HORSESHOE METALS

LIMITED

A.B.N. 20 123 133 166

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2015

CORPORATE INFORMATION

Directors
Michael George Fotios (Non-executive Chairman)
Alan Wallace Still (Non-executive Director)
Neil Porter (Non-executive Director)

Company Secretary
Shannon Coates

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 Georges Terrace
Perth WA 6000

Share Register
Computershare Investor Services Pty Ltd
Level 11, 172 St Georges 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 REPORT

FOR THE YEAR ENDED 31 DECEMBER 2015

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HORSESHOE METALS LIMITED

DIRECTORS' REPORT

31 DECEMBER 2015

Your Directors present their report, together with the financial statements of Horseshoe Metals Limited and controlled entity (the Group) for the year ended 31 December 2015.

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 Neil Marston	Managing Director	Resigned 13 October 2015
Mr Michael Fotios	Non-Executive Chairman	
Mr Alan Still	Non-Executive Director	Appointed 16 October 2015
Mr Brian Rear	Non-Executive Director	Resigned 29 February 2016
Mr Neil Porter	Non-Executive Director	Appointed 29 February 2016

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

INFORMATION ON DIRECTORS

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

Mr Michael Fotios BSc (Hons) MAusIMM

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

In the previous three years Mr Fotios was also a director of the following ASX listed companies:
Pegasus Metals Limited - current;
General Mining Corporation Limited - current;
Eastern Goldfields Limited (formerly Swan Gold Mining Limited) - current;
Redbank Copper Limited - current;
Northern Star Resources Limited - resigned 23 October 2013; and
Stirling Resources Limited - resigned 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:
Eastern Goldfields Limited (formerly Swan Gold Mining Limited) – current;
General Mining Corporations Limited – current; and
Pegasus Metals Limited – current.

Mr Neil Porter (Appointed 29 February 2016)

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

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

Mr Brian Rear (Appointed 16 October 2015; resigned 29 February 2016)

Mr Rear is a graduate of the West Australian School of Mines (Metallurgy), the Royal School of Mines London (MSc, DIC Mineral Process Design) and the Business School of the University of South Africa (Masters degree in Business Leadership MBL UNISA) and is also a member of the Australian Institute of Company Directors. He has held global management experience in base metals (particularly copper), gold, uranium, thermal coal, mineral sands and industrial minerals.

Mr Neil Marston B.Com, MAICD, AGIA (Resigned 13 October 2015)

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.

COMPANY SECRETARY

The following persons held the position of Company Secretary during the year and to the date of this report:

Ms Shannon Coates (Appointed 23 October 2015)

Ms Coates completed a Bachelor of Laws through Murdoch University in 1993 and has since gained over 20 years' in-house experience in corporate law and compliance for public companies. She is a Chartered Secretary and an Associate Member of both the Institute of Chartered Secretaries & Administrators and Chartered Secretaries Australia. Ms Coates is currently director of Evolution Corporate Services Pty Ltd, a company providing corporate advisory services and is also company secretary to a number of ASX listed companies.

Mr Neil Marston B.Com, MAICD, AGIA (Resigned 13 October 2015)

A summary of Mr Marston's qualifications and experience appears above.

DIRECTORS' INTERESTS

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

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

MEETINGS OF DIRECTORS

During the year 4 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 Michael Fotios	2	2	2	2	-	-
Mr Alan Still	2	2	2	2	-	-
Mr Neil Porter	-	-	-	-	-	-
Mr Neil Marston	2	2	2	2	-	-
Mr Brian Rear	-	-	-	-	-	-

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 and its controlled entity, except where the liability arises out of conduct involving a lack of good faith.

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

NON-AUDIT SERVICES

Somes Cooke, the Group's auditors, did not provide any non-audit services during the year ended 31 December 2015.

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 2015 has been received and can be found on page 24 of the financial report.

OPTIONS AND PERFORMANCE RIGHTS

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

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

During the year ended 31 December 2015, no ordinary shares in Horseshoe Metals Limited were issued on the exercise of options granted. No further shares have been issued since that date. No amounts are unpaid on any of these shares.

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

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

PRINCIPAL ACTIVITIES

The principal activities of the Group during the year were:

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

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

OPERATING RESULTS

The consolidated loss of the Group after providing for income tax amounted to $(1,498,408) (31 December 2014 $(1,297,136)).

REVIEW OF OPERATIONS

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

The Horseshoe Lights Project is located 140km north of the town of Meekatharra in Western Australia. The project tenements cover a total of approximately 60 km^2 in area, and are located approximately 75km west of Sandfire Resources NL's (ASX:SFR) DeGrussa copper-gold mine (see Figure 1).

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

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

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

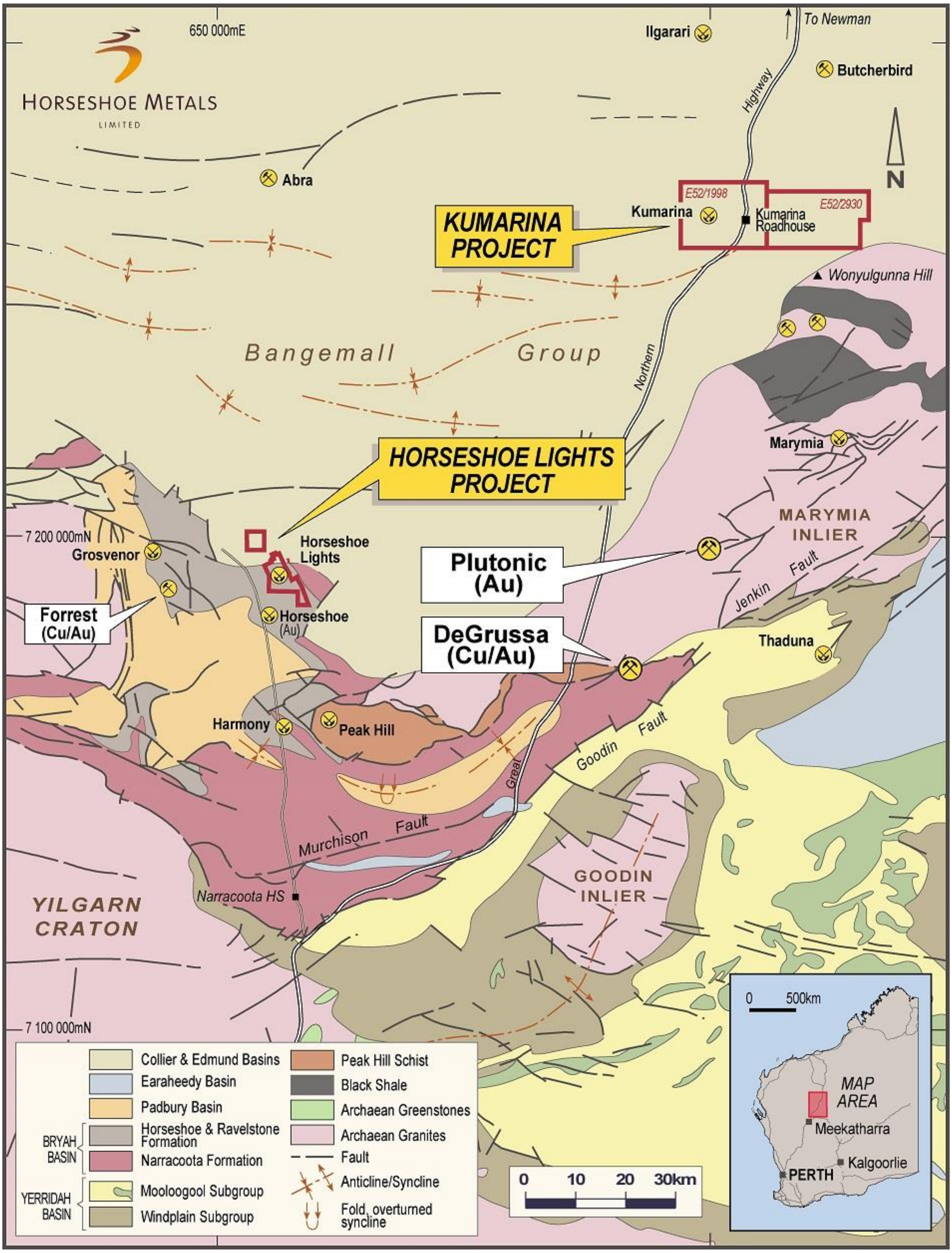

Figure 1: Project Location Plan

Oxide Copper Project Scoping Study

During the year the company announced the commencement of Scoping Study work within an expanded SMART (**S**urface **M**aterial **R**e-**T**reatment) project, *(refer ASX announcement 20 August 2015);* expanding on previous work undertaken by the Company in 2014, but specifically evaluating the viability of a low-capex oxide copper treatment process.

