



HORSESHOE METALS

LIMITED

A.B.N. 20 123 133 166

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2014

CORPORATE INFORMATION

Directors

Neil Andrew Marston (Managing Director)

Michael George Fotios (Non-Executive Director)

Alan Still (Non-Executive Director)

Company Secretary

Neil Marston

Registered Office

24 Mumford Place,

Balcatta WA 6021

Telephone: +61 8 6241 1844

Facsimile: +61 8 6241 1811

Solicitors

DLA Piper Australia

Level 31 Central Park,

152-158 St Georges Terrace

Perth WA 6000

Telephone: +61 8 6467 6000

Jeremy Shervington

52 Ord Street,

West Perth WA 6005

Telephone: +61 8 9481 8760

Bankers

Westpac Banking Corporation Limited

109 St George's Terrace

Perth WA 6000

Share Register

Computershare Investor Services Pty Ltd

Level 2, 45 St George's Terrace

Perth WA 6000

Telephone: +61 8 9323 2000

Auditors

Somes Cooke

35 Outram Street

West Perth WA 6005

Telephone: +61 8 9426 4500

Stock Exchange Listing

The Company is listed on the Australian Securities Exchange

ASX Code: HOR

Website

www.horseshoemetals.com.au

HORSESHOE METALS LIMITED
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2014

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HORSESHOE METALS LIMITED

DIRECTORS' REPORT

31 DECEMBER 2014

Your Directors present their report, together with the financial statements of Horseshoe Metals Limited and controlled entities (the Group) for the year ended 31 December 2014.

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 Jeremy Shervington	Non-Executive Chairman	Retired 23 June 2014
Mr Neil Marston	Managing Director	
Mr Michael Fotios	Non-Executive Director	
Mr Alan Still	Non-Executive Director	Appointed 23 June 2014
Mr Stuart Hall	Non-Executive Director	Retired 23 June 2014

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 Neil Marston B.Com, MAICD, AGIA

Mr Marston is a qualified accountant and Chartered Secretary with over 30 years' experience. He has extensive experience in the areas of capital raising, corporate governance and compliance, project management, mining and environmental approvals, contract negotiations and stakeholder engagement.

In the previous three years Mr Marston was also a director of the following ASX listed companies: Nil

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.

In the previous three years Mr Fotios was also a director of the following ASX listed companies:

Pegasus Metals Limited;

General Mining Corporation Limited;

Swan Gold Mining Limited;

Redbank Copper Limited;

Northern Star Resources Limited - retired 23 October 2013;

Stirling Resources Limited - retired 9 November 2012.

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: Nil

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DIRECTORS' REPORT

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COMPANY SECRETARY

The following person held the position of Company Secretary at the end of the year and at the date of this report:

Neil Marston

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	Incentive Rights
N. Marston	2,602,495	-	2,000,000
M. Fotios	37,334,236	2,702,732	800,000
A. Still	-	-	-

MEETINGS OF DIRECTORS

During the year 7 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

	DIRECTORS' MEETINGS		AUDIT COMMITTEE		REMUNERATION COMMITTEE	
	NUMBER ELIGIBLE TO ATTEND	NUMBER ATTENDED	NUMBER ELIGIBLE TO ATTEND	NUMBER ATTENDED	NUMBER ELIGIBLE TO ATTEND	NUMBER ATTENDED
Mr Jeremy Shervington	4	4	-	-	-	-
Mr Neil Marston	5	5	-	-	-	-
Mr Michael Fotios	5	5	2	2	-	-
Mr Alan Still	1	1	-	-	-	-
Mr Stuart Hall	4	4	1	1	-	-

Mr Marston attended the audit committee meetings in a management capacity rather than as a member of the Audit Committee.

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, 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*.

HORSESHOE METALS LIMITED

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NON-AUDIT SERVICES

Somes Cooke, the Group's auditors, did not provide any non-audit services during the year ended 31 December 2014.

OPTIONS AND INCENTIVE RIGHTS

At the date of this report, the unissued ordinary shares of Horseshoe Metals Limited under option are as follows:

Date Of Expiry	Exercise Price	Number Under Option
25 May 2015	\$0.60	5,400,000
		<hr/> 5,400,000 <hr/>

Option holders do not have any rights to participate in any issues of shares or other interests in the Group or any other entity.

During the year ended 31 December 2014, no ordinary shares in Horseshoe Metals Limited were issued on the exercise of options granted. 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.

At the date of this report, the Company had 2,800,000 Incentive Rights on issue. An Incentive Right is a right to subscribe for one Share. An Incentive Right is a conditional contract between the holder of the Incentive Right, and the Company, whereby the Company has contracted to issue a Share to the Incentive Right holder.

The Company's performance of the contract to issue a Share is subject to the following Vesting Conditions being satisfied:

	Incentives A	Incentives B	Incentives C
Number of Incentives on issue:	1,400,000	700,000	700,000
Vesting Conditions			
Share Price Milestone: (50 day weighted average share price)	≥\$0.40	≥\$0.60	≥\$0.80
Earliest Vesting Date following achievement of Share Price Milestone:	12 July 2013	12 January 2014	12 July 2014

The Incentive Rights are subject to an expiry date of 30 June 2015 by which time the Incentive Rights will lapse, if they have not already lapsed under the terms of the Plan.

No Incentive Rights were issued during, or since the end of the year.

For details of options and Incentive Rights issued to directors and other key management personnel as remuneration, refer to the remuneration report.

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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 lead auditor's independence declaration for the year ended 31 December 2014 has been received and can be found on page 21 of the financial report.

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 \$(1,297,136) (31 December 2013 \$(8,430,088)).

REVIEW OF OPERATIONS

The Group holds a 100% beneficial interest in the Horseshoe Lights and Kumarina Projects located in the Peak Hill Mineral Field of Western Australia (see Figure 1).

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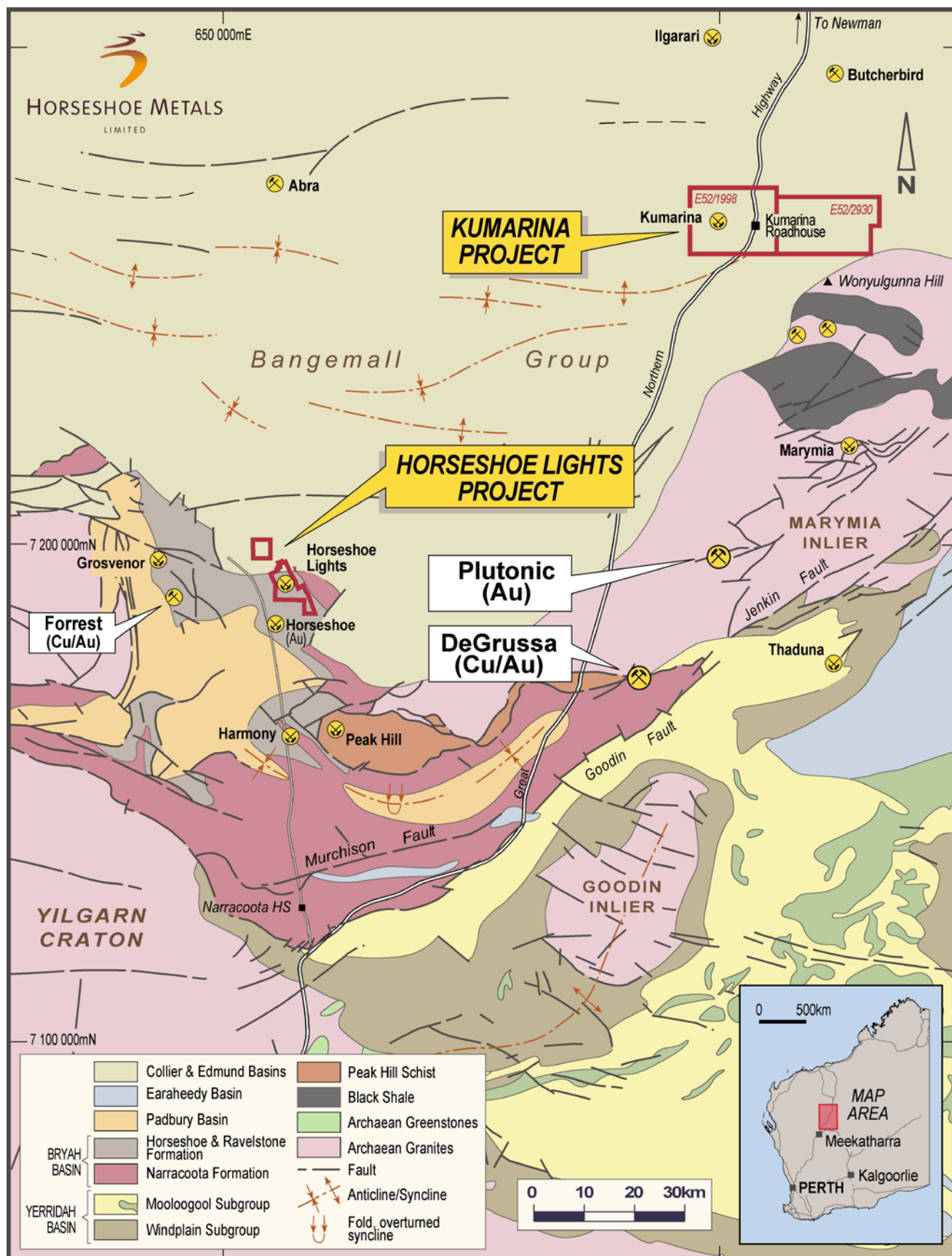


Figure 1 – Projects Location Plan

HORSESHOE METALS LIMITED

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Horseshoe Lights Project

The Horseshoe Lights Project is located 140km north of the town of Meekatharra in Western Australia. The project tenements cover a total of approximately 60 km² in area.

The Horseshoe Lights Project includes the closed Horseshoe Lights mine which operated up until 1994, producing over 300,000 ounces of gold and 54,000 tonnes of copper.

Scoping Study

In December 2014 the Group 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.

The overall outcomes of the Study were positive and reinforce the Group's view that the Horseshoe Lights Project has the potential to be bought back into production given the right future economic circumstances.

The Study 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 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 of AU\$3.50/lb. 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.

The table below summaries the key project economic assessment results from the Study.

HORSESHOE LIGHTS PROJECT SUMMARY OF SCOPING STUDY 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

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 an existing waste dump. A small separate open pit is also mined at

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the Motters Zone located north east of the existing open pit. Figure 2 illustrates the mine design in respect to the current topography for the Case 3 pit.

