



HORSESHOE METALS LIMITED

ASX ANNOUNCEMENT

7 November 2019

Entry into Mt Gunson Copper and Glenloth Gold Projects - Revised

HIGHLIGHTS

- Horseshoe proposes to enter into an incorporated joint venture to fund development of the historic Mt Gunson copper project in South Australia, on tenements that have produced over 156,000 t of copper metal, 62 t of silver metal, and 2900 t of cobalt metal.
- The operator of the Mt Gunson copper project, Copper Mining and Metallurgy Pty Ltd ("CMM"), has successfully completed a pilot scale oxide copper heap leach trial on site and has plans to advance to commercial small-scale production.
- Under the proposed transaction, HOR is to earn up to a 50% interest in CMM by contribution of expenditure, and to have immediate rights to 50% of all surplus cashflow from any copper operation conducted by CMM.
- Expenditure to include significant exploration effort to define and expand resources for the project.
- HOR also proposes to acquire interests in exploration tenements covering the historic Glenloth goldfield in South Australia.

OVERVIEW

Horseshoe Metals Limited (ASX: HOR) ("Horseshoe", "HOR" or "the Company") is pleased to announce that it has agreed key terms of two transactions, the first to acquire interests in Copper Mining and Metallurgy Pty Ltd ("CMM") which has rights to produce copper metal from oxide material at the historic Mt Gunson Copper Mine; and the second to acquire interests and rights in respect of the Glenloth goldfield, with both projects located in South Australia (refer Figure 1). Details of the proposed transactions (which remain subject to agreement of definitive documentation) are outlined after the discussion of the projects below.

Discussion of the Mt Gunson Copper Project

Copper Ore was discovered at Mount Gunson in 1875 and the first recorded production was from 1899. A smelter was subsequently erected in the Main Open Cut (MOC) area in 1904. Small-scale production continued in the area until the Cattlegrid deposit was discovered, and subsequently mined by CSR Limited from 1974 to 1986, with 7.2 Mt of 1.9% Cu ore mined from the Cattlegrid open pit. Together with 270,000 t of MOC ore,

BOARD OF DIRECTORS

Mr Craig Hall
Non-Executive Director

Mr Alan Still
Non-Executive Director

Ms Carol New
*Non-Executive Director,
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the tenements recorded production 127 000 t of copper, 62 t of silver and 2900 t of cobalt in concentrates (refer Figures 2, 3).

From 1987 to around 2006, Adchem produced over 14,000 t of copper in cement for feed to the Burra cupric oxide plant from the Mt Gunson Project, principally from heap leaching of 1.2 Mt of 1.3% copper oxide ore from the MOC area, Gunyot, House and Core Shed deposits (Bampton 2003¹).

The leases forming the current project (ML3717-21, ML5598, ML5599; MPL1) were subsequently acquired and are currently held by a family-owned earthmoving contractor based in Adelaide, whom previously operated their own copper oxide leach operation until the oxide development rights were granted to CMM on the 29th June 2017 under a 'Licence to Operate'. Under the Licence to Operate, CMM has a 100% interest in rights to explore, develop and operate oxide copper deposits, stockpiles and tailings on the above listed tenements using all available surface infrastructure including camp, mains power/water supply, treatment plant and earthmoving equipment, with the exception of ML5599, where the licence allows unrestricted use of water, and the right to re-process copper-bearing material on the floor of the site. The initial term of the agreement between CMM and the Licensor, whom holds the tenements, expires on 29th June 2020, and can be extended by CMM for a period of a further two years to the 29th June 2022. Further extension beyond 29th June 2022 can be negotiated during the term of this lease. CMM's operations at Mt Gunson are dependent on the Licence to Operate, which may only be terminated for unremedied breach or in the event of insolvency. The company is unaware of any existing unremedied breaches or events of insolvency in its due diligence-to-date.

In the original announcement to the ASX dated 16th October 2019, the company stated the following:

"..The tenements contain significant stockpiles of unconfirmed grade that have previously been used as a source for leach stock, and the balance of which currently provide the basis for the planned expanded copper oxide leach operation. No contained JORC in situ resources can currently be stated for the project, despite the presence of widespread remnant mineralisation evident in the open pits. The management of HOR considers that a considerable portion of planned earn-in expenditure will be targeted at delivering satisfactory exploration outcomes to seek to confirm oxide feedstock for a base 3 year production model that the company is currently considering, which requires an initial 10,000 t per month leach stock, increasing to 16,000 t in year 3..."

