

ASX/MEDIA ANNOUNCEMENT

30 JANUARY 2015

ASX Code: HOR

Management

Mr Neil Marston
*Managing Director/Company
Secretary*

Mr Michael Fotios
Non-Executive Director

Mr Alan Still
Non-Executive Director

Issued Capital

Shares: 169.0 Million

Options:
5.4 Million (60c, exp 5/15)
Performance Rights: 2.8 M

Share Price: \$0.017

Market Capitalisation:
\$2.87 Million

Cash at Bank
(31 December 2014)

\$0.4 Million



HORSESHOE METALS LIMITED

QUARTERLY REPORT PERIOD ENDED 31 DECEMBER 2014

SUMMARY

Horseshoe Lights Copper-Gold Project

- Diamond drilling to test geophysical anomaly successfully completed to a depth of 698.1 metres.
 - 203 samples (196.1m core) to be assayed in the coming 2-3 weeks.
- Project area expanded via 2 option-to-purchase agreements for highly VMS-prospective ground.
 - Option-to-purchase agreement with Elysium Resources Ltd for Exploration Licence E52/2569.
 - Option-to-purchase agreement with private parties in respect to Mining Lease M52/600.
 - Both tenements situated in favourable geological settings to host similar mineralisation to nearby Horseshoe Lights copper-gold deposit.
- New priority copper targets identified for drilling in 2015.
 - Targets identified from field mapping and sampling around the Horseshoe Lights Mine area.
 - 160 rock chip samples collected; 16 samples recorded copper results >250ppm Cu with results of up to 0.15% Cu.
- Scoping Study confirmed development potential of Horseshoe Lights Project.
 - Study outcomes confirm potential to bring Horseshoe Lights back into production given the right economic circumstances.
- Tailings Re-processing Programme identified potential to generate short-term cash flows.
 - Aim to assess surface stockpiles, tailings and mineralized dumps for low cost processing options.

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OVERVIEW

Horseshoe Metals Limited (ASX: HOR) ("Horseshoe" or "the Company"), through its wholly owned subsidiary, Murchison Copper Mines Pty Ltd, holds a 100% interest in the Horseshoe Lights and Kumarina Projects located in the Peak Hill Mineral Field, north of Meekatharra in Western Australia (see Figure 1). Refer to Appendix 1 for full tenement details.

EXPLORATION AND EVALUATION

Horseshoe Lights Copper/Gold Project (HOR: 100%) (GRR: 3% NSR Royalty – refer to Appendix 1)

The Horseshoe Lights Project covers an area of approximately 80 km² including the closed Horseshoe Lights copper-gold mine, which is located 75km west of Sandfire Resources NL's (ASX:SFR) DeGrussa copper-gold mine and 25km east of RNI NL's (ASX:RNI) recent Forrest copper-gold discovery (see Figure 1).

Diamond Drilling

Co-funded diamond drilling to extend an existing drill hole (RC358) from 252m depth to a planned depth of 600m to test a significant geophysical anomaly was commenced on 14th January 2015 (see *ASX announcement dated 15th January 2015*). Drilling of RCD358 was completed on 28th January 2015 with the extended hole terminated at a final depth of 698.1m, 98.1m beyond the target depth.

A batch of 203 samples covering 196.1 metres of core is in transit to the assay laboratory for multi-element analysis. The location of sampled intervals of core are shown in Figure 2. Follow-up sampling of other sections of core may be undertaken based on the assay results from the first batch.

Results of this drill hole will be announced as soon as the laboratory assay results are available, which should be in approximately 2-3 week's time.

Project Acquisitions

During the quarter the Company continued an extensive review of its regional database and public file reports to identify similar copper-gold targets within the Bryah Basin for deeper drilling to supplement exploration targets already generated close to the Horseshoe Lights Mine.

As a result of these activities, the Company entered into an option-to-purchase agreement with Elysium Resources Limited (ASX: EYM) (see *ASX announcement dated 29th October 2014*) to acquire Exploration Licence E52/2569.

In addition, subsequent to the end of the quarter the Company announced (see *ASX announcement dated 20th January 2015*) the signing of a second option-to-purchase agreement with private parties in respect to Mining Lease M52/600.

Both these optioned tenements are situated in favourable geological settings with the potential to host similar mineralisation to the nearby Volcanic Massive Sulphide (VMS) copper-gold deposit at Horseshoe Lights (see Figure 3).

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New priority Copper targets identified

During the quarter the Company identified a number of new, priority copper targets to be drill tested in the 2015 field season. The targets were identified from field mapping and sampling programmes on the area outside the immediate Horseshoe Lights Mine area (see ASX announcements dated 9th & 12th December 2014 for full details).

A total of 160 rock chip samples were collected and 16 samples recorded copper results above 250ppm Cu, with the best results reported being copper of up to 0.15% Cu. Details of these 16 samples are shown in Table 1 below and on Figure 3.