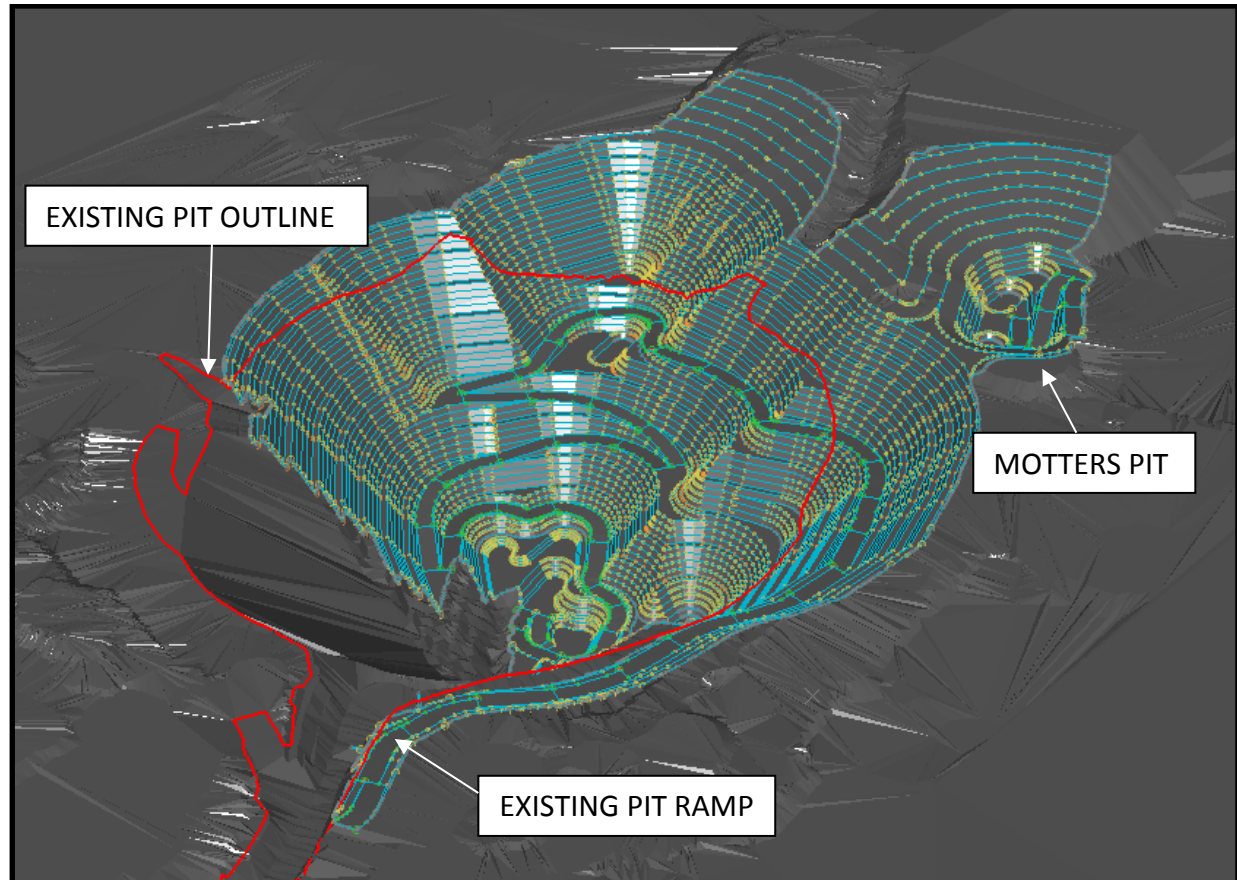


Figure 2 – Horseshoe Lights Project
Case 3 Preliminary Pit Design - Oblique View looking NW

Tailings Retreatment Study

During the year a proposal for the conduct of tailings retreatment testwork was prepared for the Group with the aim being to assess surface stockpiles, tailings and mineralised dumps for low cost processing options.

Historical studies have generally only looked at acid leaching to treat the flotation tailings however a site inspection in 2014 has identified that the flotation and CIP tailings contain particles of native copper, chalcopyrite, 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. 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.

Test work commenced in March 2015 with a preliminary programme of gravity tests on samples of the tailings.

Project Acquisitions

During the year the Group undertook an extensive review 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.

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As a result of these activities, the Group entered into a 2 year option-to-purchase agreement with Elysium Resources Limited to acquire Exploration Licence E52/2569. In addition, the Group secured a second 2 year 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).

Exploration Activities

No drilling was completed at the Horseshoe Lights Project in 2014.

During 2014 the Group 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.

A total of 160 rock chip samples were collected of which 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 Figure 3.

At the Saturn Prospect, outcrops of weathered volcanic rocks of the Narracoota Formation were observed in the vicinity of the anomalous copper rock chip readings. The Group considers that the opportunity exists to drill through the volcanic sequence to test for the Horseshoe Lights mine mineralised horizon beneath the Ravelstone Formation contact on this area. This horizon is commonly marked by a haematitic and jasper altered chert which has also been observed within the mapped area at the Saturn Prospect.

At the Tethys Prospect, which is located approximately 2.5km south-east of the Horseshoe Lights open pit, the main feature of interest is a zone of NW-SE striking gossanous ironstone outcrops containing visible sulphides including bornite and pyrite.

At the Titan Prospect, which is located approximately 3.0km south-west of the Horseshoe Lights open pit, an interpreted NNW striking fault has deformed an east-west striking late dolerite dyke. This NNW striking fault appears to be along strike from the Saturn Prospect.

The Group undertook a deep diamond drill hole in January 2015 to test a significant geophysical anomaly, from a pre-collared depth of 251.9m to a final depth of 698.1m. The hole terminated in altered basalt with sulphide bearing quartz veining in the prospective Narracoota Formation.

The drill hole (RCD358) is located approximately 1,100 metres south-east of the existing Horseshoe Lights open pit as shown in Figure 3. Diamond drilling intersected a sequence of volcanic rocks of the prospective Narracoota Formation over its entire length (see Figure 4). Minor zones of copper mineralisation in the form of chalcopyrite and bornite, generally within quartz veins, were observed intermittently in the drill core. Best intervals received from samples submitted to the laboratory were:

- 1.0m (364.9 – 365.9m) @ 0.1% Cu
- 0.7m (526.9 – 527.6m) @ 0.3% Cu

In addition pyrite and possibly other sulphide minerals were observed in zones throughout the core but predominantly in quartz veins within an altered basalt unit which occupies the bottom 204m of the hole. The Group is of the view that the results of drill hole RCD358 provide an indicator that the area may be highly prospective for a repetition of the Horseshoe Lights deposit. A follow-up Down Hole Electromagnetic Survey (DHEM) of RCD358 to further test the geophysical anomaly is warranted.

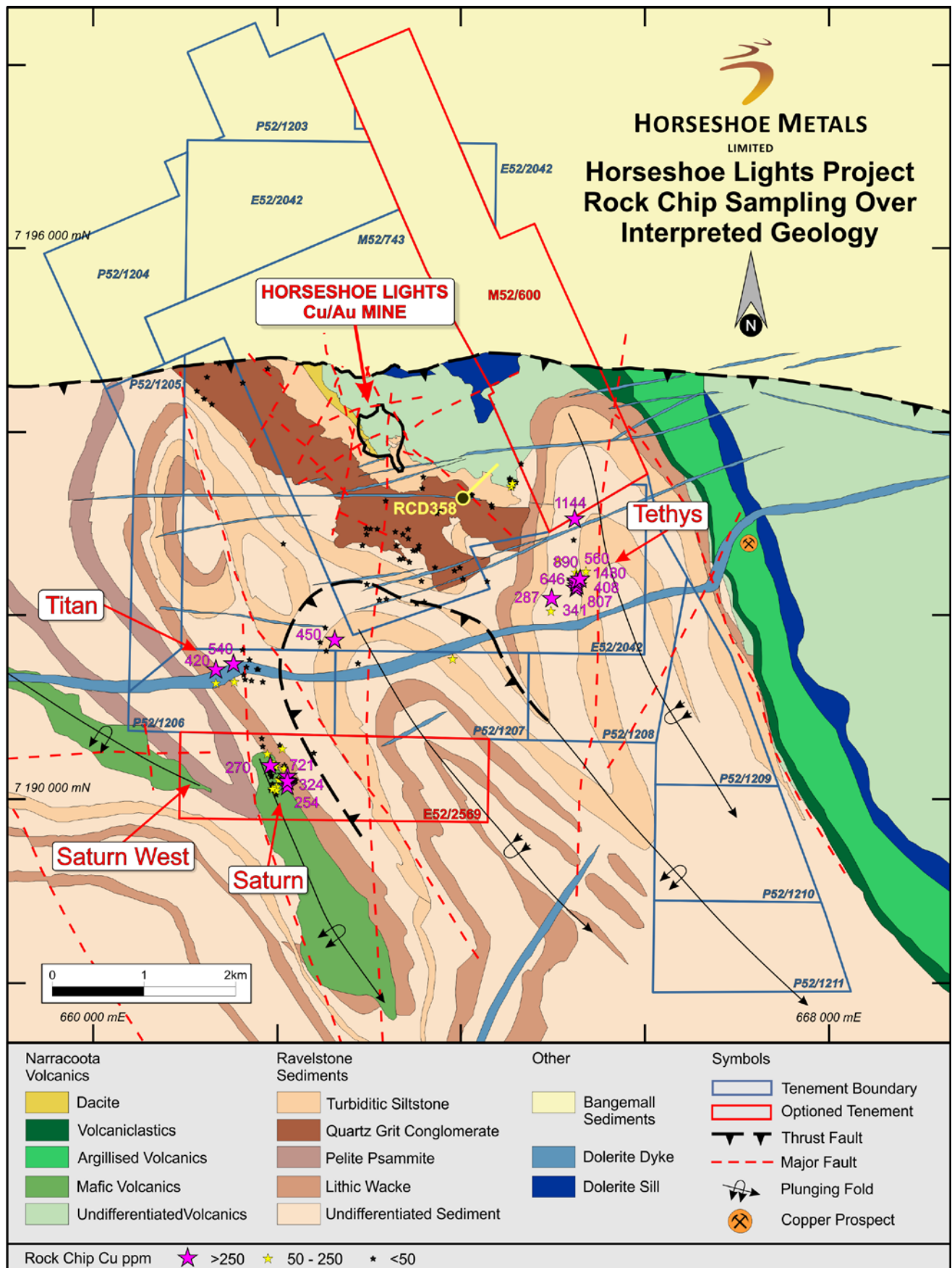


Figure 3 – Horseshoe Lights Project Interpreted Geology and Rock Chip Sampling

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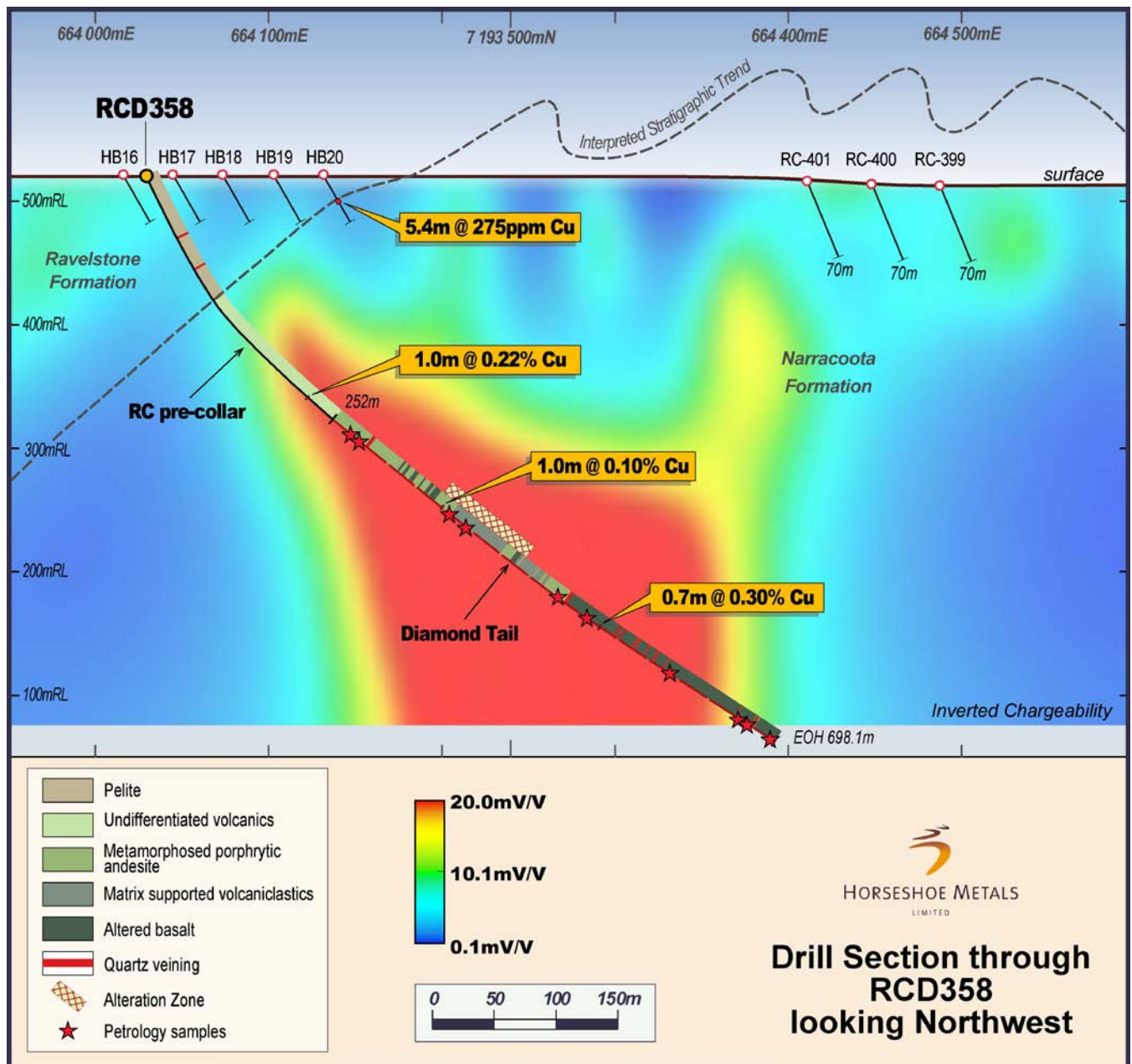


Figure 4 – Drill Section through RCD358.