In this clarification announcement, the company formally retracts this paragraph as it includes unclassified minerals and a production target which did not satisfy ASX's requirements under listing rule 5.16. The company instructs investors to not rely on the retracted information. The company reiterates that no contained JORC *in situ* resources can currently be stated for the project, and that the company intends to define copper resources that can be considered for development purposes.

CMM currently has a term sheet in place with Adchem for an initial 3 year term commencing in 2020 for copper cement delivered to Adchem's Burra facility (some 350km south), paying a copper price based on 80% of the London Metal Exchange (LME) per tonne for a date mutually agreed once the product has been sampled and assayed on arrival.

¹Bampton, 2003- Copper mining and treatment in South Australia <http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.697.4826&rep=rep1&type=pdf>

Discussion of Mt Gunson geology

Mt Gunson is located on the Stuart Shelf, comprising an undeformed cover sequence of flat-lying, late Adelaide platform sediments on Gawler Craton crystalline basement. Both sandstone-hosted (e.g. Cattlegrid, MOC) and shale-hosted (e.g. MG14) mineralisation types occur at relatively shallow depths within the Mt Gunson region, typically within 25-50m of the surface. Only the sandstone-hosted deposits have been mined, and copper mineralisation occurs as flat undulating blankets of variable thickness, comprising networks of fracture-filling veins in a breccia representing a preserved Precambrian permafrost horizon, where repeated freezing and thawing created the brecciated host rock in which the copper was deposited.

The quartzite is the locally-silicified upper part of the Pandurra Formation, a thick (typically >1000 m) pre-Adelaidean fluvial sandstone unit. Regionally, the Mt Gunson copper deposits lie on a northerly trending structural ridge known as the Pernatty Upwarp which is a complex horst structure expressed as an uplift of the Pandurra Formation. Neoproterozoic strata of the Stuart Shelf that would normally be present in a complete stratigraphic section are absent over the culmination of the Pernatty Upwarp, allowing the Whyalla Sandstone to directly overlie the Pandurra Formation in places within the Mt Gunson region.

The principal ore mineral is chalcocite, but significant bornite and chalcopyrite occur locally along with accessory carrollite, galena and sphalerite. Due to the saline surface environment, the copper chloride hydroxide atacamite is the principal oxide mineral. Shale-hosted mineralisation occurs in the Adelaidean Tapley Hill Formation where this unit is present between the Pandurra and Whyalla units. Sulphide mineralogy is similar but much finer-grained and not necessarily breccia-hosted.

HOR is currently compiling historical activity and intends to release a more comprehensive update of the geology and mineralisation at Mt Gunson in the near term.

Discussion of the Glenloth Gold Project

Glenloth is located about 50 km east of the 0.5 MOz Tunkillia Gold deposit (refer Figure 6). The Glenloth Goldfield was found with the discovery of alluvial gold in 1893, and established in 1901 when auriferous reefs were identified. Between 1901 and 1955, approximately 9800 oz (315 kg) of gold was produced from 14,620 t of ore, at an average grade of 21.6 g/t². The Fabian 3, Royal Tiger (excised from tenure) and the Glen Markie and Jay-Jay mines were considered the largest historical producers (refer Figure 7). Since 1955, gold production has been small and sporadic.

Typical gold occurrences consist of relatively thin, mineralised quartz veins, up to 1 m wide, hosted by sheared and fractured Archaean to Paleoproterozoic Glenloth Granite, and sometimes associated with Paleoproterozoic dolerite dykes. A shallow Hiltaba Suite batholith has been proposed as the source of mineralisation.

HOR considers the acquisition of interests in the project as a value-based entry into a dominant position of a very prospective area with the tenement covering most of the recognised goldfields (refer Figure 6); that previous exploration of the field is piecemeal and inadequate; and that larger, high grade gold deposits could be uncovered by systematic exploration and a more considered approach to drilling. HOR is currently compiling historical data for the area and the company intends to release a more comprehensive update of the geology and mineralisation at Glenloth in the near term.

Transaction Details

Both transactions are subject to and conditional upon:

- Completion of due diligence satisfactory to HOR
- Final approval of the Board of directors of HOR
- Formal legal documentation being agreed and entered into between the parties, to include appropriate warranties as to title

⁽²⁾Glenloth Historic Production taken from http://www.energymining.sa.gov.au/minerals/invest/mineral_commodities/gold)

Mt Gunson Copper Project (ML3717-21, ML5598, ML5599; MPL1):