TABLE 1 2014 Rock Chip Sampling Anomalous Assay Results (>250ppm Cu)						
Sample ID	Easting	Northing	Cu (ppm)	Ni (ppm)	Zn (ppm)	Description
TETHYS PROSPECT AREA						
HSGR001	665,248	7,192,386	890	365	460	Gossanous ironstone with relic sulphides
HSGR002	665,247	7,192,385	1480	560	390	Gossanous ironstone with relic sulphides
HSGR003	665,299	7,192,411	560	105	205	Fragmental quartz in manganese & iron matrix
HSQV121	664,987	7,192,190	287	190	195	Qtz vein with relic boxwork striking NW-SE
HSQV145	665,255	7,192,370	408	236	245	Pelitic sediment with iron-rich stringers
HSQV146	665,251	7,192,344	341	971	200	Quartz with ilmenite veins
HSQV147	665,250	7,192,340	807	358	435	Fragmental quartz in manganese-rich matrix
HSQV148	665,248	7,192,383	646	205	280	Ironstone with botryoidal texture
HSQV151	665,238	7,193,054	1144	1630	585	Manganese-rich quartz vein with relic boxwork striking NNW-SSE
TITAN PROSPECT AREA						
HSNGR005	661,339	7,191,424	420	140	560	Gossanous ironstone (48.0% Fe) with relic sulphides
HSNGR013	662,629	7,191,738	450	70	580	Gossanous ironstone (45.7% Fe) with relic sulphides
HSNGR015	661,529	7,191,486	540	25	175	Ironstone (48.6% Fe)
SATURN PROSPECT AREA						
HSQV051	661930	7190370	270	9	20	Chert with minor relic box work
HSQV079	662117	7190254	721	21	15	Sub-vertical fragmental quartz vein striking east-west
HSQV080	662120	7190200	324	45	25	Iron rich fragmental quartz vein
HSQV081	662116	7190149	254	23	25	Fragmental quartz vein in Iron rich matrix

Scoping Study at Horseshoe Lights Project confirms development potential

During the quarter the Company completed a Scoping Study ("Study") with mining engineers at Entech Pty Ltd commissioned to provide an independent assessment of potential open pit mining operations at the Horseshoe Lights Project (see ASX announcement dated 19th December 2014 for full details).

The overall outcomes of the Study were positive and reinforce the Company's view that the Horseshoe Lights Project has the potential to be bought back into production given the right future economic circumstances. The outcomes of the Study will assist the Company in future resource definition drilling and project development planning.

QUARTERLY REPORT FOR THE PERIOD ENDED 31 DECEMBER 2014

The Study was undertaken using the 2013 Mineral Resource Estimate for the Horseshoe Lights deposit which consists of a total Measured, Indicated and Inferred Mineral Resource of **12.85 million tonnes @ 1.00% Cu and 0.1 g/t Au** for **128,600 tonnes Cu and 36,000 oz Au** (using a cut-off grade of 0.5% Cu).

STUDY PARAMETERS

The scope of work included the optimisation of the open pit, leading into a scoping level open pit design and the construction of a mining schedule and cost model for the proposed mining project. A production target of 1,000 ktpa was determined as being a realistic target for project modelling purposes.

Three cases were modelled using varying copper prices with all other inputs remaining the same. Case 1 was designed to represent the prevailing commodity prices in AUD terms. Cases 2 and 3 represent an increased copper price at ~AU\$0.50/lb and ~AU\$1.00/lb above the Case 1 copper price respectively.

FINANCIAL RESULTS

Table 2 below summaries the key project economic assessment results from the Study.

TABLE 2 Summary of Economic Assessment Results				
Item	Unit	Case 1	Case 2	Case 3
Production Rate	Ktpa	1,000	1,000	1,000
Mine Life	(~years)	4	5	6
Recovered Metal - Cu	t	36,778	41,048	47,375
Recovered Metal - Au	oz	9,778	10,971	12,730
Recovered Metal - Ag	oz	211,765	232,394	271,101
Total Revenue	M\$	\$302.5	\$381.7	\$492.8
Royalties	M\$	(\$22.3)	(\$28.1)	(\$36.4)
Mining Costs	M\$	(\$61.0)	(\$67.0)	(\$76.0)
Processing & Administration Costs	M\$	(\$112.4)	(\$133.4)	(\$164.7)
Freight & Ports Costs	M\$	(\$13.2)	(\$14.8)	(\$17.1)
Treatment and Refining Charges	M\$	(\$26.9)	(\$31.8)	(\$36.7)
Pre-strip and Plant Capital Expenditure	M\$	(\$36.7)	(\$36.7)	(\$36.7)
Sustaining Capital Expenditure	M\$	(\$8.3)	(\$10.0)	(\$12.2)
Cash Flow before Tax	M\$	\$21.7	\$59.9	\$113.0
NPV (10%)	M\$	\$8.1	\$34.8	\$68.8
IRR	%	22.6%	53.6%	85.1%
Payback Period	(months)	48	32	22

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PIT DESIGNS

Using the pit designs created in the Study, the existing Horseshoe Lights open pit would be cut-back to the north to access ore material located under part of the existing waste dump. Excavation of part of the existing waste dump has been accounted for in the financials of the Study.

The open pit designs utilise the haul ramp that enters the existing open pit at the southern end, cutting the eastern wall back and continuing the pit ramp to the north. The ramp access continues on the north wall, continuing to the western wall before switching back and staying on the northern extents of the open pit. A small separate open pit is also mined at the Motters Zone located north east of the existing open pit. Figure 3 illustrates the mine design in respect to the current topography for the Case 3 pit.