Mineral Resource Estimate

A Summary of Mineral Resources for the Horseshoe Lights Project is shown in the Annual Mineral Resource Statement at page 64.

Kumarina Project

The Kumarina Project is located 120km north-east of the Horseshoe Lights Project. The project tenements cover a total of 433.7 km² in area.

Exploration Activity

During the year the Group completed 14 Reverse Circulation (RC) drill holes for 2,110 metres at the Kumarina Copper Mine, Snell North and Kumarina Deeps Prospects (see Figure 5).

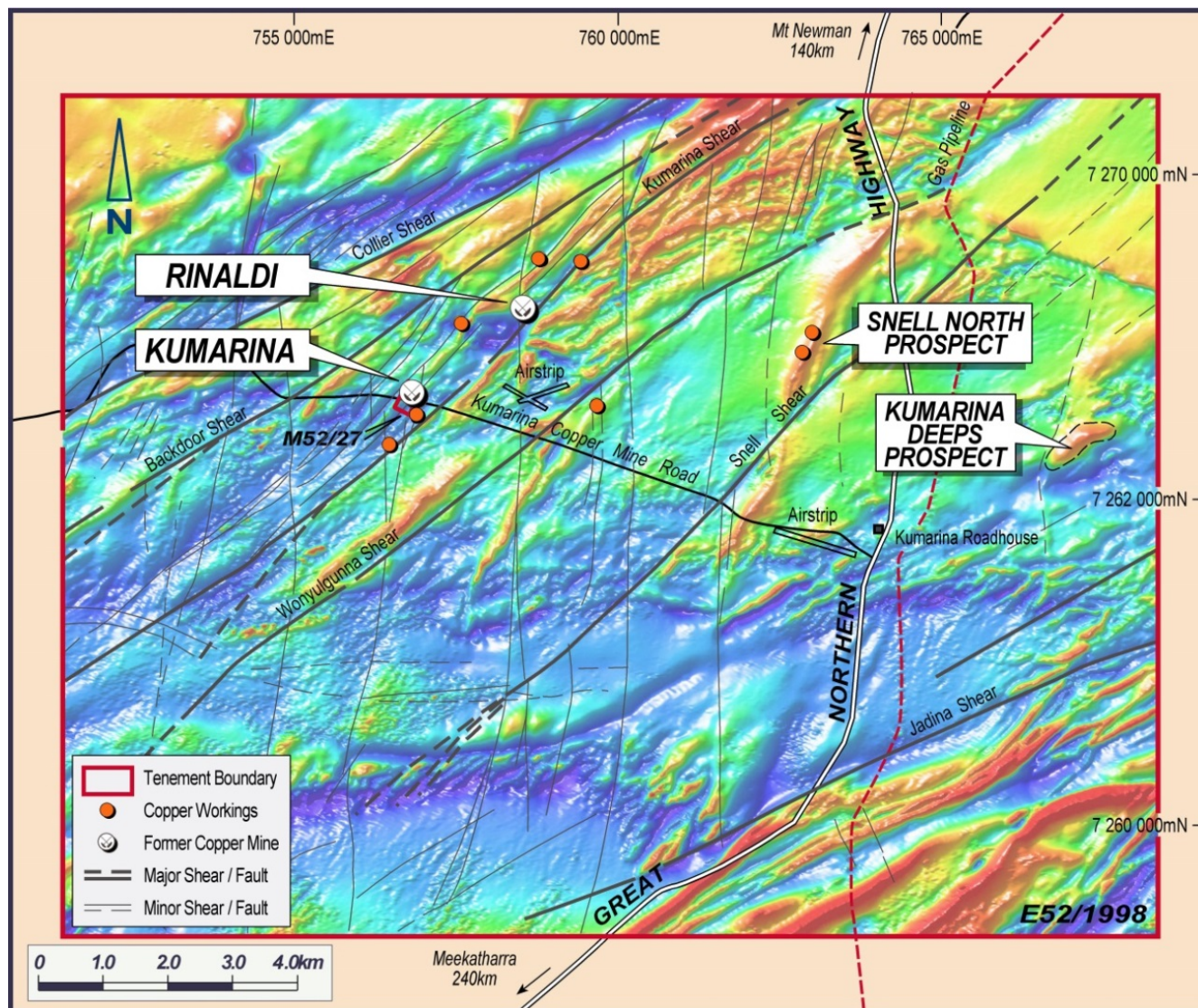


Figure 5 – Kumarina Project – E52/1998 Location Plan (overlain on Aeromagnetics)

Kumarina Copper Mine Prospect

The Kumarina copper mine is the deepest historical mine working within the project area with underground mining recorded to a depth of 49 metres from surface. The mine mineralisation reportedly consisted of chrysocolla, malachite, cuprite and chalcocite in a kaolinized fault breccia cemented by milky quartz. Four holes (KRC150 – 152, KRC155) were drilled to test for extensions of copper mineralisation, primarily along strike to the north of the abandoned mine workings. The collar locations are shown in Figure 6. Best results from the drilling were:

- **KRC151** - 11m (61-72m) @ 1.59% Cu including 1m (64-65m) @ 4.52% Cu and 2m (67-69m) @ 3.21% Cu, and
- **KRC150** - 2m (67-69m) @ 2.36% Cu.

The intervals recorded in KRC150 and KRC151 occur predominantly as chalcopyrite hosted in quartz veins within a quartz diorite sill. It is interpreted that the mineralisation is structurally controlled as has been observed elsewhere within the project area.

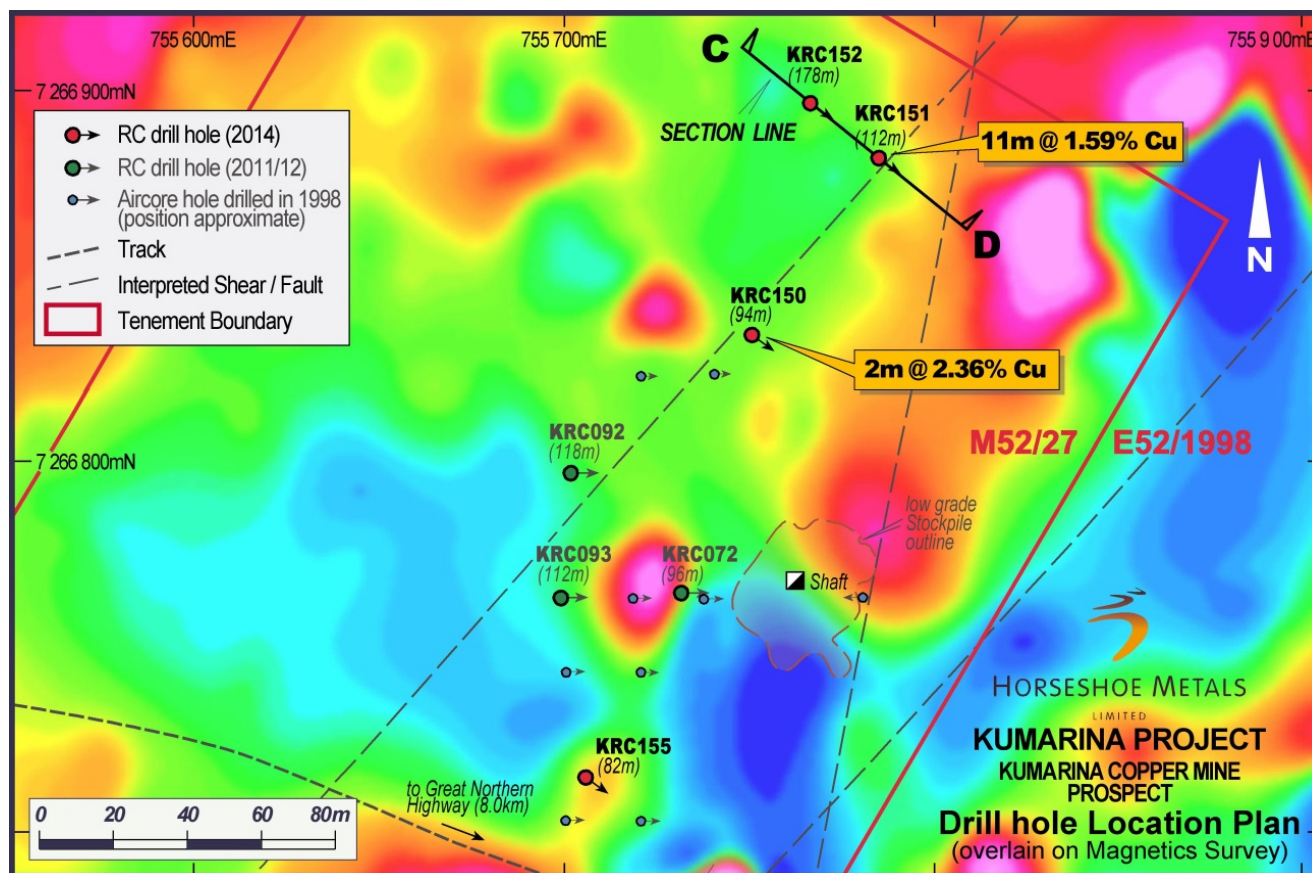


Figure 6 – Kumarina Copper Mine Prospect - Drill Hole Location Plan

Snell North Prospect

Eight holes (KRC142 – KRC149) were completed at the Snell North Prospect with the location of the drill holes shown in Figure 7. Historic workings at this prospect show evidence of copper mineralisation in an area with very limited outcrop. The best copper intervals recorded were:

- **KRC142** – 4 metres (19-23m) @ 1.32% Cu including 1m (20-21m) @ 2.67% Cu;
- **KRC143** – 7m (80-87m) @ 0.36% Cu;
- **KRC146** – 4m (26-30m) @ 0.14% Cu, and
- **KRC148** – 1m (104-105m) @ 0.36% Cu and 1m (112-113m) @ 0.23% Cu.