CMM has a 100% interest in rights to explore, develop and operate oxide copper deposits, stockpiles and tailings on the above listed tenements using all available surface infrastructure including camp, mains power/water supply, treatment plant and earthmoving equipment. In relation to ML5599, the licence to operate allows the licensee unrestricted use of water from the license, as well as the right to process copper bearing material from the floor of the pit, but not excavation outside of the existing Cattlegrid open pit. CMM has successfully completed a pilot scale oxide copper heap leach trial and now plans to advance to commercial small-scale production. CMM has considerable expertise in developing copper mining operations in South Australia. It is proposed, under the Mt Gunson transaction, that:

- HOR (or its related nominee) will have the right to earn a 50% interest in CMM and the Mt Gunson Project by sole funding of up to \$5M during a 4-year period with a minimum commitment of \$500,000. Funding will be provided by way of cash generated from production and anticipated capital raisings that may include placements and rights entitlement offers. HOR will have the right, over a 4-year period, to subscribe for up to 10,000 shares in CMM (representing 50% of CMM's share capital following issue of those shares) to fund CMM's development of Mt Gunson as an incorporated joint venture. Shares in CMM are to be issued to HOR (or its nominee) as funding is provided over time, with every \$50k contribution earning 100 shares in CMM (representing 1% of CMM's existing issued capital).
- While HOR is sole funding it will have rights to 50% of all surplus cash flow from any copper production conducted by CMM.
- HOR will have first right of refusal should other shareholders in CMM wish to sell their respective interests in CMM. If any shareholder in CMM (including HOR) is the subject of a change of control or an insolvency event, or breaches the agreement governing the incorporated joint venture, the other shareholders will have a right of first refusal to acquire the relevant CMM shares, at an independently determined fair value.
- CMM Director Mr Steven Sickerdick will be retained as Operations Manager at Mt Gunson, while HOR will manage administration, exploration and development.

In addition, Mines Trust ("MT"), a private trust controlled by Mr Steven Sickerdick, whom is not a related party to HOR, is owed fees of approximately \$300,000 by CMM with respect to development work at Mt Gunson. Subject to definitive agreements being entered into for the joint venture at Mt Gunson, it is proposed that Horseshoe will issue 10 million fully paid ordinary shares valued at \$0.02 under its existing capacity under LR7.1 to MT as part payment of fees owing by CMM to MT, with the amount being deemed to form part of HOR's funding of the Mt Gunson project. That is, the nominal \$200,000 value will comprise part of the minimum commitment of \$500,000, and CMM will issue 400 shares to HOR accordingly, which will comprise 3.85% of the issued capital of CMM. HOR will be required to spend \$300,000 within 4 years before either electing to withdraw, or continue to earn up to 50% of CMM by sole funding of an additional \$4.5M within the same 4 year period. HOR has no additional obligation in relation to the monies owed between MT and CMM, which will be paid out of CMM share of surplus cash flow.

Glenloth Gold Project (EL6301 and rights to explore and develop ML5848, ML5849, ML5885 and MPL62):

Stockworks Exploration and Mining Pty Ltd ("SEM") owns 100% of EL6301 and has a right to explore and develop the other tenements listed above. The tenement owners retain the right to conduct small scale mining activities on the ML's and MPL. It is proposed, under the Glenloth transaction, that:

- SEM will sell to HOR (or its related nominee) a 100% interest in EL6301 in consideration of the issue of 6 million fully paid ordinary shares valued at \$0.02 under its existing capacity under LR7.1.

- The holders of the remaining Glenloth tenements (being Gawler Craton Resources Pty Ltd and Mark and Ian Filsell) will grant HOR rights to explore and develop on those tenements, together with a right of first refusal on a disposal or relinquishment of those tenements, in consideration of the grant of the royalties noted below and the issue of 2 million fully paid ordinary shares (in aggregate) valued at \$0.02 under its existing capacity under LR7.1. The tenement holders will have a right to terminate these rights in the event of a change of control of HOR.
- In the event that HOR defines a published JORC 2012 resource that it does not intend to develop or mine then SEM will be granted a first right of refusal over the resource.
- If, during the term of the tenements or subsequent mining tenements, exploration conducted by HOR defines a 2012 JORC resource (at a cut-off grade of 0.5 g/t Au) in excess of 10,000 ounces Au, and less than 50,000 ounces Au in respect of the project as a whole, then HOR shall have the right to develop the resource in return for a royalty payable to the tenement holders (other than in respect of EL6301) of \$20/ounce of gold produced. This arrangement extinguishes on any individual tenement which expires, but not through conversion of title to allow gold production.
- During the term of the tenements or subsequent mining tenements, any gold production from the Glenloth project in excess of 50,000 ounces in aggregate will be subject to a 1% royalty payable to SEM (in respect of EL6301) and the tenement holders (in respect of the other tenements), capped to a maximum of 250,000 ounces of production in aggregate. This arrangement extinguishes on any individual tenement which expires, but not through conversion of title to allow gold production.
- During the term of the tenements or subsequent mining tenements, in the event that HOR defines and announces a 2012 JORC measured and indicated resource of 500,000 ounces in respect of the project as a whole (at a cut-off grade of 0.5 g/t Au), then it will issue to SEM a further 4 million fully paid ordinary shares subject to receipt of any approvals of the Company's shareholders required under the Corporations Act of the ASX Listing Rules. This arrangement extinguishes on any individual tenement which expires, but not through conversion of title to allow gold production.
- HOR will undertake to meet minimum statutory expenditure commitments, and keep the tenements in good standing.