The SMART project was initiated following an internal review of previously reported results from an auger drilling programme carried out on the copper and gold tailings at the Horseshoe Lights mine in 2010. Sample material from this auger drill programme was used in a series of laboratory gravity tests, with the objective of demonstrating whether it was possible to separate copper and gold concentrates by using gravity separation equipment.

The amount of separation achieved was encouraging and warranted further testing. Investigations have continued, and involve identifying process flow-sheet options ahead of further sampling and testwork, and engaging with equipment suppliers to discuss equipment suitability.

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

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

The conceptual production rate for the study is 5,000 tonnes per annum of contained copper metal for a period at least five years. The Scoping Study will establish the technical and economic parameters that will be required to recommence copper production at the mine. The Scoping Study is ongoing, and likely to be completed in the first half of 2016.

Exploration Activities

In the first half of the year, exploration activities focused around the provision of samples as part of the SMART Project. Updates of the Mineral Resource Estimates on the flotation tailings and sub-grade M15 stockpiles were completed and reported (*refer ASX releases dated 26th February 2015 and 9 March 2015*).

Heritage surveys were successfully completed at Horseshoe Lights and at the nearby Saturn, Titan and Tethys Prospects (refer Figure 2) ahead of planned drilling at these target areas. The Company has also successfully secured an option to purchase highly prospective ground to the east of the existing Horseshoe Lights deposit.

Resource Drilling

Reverse Circulation (RC) drilling commenced at Horseshoe in May 2015, designed to add copper tonnes and grade to the existing mineral resource block model, with a particular focus on those areas within and adjacent to the optimised pit shell from the 2014 Scoping Study (*refer to ASX announcement dated 19 December 2014*), where drill hole density was low or reliant upon older, historical drilling.

Drilling focused on 3 main areas:

- The North West Stringer Zone
- Motters Zone; and
- Main Zone

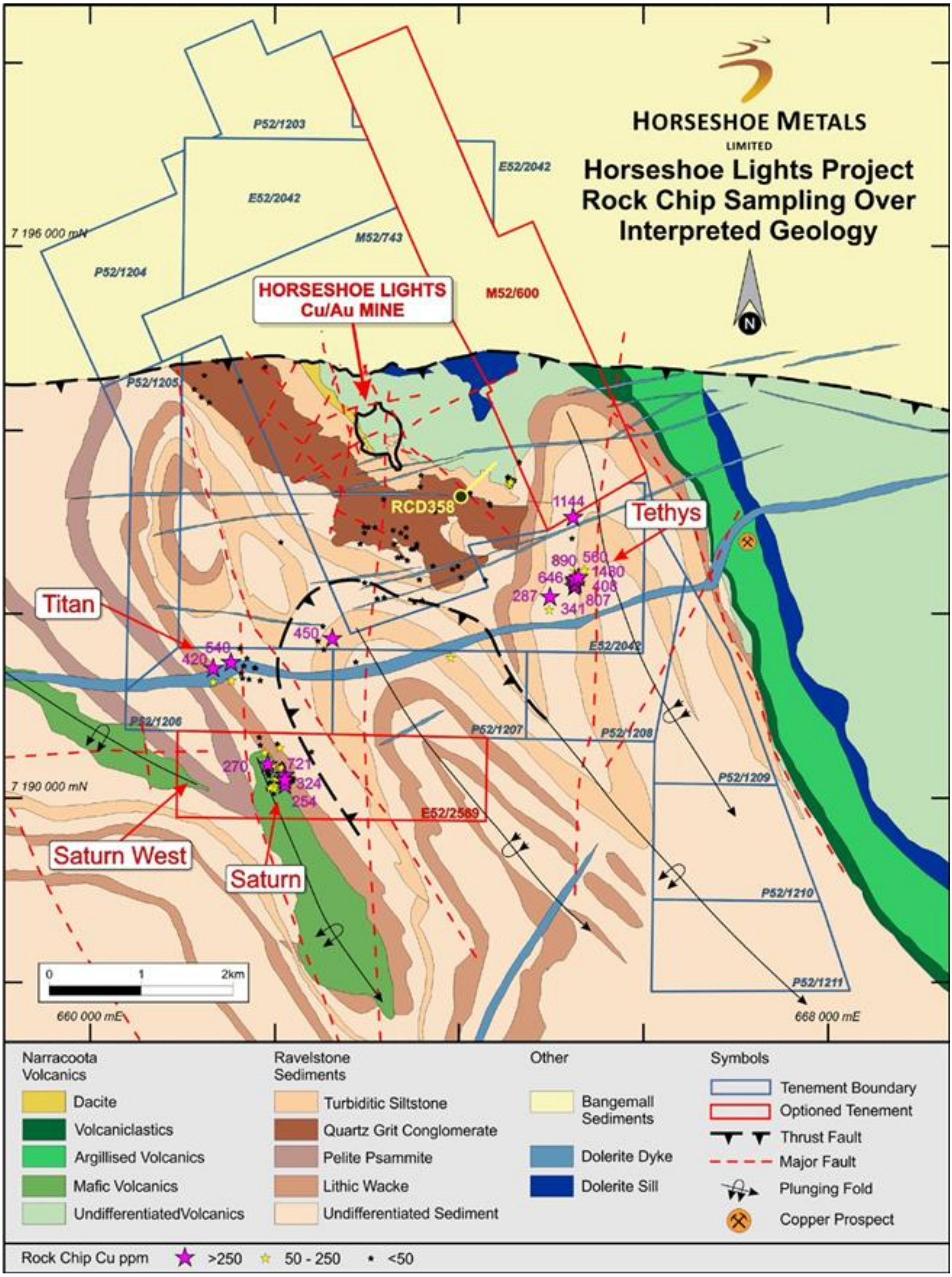

Figure 2: Prospect Location Plan

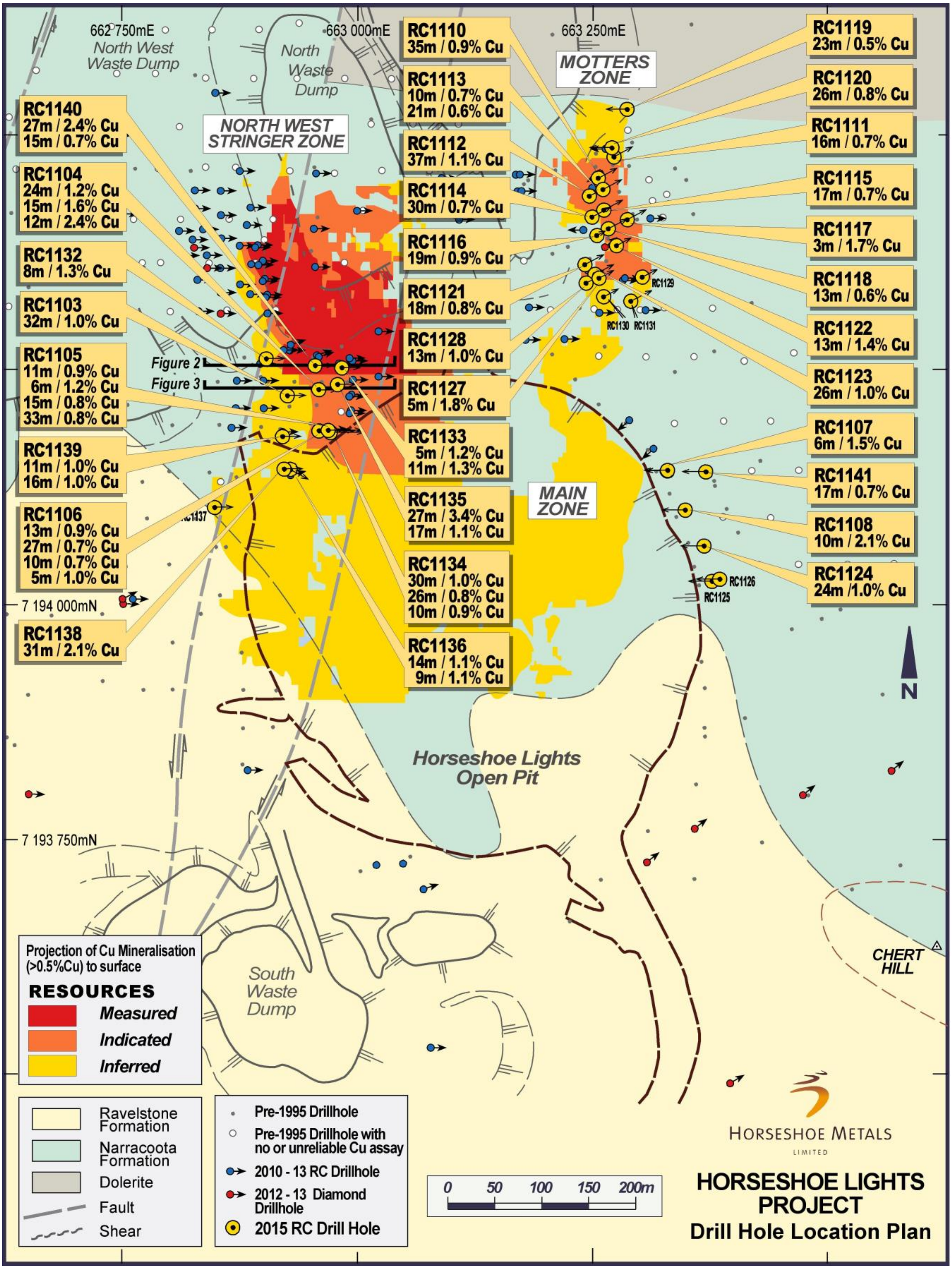

Figure 3: Highlights from Horseshoe Lights Project Drilling Results, 2015 RC Programme

A total of 39 holes were completed for a total drill advance of 4,576 metres. The location of significant copper intersections for holes RC1103 – RC1141 are highlighted in Figure 3 *(refer to ASX announcements dated 11 August 2015 and 3 September 2015 for further details)*. Drilling results recorded to date provide greater certainty to the robustness of the existing mineral resource block model.

Importantly, copper mineralisation outside the existing resource model has been intersected, highlighting further resource expansion potential (refer Figure 4). In particular, results from the North West Stringer Zone are considered very positive, as they appear to both confirm and expand the extent of copper mineralisation when compared with earlier drilling results. Copper mineralisation in the North-West Stringer Zone occurs in broad zones transitioning from shallow oxide mineralisation to sulphide mineralisation at depth.

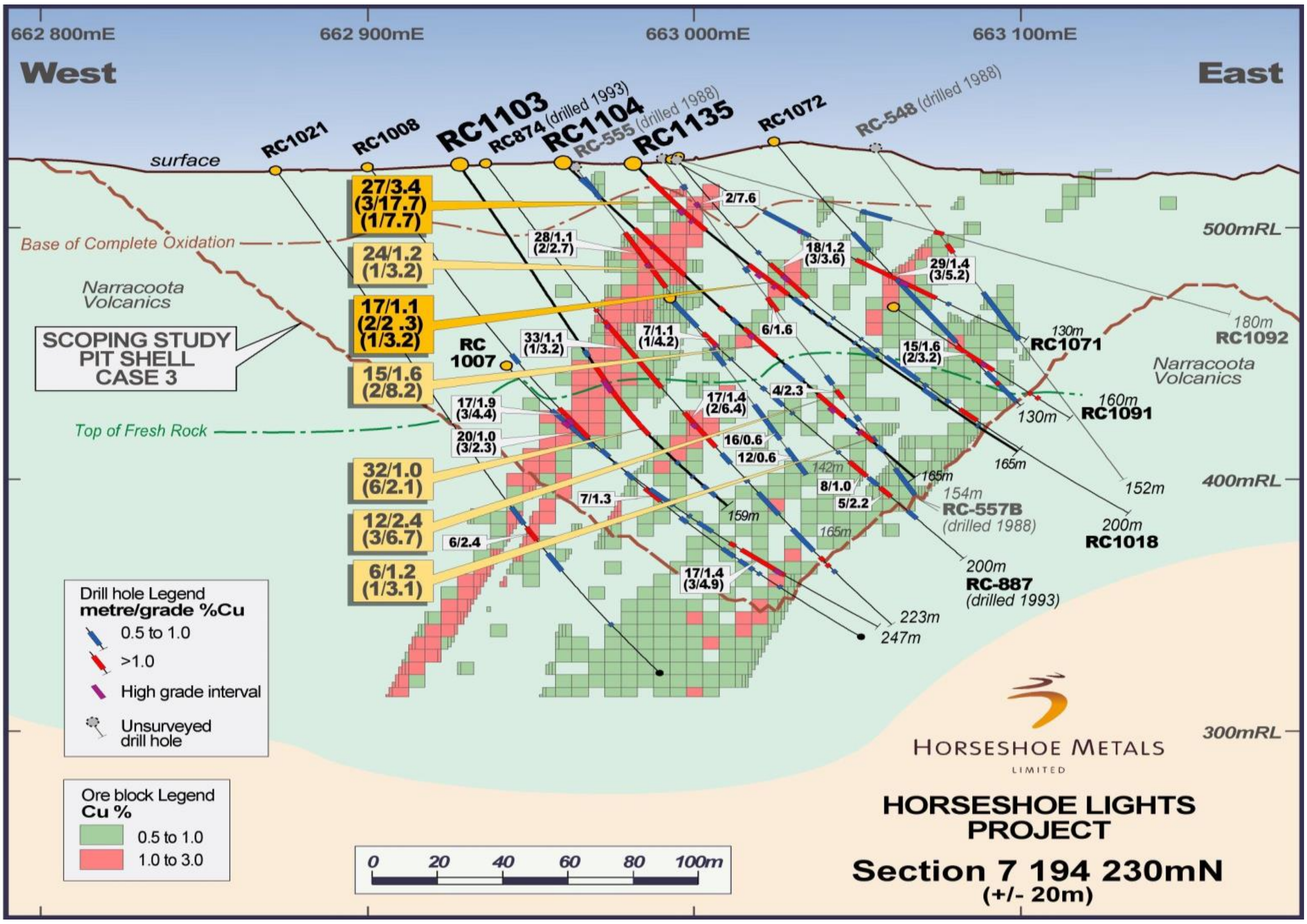

Figure 4: Horseshoe Lights Project Drill Section 7194230mN, highlighting that hole RC1135 has wider zones of copper mineralisation (with higher grades) than in historic holes, which will clearly upgrade the existing copper mineral resource in this part of the deposit

Better intersections from the North West Stringer Zone included:

Hole RC1104	**24m @ 1.2% Cu from 34m**; and **20m @ 1.4% Cu from 81m**, including ***2m @ 8.2% Cu from 89m*** and **25m @ 1.6% Cu from 121m**, including ***3m @ 6.7% Cu and 0.3 g/t Au from 127m***
Hole RC1138	**31m @ 2.1% Cu from 81m**

Better intersections from Motters Zone included:

Hole RC1112 **37m @ 1.1% Cu from surface**; including ***<u>10m @ 2.1% Cu</u> from 10m***.

Hole RC1135 **30m @ 3.1% Cu from 8m**; including ***<u>3m @ 17.7% Cu</u> from 23m*** and
23m @ 0.9% Cu from 54m

Better intersections from the Main Zone included:

Hole RC1124 **37m @ 1.1% Cu from surface**

Many mineralised structures remains open at depth and an assessment of requirements for further drilling in ongoing. All data is currently being reviewed and validated to company requirements before resource estimation can commence.

Kumarina Copper Project (HOR: 100%)

The Kumarina Project consists of two exploration licences and one mining lease covering approximately 433km^2. The project is located 95km north of Sandfire Resources NL's DeGrussa copper-gold mine, in the Gascoyne region of Western Australia (see Figure 1).

At Kumarina, the Company completed a 215km^2 low level aeromagnetic survey over E52/2930, undertaken at 50 metre line spacings and providing the Company with high resolution aeromagnetic data over the Company's entire tenement holding at Kumarina. Review and interpretive work on this data is ongoing.