Tailings Study

During the quarter a proposal for the conduct of tailings testwork was prepared by a consultant to the Company with the aim being to assess surface stockpiles, tailings and mineralised dumps for low cost processing options.

The Mineral Resource estimate for some of the surface stockpiles and flotation tailings (see Figure 5) is set out in Table 3 below (*originally disclosed in ASX announcement dated 5 June 2013*).

TABLE 3 Horseshoe Lights Project Surface Stockpiles and Flotation Tailings Mineral Resource Estimate As At 31 May 2013				
Type	Category	Tonnage (t)	Cu (%)	Cu metal (tonnes)
Flotation Tailings	Inferred	1,420,000	0.47	6,700
M15 Stockpile	Inferred	244,000	0.80	1,900
Subgrade Stockpile	Inferred	38,000	0.50	200
	TOTAL	1,702,000	0.52	8,800

Table 3 does not include any gold grades for the flotation tailings however historic operational records and samples collected and assayed in 2010 indicate that the tailings grade an average of approximately 0.3 g/t Au.

The CIP tailings are also not included in Table 3 as insufficient sampling has been completed to date. Historical records indicate that the CIP tailings dam contains over 1.25 Mt of material.

Historical studies have generally only looked at acid leaching to treat the flotation tailings however a site inspection by the consultant in 2014 has identified that the flotation and CIP tailings contain particles of native copper, chalcopryite, chalcocite, copper oxides and gold which may be readily amenable to simple gravity type beneficiation to recover a saleable product at low operating and capital costs. A programme of appropriate trials has been recommended initially to prove this concept, planning for which is underway.

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This process, if proven to be viable, could provide the Company with a low capital cost pathway to implementing a staged development that generates positive cash flows in the short term, some of which could potentially be applied to a second stage larger development involving open pit mining such as contemplated in the Scoping Study.

Future Activities

A programme of RC drilling for scrip by Whitestone Minerals Pty Limited via a Drilling Fund Contract is in place (see *ASX announcement 31 March 2014*). Under the contract Whitestone Minerals Pty Limited is obliged to provide drilling services to the value of \$235,000 by 27 March 2015.

Kumarina Copper Project (HOR: 100%)

The Kumarina Project consists of two exploration licences and one mining lease covering approximately 432km². The project is located 95km north of Sandfire Resources NL's DeGrussa copper-gold mine, in the Gascoyne region of Western Australia (see Figure 1). The project has a total Measured, Indicated and Inferred Mineral Resource Estimate of **835,000 tonnes @ 1.3% Cu** for **10,600 tonnes Cu** (using a cut-off grade of 0.5% Cu). No field work was undertaken at Kumarina during the quarter.

Future Activities

Planning for future field work at Kumarina will be undertaken during the March 2015 quarter.

SUMMARY

The co-funded diamond drilling in January 2015 has been successful drilled and the Company looks forward to receiving the assay results when they become available in February.

The December quarter has been successful with the internal review securing new exploration ground and follow-up field work identifying immediate copper-gold targets for testing in 2015. The Tailings Study has identified a potential pathway to low cost production in the short term which needs to be fully evaluated as quickly as possible. In addition, the independent scoping study shows that the Horseshoe Lights Mine has the potential for a profitable re-start to open pit mining and warrants additional drilling in the immediate future.

CORPORATE

As at 31 December 2014, the Company had cash at bank of \$401,728.

ENDS

For further information please contact:

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About Horseshoe Metals Limited

Horseshoe Metals Limited (ASX:HOR) is a copper and gold focused company with a package of tenements covering approximately 500km² in the highly prospective Peak Hill Mineral Field, located north of Meekatharra in Western Australia. The Company's projects are the Horseshoe Lights Project and the Kumarina Project (see Figure 1).

About the Horseshoe Lights Project

The Horseshoe Lights Project includes the old open pit of the Horseshoe Lights copper-gold mine which operated up until 1994, producing over 300,000 ounces of gold and 54,000 tonnes of contained copper including over 110,000 tonnes of Direct Shipping Ore (DSO) which graded between 20-30% copper.

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, which also host Sandfire Resources' DeGrussa copper/gold mine.

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.

A Mineral Resource Estimate for the Horseshoe Lights deposit was completed by the Company in June 2013 (*see 30 June 2013 Quarterly Report announced on 31 July 2013*). The Mineral Resource Estimate meets the reporting requirements of the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves"

The total Measured, Indicated and Inferred Mineral Resource Estimate is **12.85 million tonnes @ 1.00% Cu and 0.1 g/t Au for 128,600 tonnes Cu and 36,000 oz Au** (using a cut-off grade of 0.5% Cu).

About the Kumarina Project

The copper deposits at the Kumarina Project were discovered in 1913 and worked intermittently until 1973. The workings extend over nearly 5km as a series of pits, shafts and shallow open cuts. At the main Kumarina Copper Mine, the workings are entirely underground with drives from the main shaft extending for some 200m in the upper levels and for about 100m in the lower levels at a depth of 49m below surface.