In addition, MT is owed fees of approximately \$50,000 by SEM with respect to work undertaken on the Glenloth Project. Subject to definitive agreements being entered into for the Glenloth acquisition, it is proposed that Horseshoe will issue 2 million fully paid ordinary shares valued at \$0.02 under its existing capacity under LR7.1 to MT as part payment of fees owing by SEM to MT. HOR has no additional obligation in relation to the monies owed between MT and SEM.

Enquiries

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Competent Persons Statement

The information in this report that relates to Exploration Results is based on information reviewed by Mr Craig Hall, whom is a member of the Australian Institute of Geoscientists. Mr Hall is a director of 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.

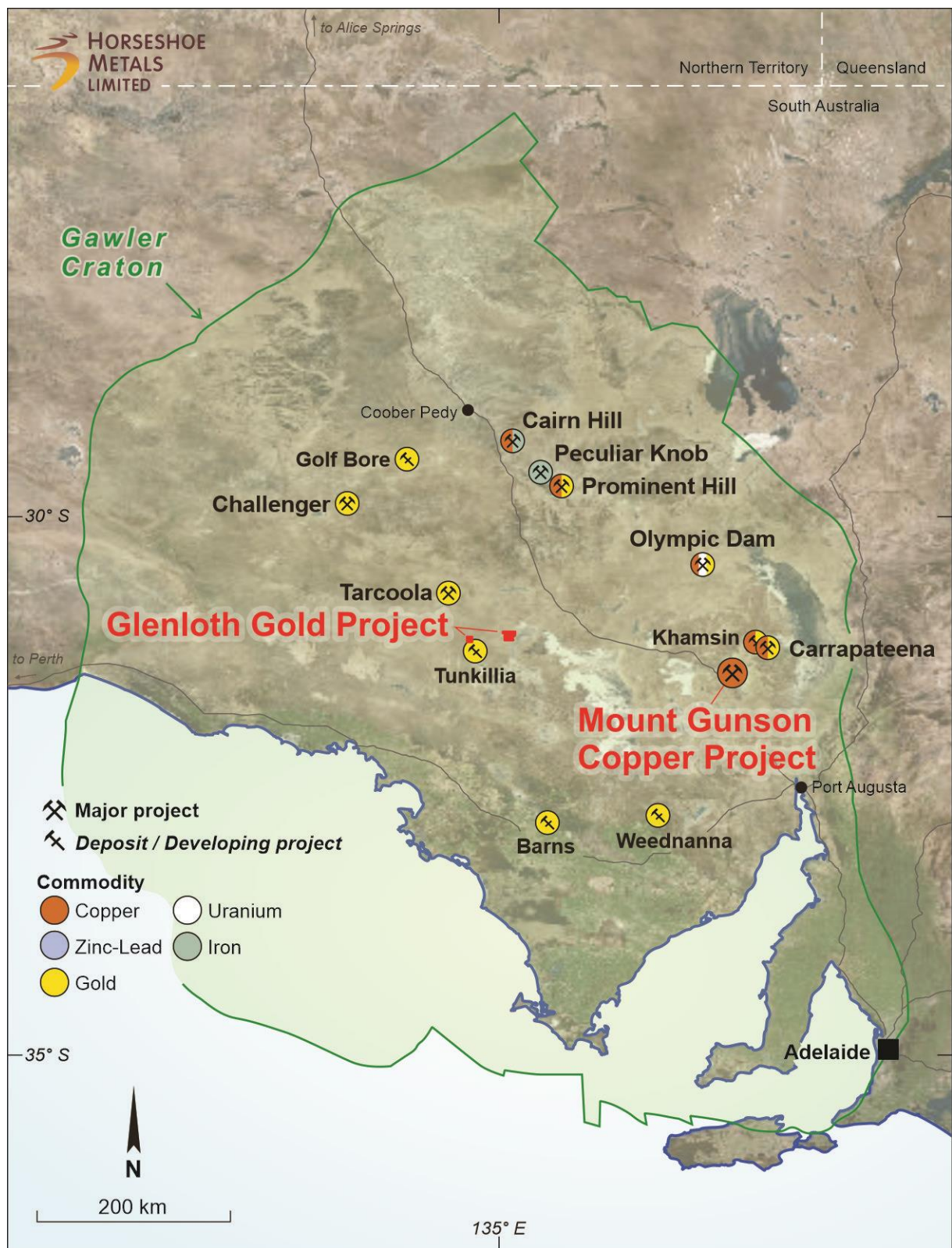


Figure 1: Location of Mt Gunson Copper Project and Glenloth Gold Project, with significant local deposits, South Australia