Table 1: Significant RC intercepts, 2015 Drilling

HORSESHOE RC DRILLING 2015- SIGNIFICANT Cu INTERSECTIONS (>2m width, >0.25%, min. internal waste 2m)											
HoleID	**Northing**	**Easting**	**RL**	**dip**	**Azimuth**	**Depth**	**From**	**To**	width	Cu%	Au_ppm
RC1103	7194228	662928	525	-62	90	159	83	86	3	0.46	0.14
							90	122	**32**	**0.97**	0.04
							131	137	6	0.37	0.02
							148	154	6	0.46	0.03
RC1104	7194234	662961	526	-50	90	165	8	16	8	0.84	0.03
							34	58	**24**	**1.18**	0.08
							75	77	2	1.19	0.05
							81	101	**20**	**1.37**	0.04
							105	117	12	0.69	0.03
							121	146	**25**	**1.56**	0.06
							148	151	3	0.43	0.01
RC1105	7194191	662971	525	-62	80	165	6	8	2	0.33	0.01
							36	54	**18**	**0.93**	0.03
							56	76	**20**	**0.69**	0.02
							86	119	**33**	**0.78**	0.04
							140	142	2	0.37	0.07
							152	156	4	0.71	0.02
							159	163	4	0.61	0.01
RC1106	7194190	662962	525	-67	90	165	50	63	13	0.67	0.09
							68	95	**27**	**0.70**	0.02
							116	126	10	0.67	0.05
							132	135	3	0.41	0.04
							154	159	5	1.04	0.11
RC1107	7194148	663332	530	-35	270	129	56	60	4	0.37	0.01
							70	72	2	0.90	0.03
							95	101	**6**	**1.50**	0.03
							104	106	2	0.77	0.01
							109	121	12	0.59	0.02
RC1108	7194106	663351	530	-40	270	164	111	114	3	0.34	0.01
							117	121	4	0.39	0.02
							125	137	12	1.81	0.05
RC1109							*NSI*				
RC1110	7194459	663258	521	-70	60	41	surface	35	**35**	**0.85**	0.03
RC1111	7194482	663275	519	-65	60	23	surface	14	**14**	**0.78**	0.04
RC1112	7194440	663249	524	-60	60	53	surface	37	**37**	**1.14**	0.02
							45	47	2	0.46	0.02
RC1113	7194447	663263	522	-55	60	50	surface	10	10	0.76	0.03
							13	34	**21**	**0.62**	0.04
RC1114	7194418	663252	526	-70	60	71	15	45	**30**	**0.66**	0.02
							63	65	2	0.54	0.06
RC1115	7194425	663264	526	-50	60	71	0	17	**17**	**0.66**	0.01
							40	44	4	0.43	0.04
							49	51	2	0.34	0.06

HORSESHOE RC DRILLING 2015- SIGNIFICANT Cu INTERSECTIONS (>2m width, >0.25%, min. internal waste 2m)

HoleID	Northing	Easting	RL	dip	Azimuth	Depth	From	To	width	Cu%	Au_ppm
RC1116	7194398	663257	529	-60	60	87	21	40	**19**	**0.88**	0.01
							49	53	4	0.50	0.03
							59	61	2	0.30	0.02
RC1117	7194415	663289	527	-60	60	72	1	4	3	0.26	0.03
							11	17	6	1.33	0.07
RC1118	7194405	663269	527	-60	60	78	8	12	4	1.38	0.02
							15	20	5	0.75	0.01
							32	45	13	0.55	0.02
RC1119	7194532	663289	519	-15	240	36	4	27	**23**	**0.55**	0.01
RC1120	7194491	663273	521	-50	240	30	surface	26	**26**	**0.84**	0.02
RC1121	7194367	663244	531	-60	60	105	28	34	6	0.51	0.03
							39	69	**30**	**0.60**	0.02
							71	73	2	0.27	0.01
							86	92	6	0.66	0.05
							100	102	2	0.46	0.05
RC1122	7194387	663277	530	-60	60	93	14	25	**11**	**1.61**	0.03
							31	58	**27**	**0.48**	0.02
RC1123	7194356	663255	533	-60	60	117	29	60	**31**	**0.89**	0.02
							61	63	2	0.44	0.10
RC1124	7194068	663371	530	-35	270	168	137	160	**23**	**0.98**	0.10
							162	166	4	0.44	0.02
RC1125							*NSI*				
RC1126							*NSI*				
RC1127	7194354	663258	533	-35	60	102	42	50	8	1.24	0.05
							79	84	5	0.38	0.03
							87	96	9	0.50	0.02
RC1128	7194348	663245	533	-60	60	108	33	36	3	1.20	0.04
							40	63	23	0.39	0.02
							66	87	**21**	**0.77**	0.05
							96	100	4	1.12	0.12
RC1129	7194354	663305	533	-60	60	123	46	48	2	0.36	0.03
RC1130	7194333	663264	533	-60	60	78	48	52	4	0.32	0.02
RC1131	7194328	663293	533	-60	60	78	surface	2	2	0.49	0.73
							24	27	3	0.82	0.62
RC1132	7194267	662906	526	-60	90	165	97	118	**21**	**0.74**	0.02
							129	145	16	0.39	0.02
							147	155	8	0.75	0.02
RC1133	7194258	662986	529	-50	90	165	31	38	7	0.86	0.02
							45	50	5	1.16	0.03
							58	69	**11**	**1.26**	0.03
							73	76	3	0.61	0.03
							86	90	4	0.43	0.02
							119	123	4	0.45	0.03
							135	147	12	0.41	0.01

HORSESHOE RC DRILLING 2015- SIGNIFICANT Cu INTERSECTIONS (>2m width, >0.25%, min. internal waste 2m)

HoleID	Northing	Easting	RL	dip	Azimuth	Depth	From	To	width	Cu%	Au_ppm
RC1134	7194190	662973	525	-40	90	165	36	66	**30**	**1.03**	0.02
							73	99	**26**	**0.84**	0.04
							139	142	3	1.00	0.04
							145	155	10	0.94	0.01
RC1135	7194240	662981	526	-50	90	165	8	38	**30**	**3.07**	0.17
							54	77	**23**	**0.89**	0.03
							99	108	9	0.72	0.05
							115	117	2	0.36	0.04
							127	133	6	0.55	0.01
RC1136	7194150	662930	515	-50	105	165	74	78	4	0.52	0.10
							81	83	2	0.52	0.12
							101	123	**22**	**0.91**	0.03
							133	142	**9**	**1.13**	0.09
							145	147	2	0.44	0.10
RC1137	7194109	662851	525	-30	92	165	133	135	2	0.32	0.02
							144	146	2	0.35	0.05
RC1138	7194150	662928	517	-45	91	168	56	58	2	0.69	0.01
							64	66	2	0.37	0.13
							72	74	2	0.35	0.07
							81	112	**31**	**2.12**	0.04
							113	117	4	0.28	0.01
							122	130	8	0.37	0.04
							140	144	4	0.56	0.06
							152	154	2	0.44	0.04
							162	164	2	1.04	0.18
RC1139	7194183	662922	525	-40	90	168	63	65	2	0.47	0.04
							77	79	2	0.27	0.06
							81	92	**11**	**0.96**	0.04
							103	119	**16**	**0.98**	0.04
							130	141	11	0.42	0.04
							147	149	2	0.85	0.06
							160	163	3	1.27	0.08
RC1140	7194260	662957	526	-60	90	165	13	18	5	0.36	0.27
							27	29	2	1.71	0.08
							33	63	**30**	**2.21**	0.08
							70	73	3	0.47	0.02
							84	99	**15**	**0.68**	0.04
							109	112	3	0.29	0.02
							126	145	19	0.47	0.02
							147	149	2	0.59	0.02
							152	158	6	0.45	0.02
RC1141	7194150	663358	529	-40	270	165	0	4	4	0.89	2.33
							114	125	11	0.40	0.01
							126	143	**17**	**0.59**	0.02

FINANCIAL POSITION

The net assets of the Group have decreased by $1,474,408 from 31 December 2014 to $1,337,724 at 31 December 2015. This increase is largely due to the following factors:

- exploration of the Horseshoe Lights and Kumarina projects;
- the issue of 762,468 shares at 3.1 cents per share (being the 5 day VWAP up until and including 5 March 2015) to raise $24,000, pursuant to an Option to Purchase Agreement in respect to Mining Lease M52/600 dated 19 January 2015;
- 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.

