>139,492</u>

The Group expects the above trade and other receivables to be recovered within 12 months of 31 December 2018 and therefore considers the amounts shown above at cost to be a close approximation of fair value.

Trade and other receivables expose the Group to credit risk as potential for financial loss arises should a debtor fail to repay their debt in a timely manner. Disclosure on credit risk can be found at Note 15(a).

7. OTHER ASSETS

	2018	2017
	\$	\$
CURRENT		
Prepayments	7,034	7,711
	<u>7,034</u>	<u>7,711</u>

8. PROPERTY, PLANT AND EQUIPMENT

	2018	2017
	\$	\$
Plant and equipment		
At cost	219,663	219,663
Accumulated depreciation	(186,274)	(175,483)
	<u>33,389</u>	<u>44,180</u>

HORSESHOE METALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

8. PROPERTY, PLANT AND EQUIPMENT

MOVEMENTS IN CARRYING AMOUNTS

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	PLANT AND EQUIPMENT	TOTAL
	\$	\$
Balance at 31 December 2018		
Balance at the beginning of year	44,180	44,180
Additions	-	-
Depreciation expense	(10,791)	(10,791)
	<u>33,389</u>	<u>33,389</u>
31 December 2017		
Balance at 31 December 2017		
Balance at the beginning of year	53,173	53,173
Additions	5,547	5,547
Depreciation expense	(14,540)	(14,540)
	<u>44,180</u>	<u>44,180</u>
31 December 2016		

9. EXPLORATION AND EVALUATION EXPENDITURE

The following table details the movement in deferred exploration and evaluation expenditure reported in the statement of financial position during the year ended 31 December 2018.

	2018	2017
	\$	\$
Carrying amount at beginning of year	6,508,801	6,508,801
Capitalised expenditure during the year	-	-
Impairment	-	-
	<u>6,508,801</u>	<u>6,508,801</u>

The recoupment of deferred exploration and evaluation costs carried forward is dependent upon the successful development and commercialisation or sale of the areas of interests being explored and evaluated.

In the ordinary course of business, companies involved in resource exploration and development are often subject to complaints, with respect to exploration licences and mining leases ("tenements"). The Company is currently aware of three such complaints over its tenements. The Company considers the complaints to be without merit and is working to have the complaints dismissed.

HORSESHOE METALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

10. TRADE AND OTHER PAYABLES

	2018	2017
	\$	\$
CURRENT		
Trade payables	599,218	499,254
Directors' Fees Payable	24,000	46,000
Other payables	9,000	115,126
	<u>632,218</u>	<u>660,380</u>
NON-CURRENT		
Related party creditors ¹	<u>1,186,337</u>	<u>927,990</u>
<i>¹ Reconciliation of carrying amount of related party creditors</i>		
Eastern Goldfields Limited	-	128,892
Whitestone Mining Services Pty Ltd	575,073	566,229
Delta Resource Management Pty Ltd	428,189	188,030
Michael Fotios Family Trust	11,000	11,629
Investmet Limited	33,210	33,210
National Supply Partners	69,800	-
Next Site	8,093	-
Zedsee Enterprises (Private) Limited	<u>60,972</u>	<u>-</u>
	<u>1,186,337</u>	<u>927,990</u>

11. BORROWINGS

	2018	2017
	\$	\$
NON-CURRENT		
Loan – Delta Resource Management Pty Ltd	194,706	113,171
Loan – Eastern Goldfields Limited	36,619	17,948
Loan – Investmet Limited	537,314	385,048
Loan – Whitestone Mining Services Pty Ltd	73,701	66,765
Loan – Michael Fotios	10,516	720
Loan – Apollo Corporation Pty Ltd	10,064	-
Loan – Redbank Copper Limited	<u>-</u>	<u>95</u>
	<u>862,920</u>	<u>583,747</u>

HORSESHOE METALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

The Company has executed a loan facility agreement with Non-executive Chairman Michael Fotios and associated entities, including Delta Resource Management Pty Ltd and Investmet Limited. The loan facility with Michael Fotios and associated entities is to be repaid in cash within 7 days of the successful completion of a capital raising. Prior to a capital raising any lender may convert all or some of the outstanding balance of the loan in ordinary shares at the price at which the capital raising is to be completed. Conversion of the loan to ordinary shares is subject to compliance with the applicable laws and regulations including the requirement to seek shareholder approval for a related party transaction. The loan bears interest of 8% p.a. The undrawn loan balance available to the Company as at 31 December 2018 from Michael Fotios and associated entities amounts to \$173,700.