Copper mineralisation in KRC142 appears in the form of malachite, whilst in KRC143 the copper occurs as chalcopyrite. Both mineralised intersections within KRC142 and KRC143 appear to occur within a fault zone through siltstone sediments which are intruded at a vertical depth of about 80 metres by a 20-30 metre thick magnetic quartz diorite sill. The interpreted fault zone and the quartz diorite sill were also intersected in drill hole KRC145 but at a greater depth of about 100 metres vertical depth.

It appears from the results of drilling completed that the mineralisation observed is once again hosted within fault controlled structures as is seen elsewhere across the Kumarina project area. As good potential exists for the fault zone structure to be mineralised at depth below KRC145 and KRC148, additional drilling appears warranted. KRC145 and KRC148 have also been cased for possible Down Hole Electro-Magnetic (DHEM) surveying.

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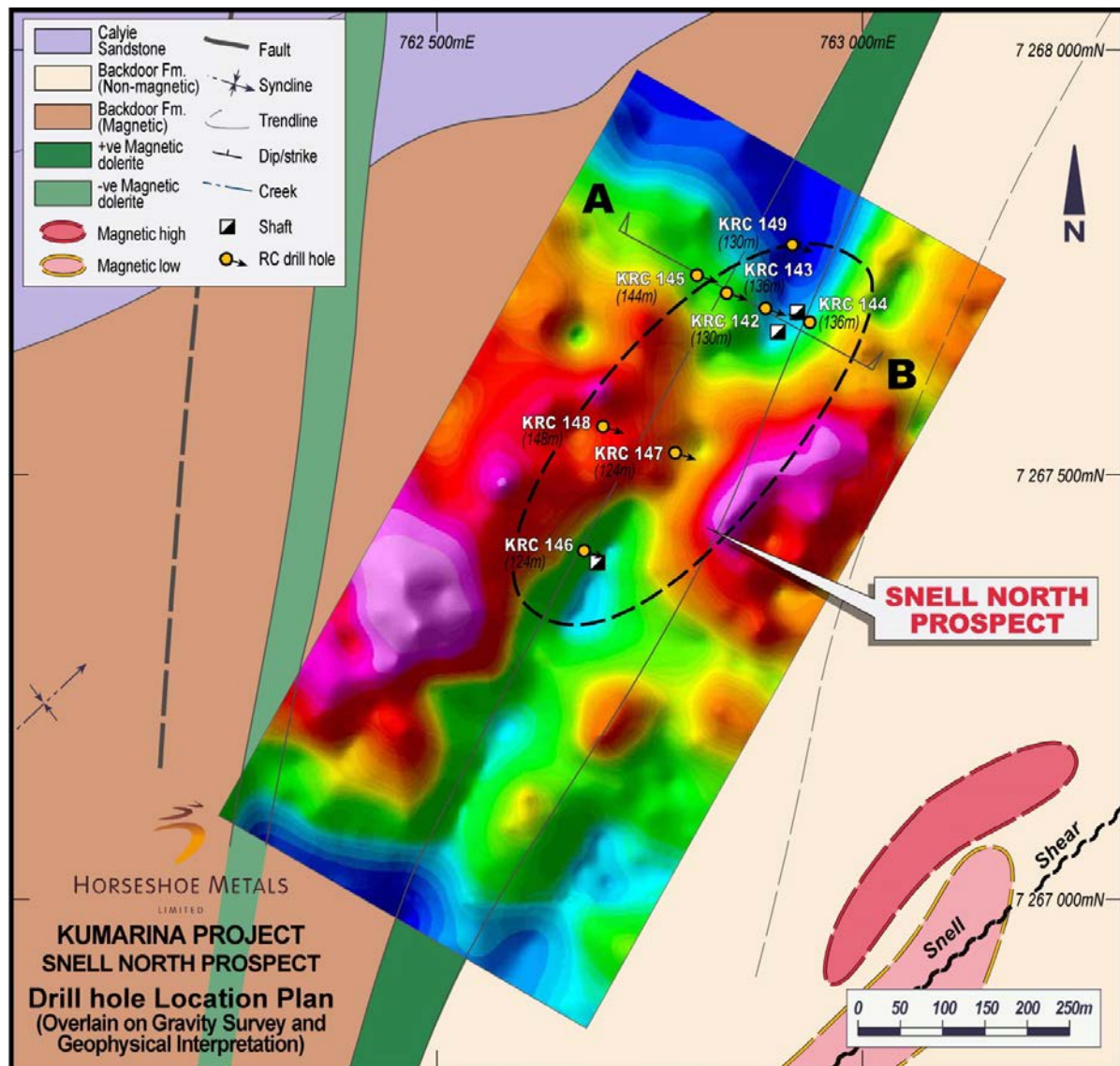


Figure 7 – Snell North Prospect - Drill Hole Location Plan

Kumarina Deeps Prospect

572 metres of RC drilling was completed in two holes (KRC153 – 154) as part of the Western Australian State Government's co-funded drilling programme. The drilling targeted an untested magnetic anomaly, known as the Kumarina Deeps Prospect (see Figure 5). Both holes intersected a quartz diorite sill which is highly magnetic based on field observations. However there was little evidence of copper mineralisation from visual examination or fpXRF analysis of both drill holes.

The results of the drilling at the Kumarina Deeps Prospect has confirmed the general geological model and the source of the magnetic anomaly, however further evaluation to identify structures which could be potentially mineralised is required before additional drilling is warranted.

Mineral Resource Estimate

A Summary of Mineral Resources for the Kumarina Project is shown in the Annual Mineral Resource Statement at page 64.

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FINANCIAL POSITION

The net assets of the Group have increased by \$402,179 from 31 December 2013 to \$2,812,130 at 31 December 2014. This increase is largely due to the following factors:

- exploration of the Horseshoe Lights and Kumarina projects;
- the issue of 8,348,891 new shares at 2 cents per share via an entitlements issue to existing shareholders to raise \$166,977;
- the issue of 25,000,000 new shares at 2 cents per share to creditors and related parties to retire debts and as prepayment for drilling services to the total value of \$500,000;
- the issue of 11,000,000 new shares at 3 cents per share to nominees of Mr Michael Fotios to raise \$330,000;
- the issue of 9,642,857 new shares at 3.111 cents per share to Mr Michael Fotios to raise \$300,000;
- the issue of 28,825,000 new shares at 2 cents per share via placements of part of the shortfall to the abovementioned entitlements issue to raise \$576,500;
- incurring those overheads and running costs consistent with operating a listed company; and
- remuneration of key management personnel essential to the continued success of Horseshoe Metals Limited.

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

No 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.

At the Horseshoe Lights Project there are un-rehabilitated legacy areas including dumps, stockpiles and tailings storage facilities from post 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.

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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. The present committee members are Mr M. Fotios and Mr A. Still.

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.

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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 incentive rights as remuneration with various vesting conditions and short term cash incentives based on achievement of measurable targets.

USE OF REMUNERATION CONSULTANTS

The Group did not employ the services of any remuneration consultants during the financial year ended 31 December 2014.

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, KMP 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/incentive rights.

Director	Position	NON PERFORMANCE RELATED	SHARES	OPTIONS/ RIGHTS
		%	%	%
Mr Neil Marston	Managing Director	94	-	6
Mr Michael Fotios	Non-executive Director	86	-	14
Mr Alan Still	Non-executive Director	100	-	-

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31 DECEMBER 2014

REMUNERATION DETAILS FOR THE YEAR ENDED 31 DECEMBER 2014

The following table of benefits and payment details, in respect to the year, the components of remuneration for each KMP 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	
2014	\$	\$	\$	\$	\$	\$	\$
Directors							
Mr Jeremy Shervington	32,500	-	-	-	(61,515)	-	(29,015)
Mr Neil Marston	225,004	-	2,383	21,094	14,937	-	263,418
Mr Michael Fotios	37,500	-	-	-	5,975	-	43,475
Mr Alan Still	15,667	-	-	-	-	-	15,667
Mr Stuart Hall	14,416	-	-	-	(61,515)	-	(47,099)
	325,087	-	2,383	21,094	(102,118)	-	246,446

Mr Jeremy Shervington retired on 23 June 2014 and as a result his Incentive Rights lapsed. Amounts previously expensed in relation to the rights were credited back to the Statement of Comprehensive Income during the year;

Mr Alan Still was appointed on 23 June 2014;

Mr Stuart Hall retired on 23 June 2014 and as a result his Incentive Rights lapsed. Amounts previously expensed in relation to the rights were credited back to the Statement of Comprehensive Income during the year.

	SHORT TERM			POST EMPLOYMENT	SHARE BASED PAYMENTS		
	CASH SALARY FEES	BONUS	NON MONETARY	SUPERANNU- ATION	OPTIONS AND RIGHTS	SHARES AND UNITS	
2013	\$	\$	\$	\$	\$	\$	\$
Directors							
Mr Jeremy Shervington	65,000	-	-	-	36,563	-	101,563
Mr Neil Marston	239,583	-	2,047	21,849	146,253	-	409,732
Mr Michael Fotios	45,000	-	-	-	58,501	-	103,501
Mr Stuart Hall	33,750	-	-	-	36,563	-	70,313
	383,333	-	2,047	21,849	277,880	-	685,109

HORSESHOE METALS LIMITED

DIRECTORS' REPORT

31 DECEMBER 2014

OPTION HOLDINGS OF KEY MANAGEMENT PERSONNEL

Details of options provided as remuneration and shares issued on the exercise of such options by each KMP of the Group or their related parties during the financial year is as follows:

	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
31 December 2014							
Directors							
Mr Jeremy Shervington	-	-	-	-	N/A	-	N/A
Mr Neil Marston	-	-	-	-	-	-	-
Mr Michael Fotios	10,800,000	-	-	(8,097,268)	2,702,732	-	2,702,732
Mr Alan Still	N/A	-	-	-	-	-	-
Mr Stuart Hall	-	-	-	-	N/A	-	N/A
	10,800,000	-	-	(8,097,268)	2,702,732	-	2,702,732

Mr Jeremy Shervington retired on 23 June 2014;
Mr Alan Still was appointed on 23 June 2014;
Mr Stuart Hall retired on 23 June 2014

	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
31 December 2013							
Directors							
Mr Jeremy Shervington	333,000	-	-	(333,000)	-	-	-
Mr Neil Marston	2,000,000	-	-	(2,000,000)	-	-	-
Mr Michael Fotios	16,200,000	-	-	(5,400,000)	10,800,000	-	10,800,000
Mr Stuart Hall	333,334	-	-	(333,334)	-	-	-
	18,866,334	-	-	(8,066,334)	10,800,000	-	10,800,000

HORSESHOE METALS LIMITED

DIRECTORS' REPORT

31 DECEMBER 2014

SHAREHOLDINGS OF KEY MANAGEMENT PERSONNEL

The number of ordinary shares in Horseshoe Metals Limited held by each KMP of the Group or their related parties during the financial year is as follows:

	BALANCE AT BEGINNING OF YEAR	ON EXERCISE OF OPTIONS	OTHER CHANGES DURING THE YEAR	BALANCE AT END OF YEAR
31 December 2014				
Directors				
Mr Jeremy Shervington	2,640,000	-	-	N/A
Mr Neil Marston	575,000	-	2,027,495	2,602,495
Mr Michael Fotios	15,176,785	-	22,157,451	37,334,236
Mr Alan Still	N/A	-	-	-
Mr Stuart Hall	-	-	-	N/A
	18,391,785	-	24,184,946	39,936,731

Mr Jeremy Shervington retired on 23 June 2014;
Mr Alan Still was appointed on 23 June 2014;
Mr Stuart Hall retired on 23 June 2014.