Incomplete records post-1960s make it difficult to estimate the total copper production from the workings. However, indications are that the Kumarina Copper mine was the second largest producer in the Bangemall Basin group of copper mines. Recorded production to the late 1960s is 481t of copper ore at a high-grade of 37.0% Cu and 2,340t at a grade of 17.51% Cu.

A Mineral Resource Estimate for the Rinaldi deposit was completed by the Company in June 2013 (*see 30 June 2013 Quarterly Report announced on 31 July 2013*). The Mineral Resource Estimate meets the

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reporting requirements of the 2012 Edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves”

The total Measured, Indicated and Inferred Mineral Resource Estimate is **835,000 tonnes @ 1.3% Cu** for **10,600 tonnes Cu** (using a cut-off grade of 0.5% Cu).

APPENDIX 1 Summary of Mining Tenement Interests as at 31 December 2014					
Location	Tenement	Interest At Beginning Of Quarter (%)	Interests relinquished, reduced or lapsed (%)	Interests acquired or increased (%)	Interest At End Of Quarter (%)
Horseshoe Lights	M52/743	100% ¹	-	-	100% ¹
Horseshoe Lights	P52/1203	100% ¹	-	-	100% ¹
Horseshoe Lights	P52/1204	100% ¹	-	-	100% ¹
Horseshoe Lights	P52/1205	100% ¹	-	-	100% ¹
Horseshoe Lights	P52/1206	100% ¹	-	-	100% ¹
Horseshoe Lights	P52/1207	100%	-	-	100%
Horseshoe Lights	P52/1208	100%	-	-	100%
Horseshoe Lights	P52/1209	100%	-	-	100%
Horseshoe Lights	P52/1210	100%	-	-	100%
Horseshoe Lights	P52/1211	100%	-	-	100%
Horseshoe Lights	E52/2042	100% ¹	40% compulsory surrender	-	100% ¹
Horseshoe Lights	L52/42	100% ¹	-	-	100% ¹
Horseshoe Lights	L52/43	100% ¹	-	-	100% ¹
Horseshoe Lights	L52/44	100% ¹	-	-	100% ¹
Horseshoe Lights	L52/45	100% ¹	-	-	100% ¹
Horseshoe Lights	L52/66	100% ¹	-	-	100% ¹
Horseshoe Lights	E52/2569	0%	-	Option to purchase acquired ²	0%
Kumarina	M52/27	100%	-	-	100%
Kumarina	E52/1998	100%	-	-	100%
Kumarina	E52/2930	100%	-	-	100%

Notes:

- 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 has entered into a two year option-to-purchase agreement with Elysium Resources Limited in respect to E52/2569.

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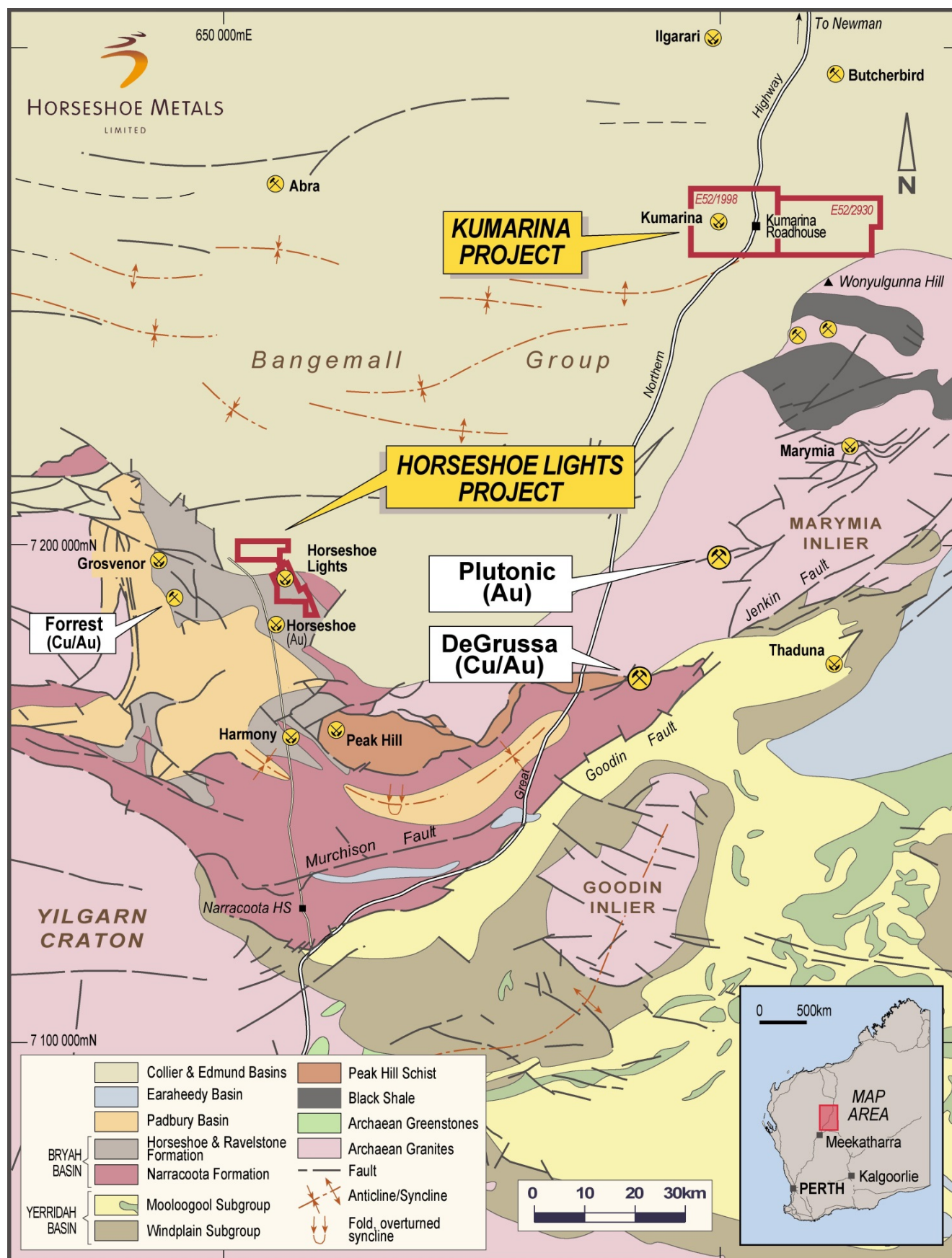