REMUNERATION REPORT (AUDITED)

REMUNERATION POLICY

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

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

REMUNERATION STRUCTURE

In accordance with best practice Corporate Governance, the structure of non-executive director and executive remuneration is separate and distinct.

Non-Executive Director Remuneration

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

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

Executive Director Remuneration

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

RELATIONSHIP BETWEEN REMUNERATION POLICY AND COMPANY PERFORMANCE

Short Term

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

Long Term

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

Company Performance

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

PERFORMANCE CONDITIONS LINKED TO REMUNERATION

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

USE OF REMUNERATION CONSULTANTS

The Group did not employ the services of any remuneration consultants during the financial year ended 31 December 2015.

EMPLOYMENT DETAILS OF MEMBERS OF KEY MANAGEMENT PERSONNEL AND OTHER EXECUTIVES

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

		NON PERFORMANCE RELATED %	SHARES %	OPTIONS/ RIGHTS %
Director	**Position**			
Mr Neil Marston	Managing Director	100	-	-
Mr Michael Fotios	Non-executive Director	100	-	-
Mr Alan Still	Non-executive Director	100	-	-
Mr Brian Rear	Non-executive Director	100	-	-

SERVICE AGREEMENTS

On appointment to the Board, all non-executive directors enter into a service agreement with the Company in the form of a letter of appointment. The letter summarises the Board policies and terms, including compensation, relevant to the office of director.

REMUNERATION DETAILS FOR THE YEAR ENDED 31 DECEMBER 2015

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

HORSESHOE METALS LIMITED

DIRECTORS' REPORT

31 DECEMBER 2015

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	
2015	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Directors							
Mr Neil Marston	168,981	-	-	15,198	-	-	184,180
Mr Michael Fotios	30,000	-	-	-	-	-	30,000
Mr Alan Still	27,500	-	-	-	-	-	27,500
Mr Brian Rear	12,000	-	-	-	-	-	12,000
	238,481	-	-	15,198	-	-	253,680

Mr Brian Rear was appointed on 16 October 2015.
Mr Neil Marston resigned on 13 October 2015.

	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 resigned on 23 June 2014;
Mr Alan Still was appointed on 23 June 2014;
Mr Stuart Hall resigned on 23 June 2014.

OPTION HOLDINGS OF KEY MANAGEMENT PERSONNEL

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

31 DECEMBER 2015	BALANCE AT BEGINNING OF YEAR	GRANTED AS REMUN-ERATION	EXERCISED	OTHER CHANGES	BALANCE AT THE END OF YEAR	VESTED DURING THE YEAR	VESTED AND EXERCISABLE
Directors							
Mr Neil Marston	-	-	-	-	-	-	-
Mr Michael Fotios	2,702,732	-	-	(2,702,732)	-	-	-
Mr Alan Still	-	-	-	-	-	-	-
Mr Brian Rear	-	-	-	-	-	-	-
	2,702,732	-	-	(2,702,732)	-	-	-

Mr Neil Marston resigned on 13 October 2015.
Mr Brian Rear was appointed on 16 October 2015.

31 DECEMBER 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
Directors							
Mr Jeremy Shervington	-	-	-	-	-	-	-
Mr Neil Marston	-	-	-	-	-	-	-
Mr Michael Fotios	10,800,000	-	-	(8,097,268)	2,702,732	-	2,702,732
Mr Alan Still	-	-	-	-	-	-	-
	10,800,000	-	-	(8,097,268)	2,702,732	-	2,702,732

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

SHAREHOLDINGS OF KEY MANAGEMENT PERSONNEL

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

	BALANCE AT BEGINNING OF YEAR	ON EXERCISE OF OPTIONS	OTHER CHANGES DURING THE YEAR	BALANCE AT END OF YEAR
31 December 2015				
Directors				
Mr Neil Marston	2,602,495	-	(2,602,495)	-
Mr Michael Fotios	37,334,236	-	-	37,334,236
Mr Alan Still	-	-	-	-
Mr Brian Rear	-	-	-	-
	39,936,731	-	(2,602,495)	37,334,236

Mr Neil Marston resigned on 13 October 2015;
Mr Brian Rear was appointed on 16 October 2015.

	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	-	(2,640,000)	-
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	-	-	-	-
	18,391,785	-	21,544,946	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.

OPTIONS AND RIGHTS GRANTED DURING THE YEAR TO 31 DECEMBER 2015

No options or rights were granted to key management personnel as remuneration in the year ended 31 December 2015.

End of audited section.

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

Michael Fotios
Non-Executive Chairman

31st March 2016

SOMES
COOKE
Profit from our Resources

35 Outram St
West Perth
WA 6005

PO Box 709
West Perth
WA 6872

T 08 9426 4500 F 08 9481 5645
W somescooke.com.au
E info@somescooke.com.au

Chartered Accountants (Aus)
Business Consultants
Financial Advisors

Auditor's Independence Declaration

To those charged with the governance of Horseshoe Metals Limited:

As auditor for the audit of Horseshoe Metals Limited for the year ended 31 December 2015, I declare that, to the best of my knowledge and belief, there have been:

i) no contraventions of the independence requirements of the *Corporations Act 2001* in relation to the audit; and
ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Somes Cooke

Somes Cooke

Nicholas Hollens

Nicholas Hollens
Partner

Perth

31 March 2016

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HORSESHOE METALS LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2015

	NOTE	2015 $	2014 $
Other income		165,852	32,564
Interest income		2,685	11,168
		168,537	43,732
Occupancy expenses		(22,500)	(27,819)
Consulting expenses		(15,000)	(20,452)
Administrative expenses		(386,881)	(439,630)
Depreciation expense		(21,940)	(31,734)
Directors' remuneration	17	(253,680)	(246,446)
Other expenses		(19,454)	(70,792)
Project generation expenses		(16,875)	-
Impairment of exploration and evaluation expenditure	7	(930,615)	(503,994)
Loss before income taxes		(1,498,408)	(1,297,136)
Income tax expense	2	-	-
Other comprehensive income, net of tax		-	-
Total comprehensive income		(1,498,408)	(1,297,136)
Total Comprehensive Income attributable to members of the parent entity		(1,498,408)	(1,297,136)
Loss per share			
Basic and diluted loss per share (cents)	13	(0.88)	(1.02)

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

HORSESHOE METALS LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

	NOTE	2015 $	2014 $
CURRENT ASSETS			
Cash and cash equivalents	3	11,452	403,697
Trade and other receivables	4	61,780	17,619
Other assets	5	20,090	252,070
TOTAL CURRENT ASSETS		93,322	673,386
NON-CURRENT ASSETS			
Property, plant and equipment	6	68,897	90,837
Exploration and evaluation expenditure	7	6,508,801	6,484,801
TOTAL NON-CURRENT ASSETS		6,577,698	6,575,638
TOTAL ASSETS		6,671,020	7,249,024
CURRENT LIABILITIES			
Trade and other payables	8	534,630	122,193
Borrowings	9	563,730	9,951
Provisions	10	838	3,391
TOTAL CURRENT LIABILITIES		1,099,198	135,535
NON-CURRENT LIABILITIES			
Borrowings	9	-	9,719
Provisions	10	4,234,100	4,291,640
TOTAL NON-CURRENT LIABILITIES		4,234,100	4,301,359
TOTAL LIABILITIES		5,333,298	4,436,894
NET ASSETS		1,337,722	2,812,130
EQUITY			
Issued capital	11	16,535,893	16,511,893
Reserves		-	442,600
Accumulated losses		(15,198,171)	(14,142,363)
TOTAL EQUITY		1,337,722	2,812,130

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 2015

2015

	ISSUED CAPITAL $	ACCUMULATED LOSSES $	SHARE BASED PAYMENT RESERVE $	OPTION PREMIUM RESERVE $	TOTAL EQUITY $
Balance at 1 January 2015	16,511,893	(14,142,363)	442,600	-	2,812,130
Losses attributable to members of the parent entity	-	(1,498,408)	-	-	(1,498,408)
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income for the year	-	(1,498,408)	-	-	(1,498,408)
Shares issued during the year	24,000	-	-	-	24,000
Transaction costs	-	-	-	-	-
Expiry of rights and options	-	442,600	(442,600)	-	-
Sub-total	24,000	(605,059)	(442,600)	-	(1,023,659)
Balance at 31 December 2015	16,535,893	(15,198,171)	-	-	1,337,722