	BALANCE AT BEGINNING OF YEAR	ON EXERCISE OF OPTIONS	OTHER CHANGES DURING THE YEAR	BALANCE AT END OF YEAR
31 December 2013				
Directors				
Mr Jeremy Shervington	2,200,000	-	440,000	2,640,000
Mr Neil Marston	250,000	-	325,000	575,000
Mr Michael Fotios	15,000,000	-	176,785	15,176,785
Mr Stuart Hall	-	-	-	-
	17,450,000	-	941,785	18,391,785

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.

The remuneration and other terms of employment for the Managing Director are set out in a formal service agreement as summarised below.

HORSESHOE METALS LIMITED

DIRECTORS' REPORT

31 DECEMBER 2014

Mr Neil Marston is employed as Managing Director and Company Secretary under an executive employment agreement, the key features being:

- Fixed Remuneration of \$225,000 plus 9.5% superannuation;
- Notice Period of 3 months

In cases of termination by the Company, a termination payment (not exceeding the maximum allowable under the Corporations Act 2001) will be paid to Mr Marston.

OPTIONS AND RIGHTS GRANTED DURING THE YEAR TO 31 DECEMBER 2014

No options or rights were granted to key management personnel as remuneration in the year ended 31 December 2014. The following incentive rights were issued in 2012.

	Grant Date	No.	Value \$	Vested No.	Vested %
Key Management Personnel					
Mr Neil Marston	12 July 2012	2,000,000	261,000	2,000,000	100
Mr Michael Fotios	12 July 2012	800,000	104,400	800,000	100

Each right entitles the holder to one ordinary share in Horseshoe Metals Limited.

In 2012, the Group granted three separate tranches of incentive rights, 3,800,000 incentive rights in aggregate, to Directors. The first tranche was for 1,900,000 incentive rights vesting 12 July 2013, the second tranche was for 950,000 incentive rights vesting 12 January 2014 and the third tranche was for 950,000 incentive rights vesting 12 July 2014. A total of 1,000,000 incentive rights have since lapsed due to the retirement of directors. The 2,800,000 remaining incentive rights expire on 30 June 2015.

The fair value of the incentive rights issued were calculated on grant date via a hybrid employee share option pricing model that simulates the share price as at the expiry date using a Monte-Carlo model.

Tranche 1 was valued at \$0.142

Tranche 2 was valued at \$0.125

Tranche 3 was valued at \$0.113

End of audited section.

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



NEIL MARSTON

Managing Director

30th March 2015

AUDITOR'S INDEPENDENCE DECLARATION

To those charged with governance of Horseshoe Metals Limited

As auditor for the audit of Horseshoe Metals Limited for the year ended 31 December 2014,
I declare that, to the best of my knowledge and belief, there have been:

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



Kevin Somes



Kevin Somes
Perth
30 March 2015

HORSESHOE METALS LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

	NOTE	2014 \$	2013 \$
Other income		32,564	22,198
Interest income		11,168	48,776
		43,732	70,974
Occupancy expenses		(27,819)	(25,637)
Consulting expenses		(20,452)	(38,629)
Administrative expenses		(439,630)	(614,849)
Rehabilitation expenses	10	-	(303,640)
Depreciation expense		(31,734)	(39,723)
Directors' remuneration	17	(246,446)	(685,109)
Other expenses		(70,792)	(62,506)
Project generation expenses		-	-
Impairment of exploration and evaluation expenditure	7	(503,995)	(6,730,969)
Loss before income taxes		(1,297,136)	(8,430,088)
Income tax expense	2	-	-
Other comprehensive income, net of tax		-	-
Total comprehensive income		(1,297,136)	(8,430,088)
Total Comprehensive Income attributable to members of the parent entity		(1,297,136)	(8,430,088)
Loss per share			
Basic and diluted loss per share (cents)	13	(1.02)	(10.42)

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

HORSESHOE METALS LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014

	NOTE	2014 \$	2013 \$
CURRENT ASSETS			
Cash and cash equivalents	3	403,697	309,978
Trade and other receivables	4	17,619	36,488
Other assets	5	252,069	24,450
TOTAL CURRENT ASSETS		673,385	370,916
NON-CURRENT ASSETS			
Property, plant and equipment	6	90,837	122,571
Exploration and evaluation expenditure	7	6,484,800	6,484,800
TOTAL NON-CURRENT ASSETS		6,575,637	6,607,371
TOTAL ASSETS		7,249,022	6,978,287
CURRENT LIABILITIES			
Trade and other payables	8	122,191	200,747
Borrowings	9	9,951	23,501
Provisions	10	3,391	32,778
TOTAL CURRENT LIABILITIES		135,533	257,026
NON-CURRENT LIABILITIES			
Borrowings	9	9,719	19,670
Provisions	10	4,291,640	4,291,640
TOTAL NON-CURRENT LIABILITIES		4,301,359	4,311,310
TOTAL LIABILITIES		4,436,892	4,568,336
NET ASSETS		2,812,130	2,409,951
EQUITY			
Issued capital	11	16,511,893	14,710,460
Reserves		442,600	544,718
Accumulated losses		(14,142,363)	(12,845,227)
TOTAL EQUITY		2,812,130	2,409,951

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 2014

2014

	ISSUED CAPITAL \$	ACCUMULATED LOSSES \$	SHARE BASED PAYMENT RESERVE \$	OPTION PREMIUM RESERVE \$	TOTAL EQUITY \$
Balance at 1 January 2014 1 January 2011	14,710,460	(12,845,227)	544,718	-	2,409,951
Losses attributable to members of the parent entity	-	(1,297,136)	-	-	(1,297,136)
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income for the year	-	(1,297,136)	-	-	(1,297,136)
Shares issued during the year	1,875,477	-	-	-	1,875,477
Transaction costs	(74,044)	-	-	-	(74,044)
Share based payment expense	-	-	(102,118)	-	(102,118)
Sub-total	1,801,433	(1,297,136)	(102,118)	-	402,179
Balance at 31 December 2014	16,511,893	(14,142,363)	442,600	-	2,812,130

2013

	ISSUED CAPITAL \$	ACCUMULATED LOSSES \$	SHARE BASED PAYMENT RESERVE \$	OPTION PREMIUM RESERVE \$	TOTAL EQUITY \$
Balance at 1 January 2013	14,088,232	(4,936,386)	578,135	209,296	9,939,277
Profit or loss attributable to members of the company	-	(8,430,088)	-	-	(8,430,088)
Other comprehensive income for the year	-	-	-	-	-
Total other comprehensive income for the year	-	(8,430,088)	-	-	(8,430,088)
Shares issued during the period	710,682	-	-	-	710,682
Transaction costs	(88,454)	-	-	-	(88,454)
Share based payments	-	-	278,534	-	278,534
Reclassification of shares	-	521,247	(311,951)	(209,296)	-
Sub-total	622,228	(7,908,841)	(33,417)	(209,296)	(7,529,326)
Balance at 31 December 2013	14,710,460	(12,845,227)	544,718	-	2,409,951

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 2014

	NOTE	2014 \$	2013 \$
CASH FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(736,435)	(1,288,929)
Interest received		11,168	48,775
Finance costs		(1,150)	(2,850)
Fuel tax rebate received		20,280	22,198
Net cash used by operating activities	22	(706,137)	(1,220,806)
CASH FLOWS FROM INVESTING ACTIVITIES			
Release of Performance Bonds		-	1,066,500
Purchase of property, plant and equipment		(9,826)	(21,279)
Payments relating to exploration and evaluation of mineral assets		(473,531)	(1,237,344)
Net cash used by investing activities		(483,357)	(192,123)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	11	1,375,477	657,331
Proceeds from borrowings		-	5,333
Payment for costs of raising capital		(92,264)	(88,454)
Net cash provided by financing activities		1,283,213	574,210
Net increase / (decrease) in cash and cash equivalents		93,719	(838,719)
Cash and cash equivalents at beginning of the year		309,978	1,148,697
Cash and cash equivalents at end of the year		403,697	309,978

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 2014

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 30th March 2015.

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.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) BASIS OF PREPARATION

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The Group's financial report is presented in Australian dollars.

(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 approximately \$263,000. The going concern basis is dependent upon the Group raising sufficient funds to pay the Group's debts as and when they fall due.

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 significant 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.

HORSESHOE METALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(C) PRINCIPLES 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 19 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.

(D) BUSINESS COMBINATIONS

Business combinations occur where an acquirer obtains control over one or more businesses and results in the consolidation of its assets and liabilities.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The acquisition method requires that for each business combination, one of the combining entities must be identified as the acquirer (i.e. parent entity). The business combination will be accounted for as at the acquisition date, which is the date that control over the acquiree is obtained by the parent entity. At this date, the parent shall recognise, in the consolidated accounts and subject to certain limited exceptions, the fair value of the identifiable assets acquired and liabilities assumed. In addition, contingent liabilities of the acquiree will be recognised where a present obligation has been incurred and its fair value can be reliably measured.

The acquisition may result in the recognition of goodwill or a gain from a bargain purchase. The method adopted for the measurement of goodwill will impact on the measurement of any non-controlling interest to be recognised in the acquiree where less than 100% ownership interest is held in the acquiree.

The consideration transferred for a business combination shall form the cost of the investment in the separate financial statements. Such consideration is measured at fair value at acquisition date and consists of the sum of the assets transferred by the acquirer, liabilities incurred by the acquirer to the former owners of the acquiree and the equity interests issued by the acquirer.

Included in the measurement of consideration transferred is any asset or liability resulting from a contingent consideration arrangement. Any obligation incurred relating to contingent consideration is classified as either a financial liability or equity instrument, depending upon the nature of the arrangement. Rights to refunds of consideration previously paid are recognised as a receivable.

HORSESHOE METALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(D) BUSINESS COMBINATION (CONTINUED)

Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or a liability is remeasured each reporting period to fair value through the statement of comprehensive income, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the statement of comprehensive income.

(E) 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.

(F) 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.

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.

HORSESHOE METALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(F) INCOME TAX (CONTINUED)

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.

(G) PROPERTY, PLANT AND EQUIPMENT

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

PLANT AND EQUIPMENT

Plant and equipment are measured on the cost basis. Cost includes expenditure that is directly attributable to the asset.

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.

HORSESHOE METALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(G) PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

DEPRECIATION

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:

CLASS OF FIXED ASSET	USEFUL LIFE (YEARS)
Plant and Equipment	5 to 15

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

(H) 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.

HORSESHOE METALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(H) FINANCIAL INSTRUMENTS (CONTINUED)

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.

(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.

HORSESHOE METALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(H) FINANCIAL INSTRUMENTS (CONTINUED)

(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.

SHARE CAPITAL

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.

DERECOGNITION

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.

HORSESHOE METALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(I) 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.

HORSESHOE METALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(J) 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.

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 (Accounting Policy Note D). 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.

(K) 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.

(L) 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 is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

HORSESHOE METALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(M) 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.

(N) 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.

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 incentive 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.

HORSESHOE METALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(O) 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.

(P) 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.

(Q) 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 2014

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(R) 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 incentive 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 \$ 6,484,800.

(S) NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE PERIODS

The Group has adopted all new Australian Accounting Standards and Australian Accounting Interpretations applicable for the first time for the year ended 31 December 2014. Adoption of these standards and interpretations has not had a material impact on these financial statements.

The Group has not adopted early new Australian Accounting Standards and Australian Accounting interpretations applicable to future financial periods. Early adoptions of these standards and interpretations would not have had a material impact on these financial statements.