Figure 1 - Projects Location Plan

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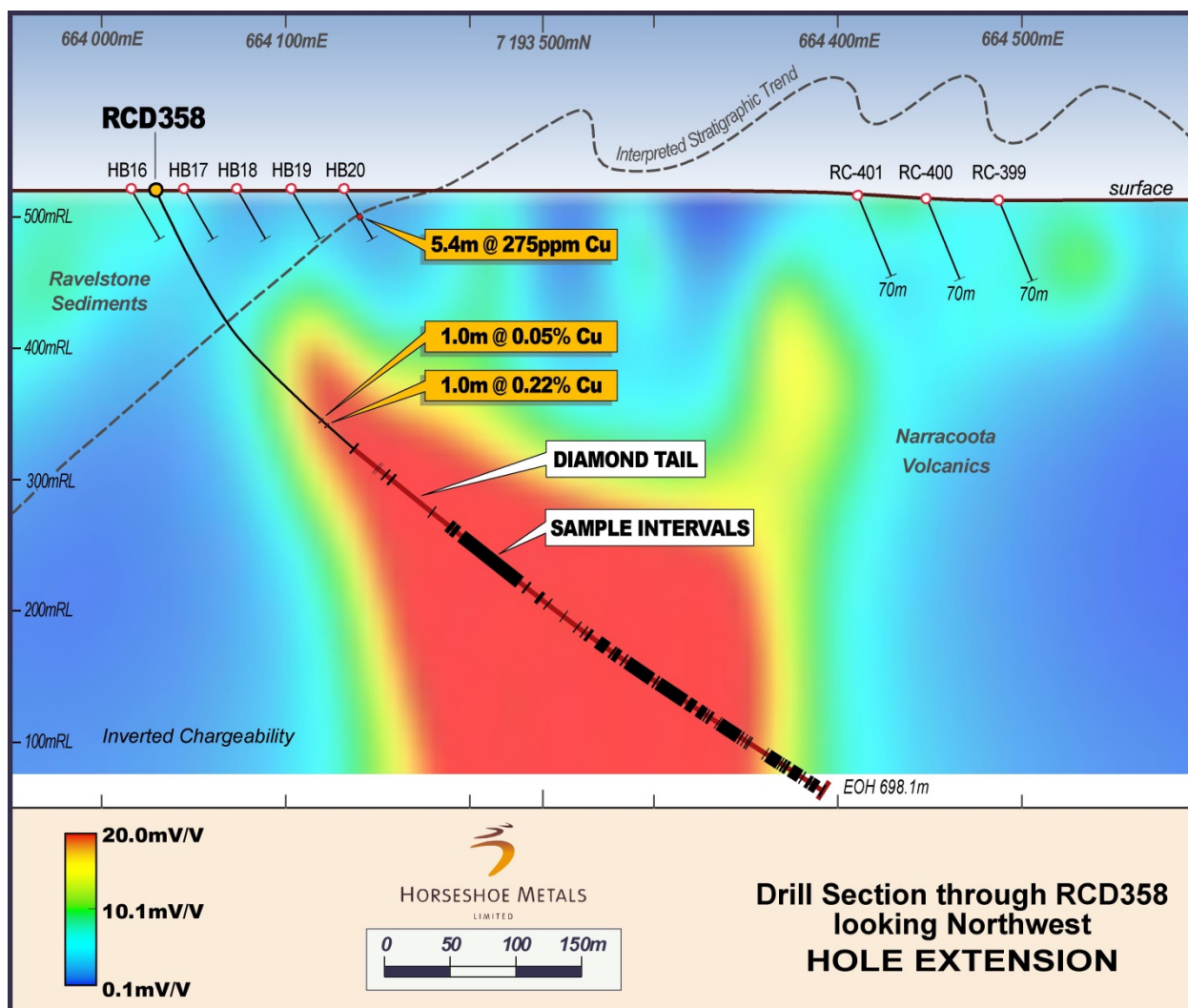


Figure 2 – Horseshoe Lights Project
Drill Section through RCD358 overlain on image of DDIP anomaly.