2014

	ISSUED CAPITAL $	ACCUMULATED LOSSES $	SHARE BASED PAYMENT RESERVE $	OPTION PREMIUM RESERVE $	TOTAL EQUITY $
Balance at 1 January 2014	14,710,460	(12,845,227)	544,718	-	2,409,951
Profit or loss attributable to members of the company	-	(1,297,136)	-	-	(1,297,136)
Other comprehensive income for the year	-	-	-	-	-
Total other comprehensive income for the year	-	(1,297,136)	-	-	(1,297,136)
Shares issued during the period	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

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 2015

	NOTE	2015 $	2014 $
CASH FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(71,579)	(736,435)
Other Income		40,359	-
Interest received		2,685	11,168
Finance costs		(947)	(1,150)
Fuel tax rebate received		23,792	20,280
Net cash used by operating activities	22	(5,690)	(706,137)
CASH FLOWS FROM INVESTING ACTIVITIES			
Release of Performance Bonds			-
Purchase of property, plant and equipment		-	(9,826)
Payments relating to exploration and evaluation of mineral assets		(930,615)	(473,531)
Net cash used by investing activities		(930,615)	(483,357)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	11,23	-	1,375,478
Proceeds from borrowings		544,060	-
Payment for costs of raising capital		-	(92,265)
Net cash provided by financing activities		544,060	1,283,213
Net (decrease)/increase in cash and cash equivalents		(392,245)	93,719
Cash and cash equivalents at beginning of the year		403,697	309,978
Cash and cash equivalents at end of the year		11,452	403,697

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

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 31 March 2016.

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 $2.000. 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.

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) 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.

(E) 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.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(E) INCOME TAX (CONTINUED)

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

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

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

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

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

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

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

(F) 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.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(F) PROPERTY, PLANT AND EQUIPMENT

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.

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.

(G) 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.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(G) FINANCIAL INSTRUMENTS (CONTINUED)

Amortised cost is calculated as:

(a) the amount at which the financial asset or financial liability is measured at initial recognition;

(b) less principal repayments;

(c) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the *effective interest method*; and

(d) less any reduction for impairment.

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

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

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

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

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

(ii) *Loans and receivables*

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

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

(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.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(G) FINANCIAL INSTRUMENTS (CONTINUED)

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

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

(iv) *Available-for-sale financial assets*

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

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

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

(v) *Financial liabilities*

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

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

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.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(H) 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.

(I) 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.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(I) EXPLORATION AND DEVELOPMENT EXPENDITURE (CONTINUED)

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. 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.

(J) 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.

(K) 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.

(L) 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.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(L) PROVISIONS (CONTINUED)

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.

(M) 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 performance rights issued are calculated via a hybrid share option pricing model that simulates the share price as at the expiry date using a Monte-Carlo model. The amount to be expensed is determined by reference to the fair value of the options, rights or shares granted. This expense takes in account any market performance conditions and the impact of any non-vesting conditions but ignores the effect of any service and non-market performance vesting conditions.

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

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(N) 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.

(O) 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.

(P) 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.

(Q) 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.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(Q) CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

KEY ESTIMATES - IMPAIRMENT

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

KEY ESTIMATES - SHARE BASED PAYMENTS

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

KEY ESTIMATES - PROVISIONS FOR REHABILITATION

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

KEY JUDGMENTS - EXPLORATION AND EVALUATION EXPENDITURE

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

(R) NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE PERIODS

There are a number of new Accounting standards and Interpretations issued by the AASB that are not yet mandatorily applicable to the Group and have not been applied in preparing these consolidated financial statements. The Group does not plan to adopt these standards early. These standards are not expected to have a material impact on the Group in the current or future reporting periods.

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:

	2015	2014
	$	$
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:

	2015	2014
	$	$
- Loss for the year at 30%	(449,522)	(389,141)
Add:		
Tax effect of:		
- share based payments	-	-
- entertainment and other permanent differences	50	312
- impairment	-	-
- non-assessable income	-	(30,635)
- temporary differences not recognised	(22,934)	(5,429)
- tax losses not brought to account as DTA	472,406	424,893
	-	-

At 31 December 2015 the Group had unused tax losses for which no deferred tax asset has been recognised in the amount of approximately $7,166,000 (2014: $6,693,594). 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.

3 CASH AND CASH EQUIVALENTS

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

	2015	2014
	$	$
Cash at bank	11,452	133,697
Short-term bank deposits	-	270,000
	11,452	403,697

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.

	2015	2014
	$	$
Other receivables	61,780	17,619
	61,780	17,619

The Group expects the above trade and other receivables to be recovered within 12 months of 31 December 2015 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

	2015	2014
	$	$
CURRENT		
Prepayments	20,090	16,475
Prepaid Drilling Services	-	235,595
	20,090	252,070

6 PROPERTY, PLANT AND EQUIPMENT

	2015	2014
	$	$
Plant and equipment		
At cost	214,116	214,116
Accumulated depreciation	(145,219)	(123,279)
	68,897	90,837

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 2015		
Balance at the beginning of year	90,837	90,837
Additions	-	-
Depreciation expense	(21,940)	(21,940)
31 December 2012	68,897	68,897
Balance at 31 December 2014		
Balance at the beginning of year	122,571	122,571
Additions	-	-
Depreciation expense	(31,734)	(31,734)
31 December 2011	90,837	90,837

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 2015.

	2015	2014
	$	$
Carrying amount at beginning of year	6,484,801	6,484,800
Expenditure	930,615	503,995
Shares issued for tenements	24,000	-
Impairment (i)	(930,615)	(503,994)
	6,508,801	6,484,801

7 EXPLORATION AND EVALUATION EXPENDITURE (CONTINUED)

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 poor market conditions, the directors determined that it was prudent to impair all exploration and evaluation expenditure incurred on its mineral projects during the year. As a result the Group's impaired capitalised deferred exploration and evaluation costs remains at a balance of approximately $6.5 million as at 31 December 2015. 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

	2015 $	2014 $
Trade payables	482,042	106,218
Directors' Fees Payable	25,000	-
Other payables	27,588	15,975
	534,630	122,193

9 BORROWINGS

	NOTE	2015 $	2014 $
CURRENT			
Hire purchase	14(a)	21,230	9,951
Loan – Michael Fotios (i)		542,500	-
		563,730	9,951
NON-CURRENT			
Hire purchase	14(a)	-	9,719
		-	9,719

(i) This loan is an unsecured interest-free loan to Michael Fotios, the Non-Executive Chairman of the Group.

10 PROVISIONS

	2015	2014
	$	$
CURRENT		
Employee entitlements	838	3,391
	838	3,391
NON-CURRENT		
Environmental rehabilitation	4,234,100	4,291,640
	4,234,100	4,291,640

	ENVIRONMENTAL REHABILITATION	EMPLOYEE BENEFITS	TOTAL
	$	$	$
At 1 January 2015	4,291,640	3,391	4,295,031
Additions during the year	-	-	-
Write backs	(57,540)	(2,553)	(60,093)
Balance at 31 December 2015	4,234,100	838	4,234,938

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 2015, 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 such rehabilitation 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.

11 ISSUED CAPITAL

	2015	2014
	$	$
169,752,190 (31 December 2014: 168,989,722) Ordinary shares	17,590,138	17,566,138
Share issue costs written off against issued capital	(1,054,245)	(1,054,245)
	16,535,893	16,511,893

MOVEMENT IN ORDINARY SHARES

	No.	$
Balance at 1 January 2014	86,072,974	15,690,661
Issue of shares via Entitlement Issue	8,348,892	166,978
Issue of shares to convert debt	25,000,000	500,000
Issue of shares via a private placement	20,742,857	632,000
Issue of shares via Entitlement Issue shortfall	28,825,000	576,500
Balance at 31 December 2014	**168,989,722**	**17,566,138**
Issue of shares via a private placement	762,468	24,000
Balance at 31 December 2015	**169,752,190**	**17,590,138**

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 performance rights. When the options and performance rights are exercised the amount in the share option reserve is transferred to share capital.