HORSESHOE METALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

2 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:

	2014	2013
	\$	\$
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:

	2014	2013
	\$	\$
- Loss for the year at 30%	(389,141)	(2,529,026)
Add:		
Tax effect of:		
- share based payments	-	16,005
- entertainment and other permanent differences	312	-
- impairment	-	2,019,291
- non-assessable income	(30,635)	-
- temporary differences not recognised	(5,429)	(1,988,424)
- tax losses not brought to account as DTA	424,893	2,482,154
	-	-

At 31 December 2014 the Group had unused tax losses for which no deferred tax asset has been recognised in the amount of approximately \$6,693,594 (2013: \$6,268,701). 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 2014

3 CASH AND CASH EQUIVALENTS

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

	2014	2013
	\$	\$
Cash at bank	133,697	289,978
Short-term bank deposits	270,000	20,000
	<u>403,697</u>	<u>309,978</u>

4 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.

	2014	2013
	\$	\$
Other receivables	17,619	36,488
	<u>17,619</u>	<u>36,488</u>

The Group expects the above trade and other receivables to be recovered within 12 months of 31 December 2014 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).

5 OTHER ASSETS

	2014	2013
	\$	\$
CURRENT		
Prepayments	16,474	24,450
Prepaid Drilling Services	235,595	-
	<u>252,069</u>	<u>24,450</u>

The Group has a Drilling Fund Contract with Whitestone Minerals Pty Limited, a company which is controlled by Mr Fotios, a director of the Company. At the Annual General Meeting of the Company held on 23 May 2014 shareholders approved the issue of 15,000,000 new shares at 2 cents per share (valued at \$300,000) to Whitestone Minerals Pty Ltd as payment for outstanding drilling fees of \$64,405 and as a prepayment for drilling services to be provided on commercial terms to the value of \$235,595. The Drilling Fund Contract required that drilling services be provided and completed by 27 March 2015.

HORSESHOE METALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

5 OTHER ASSETS (CONTINUED)

Due to the occurrence of a force majeure situation arising as a result of very heavy rainfall in March 2015, the Company has subsequently agreed with Whitestone Minerals Pty Ltd to extend the Drilling Fund Contract expiry date to 30 June 2015.

A total of 11,742,257 of the 15,000,000 shares issued to Whitestone Minerals Pty Ltd have been placed in voluntary escrow until the completion of the drilling services.

6 PROPERTY, PLANT AND EQUIPMENT

	2014	2013
	\$	\$
Plant and equipment		
At cost	214,116	214,116
Accumulated depreciation	(123,279)	(91,545)
	<u>90,837</u>	<u>122,571</u>

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 2014		
Balance at the beginning of year	122,571	122,571
Additions	-	-
Depreciation expense	(31,734)	(31,734)
	<u>90,837</u>	<u>90,837</u>
31 December 2012		
Balance at 31 December 2013		
Balance at the beginning of year	141,015	141,015
Additions	21,279	21,279
Depreciation expense	(39,723)	(39,723)
	<u>122,571</u>	<u>122,571</u>
31 December 2011		

HORSESHOE METALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

7 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 2014.

	2014	2013
	\$	\$
Carrying amount at beginning of year	6,484,800	11,978,425
Expenditure	503,995	1,237,344
Impairment (i)	(503,995)	(6,730,969)
	<u>6,484,800</u>	<u>6,484,800</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.

(i) In light of the continuation of the current poor market conditions, the directors determined that it was prudent to impair all exploration and evaluation expenditure incurred on its mineral projects during the period. As a result the Group's impaired capitalised deferred exploration and evaluation costs remains at a balance of \$6,484,800 as at 31 December 2014. As this is an estimate, the actual recoverable amount may be significantly different to this value. Future exploration and evaluation results and changes in commodity prices may change the estimated recoverable amount in the future, which may result in reversal of some or all of the impairment charge recognised.

8 TRADE AND OTHER PAYABLES

	2014	2013
	\$	\$
Trade payables	106,216	162,378
Other payables	15,975	38,369
	<u>122,191</u>	<u>200,747</u>

9 BORROWINGS

	NOTE	2014	2013
		\$	\$
CURRENT			
Hire purchase	14(a)	9,951	23,501
		<u>9,951</u>	<u>23,501</u>
NON-CURRENT			
Hire purchase	14(a)	9,719	19,670
		<u>9,719</u>	<u>19,670</u>

HORSESHOE METALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

10 PROVISIONS

	2014	2013
	\$	\$
CURRENT		
Employee entitlements	3,391	32,778
	<u>3,391</u>	<u>32,778</u>
NON-CURRENT		
Environmental rehabilitation	4,291,640	4,291,640
	<u>4,291,640</u>	<u>4,291,640</u>

	ENVIRONMENTAL REHABILITATION	EMPLOYEE BENEFITS	TOTAL
	\$	\$	\$
At 1 January 2014	4,291,640	32,778	4,324,418
Additions during the year	-	(29,387)	(29,387)
Balance at 31 December 2014	<u>4,291,640</u>	<u>3,391</u>	<u>4,295,031</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 sites.

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 2014, the Board reviewed the rehabilitation provision, and determined that there was no need to increase the provision as there had been no additional impacts on the environment during the year and the costs to address existing rehabilitation obligations had not materially changed.

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 2014

11 ISSUED CAPITAL

	2014	2013
	\$	\$
168,989,722 (31 December 2013: 86,072,974) Ordinary shares	17,566,138	15,690,661
Share issue costs written off against issued capital	(1,054,245)	(980,201)
	<u>16,511,893</u>	<u>14,710,460</u>

MOVEMENT IN ORDINARY SHARES

	No.	\$
Balance at 1 January 2013	75,920,393	14,979,979
Issue of shares to raise working capital	7,857,000	549,990
Other issues of capital	<u>2,295,581</u>	<u>160,692</u>
Balance at 31 December 2013	86,072,974	15,690,661
Issue of shares via Entitlement Issue	8,348,891	166,977
Issue of shares to convert debts and as prepayment	25,000,000	500,000
Issue of shares via a private placement	20,742,857	632,000
Issue of shares via Entitlement Issue shortfall	<u>28,825,000</u>	<u>576,500</u>
Balance at 31 December 2014	<u>168,989,722</u>	<u>17,566,138</u>

At the shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands. Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

12 RESERVES

(A) OPTION PREMIUM RESERVE

The option premium reserve is used to record the value of consideration received on options provided to capital investors and stakeholders.

(B) SHARE BASED PAYMENT RESERVE

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

HORSESHOE METALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

13 EARNINGS PER SHARE

EARNINGS USED TO CALCULATE OVERALL EARNINGS PER SHARE

	2014	2013
	\$	\$
Earnings used to calculate overall earnings per share	(1,297,136)	(8,430,088)

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

	2014	2013
	No.	No.
Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	126,694,827	80,883,217
Anti-dilutive options on issue not used in EPS calculation	5,400,000	10,800,000

14 COMMITMENTS

(A) HIRE PURCHASE COMMITMENTS

	2014	2013
	\$	\$
Payable - minimum hire purchase payments:		
- no later than 1 year	10,898	10,916
- between 1 year and 5 years	10,025	21,834
Minimum hire purchase payments	20,923	32,750
Less: finance charges	(1,253)	(3,713)
Present value of minimum hire purchase payments	19,670	29,037

A hire purchase agreement for a term of 4 years is in place for a motor vehicle acquired in December 2012.

HORSESHOE METALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

14 COMMITMENTS (CONTINUED)

(B) OPERATING LEASE COMMITMENTS

	2014	2013
	\$	\$
Payable - minimum lease payments:		
- no later than 1 year	-	-
- between 1 year and 5 years	-	-
	<hr/>	<hr/>
	<hr/>	<hr/>

Horseshoe Metals Limited has a casual rental agreement with Delta Resource Management Pty Ltd for part of the premises at 24 Mumford Place, Balcatta WA 6021. The monthly rental charge is at commercial rates.

(C) EXPLORATION EXPENDITURE COMMITMENTS

	2014	2013
	\$	\$
Payable:		
- no later than 1 year	421,500	332,500
- between 1 year and 5 years	930,200	1,055,300
- greater than 5 years	217,800	267,800
	<hr/>	<hr/>
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15 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.

HORSESHOE METALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

15 FINANCIAL RISK MANAGEMENT (CONTINUED)

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

	2014	2013
	\$	\$
Financial Assets		
Cash and cash equivalents	403,697	309,978
Trade and other receivables	17,619	36,488
Total financial assets	421,316	346,466
Financial Liabilities		
Trade and other payables	122,191	200,747
Borrowings	19,670	43,171
Total financial liabilities	141,861	243,918

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 Chief Financial Officer has been delegated the authority 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.

The Board of Directors receives regular reports which provide details of the effectiveness of the processes and policies in place.

Mitigation strategies for specific risks faced are described below:

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.

HORSESHOE METALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

15 FINANCIAL RISK MANAGEMENT (CONTINUED)

(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. Other than cash balances and term deposits held at bank 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.

HORSESHOE METALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

15 FINANCIAL RISK MANAGEMENT (CONTINUED)

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	
	2014	2013	2014	2013	2014	2013	2014	2013
	\$	\$	\$	\$	\$	\$	\$	\$
Financial liabilities due for payment								
Trade and other payables	122,191	200,747	-	-	-	-	122,191	200,747
Borrowings	9,951	23,501	9,719	19,670	-	-	19,670	43,171
Total contractual outflows	132,142	224,248	9,719	19,670	-	-	141,861	243,918

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

(C) MARKET RISK

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

i. Interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period, whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The Group is also exposed to earnings volatility on floating rate instruments.

Interest rate risk is managed by maintaining cash in interest bearing accounts and having no interest bearing liabilities.

ii. Sensitivity analysis

The following sensitivity analysis is based on the interest rate risk exposures in existence at the end of the reporting period.

HORSESHOE METALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

15 FINANCIAL RISK MANAGEMENT (CONTINUED)

An increase/(decrease) of 100 basis points during the period would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that other variables are held constant.

	PROFIT		EQUITY	
	100 BASIS POINTS INCREASE	100 BASIS POINTS DECREASE	100 BASIS POINTS INCREASE	100 BASIS POINTS DECREASE
2014	3,917	(3,917)	3,917	(3,917)
2013	9,755	(9,755)	9,755	(9,755)

The net exposure at the end of the reporting period is representative of what the Group was and is expecting to be exposed to at the end of the next twelve months.

The sensitivity analysis is performed on the same basis as in 2013.

(D) 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.

	2014		2013	
	NET CARRYING VALUE	NET FAIR VALUE	NET CARRYING VALUE	NET FAIR VALUE
	\$	\$	\$	\$
Financial assets				
Cash and cash equivalents	403,697	403,697	309,978	309,978
Trade and other receivables	17,619	17,619	36,488	36,488
Total financial assets	421,316	421,316	346,466	346,466
Financial liabilities				
Trade and other payables	(122,191)	(122,191)	(200,747)	(200,747)
Borrowings	(19,670)	(19,670)	(43,171)	(43,171)
Total financial liabilities	(141,861)	(141,861)	(243,918)	(243,918)

HORSESHOE METALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

16 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.

17 INTERESTS 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:

	2014	2013
	\$	\$
Short-term employee benefits	327,470	385,380
Post-employment benefits	21,094	21,849
Share-based payments	(102,118)	277,880
	<u>246,446</u>	<u>685,109</u>

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 2014.

OTHER KEY MANAGEMENT PERSONNEL TRANSACTIONS

During the financial year fees of \$nil (2013: \$1,295) exclusive of GST were paid or payable under normal terms and conditions to Tenement Management Services Pty Ltd of which Mr Marston is a Director, for the provision of administrative and secretarial services at normal commercial rates. These amounts are not included in Mr Marston's remuneration. At year end, nil (2013: nil) including GST remained outstanding.