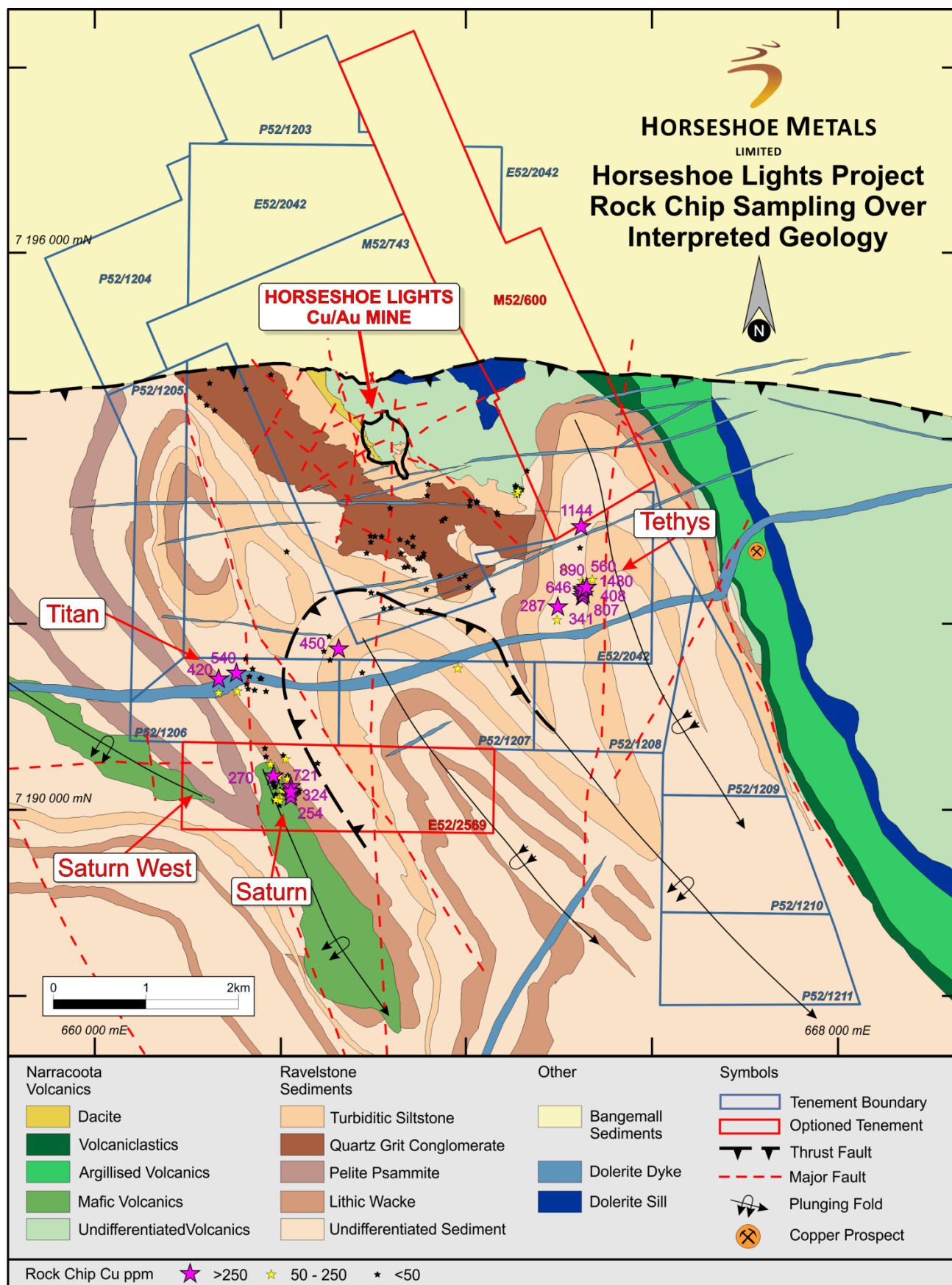


Figure 3 – Horseshoe Lights Project
Rock Chip Sampling over Interpreted Geology Plan