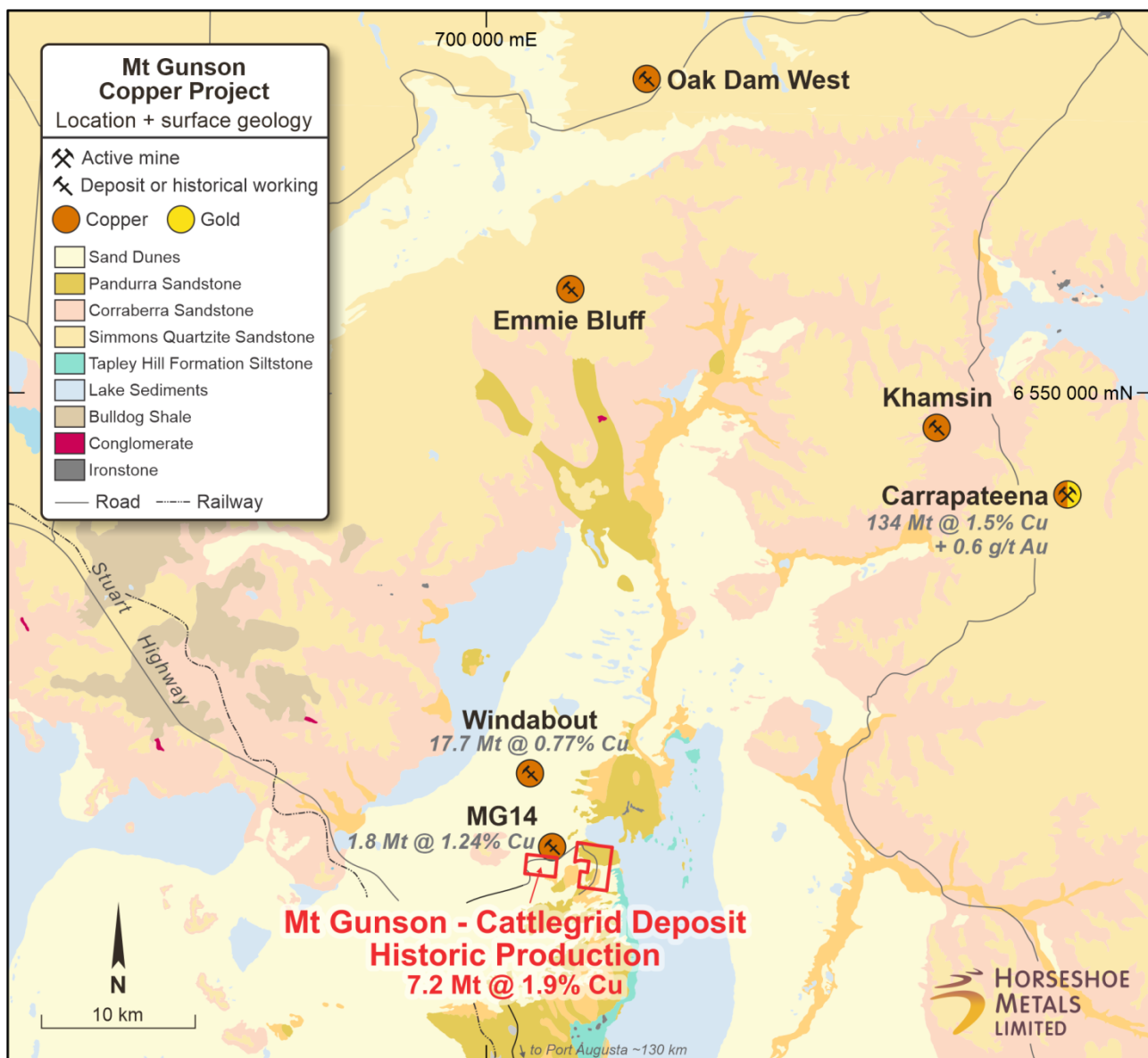


Figure 2: Location of Mt Gunson Copper Project and significant local deposits

Carrapateena Resource:

https://www.ozminerals.com/uploads/docs/170824_ASX_Release_Resource_and_Reserve_Statement_-_Carrapateena_August_2017.pdf p5