During the financial year to 31 December 2014 shares were issued to a related party of Michael Fotios for services received and to be received. Further details are at Note 5.

18 AUDITORS' REMUNERATION

	2014	2013
	\$	\$
Remuneration of the auditor of the Group, Simes Cooke, for:		
- auditing or reviewing the financial statements	22,000	27,500

HORSESHOE METALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

19 CONTROLLED ENTITIES

	COUNTRY OF INCORPORATION	PERCENTAGE OWNED (%)* 2014	PERCENTAGE OWNED (%)* 2013
Subsidiaries:			
Murchison Copper Mines Pty Ltd	Australia	100	100

* Percentage of voting power is in proportion to ownership.

20 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

In the opinion of the Directors, the Group did not have any contingencies at 31 December 2014 (31 December 2013: Nil).

21 RELATED PARTY TRANSACTIONS

At 31 December 2014 Horseshoe Metals Limited had a loan receivable from its subsidiary in the amount of \$9,636,634 (2013: \$8,814,977).

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.

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 17.

HORSESHOE METALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

22 CASH FLOW INFORMATION

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

	2014	2013
	\$	\$
Net loss for the period	(1,297,136)	(8,430,088)
Cash flows excluded from profit attributable to operating activities		
- Project generation expenses	-	-
Non-cash flows in profit:		
- share based payments	395,466	278,534
- depreciation	31,734	39,723
- impairment of property, plant and equipment	503,995	6,730,969
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:		
- (increase)/decrease in trade and other receivables	18,869	68,389
- (increase)/decrease in other assets	(227,620)	6,586
- increase/(decrease) in trade and other payables	(78,557)	(221,025)
- increase/(decrease) in borrowings	(23,501)	-
- increase/(decrease) in provisions	(29,387)	306,106
Cashflow from operations	<u>(706,137)</u>	<u>(1,220,806)</u>

NON-CASH INVESTING AND FINANCING ACTIVITIES

Refer to Note 23 for details of non-cash activities during the year to 31 December 2014.

23 SHARE-BASED PAYMENTS

During the year ended 31 December 2014, the Group issued 25,000,000 ordinary shares to related parties and other creditors in lieu of payment and as a prepayment (details of the prepayment at Note 5). The total value of the share based payments was \$500,000 (2013: \$53,351).

24 EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

No matters or circumstances have arisen since the end of the financial 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 financial years.

HORSESHOE METALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

25 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.

	2014	2013
	\$	\$
Statement of Financial Position		
Assets		
Current assets	717,697	339,626
Non-current assets	11,743,930	11,012,621
Total Assets	<u>12,461,627</u>	<u>11,352,247</u>
Liabilities		
Current liabilities	(80,640)	(150,508)
Non-current liabilities	(9,719)	(19,670)
Total Liabilities	<u>(90,359)</u>	<u>(170,178)</u>
Equity		
Issued capital	16,511,893	14,710,460
Retained earnings	(4,583,225)	(4,083,109)
Reserves	442,600	554,718
Total Equity	<u>12,371,268</u>	<u>11,182,069</u>
Statement of Comprehensive Income		
Total comprehensive income	<u>(510,116)</u>	<u>(1,154,537)</u>
Total comprehensive income	<u>(510,116)</u>	<u>(1,154,537)</u>

CONTINGENT LIABILITIES

The parent entity did not have any contingent liabilities as at 31 December 2014 or 31 December 2013.

CONTRACTUAL COMMITMENTS

The parent entity did not have any commitments as at 31 December 2014 or 31 December 2013 other than the operating and hire purchase commitments disclosed in note 14.

HORSESHOE METALS LIMITED

DIRECTORS' DECLARATION

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 22 to 53, 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 2014 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 2014, comply with Section 300A of the Corporations Act 2001, and
4. the Directors have been given the declarations by the chief executive officer 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.



NEIL MARSTON

Managing Director

Balcatta, Western Australia

Dated this 30th day of March 2015

Independent Auditor's Report To the members of Horseshoe Metals Limited

Report on the Financial Report

We have audited the accompanying financial report of Horseshoe Metals Limited, which comprises the consolidated statement of financial position as at 31 December 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

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 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 is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

Opinion

In our opinion:

- (a) the financial report of Horseshoe Metals Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

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

Without modifying our opinion, we draw attention to Note 1, which outlines that the going concern basis is dependent upon the Group raising sufficient funds to pay the Group's debts as and when they fall due.

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

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 15 to 20 of the directors' report for the year ended 31 December 2014. 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 in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Horseshoe Metals Limited for the year ended 31 December 2014 complies with section 300A of the *Corporations Act 2001*.



Somes Cooke



Kevin Somes
30 March 2015
Perth

HORSESHOE METALS LIMITED

CORPORATE GOVERNANCE STATEMENT

31 DECEMBER 2014

This statement sets out the significant Corporate Governance policies and practices of Horseshoe Metals Limited which comply with all the best practice recommendations of the ASX Corporate Governance Council unless otherwise discussed below.

The Company is committed to implementing the highest standards of corporate governance. In determining what those high standards should involve, the Company has turned to the ASX Corporate Governance Principles and Recommendations issued in August 2007 and amended in 2010 and 2014.

The status of the Company's compliance with each of the Council's recommendations is set out below.

LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Council Principle 1: A listed entity should establish and disclose the respective roles and responsibilities of board and management and how their performance is monitored and evaluated.

COUNCIL RECOMMENDATION 1.1:

A listed entity should disclose:

- (a) the respective roles and responsibilities of its board and management; and
- (b) those matters expressly reserved to the board and those delegated to management.

The Company complies with this recommendation.

COUNCIL RECOMMENDATION 1.2:

A listed entity should

- (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and
- (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.

The Company complies with this recommendation.

COUNCIL RECOMMENDATION 1.3:

A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.

The Company complies with this recommendation.

COUNCIL RECOMMENDATION 1.4:

The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.

The Company complies with this recommendation.

COUNCIL RECOMMENDATION 1.5:

A listed entity should:

- (a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;
- (b) disclose that policy or a summary of it; and

HORSESHOE METALS LIMITED

CORPORATE GOVERNANCE STATEMENT

31 DECEMBER 2014

- (c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either
- 1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or
 - 2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under the Act.

While the Company supports the concept of establishing a Diversity Policy as recommended, due to the current nature and scale of the Company's activities, the Company has not enacted such policy or established the measureable objectives and has therefore not reported on progress on achieving such objectives.

COUNCIL RECOMMENDATION 1.6:

A listed entity should:

- (a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and
- (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

The Company complies with this recommendation. At present evaluation arrangements put in place by the Board to monitor the performance of the Company's executives are:

- an annual review by the Board of the Company's financial and operating performance; and
- a comparison of executive remuneration levels to industry benchmarks.

The Company did not complete a review of senior executive performance in accordance with the above policy during the reporting period.

STRUCTURE THE BOARD TO ADD VALUE

Council Principle 2: A listed entity should have a Board of an appropriate size, composition, skills and commitment to enable it to discharge its duties effectively.

COUNCIL RECOMMENDATION 2.1:

A board of a listed entity should:

- (a) have a nomination committee which:
 - 1) has at least three members, a majority of whom are independent directors; and
 - 2) is chaired by an independent director, and disclose:
 - 3) the charter of the committee;
 - 4) the members of the committee; and
 - 5) as at the end of each reporting period, the number of times the committee met throughout the period and individual attendances of the members at those meetings; or
- (b) if it does not have a nomination committee, disclose the fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.

The Company does not comply with this Recommendation. The Board has formally adopted a Nomination Committee Charter but given the present size of the Company, has not formed a separate Committee. Instead the function is being undertaken by the full Board in accordance with the policies and procedures outlined in the Nomination Committee Charter.

HORSESHOE METALS LIMITED

CORPORATE GOVERNANCE STATEMENT

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COUNCIL RECOMMENDATION 2.2:

A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.

The Company complies with the intent of this recommendation. The skills, experience and expertise relevant to the position held by each director are disclosed in the Directors' Report; although not in the form of a matrix.

COUNCIL RECOMMENDATION 2.3:

A listed entity should disclose:

- (a) the names of the directors considered by the board to be independent directors;
- (b) if a director has an interest, position, association or relationship but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and
- (c) the length of service of each director.

Mr A. Still is a Non-Executive Director of the Company and is considered independent within the ASX Corporate Governance Council's guidelines. Mr Still has been a director since May 2014.

Mr M. Fotios together with his associates, is a substantial shareholder in the Company and is therefore not considered independent within the ASX Corporate Governance Council's guidelines. Mr Fotios has been a director since May 2012.

Mr N. Marston is employed in an executive capacity by the Company and is therefore not considered independent within the ASX Corporate Governance Council's guidelines. Mr Marston has been a director since January 2010.

COUNCIL RECOMMENDATION 2.4:

A majority of the Board of a listed entity should be independent directors.

The Company does not comply with this recommendation. Currently the Board of three has only one independent director, Mr A. Still and two non-independent directors, Mr M. Fotios and Mr N. Marston.

While the Board strongly endorses the position that boards need to exercise independence of judgment, it also recognises that the need for independence is to be balanced with the need for skills, commitment and a workable board size. The Board believes it has recruited members with the skills, experience and character to discharge its duties and that any greater emphasis on independence would be at the expense of the Board's effectiveness.

The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the expense of appointing additional independent Non-Executive Directors.

COUNCIL RECOMMENDATION 2.5:

The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.

The Company does not comply with this Recommendation. The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to necessitate the appointment of an independent Chairman.

HORSESHOE METALS LIMITED

CORPORATE GOVERNANCE STATEMENT

31 DECEMBER 2014

COUNCIL RECOMMENDATION 2.6:

A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.

The Company does comply with this Recommendation.

ACT ETHICALLY AND RESPONSIBLY

Council Principle 3: A listed entity should act ethically and responsibly.

COUNCIL RECOMMENDATION 3.1:

A listed entity should:

- (a) have a code of conduct for its directors, senior executives and employees; and
- (b) disclose that code or a summary of it.

The Company does comply with this recommendation. A Code of Conduct for Directors and Key Executives and a Corporate Code of Conduct has been established and is disclosed on the Company's website.

SAFEGUARD INTEGRITY OF CORPORATE REPORTING

Council Principle 4: A listed entity should have formal and rigorous processes that independently verify and safeguard the integrity of its corporate reporting.

COUNCIL RECOMMENDATION 4.1:

The Board of a listed entity should:

- (a) have an audit committee which:
 - 1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and
 - 2) is chaired by an independent director, who is not the chair of the board, and disclose:
 - 3) the charter of the committee;
 - 4) the relevant qualifications and experience of the members of the committee; and
 - 5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
- (b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.

The Company does comply with this recommendation although due to the composition of the board itself its composition does not comply.

Members of the Audit Committee are Mr M. Fotios and Mr A. Still. Details of the qualifications of the audit committee members and the numbers of meeting held and attended by each member are set out in the Directors' Report.

The Board has formally adopted an Audit Committee Charter which is disclosed on the Company's website.

HORSESHOE METALS LIMITED

CORPORATE GOVERNANCE STATEMENT

31 DECEMBER 2014

COUNCIL RECOMMENDATION 4.2:

The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

The Company complies with this recommendation.

COUNCIL RECOMMENDATION 4.3

A listed entity that has an AGM should ensure that its external auditor attends the AGM and is available to answer questions from security holders relevant to the audit.

The Company complies with this recommendation.

MAKE TIMELY AND BALANCED DISCLOSURE

Council Principle 5: A listed entity should make timely and balanced disclosure of all matters concerning it that a reasonable person would expect to have a material effect on the price or value of its securities.