12. PROVISIONS

	2018 \$	2017 \$
NON-CURRENT		
Environmental rehabilitation	5,812,890	5,776,000
	<u>5,812,890</u>	<u>5,776,000</u>
	ENVIRONMENTAL REHABILITATION \$	TOTAL \$
At 1 January 2018	5,776,000	5,776,000
Additions during the year	36,890	-
Paid during the year	-	-
Write backs	-	-
Balance at 31 December 2018	<u>5,812,890</u>	<u>5,776,000</u>

Rehabilitation obligations in relation to the Horseshoe Lights Mining Lease M52/743 exist. The majority of the outstanding rehabilitation obligations are associated with the flotation tailings dam, the waste dumps, and the plant and camp site.

In July 2013 the Group successfully applied for participation in the State Government of Western Australia's Mine Rehabilitation Fund ("MRF") administered by the Department of Mines and Petroleum ("DMP"). Through this application process a calculation of rehabilitation costs is determined by the DMP and this was used to establish the Group's contribution amount to the MRF.

As at 31 December 2018, the Board reviewed the rehabilitation provision, using the MRF methodology. The review determined that there was a likely cost to rehabilitate the Horseshoe Lights Mine site of \$5,812,890. The provision was increased to reflect this.

The provision is measured at the present value of management's best estimate of the costs required to settle the obligations. Actual costs incurred in future periods to settle these obligations could differ materially from these estimates. Additionally, future changes to environmental laws and regulations, life of mine estimates, and discount rates could affect the carrying amount of this provision.

HORSESHOE METALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

13. CONTRIBUTED EQUITY

	2018	2017
	\$	\$
Ordinary shares 194,652,190 (31 December 2017: 194,652,190)	18,212,638	18,212,638
Share issue costs written off against issued capital	(1,054,245)	(1,054,245)
	<u>17,158,393</u>	<u>17,158,393</u>

MOVEMENT IN ORDINARY SHARES

	No.	\$
Balance at 1 January	194,652,190	18,212,638
Issue of shares	-	-
Balance at 31 December	<u>194,652,190</u>	<u>18,212,638</u>

14. EARNINGS PER SHARE

	2018	2017
	\$	\$
Earnings used to calculate overall earnings per share	(640,384)	(2,426,295)

(a) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS

	2018	2017
	No.	No.
Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	194,652,190	194,652,190
Anti-dilutive options on issue not used in EPS calculation	-	-

15. COMMITMENTS

	2018	2017
	\$	\$
EXPLORATION EXPENDITURE COMMITMENTS		
Payable:		
- no later than 1 year	401,879	401,879
- between 1 year and 5 years	574,005	574,005
- greater than 5 years	40,493	40,493
	<u>1,016,377</u>	<u>1,016,377</u>

HORSESHOE METALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

16. FINANCIAL RISK MANAGEMENT

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects and ensure that net cash flows are sufficient to support the delivery of the Group's financial targets whilst protecting future financial security. The Group continually monitors and tests its forecast financial position against these objectives.

The main risks the Group is exposed to through its financial instruments are credit risk and liquidity risk and market risk consisting of interest rate risk and commodity price risk.

The Group's financial instruments consist mainly of deposits with banks, accounts receivable and payable and loans to subsidiaries.