Windabout Resource:

<https://gindalbie.com.au/wp-content/uploads/2018/01/Mt-Gunson-Copper-Cobalt-Project-Update.pdf> p1

MG14 Resource:

<https://gindalbie.com.au/wp-content/uploads/2018/01/Mt-Gunson-Copper-Cobalt-Project-Update.pdf> p1

Cattlegrid Historic Production:

<http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.697.4826&rep=rep1&type=pdf> p5

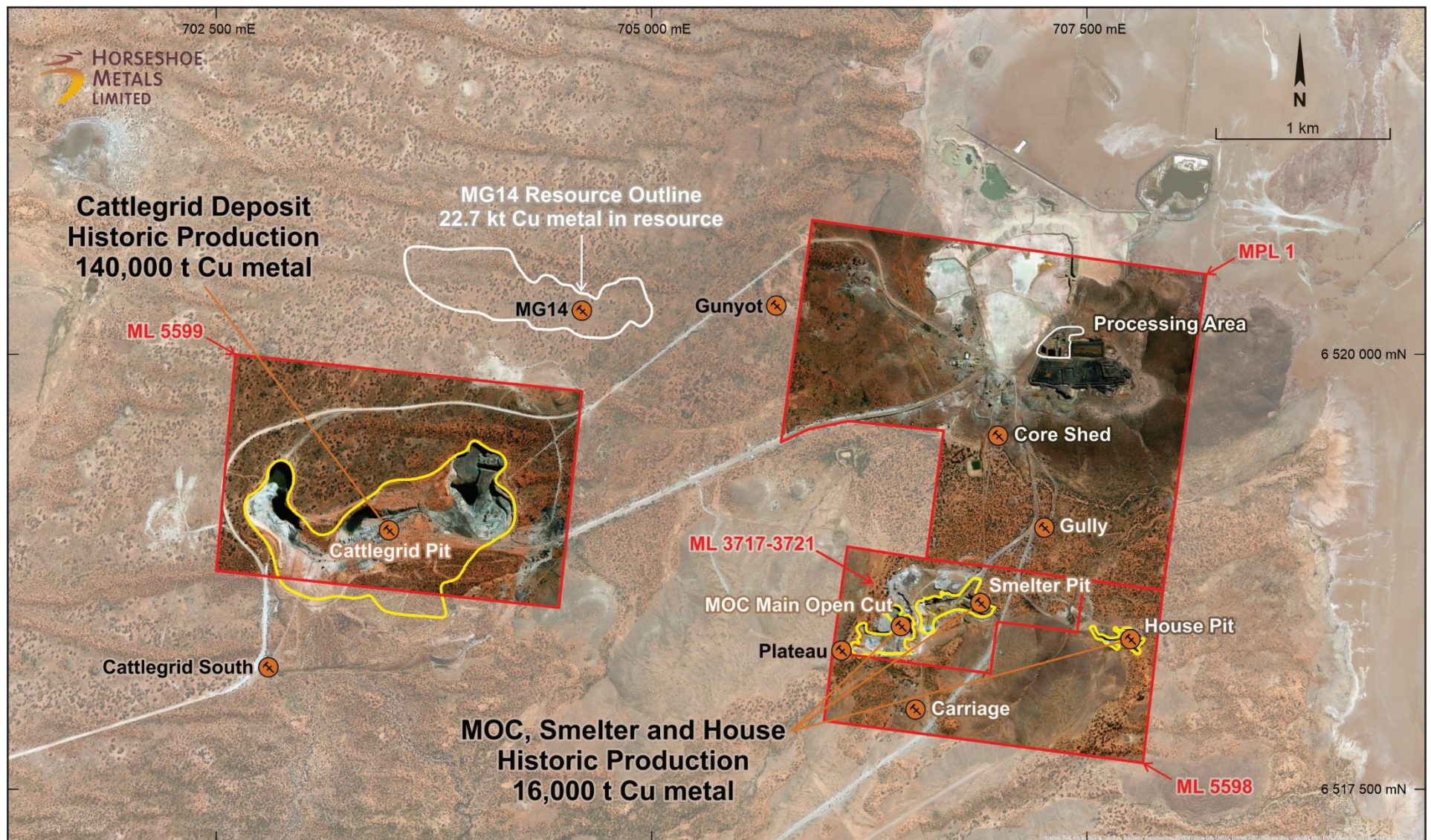


Figure 3: Location of Mt Gunson Copper Project tenure with local deposits and prospects. Historic pit outlines in yellow.

