

**Horseshoe Metals  
Limited**

**ABN 20 123 133 166**

**Financial report for the half-year ended  
30 June 2016**

## **Corporate Information**

### **Board of 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 George's Terrace  
Perth WA 6000

### **Share Register**

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

### **Auditors**

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

### **Stock Exchange Listing**

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

### **Website**

[www.horseshoemetals.com.au](http://www.horseshoemetals.com.au)

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## Directors' report

Your Directors submit the financial report of the consolidated group ("the Group") consisting of Horseshoe Metals Limited ("the Company") and the entity it controlled during the period for the half year ended 30 June 2016. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

### Directors

The names of the directors of the Company in office during the half-year and until the date of this report are noted below. Directors were in office for this entire period unless otherwise stated.

Michael George Fotios	Non-executive Chairman
Alan Wallace Still	Non-executive Director
Neil Porter	Non-executive Director (appointed 1 March 2016)
Brian Rear	Non-executive Director (resigned 29 February 2016)

### Review of Operations

The Group realised a net loss for the half-year of \$357,370 (2015:\$267,993).

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

### *Exploration and evaluation*

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

The Horseshoe Lights Project covers an area of approximately 60 km<sup>2</sup> including the previously mined Horseshoe Lights copper-gold mine, which is located 75km west of Sandfire Resources NL's (ASX:SFR) DeGrussa copper-gold mine.

#### **Oxide Copper Project Scoping Study**

The Company has previously announced (refer ASX announcement 20 August 2015) the commencement of Scoping Study work within an expanded SMART (Surface Material Re-Treatment) project, expanding on previous work undertaken by the Company in 2014, but specifically evaluating the viability of a low-capex oxide copper treatment process.

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:

- shallow in-situ oxide copper resources which occur from surface to a depth of 100 metres;
- surface stockpile material (M15 and sub-grade);
- flotation tailings, and
- 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 will benefit from additional inputs, and 1200m of RC drilling is planned to test both shallow in-situ oxide copper mineralisation and mineralised dump material. This programme is planned for the current quarter.

### **Exploration Activity**

The drilling database and associated exploration data is still undergoing compilation to Company requirements. The additional RC drilling planned for the quarter will need to be completed before resource estimation can commence. A requirement for some additional extensional holes is being assessed, and planning for this work is ongoing.

An accomplished geologist with significant Copper and Proterozoic VMS deposit experience has been sourced to assist with exploration strategy and planning for the group's copper assets, and will commence work with the company in the current quarter. As part of his initial brief he will oversee a recently commenced regional and near-mine prospectivity review and targeting exercise.

### **Kumarina Copper Project (HOR: 100%)**

The Kumarina Project consists of two exploration licences and one mining lease covering approximately 433km<sup>2</sup>. The project is located 95km north of Sandfire Resources NL's DeGrussa copper-gold mine, in the Gascoyne region of Western Australia. No activity was undertaken by the Company during the period.

### **Corporate**

On 27 June 2016, the Company issued 24.9 million shares at an issue of \$0.025 to raise \$622,500, together with a free attaching option exercisable at \$0.035 each on or before 30 October 2016 and a free attaching option exercisable at \$0.045 each on or before 31 March 2017, for every two shares subscribed for under the Placement.

The Company intends to commence a 1 for 5 non-renounceable rights issue to shareholders which will be on the same terms as the Placement.

On 27 May 2016, the Company held its Annual General Meeting where all resolutions put to the meeting were passed unanimously on a show of hands.

### **Auditor's Independence Declaration**

The Company has obtained an independence declaration from its auditors, Rothsay Auditing, as per s.307(C) of the Corporations Act 2001 which forms part of this report. A copy of that declaration is included on page 3 of this report.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to s.306 (3) of the Corporations Act 2001.



**Michael Fotios**

Chairman

Perth, WA

13 September 2016



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P.O. Box 8716, Perth Business Centre WA 6849  
Phone 9486 7094 www.rothsayresources.com.au

The Directors  
Horseshoe Metals Limited  
24 Mumford Place  
Balcatta WA 6021

Dear Sirs

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

- i) no contraventions of the auditor independence requirements of the Act in relation to the audit review of the 30 June 2016 half year financial statements; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in blue ink, appearing to read 'GR Swan', followed by a horizontal line.