13 EARNINGS PER SHARE

EARNINGS USED TO CALCULATE OVERALL EARNINGS PER SHARE

	2015	2014
	$	$
Earnings used to calculate overall earnings per share	(1,498,408)	(1,297,136)

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

	2015	2014
	No.	No.
Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	169,607,656	126,694,827
Anti-dilutive options on issue not used in EPS calculation	-	5,400,000

14 COMMITMENTS

(A) HIRE PURCHASE COMMITMENTS

	2015	2014
	$	$
Payable - minimum hire purchase payments:		
- no later than 1 year	10,007	10,898
- between 1 year and 5 years	-	10,025
Minimum hire purchase payments	10,007	20,923
Less: finance changes	(947)	(1,253)
Present value of minimum hire purchase payments	9,060	19,670

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

14 COMMITMENTS (CONTINUED)

(B) OPERATING LEASE COMMITMENTS

	2015 $	2014 $
Payable - minimum lease payments:		
- no later than 1 year	-	-
- between 1 year and 5 years	-	-
	-	-

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

(C) EXPLORATION EXPENDITURE COMMITMENTS

	2015 $	2014 $
Payable:		
- no later than 1 year	332,500	421,500
- between 1 year and 5 years	1,356,700	930,200
- greater than 5 years	168,900	217,800
	1,858,100	1,569,500

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.

15 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

	2015	2014
	$	$
Financial Assets		
Cash and cash equivalents	11,452	403,697
Trade and other receivables	61,780	17,619
Total financial assets	72,232	421,316
Financial Liabilities		
Trade and other payables	534,628	122,191
Borrowings	563,730	19,670
Total financial liabilities	1,098,358	141,861

FINANCIAL RISK MANAGEMENT POLICIES

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

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

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

Mitigation strategies for specific risks faced are described below:

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.

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. The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

(B) LIQUIDITY RISK

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

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

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

Financial liability maturity analysis

	WITHIN 1 YEAR		1 TO 5 YEARS		OVER 5 YEARS		TOTAL	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Financial liabilities due for payment								
Trade and other payables	534,628	122,191	-		-		534,628	122,191
Borrowings	21,230	9,951	542,500	9,719	-		563,730	19,670
Total contractual outflows	555,859	132,142	542,500	9,719	-	-	1,098,358	141,861

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

15 FINANCIAL RISK MANAGEMENT (CONTINUED)

(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.

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**
2015	2,075	(2,075)	2,075	(2,075)
2014	3,917	(3,917)	3,917	(3,917)

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 2014.

15 FINANCIAL RISK MANAGEMENT (CONTINUED)

(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.

	2015		2014	
	NET CARRYING VALUE	NET FAIR VALUE	NET CARRYING VALUE	NET FAIR VALUE
	$	$	$	$
Financial assets				
Cash and cash equivalents	11,452	11,452	403,697	403,697
Trade and other receivables	61,780	61,780	17,619	17,619
Total financial assets	73,232	73,232	421,316	421,316
Financial liabilities				
Trade and other payables	534,628	534,628	(122,191)	(122,191)
Borrowings	563,730	563,730	(19,670)	(19,670)
Total financial liabilities	1,098,358	1,098,358	(141,861)	(141,861)

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 REMUNERATION OF KEY MANAGEMENT PERSONNEL

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

	2015	2014
	$	$
Short-term employee benefits	238,481	327,470
Post-employment benefits	15,198	21,094
Share-based payments	-	(102,118)
	253,680	246,446

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 2015.

18 AUDITORS' REMUNERATION

	2015	2014
	$	$
Remuneration of the auditor of the Group, Somes Cooke, for:		
- auditing or reviewing the financial statements	20,000	22,000

19 CONTROLLED ENTITIES

	COUNTRY OF INCORPORATION	PERCENTAGE OWNED (%)* 2015	PERCENTAGE OWNED (%)* 2014
Subsidiaries:			
Murchison Copper Mines Pty Ltd	Australia	100	100

The introduction of AASB 10 had no effect upon the determination of the parent's control over the subsidiary.

* 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 2015 (31 December 2014: Nil).

21 RELATED PARTY TRANSACTIONS

At 31 December 2015 Horseshoe Metals Limited had a loan receivable from its subsidiary in the amount of $10,231,325 (2014: $9,636,634).

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.

During the year the company incurred drilling expenses with Whitestone Minerals Pty Ltd of $324,654 (2014: $65,155) and office rental expenses with Delta Resource Management Pty Ltd of $24,750 (2014: $16,540), being companies of which Michael Fotios is a director of.

During the year Michael Fotios lent $542,500 to the Company (Note 9).

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

Key management personnel:

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

For details of remuneration disclosures relating to key management personnel, refer to Note 17.

22 CASH FLOW INFORMATION

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

	2015	2014
	$	$
Net loss for the period	(1,498,408)	(1,297,136)
Cash flows excluded from profit attributable to operating activities		
- Project generation expenses	-	-
Non-cash flows in profit:		
- share based payments	-	395,466
- depreciation	21,940	31,734
- impairment of property, plant and equipment	930,615	503,994
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:		
- (increase)/decrease in trade and other receivables	(44,161)	18,869
- decrease/(increase) in other assets	231,981	(227,620)
- increase/(decrease) in trade and other payables	412,437	(78,556)
- increase/(decrease) in borrowings	-	(23,501)
- (decrease) in provisions	(60,094)	(29,387)
Cashflow from operations	5,690	(706,137)

NON-CASH FINANCING ACTIVITIES

See Note 23 below.

23 SHARE-BASED PAYMENTS

During the year ended 31 December 2015, the Group issued 762,468 ordinary shares in lieu of payment for tenements acquired. The total value of the share based payments was $24,000 (2014: $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.

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.

	2015	2014
	$	$
Statement of Financial Position		
Assets		
Current assets	364,368	717,697
Non-current assets (i)	12,386,867	11,743,930
Total Assets	12,751,235	12,461,627
Liabilities		
Current liabilities	(757,480)	(80,640)
Non-current liabilities	-	(9,719)
Total Liabilities	(757,480)	(90,359)
Equity		
Issued capital	16,535,893	16,511,893
Retained earnings	(4,542,138)	(4,583,225)
Reserves	-	442,600
Total Equity	11,993,755	12,371,268
Statement of Comprehensive Income		
Total comprehensive income	(1,047,659)	(510,116)
Total comprehensive income	(1,047,659)	(510,116)

(i) Included in non-current assets is a loan receivable from the subsidiary in the amount of $10,231,325 (2014: $9,636,634)

CONTINGENT LIABILITIES

The parent entity did not have any contingent liabilities as at 31 December 2015 or 31 December 2014.

CONTRACTUAL COMMITMENTS

The parent entity did not have any commitments as at 31 December 2015 or 31 December 2014 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 25 to 46, 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 2015 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 2015, 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.

MICHAEL FOTIOS
Non-Executive Chairman

Perth Western Australia
Dated this 31st day of March 2016

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 2015, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Company and 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 gives a true and fair view and 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 Company'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 Company'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.

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 company's and the consolidated entity's financial positions as at 31 December 2015 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards to the extent described in Note 1, and the *Corporations Regulations 2001*; and

(b) the consolidated financial statements and notes also comply with *International Financial Reporting Standards* as disclosed in Note .

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 group 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 the company'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.

Our opinion is not qualified in respect of this matter.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 17 to 23 of the directors' report for the year ended 31 December 2015. 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 2015 complies with section 300A of the Corporations Act 2001.

Somes Cooke

SOMES COOKE

Nicholas Hollens

NICHOLAS HOLLENS

Partner

31 March 2016

Perth

SCHEDULE OF INTERESTS IN MINING TENEMENTS

PROJECT	TENEMENT	AREA	AREA (km^2)	EQUITY	ANNUAL EXPENDITURE COMMITMENT
Horseshoe Lights	M52/743	988.3 ha	9.88	100%[1]	$98,900
Horseshoe Lights	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]	$70,000
Horseshoe Lights	L52/42	0.26 ha	0.003	100%[1]	-
Horseshoe Lights	L52/43	2.3 ha	0.023	100%[1]	-
Horseshoe Lights	L52/44	3.8 ha	0.038	100%[1]	-
Horseshoe Lights	L52/45	3.0 ha	0.03	100%[1]	-
Horseshoe Lights	L52/66	15.0 ha	0.15	100%[1]	-
Horseshoe Lights	E52/2569	2 blocks	3.1	0%[2]	$30,000
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	218.03	100%	$140,000
Kumarina	E52/2930	69 blocks	215.05	100%	$69,000
TOTAL			**492.021**		**$545,800**

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 2015, the historical resource factors were reviewed and found to be relevant and current. The Company's projects have not been converted to any active operation yet and hence no resource depletion has occurred for the review period.