The totals for each category of financial instruments as detailed in the accounting policies to these financial statements, are as follows:

	2018	2017
	\$	\$
Financial Assets		
Cash and cash equivalents	3,593	7,657
Trade and other receivables	60,888	139,492
	<hr/>	<hr/>
Total financial assets	64,481	147,149
	<hr/>	<hr/>
Financial Liabilities		
Trade and other payables	1,818,555	1,588,370
Borrowings	862,920	583,747
	<hr/>	<hr/>
Total financial liabilities	2,681,475	2,172,117
	<hr/>	<hr/>

FINANCIAL RISK MANAGEMENT POLICIES

The Board of Directors has overall responsibility for the establishment of the Group's financial risk management framework. This includes the development of policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk and the use of derivatives.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The day-to-day risk management is carried out by the Group's finance function under policies and objectives which have been approved by the Board of Directors. The Board of Directors is responsible for designing and implementing processes which follow the objectives and policies. This includes monitoring the levels of exposure to interest rate and foreign exchange rate risk and assessment of market forecasts for interest rate and foreign exchange movements.

Mitigation strategies for specific risks faced are described below:

HORSESHOE METALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

SPECIFIC FINANCIAL RISK EXPOSURES AND MANAGEMENT

The main risks the Group is exposed to through its financial instruments are credit risk, liquidity risk and market risk relating to interest rate risk.

(a) CREDIT RISK

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group and arises principally from the Group's receivables.

The Group's maximum exposure to credit risk at the reporting date in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the statement of financial position. The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

(b) LIQUIDITY RISK

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages this risk through the following mechanisms:

- preparing forward-looking cash flow analysis in relation to its operational, investing and financial activities which are monitored on a monthly basis;
- obtaining funding from a variety of sources;
- maintaining a reputable credit profile;
- managing credit risk related to financial assets;
- only investing surplus cash with major financial institutions; and
- comparing the maturity profile of current financial liabilities with the realisation profile of current financial assets.

The tables below reflect an undiscounted contractual maturity analysis for financial liabilities.

Financial liability maturity analysis

	WITHIN 1 YEAR		1 TO 5 YEARS		OVER 5 YEARS		TOTAL	
	2018	2017	2018	2017	2018	2017	2018	2017
	\$	\$	\$	\$	\$	\$	\$	\$
Financial liabilities due for payment:								
Trade and other payables	1,818,555	1,588,370	-	-	-	-	1,818,555	1,588,370
Borrowings	-	-	862,920	583,747	-	-	862,920	583,747
Total contractual outflows	1,818,555	1,588,370	862,920	583,747	-	-	2,681,475	2,172,117

The timing of expected outflows is not expected to be materially different from contracted cashflows.

HORSESHOE METALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

(c) FAIR VALUE ESTIMATION

The fair values of financial assets and financial liabilities can be compared to their carrying values as presented in the consolidated statement of financial position. Fair values are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

	2018		2017	
	NET CARRYING VALUE	NET FAIR VALUE	NET CARRYING VALUE	NET FAIR VALUE
	\$	\$	\$	\$
Financial assets				
Cash and cash equivalents	3,593	3,593	7,657	7,657
Trade and other receivables	60,888	60,888	139,492	139,492
Total financial assets	64,481	64,481	147,149	147,149
Financial liabilities				
Trade and other payables	1,818,555	1,818,555	1,588,370	1,588,370
Borrowings	862,920	862,920	583,747	583,747
Total financial liabilities	2,681,475	2,681,475	2,172,117	2,172,117

17. OPERATING SEGMENTS

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.

18. REMUNERATION OF KEY MANAGEMENT PERSONNEL

The totals of remuneration paid to key management personnel of the Company and the Group during the year are as follows:

	2018	2017
	\$	\$
Short-term employee benefits	78,000	78,000
Post-employment benefits	-	-
Share-based payments	-	-
	78,000	78,000

The Remuneration Report contained in the Directors' Report contains details of the remuneration paid or payable to each member of the Group's key management personnel for the year ended 31 December 2018.

HORSESHOE METALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

19. AUDITORS' REMUNERATION

	2018	2017
	\$	\$
Remuneration of the auditor of the Group, Rothsay Auditing for:		
- auditing or reviewing the financial statements	32,000	36,200

20. CONTROLLED ENTITIES

	COUNTRY OF INCORPORATION	PERCENTAGE OWNED (%) 2017	PERCENTAGE OWNED (%) 2016
Subsidiaries:			
Murchison Copper Mines Pty Ltd	Australia	100	100

21. CONTINGENT ASSETS AND LIABILITIES

In the opinion of the Directors, the Group did not have any contingencies at 31 December 2018 (31 December 2017: nil).