COUNCIL RECOMMENDATION 5.1:

A listed entity should:

- (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and
- (b) disclose that policy or a summary of it.

The Company does comply with this recommendation. A Continuous Disclosure Policy has been established and disclosed on the Australian Securities Exchange and on the Company's website.

RESPECT THE RIGHTS OF SECURITY HOLDERS

Council Principle 6: A listed entity should respect the rights of security holders by providing them with appropriate information and facilities to allow them to exercise those rights effectively.

COUNCIL RECOMMENDATION 6.1:

A listed entity should provide information about itself and its governance to investors via its website.

The Company does comply with this recommendation.

COUNCIL RECOMMENDATION 6.2:

A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.

The Company complies with this recommendation. A Stakeholder Communication Strategy has been established and disclosed on the Australian Securities Exchange and on the Company's website.

HORSESHOE METALS LIMITED

CORPORATE GOVERNANCE STATEMENT

31 DECEMBER 2014

COUNCIL RECOMMENDATION 6.3:

A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.

The Company complies with this recommendation.

COUNCIL RECOMMENDATION 6.4:

A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.

The Company complies with this recommendation.

RECOGNISE AND MANAGE RISK

Council Principle 7: A listed entity should establish a sound risk management framework and periodically review the effectiveness of that framework.

COUNCIL RECOMMENDATION 7.1:

The board of a listed entity should:

- (a) have a committee or committees to oversee risk each of which:
 - 1) has at least three members, a majority of whom are independent directors; and
 - 2) is chaired by an independent director, and disclose:
 - 3) the charter of the committee;
 - 4) the members of the committee; and
 - 5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
- (b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.

The Company does not comply with this recommendation. The functions of the risk committee are performed by the full board of the Company. The Board employs a Risk Management Policy which is disclosed on the Company's website.

Risk Management has been reported on by the Chief Executive Officer at each Board meeting during the reporting period.

COUNCIL RECOMMENDATION 7.2

The board or a committee of the board should:

- (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and
- (b) disclose, in relation to each reporting period, whether such a review has taken place.

The Company did not comply with this recommendation during the reporting period.

COUNCIL RECOMMENDATION 7.3

A listed entity should disclose:

- (a) if it has an internal audit function, how the function is structured and what role it performs; or
- (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.

HORSESHOE METALS LIMITED

CORPORATE GOVERNANCE STATEMENT

31 DECEMBER 2014

The Company does not have an internal audit function. The Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) periodically reviews processes to ensure their appropriateness and effectiveness.

COUNCIL RECOMMENDATION 7.4:

A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.

The Company does comply with this recommendation.

REMUNERATE FAIRLY AND RESPONSIBLY

Council Principle 8: A listed entity should pay directors remuneration sufficient to attract and retain high quality directors and design its executive remuneration to attract, retain and motivate high quality senior executives and to align their interests with the creation of value for security holders.

COUNCIL RECOMMENDATION 8.1

The board of a listed entity should:

- (a) have a remuneration committee which:
 - 1) has at least three members, a majority of whom are independent directors; and
 - 2) is chaired by an independent director, and disclose:
 - 3) the charter of the committee;
 - 4) the members of the committee; and
 - 5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
- (b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.

The Company does comply with this recommendation although due to the composition of the board itself its composition does not comply.

COUNCIL RECOMMENDATION 8.2

A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.

The Company complies with this recommendation. Information on director and executive remuneration is contained within the Directors' Report.

Other Information

Further information relating to the company's corporate governance practices and policies have been made publicly available on the company's web site. (www.horseshoemetals.com.au)

HORSESHOE METALS LIMITED

ANNUAL MINERAL RESOURCE STATEMENT

SCHEDULE OF INTERESTS IN MINING TENEMENTS AS AT 30 MARCH 2015

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	P52/1203	172.0 ha	1.72	100% ¹	\$6,880
Horseshoe Lights	P52/1204	199.0 ha	1.99	100% ¹	\$7,960
Horseshoe Lights	P52/1205	194.0 ha	1.94	100% ¹	\$7,760
Horseshoe Lights	P52/1206	191.0 ha	1.91	100% ¹	\$7,640
Horseshoe Lights	P52/1207	197.0 ha	1.97	100%	\$7,880
Horseshoe Lights	P52/1208	196.0 ha	1.96	100%	\$7,840
Horseshoe Lights	P52/1209	171.0 ha	1.71	100%	\$6,840
Horseshoe Lights	P52/1210	199.0 ha	1.99	100%	\$7,960
Horseshoe Lights	P52/1211	196.0 ha	1.96	100%	\$7,840
Horseshoe Lights	E52/2042	10 blocks	22.54	100% ¹	\$50,000
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	-
Horseshoe Lights	E52/2569	2 blocks	3.1	0% ²	\$20,000
Horseshoe Lights	M52/600	593 ha	5.93	0% ³	\$59,300
Kumarina	M52/27	9.7 ha	0.097	100%	\$10,000
Kumarina	E52/1998	70 blocks	218.3	100%	\$105,000
Kumarina	E52/2930	69 blocks	215.3	100%	\$69,000
TOTAL			492.5		\$480,800

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.
2. Murchison Copper Mines Pty Ltd has a 2 year option to purchase E52/2569 from Elysium Resources Limited, option expiry is 28 October 2016.
3. Murchison Copper Mines Pty Ltd has a 2 year option to purchase M52/600 from private interests, option expiry is 19 January 2017.

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 2014, 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 Mineral Resources at the Horseshoe Lights Project as at 31 December 2014 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 2014. 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 as at 31 December 2014. 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).

An updated Mineral Resource Estimate for the Horseshoe Lights sub-grade ore (M15) stockpiles was completed by the Company as at 31 December 2014. 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).

TABLE 1 HORSESHOE LIGHTS PROJECT SUMMARY OF MINERAL RESOURCES AS AT 31 DECEMBER 2014								
Location	Category	Tonnes (Mt)	Cu (%)	Au (g/t)	Ag (g/t)	Cu metal (tonnes)	Au metal (oz)	Ag metal (k oz)
In-situ Deposit	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
TOTAL						138,050	52,600	1,124.9

HORSESHOE METALS LIMITED

ANNUAL MINERAL RESOURCE STATEMENT

KUMARINA PROJECT - MINERAL RESOURCE STATEMENT

A summary of the Mineral Resources at the Kumarina Project as at 31 December 2014 is shown in Table 2 below. A Mineral Resource Estimate was been 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 2014. 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 2014				
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

MATERIAL CHANGES AND RESOURCE STATEMENT COMPARISON

A comparison between the 2013 and 2014 Mineral Resource Estimates for the Horseshoe Lights Project Flotation Tailings and Sub-grade (M15) Stockpile is shown in Table 3 below.

TABLE 3 HORSESHOE LIGHTS PROJECT COMPARISON BETWEEN 2013 & 2014 MINERAL RESOURCE ESTIMATES							
	Tonnage (t)	Cu (%)	Au (g/t)	Ag (g/t)	Cu metal (tonnes)	Au metal (oz)	Ag metal (oz)
<i>Flotation Tailings</i>							
2014 Estimate	1,421,000	0.48	0.34	6.5	6,800	15,300	294,800
2013 Estimate	1,420,000	0.47	-	-	6,700	-	-
<i>Sub-grade (M15) Stockpiles</i>							
2014 Estimate	243,400	1.10	0.17	4.7	2,650	1,300	36,700
2013 Estimate	244,000	0.80	-	-	1,900	-	-

The Flotation Tailings Mineral Resource Estimate is based upon an auger drilling programme of 100 holes drilled and sampled on a 40m x 40m grid. Economic recovery of gold and silver is now considered to be potentially achievable using low cost gravity separation methods. Accordingly the 2014 Mineral Resource Estimate for the flotation tailings has been expanded to include gold and silver.

HORSESHOE METALS LIMITED

ANNUAL MINERAL RESOURCE STATEMENT

The 2013 Mineral Resource Estimate for the M15 stockpiles was based on limited historical records. The 2014 Mineral Resource Estimate for the M15 stockpiles is based upon additional historical information including a total of 32 Reverse Circulation (RC) holes drilled in two programmes in 1992 and 1993. Holes were generally drilled on a 20m x 20m grid and sampled every metre down hole.

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.

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 this report that relates to the Horseshoe Lights Project In-situ 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 the Horseshoe Lights Project flotation tailings and surface stockpiles Mineral Resources 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. The information was previously issued with the written consent of Mr Geoff Willetts in announcements released to the ASX on 26 February 2015 and 9 March 2015. The Company confirms that:

- (d) the form and context in which Mr Geoff Willetts' findings are presented have not been materially modified.*
- (e) it is not aware of any new information or data that materially affects the information included in the 26 February 2015 and 9 March 2015 ASX announcements and that all the material assumptions and technical parameters underpinning the estimates in the 26 February 2015 and 9 March 2015 ASX announcements continue to apply and have not materially changed.*
- (f) 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.*

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 30 March 2015.

A. Distribution of equity security holders

Analysis of numbers of equity holders by size of holding:

Holding	Ordinary Shares	
	Number Of Holders	
1 - 1,000		35
1,001 - 5,000		112
5,001 - 10,000		123
10,001 - 100,000		448
100,000 and over		195
		913

There were 372 holders of less than a marketable parcel of ordinary shares.

B. Twenty largest shareholders

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

		Ordinary Shares	
		Number Held	% Of Issued Shares
1	Whitestone Minerals Pty Ltd	15,000,000	8.84
2	Mr Michael Fotios <Michael Fotios Family A/C>	12,294,642	7.24
3	Mulloy Pty Ltd <John Hartley Poynton Fm A/C>	6,524,508	3.84
4	Investmet Limited	6,054,589	3.57
5	Wyllie Group Pty Ltd	5,756,420	3.39
6	J P Morgan Nominees Australia Limited	4,262,582	2.51
7	Botsis Holdings Pty Ltd	3,874,492	2.28
8	Delta Resource Management Pty Ltd	3,665,005	2.16
9	Tarney Holdings Pty Ltd <DP & FL Waddell Family A/C>	3,550,917	2.09
10	Mr Matthew James Mulcahy	3,000,000	1.77
11	Minsk Pty Ltd	2,605,256	1.53
12	Cliffway Pty Ltd <The John Hartley Personal Superannuation Fund A/C>	2,500,000	1.47
13	Panga Pty Ltd	2,384,643	1.40
14	Mrs Suzanne Dorothy Marston	1,977,495	1.16
15	Drumgaghan Pty Ltd	1,937,500	1.14
16	Mr Philip Colin Hammond + Ms Betty Jeanette Moore <MGB Superannuation Fund A/C>	1,791,667	1.06
17	Ms Betty Jeanette Moore	1,666,667	0.98
18	Mr Andrew William Spencer <Spencer Super Fund A/C>	1,643,421	0.97
19	Mr Gregory John Sharpless + Mrs Jennifer Lee Sharpless <Sharpless Investment A/C>	1,630,917	0.96
20	ABN Amro Clearing Sydney Nominees Pty Ltd <Custodian A/C>	1,548,745	0.91
		83,669,466	49.29

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
Michael George Fotios	37,334,236	21.99
John Hartley Poynton	9,024,508	5.31

D. Unquoted securities

Description	Securities On Issue	Number Of Holders
Option, Expiring 25 May 2015 Exercise Price \$0.60	5,400,000	28
Incentive Right, Expiring 30 June 2015	2,800,000	2

Holders of more than 20% of the abovementioned unquoted securities are:

Holder Name	Options Expiring 25 May 2015 Exercise Price \$0.60	Incentive Rights Expiring 30 June 2015
Investmet Limited	1,862,732	-
Michael George Fotios	333,333	800,000
Neil Andrew Marston	-	2,000,000