Graham R Swan FCA (Lead auditor)

Rothsay

Dated 13 September 2016



Chartered Accountants

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
 FOR THE HALF-YEAR ENDED 30 JUNE 2016**

	<u>Note</u>	<u>Consolidated</u>	
		<u>Half-year to 30 Jun 2016</u>	<u>Half-year to 30 Jun 2015</u>
		<u>\$</u>	<u>\$</u>
<b>Revenue</b>			
Interest income		2	2,394
Other income	2	-	102,910
		2	105,304
<b>Expenses</b>			
Occupancy expenses		-	(15,000)
Consultancy expenses		-	(9,000)
Administrative expenses		(185,793)	(194,169)
Depreciation expenses		(8,451)	(10,849)
Directors' remuneration		(27,000)	(166,909)
Exploration expensed		(136,128)	(34,910)
Rehabilitation expenses	4	-	57,540
<b>Loss before income tax expense</b>		<b>(357,370)</b>	<b>(267,993)</b>
Income tax expense		-	-
<b>Loss after tax from continuing operations</b>		<b>(357,370)</b>	<b>(267,993)</b>
<b>Loss for the period</b>		<b>(357,370)</b>	<b>(267,993)</b>
Other comprehensive income		-	-
<b>Total comprehensive loss for the period</b>		<b>(357,370)</b>	<b>(267,993)</b>
<b>Loss per share:</b>			
Basic loss per share (cents per share)		(0.21)	(0.16)
Diluted loss per share (cents per share)		(0.21)	(0.16)

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
 AS AT 30 JUNE 2016**

	<b>Note</b>	<b>Consolidated</b>	
		<b>30 Jun 2016</b>	<b>31 Dec 2015</b>
		<b>\$</b>	<b>\$</b>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		98,119	11,452
Trade and other receivables		47,962	61,780
Other assets		-	20,090
<b>Total current assets</b>		<b>146,081</b>	<b>93,322</b>
<b>Non-current assets</b>			
Plant and equipment		60,446	68,897
Exploration and evaluation expenditure	3	6,508,801	6,508,801
<b>Total non-current assets</b>		<b>6,569,247</b>	<b>6,577,698</b>
<b>Total assets</b>		<b>6,715,328</b>	<b>6,671,020</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		723,736	534,630
Borrowings		153,802	563,730
Provisions	4	838	838
<b>Total current liabilities</b>		<b>878,376</b>	<b>1,099,198</b>
<b>Non-current Liabilities</b>			
Borrowings		-	-
Provisions	4	4,234,100	4,234,100
<b>Total Non-current Liabilities</b>		<b>4,234,100</b>	<b>4,234,100</b>
<b>Total liabilities</b>		<b>5,112,476</b>	<b>5,333,298</b>
<b>Net assets</b>		<b>1,602,852</b>	<b>1,337,722</b>
<b>Equity</b>			
Issued capital	5	17,158,393	16,535,893
Accumulated losses		(15,555,541)	(15,198,171)
<b>Total equity</b>		<b>1,602,852</b>	<b>1,337,722</b>

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



**CONSOLIDATED STATEMENT OF CASH FLOWS  
 FOR THE HALF-YEAR ENDED 30 JUNE 2016**

	Consolidated	
	Consolidated Half-year to 30 Jun 2016 \$	Consolidated Half-year to 30 June 2015 \$
<b>Cash flows from operating activities</b>		
Payments to suppliers and employees	(66,265)	(223,233)
Interest received	2	2,394
Financing costs	-	(551)
Fuel tax rebate received	36,960	11,334
<b>Net cash used in operating activities</b>	<b>(29,303)</b>	<b>(210,056)</b>
<b>Cash flows from investing activities</b>		
Payment for exploration and evaluation activities	(96,601)	(165,370)
<b>Net cash used in investing activities</b>	<b>(96,601)</b>	<b>(165,370)</b>
<b>Cash flows from financing activities</b>		
Repayment of borrowings	(558,609)	(4,937)
Proceeds from the issue of shares	622,500	-
Proceeds from borrowings	148,680	-
<b>Net cash flows from/(used in) financing activities</b>	<b>212,571</b>	<b>(4,937)</b>
Net increase/(decrease) in cash and cash equivalents	86,667	(380,363)
Cash and cash equivalents at the beginning of the period	11,452	403,697
<b>Cash and cash equivalents at the end of the period</b>	<b>98,119</b>	<b>23,334</b>

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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
 FOR THE HALF-YEAR ENDED 30 JUNE 2016**