Cattlegrid Historic Production: Bampton (2003) Copper Mining and treatment in South Australia, MESA Journal 28, pp38-44
<http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.697.4826&rep=rep1&type=pdf> p2

MG14 Resource:

<https://gindalbie.com.au/wp-content/uploads/2018/01/Mt-Gunson-Copper-Cobalt-Project-Update.pdf> p1



Figure 4: View of Cattlegrid pit looking south, residual oxide material in foreground



Figure 5: View of Mt Gunson Oxide Treatment Facilities and Leach Ponds

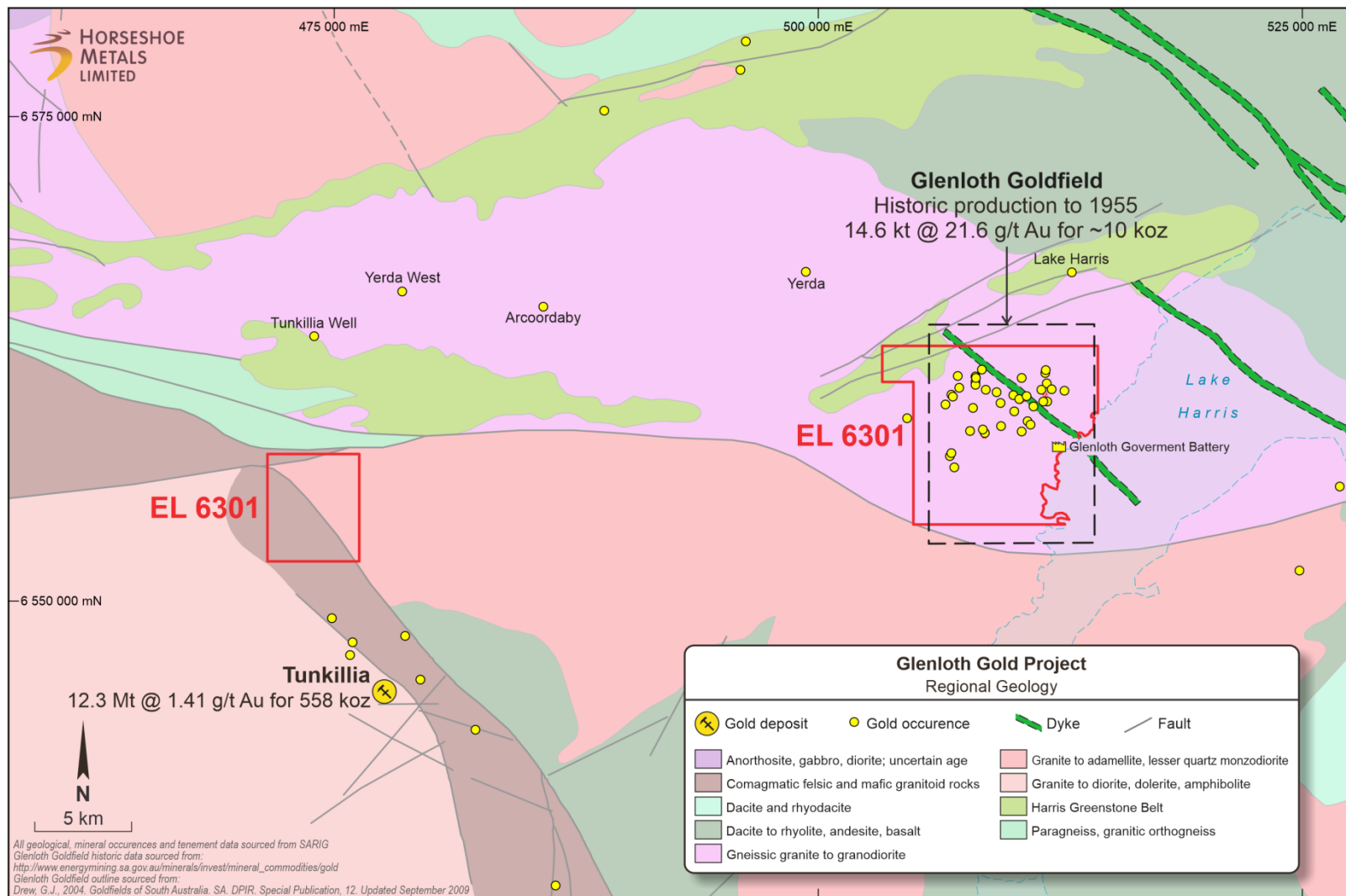


Figure 6: Location of Glenloth Gold Project tenure with regional geology, with known gold occurrences and significant resources.