22. RELATED PARTY TRANSACTIONS

At 31 December 2018 Horseshoe Metals Limited had a loan receivable from its subsidiary in the amount of \$10,912,963 (2017: \$10,664,755). The loan is non-interest bearing and has no specific repayment date nor is it subject to any contract. The loan balance is eliminated on Group consolidation.

The Company has executed a loan facility agreement of \$1,000,000 with Michael Fotios and associated entities. During the year, Michael Fotios and associated entities lent money to the Company. Loan balances outstanding at 31 December 2018 include:

- Delta Resource Management: \$194,706 (2017: \$113,171)
- Apollo Corporation Pty Ltd: \$10,064 (2017: Nil)
- Investmet Limited: \$537,314 (2017: \$385,048)
- Whitestone Mining Services Pty Ltd: \$73,701 (2017: \$66,765)
- Michael Fotios: \$10,516 (2017: \$720)
- Redbank Copper Limited: Nil (2017: \$95)

Michael Fotios is the Non-Executive Chairman of, and significant shareholder in, the Group.

Key management personnel:

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity are considered key management personnel.

For details of remuneration disclosures relating to key management personnel, refer to Note 19.

HORSESHOE METALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

23. CASH FLOW INFORMATION

Reconciliation of net income to net cash provided by operating activities:

	2018	2017
	\$	\$
Net loss for the period	(640,384)	(2,426,295)
Non-cash flows in profit:		
- interest expense	-	-
- depreciation	10,791	14,540
- supplier payments via loans	-	-
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:		
- decrease/(increase) in trade and other receivables	78,604	(58,030)
- decrease/(increase) in other assets	677	(432)
- increase in trade and other payables	230,185	556,739
- increase in borrowings	173,125	210,768
- increase in provisions	36,890	1,541,062
Cashflow from operations	<u>(110,112)</u>	<u>(161,648)</u>

24. SHARE-BASED PAYMENTS

No share-based payments were made during the year ended 31 December 2018 (2017: Nil).

25. EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

On the 6th March 2019 Horseshoe Metals Limited announced that it was undertaking a strategic review of options to deliver best value for shareholders from the Company's 100% owned Horseshoe Lights Copper-Gold Project.

Following several unsolicited approaches from third parties expressing an interest in Horseshoe Lights, the Company has appointed leading Perth advisory firm PCF Capital Group to carry out a sale process to identify options that deliver best value for Horseshoe shareholders. Any potential sale will be subject to shareholder and any regulatory approvals.

No additional matters or circumstances have arisen since the end of the year which significantly affected or could significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future years.

HORSESHOE METALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

26. PARENT ENTITY

The following information has been extracted from the books and records of the parent, Horseshoe Metals Limited and has been prepared in accordance with Australian Accounting Standards.

The financial information for the parent entity, Horseshoe Metals Limited has been prepared on the same basis as the consolidated financial statements.

	2018	2017
	\$	\$
Statement of Financial Position		
<i>Assets</i>		
Current assets	24,171	18,794
Non-current assets (i)	13,043,082	12,803,023
Total Assets	<u>13,067,253</u>	<u>12,821,817</u>
<i>Liabilities</i>		
Current liabilities	(208,370)	(289,246)
Non-current liabilities	(1,658,539)	(978,865)
Total Liabilities	<u>(1,866,909)</u>	<u>(1,268,111)</u>
Net Assets	<u>11,200,344</u>	<u>11,553,706</u>
<i>Equity</i>		
Issued capital	17,158,393	17,158,393
Retained earnings	(5,958,049)	(5,604,687)
Reserves	-	-
Total Equity	<u>11,200,344</u>	<u>11,553,706</u>
Statement of Comprehensive Income		
Total comprehensive income	<u>(353,160)</u>	<u>(507,562)</u>

- (i) Included in non-current assets is a loan receivable from the subsidiary in the amount of \$10,912,963 (2017: \$10,664,755)

CONTINGENT LIABILITIES

The parent entity did not have any contingent liabilities as at 31 December 2018 or 31 December 2017.