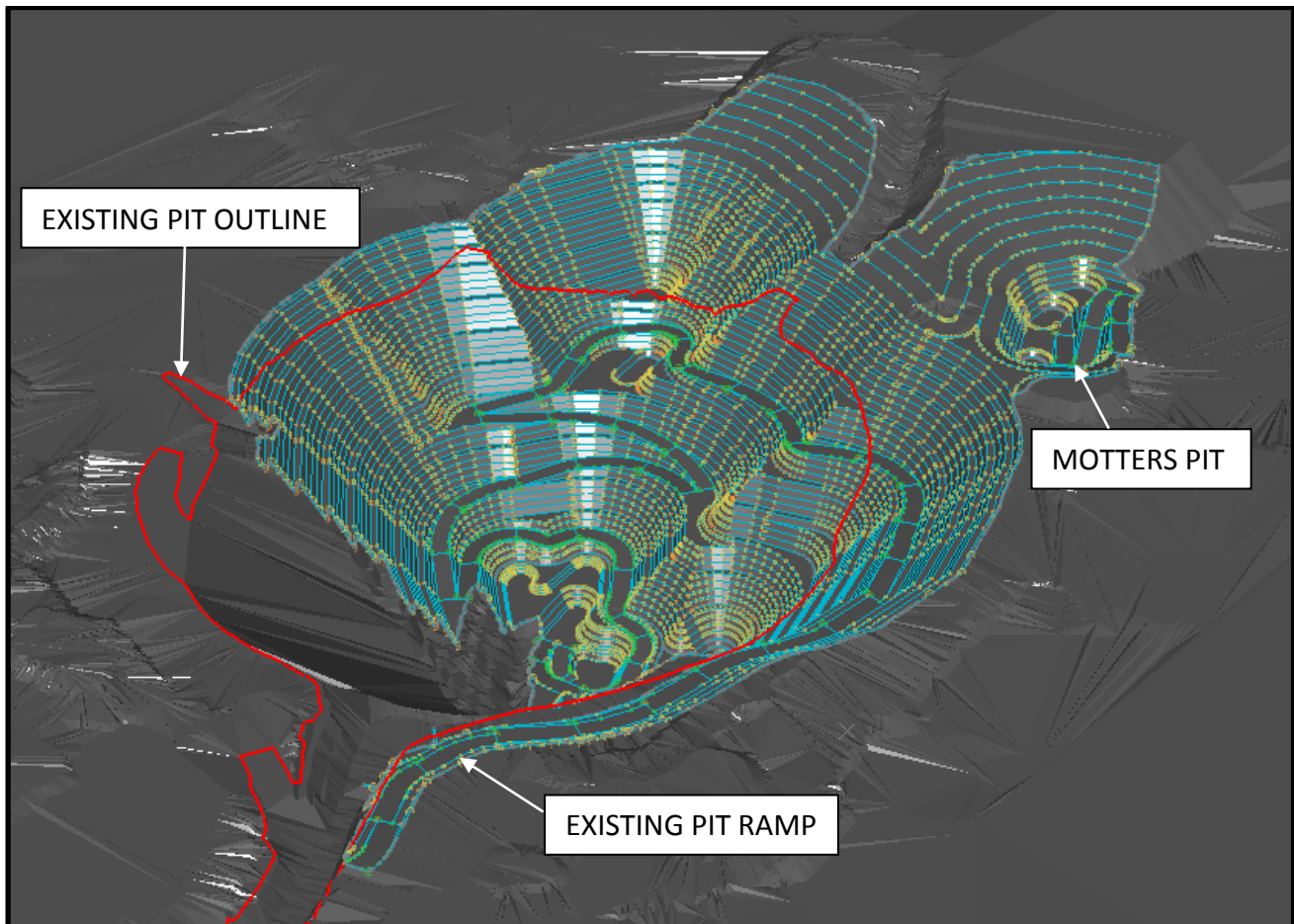


Figure 4 – Horseshoe Lights Project
Case 3 Preliminary Pit Design - Oblique View looking NW