Glenloth Historic Production:

http://www.energymining.sa.gov.au/minerals/invest/mineral_commodities/gold

Glenloth Goldfield Location:

<https://sarigbasis.pir.sa.gov.au/WebtopEw/ws/samref/sarig1/image/DDD/SP020.pdf> p79

Tunkillia Resource:

<https://www.asx.com.au/asxpdf/20150204/pdf/42wdj3ts5gz5t4.pdf> p1

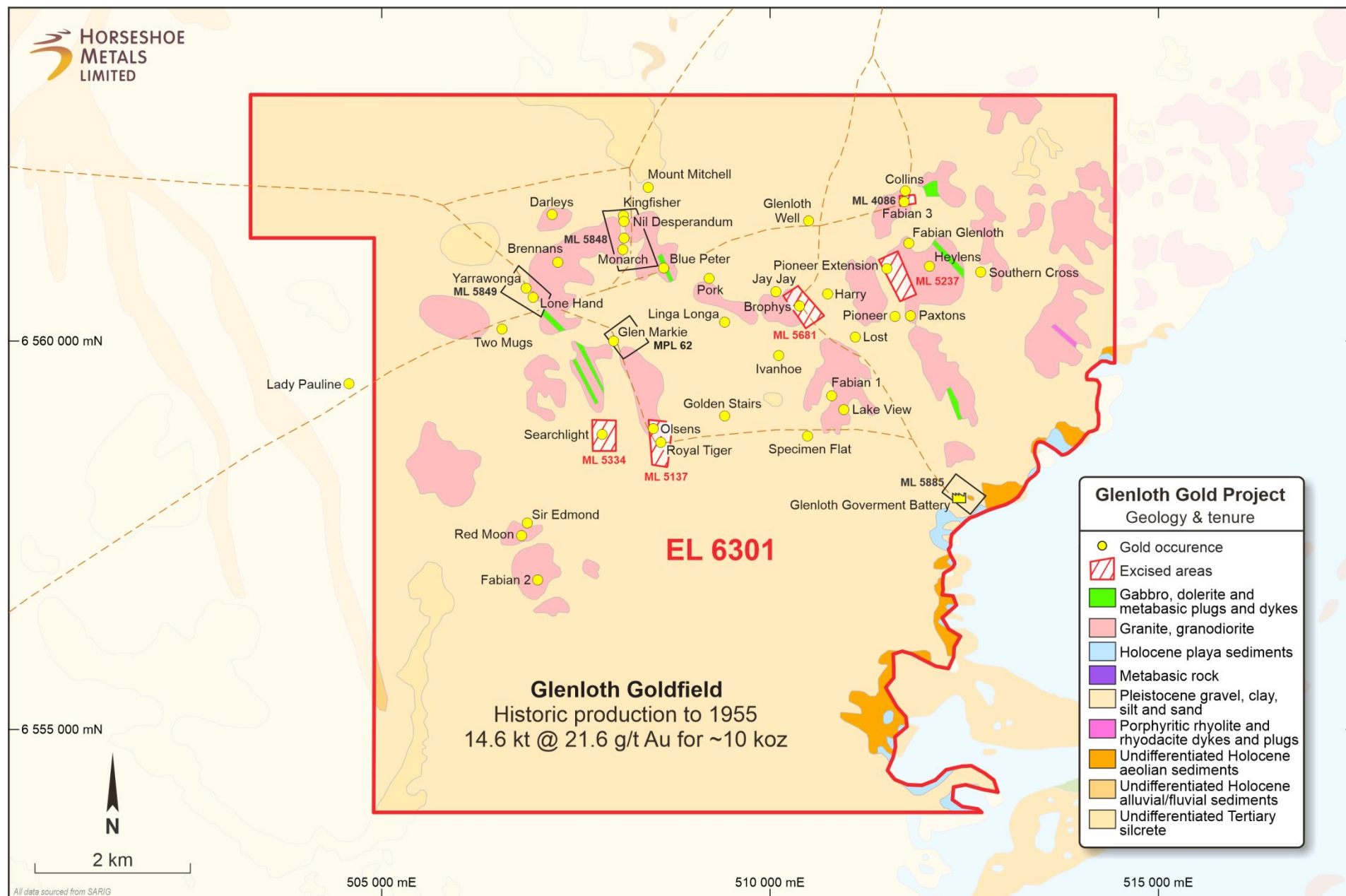


Figure 7: Location of Glenloth Goldfield tenure with regional geology, with named gold occurrences.