CONTRACTUAL COMMITMENTS

The parent entity did not have any commitments as at 31 December 2018 or 31 December 2017 other than as disclosed in Note 21.

HORSESHOE METALS LIMITED

DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 27 to 47, are in accordance with the *Corporations Act 2001* and:
 - (a) comply with International Financial Reporting Standards and Corporations Regulations 2001; and
 - (b) give a true and fair view of the financial position as at 31 December 2018 and of the performance for the year ended on that date of the Company and consolidated group;
2. 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.
3. The remuneration disclosures included in the Directors' Report (as part of the audited Remuneration Report), for the year ended 31 December 2018, comply with Section 300A of the Corporations Act 2001, and
4. the Directors have been given the declarations by the Non-Executive Chairman and Chief Financial Officer pursuant to Section 295(5) of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the Board of Directors.



MICHAEL FOTIOS

Non-Executive Chairman

Perth Western Australia

Dated this 29th day of March 2019



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INDEPENDENT AUDIT REPORT TO THE MEMBERS OF HORSESHOE METALS LIMITED

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Horseshoe Metals Limited ("the Company") and its subsidiaries (the Group) which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended on that date and notes to the financial statements, including a summary of significant accounting policies and the directors' declaration of the Company.

In our opinion the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 31 December 2018 and of its financial performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under these standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of this report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the "Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

Without qualifying our opinion, we draw attention to Note 2 (b) in the financial report which outlines the reasons for preparing the accounts on a going concern basis. We note the Group had \$3,593 in cash at 31 December 2018 and a deficiency in net assets and equity of \$1,880,660. In the event the Group is unable to raise additional funds and does not receive the continuing support of related parties, there is a material uncertainty as to whether the Group may be able to continue as a going concern and therefore it may be unable to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.





Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matter described below to be the key audit matter to be communicated in our report.

Key Audit Matter

Exploration and evaluation expenditure

The group has incurred significant exploration and evaluation expenditure which have been capitalised. As the carrying value of exploration and evaluation expenditure represents a significant asset of the Group we considered it necessary to assess whether facts and circumstances exist to suggest that the carrying amount of this asset may exceed its recoverable amount.

In doing so we carried out the following work in accordance with the guidelines set out in AASB 6 *Exploration for and Evaluation of Mineral Resources*. Our procedures included but were not limited to the following:

- We obtained evidence that the Group has rights to explore in the areas represented by the capitalised exploration and evaluation expenditure by obtaining confirmation of the Group's tenement holdings;
- We obtained an understanding of the key processes associated with management's review of the carrying value of capitalised exploration and evaluation expenditure and challenged management's assertion that the carrying amount of the capitalised expenditure was likely to be recovered in full from successful development or sale.

We have also assessed the appropriateness of the disclosures included in Notes 1, 9 and 25 to the financial report.

We also assessed the appropriateness of the disclosures included in the financial report.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.



If based on the work we have performed we conclude there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibility for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with the Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or cease operations, or have no realistic alternative but to do so.

Auditor's Responsibility for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/Home.aspx

We communicate with the directors regarding, amongst other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe those matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communications.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the remuneration report included in the directors' report for the year ended 31 December 2018.

In our opinion the remuneration report of Horseshoe Metals Limited for the year ended 31 December 2018 complies with section 300A of the *Corporations Act 2001*.



Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Rothsay Auditing

Dated 29th March 2019

**Graham R Swan FCA
Partner**

HORSESHOE METALS LIMITED

ANNUAL MINERAL RESOURCE STATEMENT

SCHEDULE OF INTERESTS IN MINING TENEMENTS

PROJECT	TENEMENT	AREA	AREA (km ²)	EQUITY	ANNUAL EXPENDITURE COMMITMENT
Horseshoe Lights	M52/743	988.3 ha	9.88	100% ¹	\$98,900
Horseshoe Lights	E52/2042	10 blocks	22.54	100% ¹	\$70,000
Horseshoe Lights	L52/42	0.26 ha	0.003	100% ¹	-
Horseshoe Lights	L52/43	2.3 ha	0.023	100% ¹	-
Horseshoe Lights	L52/44	3.8 ha	0.038	100% ¹	-
Horseshoe Lights	L52/45	3.0 ha	0.03	100% ¹	-
Horseshoe Lights	L52/66	15.0 ha	0.15	100% ¹	-
Kumarina	M52/27	9.7 ha	0.097	100%	\$10,000
Kumarina	E52/1998	42 blocks	130.79	100%	\$126,000
Kumarina	E52/2930	69 blocks	215.05	100%	\$103,500
TOTAL			378.601		\$408,400

Notes:

1. Horseshoe Gold Mine Pty Ltd (a wholly owned subsidiary of Grange Resources Limited) retains a 3% net smelter return royalty in respect to all production derived from some of the Horseshoe Lights tenements being M52/743, P52/1203 – 1206, E52/2042 (portion only) L52/42 – 45 and L52/66.

HORSESHOE METALS LIMITED

ANNUAL MINERAL RESOURCE STATEMENT

In accordance with ASX Listing Rule 5.21, the Company reviews and reports its Mineral Resources at least annually. The date of reporting is 31 December each year, to coincide with the Company's end of financial year balance date. If there are any material changes to its Mineral Resources over the course of the year, the Company is required to promptly report these changes.

In completing the annual review for the year ended 31 December 2017, the historical resource factors were reviewed and found to be relevant and current. The Company's projects have not been converted to any active operation yet and hence no resource depletion has occurred for the review period.

HORSESHOE LIGHTS PROJECT - MINERAL RESOURCE STATEMENT

A summary of the Minerals Resources at the Horseshoe Lights Project as at 31 December 2015 is shown in Table 1 below. The Mineral Resource Estimate for the Horseshoe Lights in-situ deposit was completed by independent resource industry consulting group CSA Global Pty Ltd, following the completion of drilling by the Company in May 2013. There have not been any material changes to the resource model as a consequence of later drilling by the Company. Accordingly the Mineral Resource Estimate remains unchanged as at 31 December 2017. The total Measured, Indicated and Inferred Mineral Resource Estimate is **12.85 million tonnes @ 1.00% Cu, 0.1 g/t Au and 1.9 g/t Ag for 128,600 tonnes Cu, 36,000 oz Au and 793,400 oz Ag** (using a cut-off grade of 0.5% Cu).

An updated Mineral Resource Estimate for the Horseshoe Lights flotation tailings was completed by the Company and announced to ASX on 26 February 2015. The total Inferred Mineral Resource Estimate is **1.42Mt @ 0.48% Cu, 0.34g/t Au and 6.5g/t Ag for 6,800 tonnes Cu, 15,300 oz Au and 294,800 oz Ag** (using a cut-off grade of 0% Cu). There have not been any material changes to the resource model as a consequence of later activities by the Company. Accordingly the Mineral Resource Estimate remains unchanged as at 31 December 2017.

An updated Mineral Resource Estimate for the Horseshoe Lights sub-grade ore (M15) stockpiles was completed by the Company and announced to ASX on 9 March 2015. The total Inferred Mineral Resource Estimate is **243,400t @ 1.10% Cu, 0.17g/t Au and 4.7g/t Ag for 2,650 tonnes Cu, 1,300 oz Au and 36,700 oz Ag** (using a cut-off grade of 0% Cu). There have not been any material changes to the resource model as a consequence of later activities by the Company. Accordingly the Mineral Resource Estimate remains unchanged as at 31 December 2017.