HORSESHOE LIGHTS PROJECT - MINERAL RESOURCE STATEMENT

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

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

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

TABLE 2
HORSESHOE LIGHTS PROJECT
SUMMARY OF MINERAL RESOURCES
AS AT 31 DECEMBER 2015

Location	Category	Tonnes (Mt)	Cu (%)	Au (g/t)	Ag (g/t)	Cu metal (tonnes)	Au metal (oz)	Ag metal (k oz)
In-situ Deposit (0.5% Cu cut-off grade)	*Measured*	*1.73*	*1.04*	*0.0*	*0.5*	*18,000*	*1,900*	*28.8*
	Indicated	*2.43*	*0.95*	*0.0*	*0.7*	*23,200*	*3,400*	*52.2*
	Inferred	*8.69*	*1.01*	*0.1*	*2.6*	*87,400*	*30,700*	*712.4*
	Total	**12.85**	**1.00**	**0.1**	**1.9**	**128,600**	**36,000**	**793.4**
Flotation Tailings	**Inferred**	**1.421**	**0.48**	**0.34**	**6.5**	**6,800**	**15,300**	**294.8**
M15 Stockpile	**Inferred**	**0.243**	**1.10**	**0.17**	**4.7**	**2,650**	**1,300**	**36.7**

s								
Note: At 0% Cu cut-off grade unless otherwise stated					**TOTAL**	**138,050**	**52,600**	**1,124.9**

TABLE 1
HORSESHOE LIGHTS PROJECT
SUMMARY OF MINERAL RESOURCES
AS AT 31 DECEMBER 2015

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

KUMARINA PROJECT - MINERAL RESOURCE STATEMENT

A summary of the Minerals Resources at the Kumarina Project as at 31 December 2015 is shown in Table 2 below. A Mineral Resource Estimate was completed on the Rinaldi Prospect at the Kumarina Project by independent resource specialists H & S Consultants Pty Ltd in 2013, following the completion of drilling by the Company in December 2012.

There have not been any material changes to the resource model as a consequence of later drilling by the Company. Accordingly the Mineral Resource Estimate remains unchanged as at 31 December 2015.

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 3
KUMARINA PROJECT
SUMMARY OF MINERAL RESOURCES
AS AT 31 DECEMBER 2015

Location	Category	Tonnes (t)	Cu (%)	Cu metal (tonnes)
Rinaldi Prospect (0.5% Cu cut-off)	*Measured*	*415,000*	*1.46*	*6,100*
	Indicated	*307,000*	*1.16*	*3,500*
	Inferred	*114,000*	*0.9*	*1,000*
	Total	**835,000**	**1.3**	**10,600**

TABLE 2 KUMARINA PROJECT SUMMARY OF MINERAL RESOURCES AS AT 31 DECEMBER 2015				
Location	**Category**	**Tonnes (t)**	**Cu (%)**	**Cu metal (tonnes)**
Rinaldi Prospect (0.5% Cu cut-off)	*Measured*	*415,000*	*1.46*	*6,100*
	Indicated	*307,000*	*1.16*	*3,500*
	Inferred	*114,000*	*0.9*	*1,000*
	Total	**835,000**	**1.3**	**10,600**

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

GOVERNANCE ARRANGEMENTS AND INTERNAL CONTROLS

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

HORSESHOE METALS LIMITED

ANNUAL MINERAL RESOURCE STATEMENT

Competent Persons Statement

The information in this Annual Report that relates to Exploration Results is based on information compiled by Mr Craig Hall, BSc. (Hons) who is a Member of the Australian Institute of Geoscientists and the Australasian Institute of Mining and Metallurgy. Mr Hall is a consultant to Horseshoe Metals Limited. Craig Hall 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'. Mr Hall consents to the inclusion in the report of the matters based on his information in the form and context in which it appears. Mr Hall also consents to the content of this Annual Mineral Resource Statement as a whole.

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 a previous employee of Horseshoe Metals Limited, and reviewed by Mr Craig Hall. The information was previously issued in announcements released to the ASX on 26 February 2015 and 9 March 2015. The Company confirms that:

(a) the form and context in which these 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 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.
(c) it is uncertain that following evaluation and/or further exploration work that the historical estimates will be able to be reported as mineral resources in accordance with the JORC Code.

The information in this report that relates to the Kumarina Project (Rinaldi Prospect) Mineral Resources is based on information compiled by or under the supervision of Mr Robert Spiers, who is a member of the Australian Institute of Geoscientists. Mr Robert Spiers is an independent consultant to Horseshoe Metals Limited and a full time employee and Director of H&S Consultants Pty Ltd (formerly Hellman & Schofield Pty Ltd). The information was previously issued with the written consent of Mr Robert Spiers in the Company's 30 June 2013 Quarterly Report released to the ASX on 31 July 2013. The Company confirms that:
(a) the form and context in which Mr Robert Spiers' findings are presented have not been materially modified.
(b) it is not aware of any new information or data that materially affects the information included in the 31 July 2013 ASX announcement and that all the material assumptions and technical parameters underpinning the estimate in the 31 July 2013 ASX announcement continue to apply and have not materially changed.
(c) it is uncertain that following evaluation and/or further exploration work that the historical estimates will be able to be reported as mineral resources in accordance with the JORC Code.

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 29 March 2015.

A. Distribution of equity security holders

Ordinary shares:

HOLDING	NUMBER OF SHARES	NUMBER OF HOLDERS
1 - 1,000	13,503	42
1,001 - 5,000	312,192	105
5,001 - 10,000	1,031,718	117
10,001 - 100,000	18,607,659	455
100,000 and over	149,786,398	216
	169,752,190	935

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

There were 455 holders of less than a marketable parcel of ordinary shares, being 26,316 shares as at 29 March 2016.

B. Twenty largest shareholders

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

		NUMBER HELD	% OF ISSUED SHARES
1	Whitestone Minerals Pty Ltd	15,000,000	8.84
2	Mr Michael Fotios <Michael Fotios Family A/C>	12,294,642	7.24
3	Investmet Limited	6,054,589	3.57
4	Wyllie Group Pty Ltd	5,756,420	3.39
5	Botsis Holdings Pty Ltd	4,500,000	2.65
6	JP Morgan Nominees Australia Limited	4,389,406	2.59
7	Delta Resource Management Pty Ltd	3,665,005	2.16
8	Tarney Holdings Pty Ltd <DP & FL Waddell Family A/C>	3,550,917	2.09
9	Fabral Investments Pty Ltd	3,119,500	1.84
10	Mr Matthew James Mulcahy	3,000,000	1.77
11	Tripple D Pty Ltd <Tripple D Super Fund A/C>	2,042,562	1.20
12	Mrs Suzanne Dorothy Marston	1,977,495	1.16
13	Mr Andrew William Spencer <Spencer Super Fund A/C>	1,971,532	1.16
14	ABN AMRO Clearing Sydney Nominees Pty Ltd <Custodian A/C>	1,827,636	1.08
15	Mr Philip Colin Hammond & Ms Betty Jeannette Moore <MGB Superannuation Fund A/C>	1,791,667	1.06
16	Inscape Solutions Pty Ltd	1,780,000	1.05
17	Mrs Ellen Margaret Finger	1,669,040	0.98
18	Ms Betty Jeanette Moore	1,666,667	0.98
19	Mr Gregory John Sharpless & Mrs Jennifer Lee Sharpless <Sharpless Investment A/C>	1,630,917	0.96
20	Mr David Ellis Todd	1,559,890	0.92
		79,247,885	**46.68**

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

C. Substantial shareholders

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

SHAREHOLDER	NO. OF SHARES	% OF ORDINARY SHARES
Mr Michael George Fotios and associated entities	37,334,236	21.99%

D. Unquoted securities

As at 29 March 2016, the Company has no unquoted securities on issue.

E. Corporate Governance

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

F. On-market buy-back

There is no current on-market buy-back.