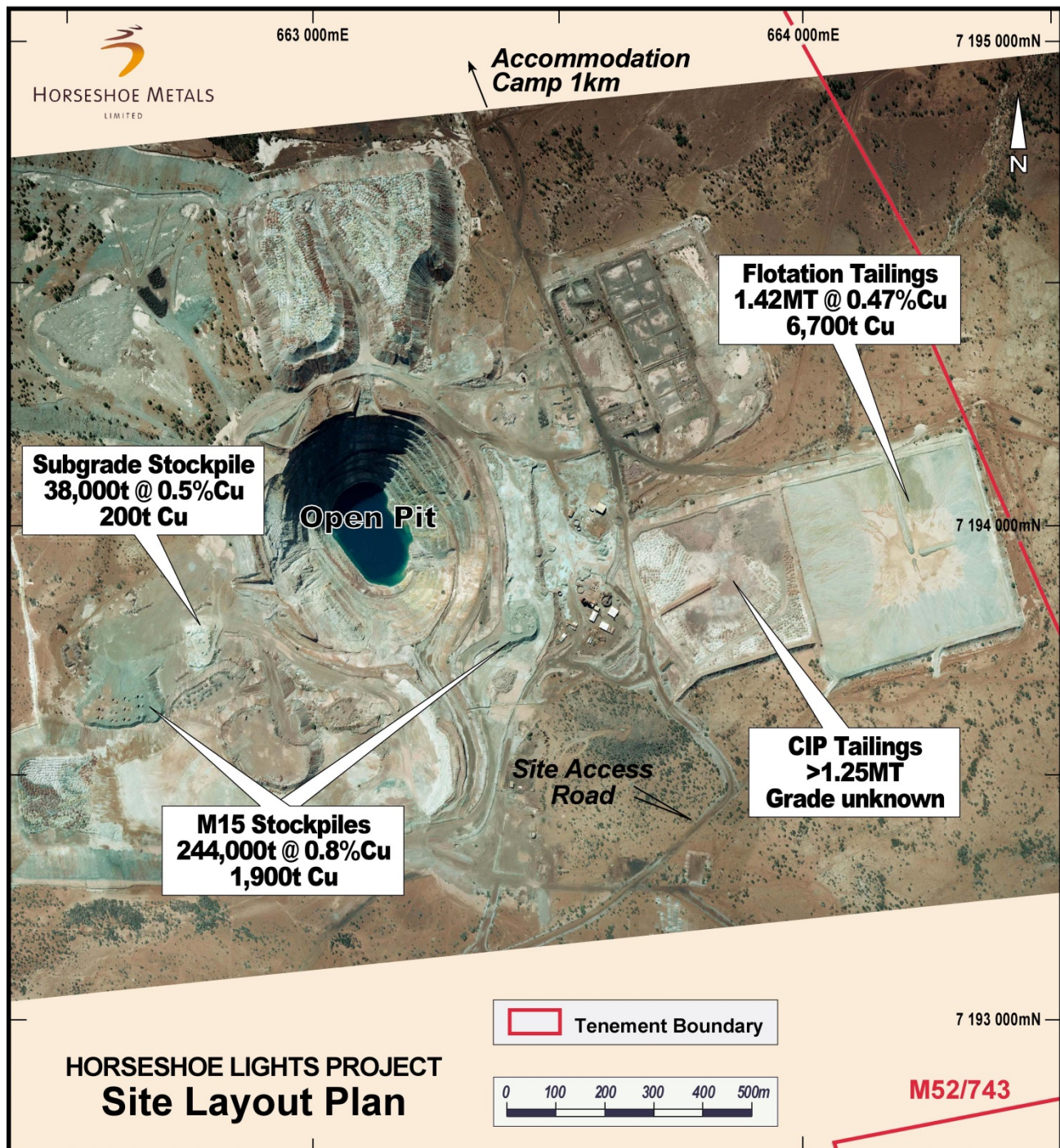


Figure 5 – Horseshoe Lights Project
Site Layout Plan

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Competent Persons Statement

The information in the report to which this statement is attached that relates to Exploration Results is based on information compiled by Mr Geoff Willetts, BSc. (Hons) MSc. who is a Member of the Australian Institute of Geoscientists. Geoff Willetts is an employee of Horseshoe Metals Limited. Geoff Willetts has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Geoff Willetts consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in the report that relates to mining project evaluations is based upon information compiled by, or under the supervision of Mr Matthew Keenan who is a member of The AusIMM (Chartered Professional). Mr Keenan is an employee of Entech Pty Ltd. Matthew Keenan has sufficient technical and techno-economic assessment experience, which is relevant to the activity that he is undertaking, to qualify as an Expert as defined in the 2005 Edition of the "Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Experts Reports" (VALMIN Code).

The information in this report that relates to the Horseshoe Lights Project Mineral Resources is based on information compiled by Mr. Dmitry Pertel, who is a member of the Australian Institute of Geoscientists. Mr. Pertel is an employee of CSA Global Pty Ltd. The information was previously issued with the written consent of Mr Dmitry Pertel in the Company's 30 June 2013 Quarterly Report released to the ASX on 31 July 2013. The Company confirms that:

- (a) the form and context in which Mr. Dmitry Pertel's findings are presented have not been materially modified.
- (b) it is not aware of any new information or data that materially affects the information included in the 31 July 2013 ASX announcement and that all the material assumptions and technical parameters underpinning the estimate in the 31 July 2013 ASX announcement continue to apply and have not materially changed.
- (c) it is uncertain that following evaluation and/or further exploration work that the historical estimates will be able to be reported as mineral resources in accordance with the JORC Code.

The information in this report that relates to Mineral Resources of surface stockpiles and tailings is based on information compiled by Mr Geoff Willetts, BSc. (Hons) MSc. who is a Member of the Australian Institute of Geoscientists. Geoff Willetts is employed by Horseshoe Metals Limited. The information was previously issued with the written consent of Mr Geoff Willetts in the Company's announcement released to the ASX on 5 June 2013. The Company confirms that:

- (a) the form and context in which Mr. Geoff Willetts' findings are presented have not been materially modified.
- (b) it is not aware of any new information or data that materially affects the information included in the 5 June 2013. ASX announcement and that all the material assumptions and technical parameters underpinning the estimate in the 5 June 2013. ASX announcement continue to apply and have not materially changed.
- (c) it is uncertain that following evaluation and/or further exploration work that the historical estimates will be able to be reported as mineral resources in accordance with the JORC Code.

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, who is a member of the Australian Institute of Geoscientists. Mr Robert Spiers is an independent consultant to Horseshoe Metals Limited and a full time employee and Director of H&S Consultants Pty Ltd (formerly Hellman & Schofield Pty Ltd). The information was previously issued with the written consent of Mr Robert Spiers in the Company's 30 June 2013 Quarterly Report released to the ASX on 31 July 2013. The Company confirms that:

- (a) the form and context in which Mr Robert Spiers' findings are presented have not been materially modified.
- (b) it is not aware of any new information or data that materially affects the information included in the 31 July 2013 ASX announcement and that all the material assumptions and technical parameters underpinning the estimate in the 31 July 2013 ASX announcement continue to apply and have not materially changed.
- (c) it is uncertain that following evaluation and/or further exploration work that the historical estimates will be able to be reported as mineral resources in accordance with the JORC Code.