TABLE 1 HORSESHOE LIGHTS PROJECT SUMMARY OF MINERAL RESOURCES AS AT 31 DECEMBER 2018								
Location	Category	Tonnes (Mt)	Cu (%)	Au (g/t)	Ag (g/t)	Cu metal (tonnes)	Au metal (oz)	Ag metal (k oz)
In-situ Deposit (0.5% Cu cut-off grade)	Measured	1.73	1.04	0.0	0.5	18,000	1,900	28.8
	Indicated	2.43	0.95	0.0	0.7	23,200	3,400	52.2
	Inferred	8.69	1.01	0.1	2.6	87,400	30,700	712.4
	Total	12.85	1.00	0.1	1.9	128,600	36,000	793.4
Flotation Tailings	Inferred	1.421	0.48	0.34	6.5	6,800	15,300	294.8
M15 Stockpiles	Inferred	0.243	1.10	0.17	4.7	2,650	1,300	36.7
Note: At 0% Cu cut-off grade unless otherwise stated					TOTAL	138,050	52,600	1,124.9

HORSESHOE METALS LIMITED

ANNUAL MINERAL RESOURCE STATEMENT

KUMARINA PROJECT - MINERAL RESOURCE STATEMENT

A summary of the Minerals Resources at the Kumarina Project is shown in Table 2 below. A Mineral Resource Estimate was completed on the Rinaldi Prospect at the Kumarina Project by independent resource specialists H & S Consultants Pty Ltd in 2013, following the completion of drilling by the Company in December 2012.

There have not been any material changes to the resource model as a consequence of later drilling by the Company. Accordingly, the Mineral Resource Estimate remains unchanged as at 31 December 2018.

At a cut-off grade of 0.5% Cu, the Measured, Indicated and Inferred Mineral Resource estimate is **835,000 tonnes @ 1.3% Cu** for 10,600 tonnes of contained copper.

TABLE 2 KUMARINA PROJECT SUMMARY OF MINERAL RESOURCES AS AT 31 DECEMBER 2018				
Location	Category	Tonnes (t)	Cu (%)	Cu metal (tonnes)
Rinaldi Prospect (0.5% Cu cut-off)	<i>Measured</i>	<i>415,000</i>	<i>1.46</i>	<i>6,100</i>
	<i>Indicated</i>	<i>307,000</i>	<i>1.16</i>	<i>3,500</i>
	<i>Inferred</i>	<i>114,000</i>	<i>0.9</i>	<i>1,000</i>
	Total	835,000	1.3	10,600

The Group is not aware of any new information or data that materially affects the information as previously released and all material assumptions and technical parameters underpinning the estimates continue to apply and have not materially changed.

GOVERNANCE ARRANGEMENTS AND INTERNAL CONTROLS

The Group has ensured that the Mineral Resources quoted are subject to good governance arrangements and internal controls. The Mineral Resources reported have been generated by independent external consultants where appropriate who are experienced in best practices in modelling and estimation methods. The consultants have also undertaken reviews of the quality and suitability of the underlying information used to determine the resource estimate. In addition, management carries out regular reviews and audits of internal processes and external contractors that have been engaged by the Group.

HORSESHOE METALS LIMITED

ANNUAL MINERAL RESOURCE STATEMENT

Competent Persons Statement

The information in this report that relates to the Exploration Results and Mineral Resources at the Horseshoe Lights and Kumarina Projects is based on information reviewed by Mr Craig Hall, whom is a member of the Australian Institute of Geoscientists. Mr Hall is a contractor to Horseshoe Metals Limited and has sufficient experience which is relevant to the style of mineralisation and types of deposit under consideration and to the activity he is undertaking to qualify as Competent Persons as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code 2012)'. Mr Hall consents to the inclusion of the data in the form and context in which it appears.

The information in this report that relates to the Horseshoe Lights Project In-situ Mineral Resources is based on information originally compiled by Mr Dmitry Pertel, an employee of CSA Global Pty Ltd, and reviewed by Mr Hall. This information was originally issued in the Company's ASX announcement "40% increase in Copper Resource at Horseshoe Lights Copper/Gold Project", released to the ASX on 5th June 2013. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements. The company confirms that the form and context in which the findings are presented have not materially modified from the original market announcements.