	Issued Capital	Accumulated Losses	Share Based Payment Reserve	Total
	\$	\$	\$	\$
<b>Balance as at 1 Jan 2016</b>	16,535,893	(15,198,171)	-	1,337,722
Loss attribute to members of the parent entity	-	(357,370)	-	(357,370)
Other comprehensive income	-	-	-	
<b>Total comprehensive income</b>	-	(357,370)	-	(357,370)
Shares issues	622,500	-	-	622,500
Transaction costs	-	-	-	-
<b>Sub-total</b>	622,500	(357,370)	-	265,130
<b>Balance as at 30 June 2016</b>	17,158,393	(15,555,541)	-	1,602,852

**FOR THE HALF-YEAR ENDED 30 JUNE 2015**

	Issued Capital	Accumulated Losses	Share Based Payment Reserve	Total
	\$	\$	\$	\$
<b>Balance as at 1 Jan 2015</b>	16,511,893	(14,142,363)	442,600	2,812,130
Loss attribute to members of the parent entity	-	(267,993)	-	(267,993)
Other comprehensive income	-	-	-	-
<b>Total comprehensive income</b>	-	(267,993)	-	(267,993)
Shares issues in lieu of cash during the period	24,000	-	-	24,000
Expiry of options and performance rights	-	442,600	(442,600)	-
<b>Sub-total</b>	24,000	174,607	(442,600)	(243,993)
<b>Balance as at 30 June 2015</b>	16,535,893	(13,967,756)	-	2,568,137

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

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2016**

### **NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Statement of compliance**

The interim financial statements are a general purpose financial report prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standard 134 'Interim Financial Reporting'.

This half-year report does not include full disclosures of the type normally included within the annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of Horseshoe Metals Limited and the consolidated entity ("the Group") as in the full financial report.

It is recommended that this financial report be read in conjunction with the annual financial report of the Group for the year ended 31 December 2015 and any public announcements made by Horseshoe Metals Limited during the half-year in accordance with continuous disclosure requirements arising under the ASX Listing Rules.

#### **Basis of Preparation**

The half-year report has been prepared on a historical cost basis modified, where applicable, by measurement at fair value of selected items. Cost is based on the fair values of the consideration given in exchange for assets.

For the purpose of preparing the interim report, the half-year has been treated as a discrete reporting period. The half-year report has been prepared on the going concern basis, which contemplates the continuation of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

#### **Accounting policies and methods of computation**

The accounting policies adopted are consistent with those applied and disclosed in the 31 December 2015 annual report. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

#### **Going concern**

For the half-year ended 30 June 2016 the Group recorded an operating cash outflow of \$29,303 (half-year ended 30 June 2015: outflow of \$210,056) and at 30 June 2016 had a net working capital deficit of \$732,295 (31 December 2015 deficit of \$915,876).

The directors recognise that the ability of the Group to continue as a going concern and to pay its debts as and when they fall due is dependent on the ability of the Group to secure additional funding through either the issue of further shares and or options. The directors have reviewed the business outlook and are of the opinion that the use of the going concern basis of accounting is appropriate as they believe the Group will achieve the matters set out above. As such, the directors believe that they will continue to be successful in securing additional funds as and when the need to raise working capital arises.

Should the Group not achieve the matters set out above and be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different from those stated in the financial report.

The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that may be necessary should the Group be unable to continue as a going concern.

**NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE HALF-YEAR ENDED 30 JUNE 2016**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT)**

**Significant accounting judgments and key estimates**

The preparation of interim financial report requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates. In preparing this interim financial report, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 31 December 2016.

**NOTE 2: OTHER INCOME**

	<b>Consolidated Half-year to 30 Jun 2016 \$</b>	<b>Consolidated Half-year to 30 Jun 2015 \$</b>
Co-funded drilling	-	49,976
Fuel tax rebate	-	18,390
Other income	-	34,544
<b>Total</b>	<u>-</u>	<u>102,910</u>

**NOTE 3: EXPLORATION AND EVALUATION ASSETS**

	<b>Consolidated Half-year to 30 June 2016 \$</b>
Costs carried forward in respect of areas of interest	
At 1 January 2016	6,508,801
Exploration costs	136,128
Expensed (i)	<u>(136,128)</u>
At 30 June 2016	<u>6,508,801</u>

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

(i) In light of the continuation of the poor market conditions, the directors determined that it was prudent to expense all exploration and evaluation incurred on its mineral projects during the period. As a result the Group's capitalised deferred exploration and evaluation costs remains at a balance of approximately \$6.5 million as at 30 June 2016. 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.

**NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE HALF-YEAR ENDED 30 JUNE 2016**

**NOTE 4: PROVISIONS**

	<b>Consolidated AS AT 30 JUNE 2016 \$</b>	<b>Consolidated AS AT 31 DECEMBER 2015 \$</b>
<b>(a) Current</b>		
Provision for Employee Entitlements	838	838
<b>Total Current</b>		
<b>(b) Non Current</b>		
Provision for Rehabilitation (i)	4,234,100	4,234,100
<b>Total Non-Current</b>		

(i) Pursuant to the Mining Rehabilitation Fund Regulations 2013 (WA) the Company is required to assess its rehabilitation obligations across all its tenement holdings as at 30 June each year. The assessed estimated cost of rehabilitation as at 30 June 2016 using the methodology adopted under the Mining Rehabilitation Fund Regulations 2013 (WA) is \$4,234,100.

Rehabilitation provisions mostly relate to rehabilitation obligations on the Horseshoe Lights Mining Lease M52/743 associated with the flotation tailings dam, the waste dumps and the plant and camp sites.

**NOTE 5: ISSUED CAPITAL**

	<b>Consolidated as at 30 Jun 2016 \$</b>	<b>Consolidated as at 31 Dec 2015 \$</b>
Ordinary Shares		
Ordinary Shares – Fully Paid	17,158,393	16,535,893
	<b>Number</b>	<b>Number</b>
Ordinary Shares – Fully Paid	194,652,190	169,752,190
Movement in Ordinary Shares on issue	<b>Ordinary shares (Number)</b>	<b>Value (\$)</b>
At 1 January 2016	169,752,190	16,535,893
Ordinary Shares Issue (i)	24,900,000	622,500
Transaction Costs	-	-
<b>At 30 June 2016</b>	<b>194,652,190</b>	<b>17,158,393</b>

(i) On 27 June 2016, a total of 24,900,000 shares were issued following approval at the Company's Annual General Meeting held on 27 May 2016. The shares were issued at an issue price of \$0.025 per share.

*Unlisted options*

24,900,000 free attaching options were issued pursuant to the share issue on 27 June 2016. 12,450,000 of these unlisted options are exercisable at \$0.035 per option on or before 30 October 2016 with the remaining 12,450,000 unlisted options exercisable at \$0.045 per option on or before 31 March 2017.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 30 JUNE 2016**

**NOTE 6: SEGMENT REPORTING**

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 Western 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.

**NOTE 7: EVENTS SUBSEQUENT TO REPORTING DATE**

There has been no matter or circumstance that has arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs in future financial years.

## DIRECTORS' DECLARATION

In the directors' opinion:

1. the attached financial statements and notes thereto are in accordance with the Corporations Act 2001 including:
  - a. complying with Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
  - b. giving a true and fair view of the Group's financial position as at 30 June 2016 and of its performance for the financial half-year ended on that date; and
2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



**Michael Fotios**

Chairman

Perth, WA

13 September 2016



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

### **Independent Review Report to the Members of Horseshoe Metals Limited**

#### **The financial report and directors' responsibility**

The interim financial report comprises the consolidated statement of financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated cashflow statement, accompanying notes to the financial statements, and the directors' declaration for Horseshoe Metals Limited for the half-year ended 30 June 2016.

The Company's directors are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

#### **Review approach**

We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the financial position as at 30 June 2016 and the performance for the half year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Horseshoe Metals Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

#### **Independence**

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

#### **Conclusion**

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Horseshoe Metals Limited is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the financial position as at 30 June 2016 and of the performance for the half-year ended on that date; and
- complying with Australian Accounting Standard AASB134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



Chartered Accountants





**Emphasis of Matter regarding Continuation as a Going Concern**

Without modifying our conclusion, we draw attention to Note 1 in the financial report which states that the ability of Horseshoe Metals Limited to continue as a going concern and to pay its debts as and when they fall due is dependent on the ability to secure additional funding through the issue of shares and or options

In the event the Group is unable to raise additional funds there is material uncertainty as to whether the Group could continue as a going concern and therefore may be unable to realise its assets and extinguish its liabilities in the normal course of business and for the amounts stated in the financial report.

*Rothsay*

**Rothsay Auditing**

*G R Swan*

**Graham R Swan  
Partner**

Dated *13* September 2016



Chartered Accountants