The information in this report that relates to the Horseshoe Lights Project surface stockpile Mineral Resources is based on information compiled by a previous employee of Horseshoe Metals Limited, and reviewed by Mr Hall. The information was previously issued in announcements released to the ASX on 26 February 2015 and 9 March 2015. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements. The company confirms that the form and context in which the findings are presented have not materially modified from the original market announcements.

The information in this report that relates to the Kumarina Project (Rinaldi Prospect) Mineral Resources is based on information compiled by or under the supervision of Mr Robert Spiers, an independent consultant to Horseshoe Metals Limited and a then full-time employee and Director of H&S Consultants Pty Ltd (formerly Hellman & Schofield Pty Ltd), and reviewed by Mr Hall. The information was originally issued in the Company's ASX announcement "Horseshoe releases Maiden Mineral Resource Estimate for Kumarina", released to the ASX on 4th March 2013. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements. The company confirms that the form and context in which the findings are presented have not materially modified from the original market announcements.

HORSESHOE METALS LIMITED

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

Additional information required by the ASX Limited Rules and not disclosed elsewhere in this report is set out below. This information is effective as at 20 March 2019.

A. Distribution of equity security holders

Ordinary shares:

HOLDING	NUMBER OF SHARES	NUMBER OF HOLDERS
1 - 1,000	12,026	40
1,001 - 5,000	282,131	95
5,001 - 10,000	808,070	92
10,001 - 100,000	12,283,549	314
100,000 and over	181,266,414	165
	194,652,190	706

The voting rights attaching to ordinary shares are that on a show of hands every member present in person or by proxy shall have one vote and upon a poll each share shall have one vote. Options do not carry any voting rights.

There were 471 holders of less than a marketable parcel of ordinary shares, being 55,556 shares as at 20 March 2019.

B. Twenty largest shareholders

The names of the twenty largest holders of quoted ordinary shares are:

		NUMBER HELD	% OF ISSUED SHARES
1	Whitestone Minerals Pty Ltd	15,000,000	7.71
2	Mr Michael Fotios <Michael Fotios Family A/C>	12,294,642	6.32
3	Botsis Holdings Pty Ltd	12,000,000	6.16
4	Ralmana Pty Ltd	8,000,000	4.11
5	Mr Philip Colin Hammond & Ms Betty Jeannette Moore <MGB Superannuation Fund A/C>	6,294,667	3.23
6	Investmet Limited	6,054,589	3.11
7	Wyllie Group Pty Ltd	5,756,420	2.96
8	Hengolo Pty Ltd <CL Readhead Super A/C>	5,473,978	2.81
9	Ms Betty Jeanette Moore + Mr Philip Colin Hammond <BJM Superannuation Fund A/C>	4,700,000	2.41
10	Garic Pty Ltd	3,776,396	1.94
11	Delta Resource Management Pty Ltd	3,665,005	1.88
12	Investmet Limited – Held in Trust	3,600,000	1.85
13	Tarney Holdings Pty Ltd <DP + FL Waddell Family A/C>	3,550,917	1.82
14	Fabral Investments Pty Ltd	3,119,500	1.60
15	Mr Anthony Robrt Ramage	3,000,001	1.54
16	Mr Matthew James Mulcahy	3,000,000	1.54
17	Redima Pty Ltd	3,000,000	1.54
18	JP Morgan Nominees Australia Limited	2,979,906	1.53
19	Mr Joe Leuzzi + Ms Sally Leuzzi	2,730,848	1.40
20	Sunemar Pty Ltd <NA + SD Marston S/F A/C>	2,577,495	1.32
		110,571,364	56.80

HORSESHOE METALS LIMITED

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

C. Substantial shareholders

The number of substantial shareholders and their associates are set out below:

SHAREHOLDER	NO. OF SHARES	% OF ORDINARY SHARES
Mr Michael George Fotios and associated entities	37,334,236	21.99%
Botsis Holdings Pty Ltd	11,000,000	5.65%

D. Unquoted securities

As at 20 March 2019, the Company had no unquoted securities on issue.

E. Corporate Governance

The Company's Corporate Governance Statement is located on its website at www.horseshoemetals.com.au

F. On-market buy-back

There is no current on-market buy-back.