



# HORSESHOE METALS LIMITED

ASX ANNOUNCEMENT

31 January 2020

## QUARTERLY ACTIVITIES REPORT

Horseshoe Metals Limited (ASX:HOR) (“**Horseshoe**”, “**HOR**” or “**the Company**”) is pleased to present its Quarterly Activities Report for the period ending 31 December 2019.

### HIGHLIGHTS

- PCF leading the sale process for Horseshoe Lights Copper-Gold Project.
- Horseshoe entered into JV to fund development Mt Gunson Copper Project in South Australia operated by CMM.
  - CMM has successfully completed a pilot scale oxide copper heap leach trial on site and has plans to advance to commercial small-scale production in the near term.
  - HOR is to earn up to a 50% interest in CMM by contribution of expenditure.
  - Expenditure to include significant exploration effort to define and expand resources for the Project.
  - HOR also proposes to acquire interests in exploration tenements covering the historic Glenloth Goldfield in South Australia.
- Majority of shareholders voted to maintain the current Board at the General Meeting held in December.

#### BOARD OF DIRECTORS

Mr Craig Hall  
*Non-Executive Director*

Mr Alan Still  
*Non-Executive Director*

Ms Carol New  
*Non-Executive Director,  
Joint Company Secretary*

Ms Kate Stoney  
*Joint Company Secretary*

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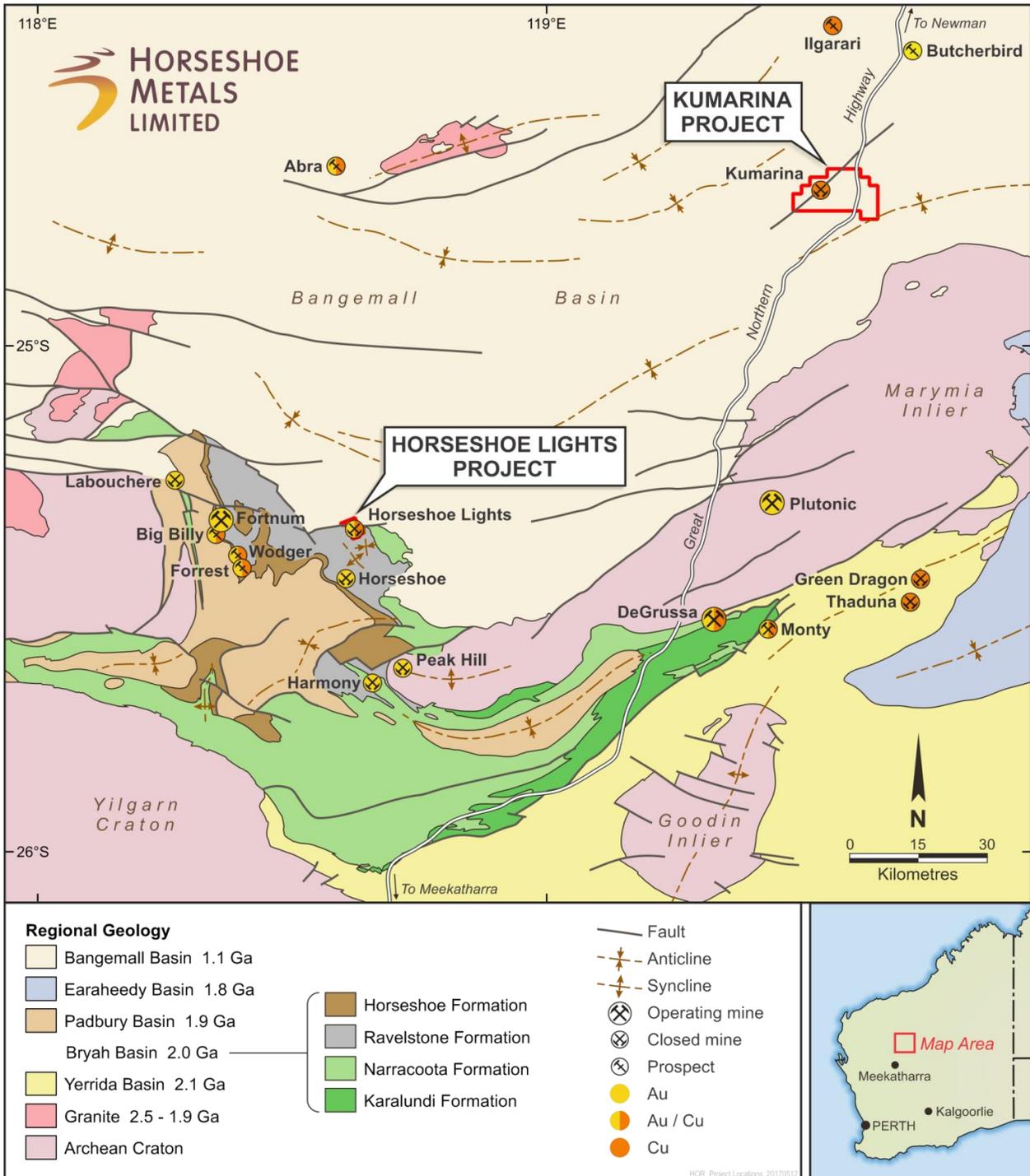


Figure 1: Location map and geology, Horseshoe Lights and Kumarina Projects

## EXPLORATION AND EVALUATION

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

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 (see Figure 1).

As part of the strategic review process announced on the 6<sup>th</sup> March to deliver best value for shareholders from the Company's 100% owned Horseshoe Lights Copper-Gold Project, the Company appointed leading Perth advisory firm PCF Capital Group to lead a sale process for the asset.

In excess of 80 parties have participated in the process to date with multiple parties accessing the data room and undertaking due diligence. Difficult capital market conditions in 2019 were not conducive to completing a transaction, however the start of 2020 has seen renewed interest in the Project including a number of unsolicited approaches and the Board will be seeking to complete a suitable transaction in the first half of 2020. Any potential sale may be subject to shareholder and regulatory approvals.

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

The Kumarina Project consists of an exploration licence and one mining lease covering approximately 120km<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 (see Figure 1). The Company has applied for a mining lease (MLA52/1078) to cover the Rinaldi resource, contiguous with M52/27. No active field work was undertaken during the quarter.

**Mt Gunson Copper Project (HOR earning to 50%)**

On the 16<sup>th</sup> October, the Company announced that it had agreed key terms to two transactions, the first to acquire interests in Copper Mining and Metallurgy Pty Ltd (“CMM”) which has rights to produce copper metal from oxide material at the historic Mt Gunson Copper Mine; and the second to acquire interests and rights in respect of the Glenloth goldfield, with both projects located in South Australia (refer Figure 2). The Company released a revised announcement in relation to these transactions on the 7<sup>th</sup> November 2019 “Entry Mt Gunson Copper and Glenloth Gold Projects Revised”.

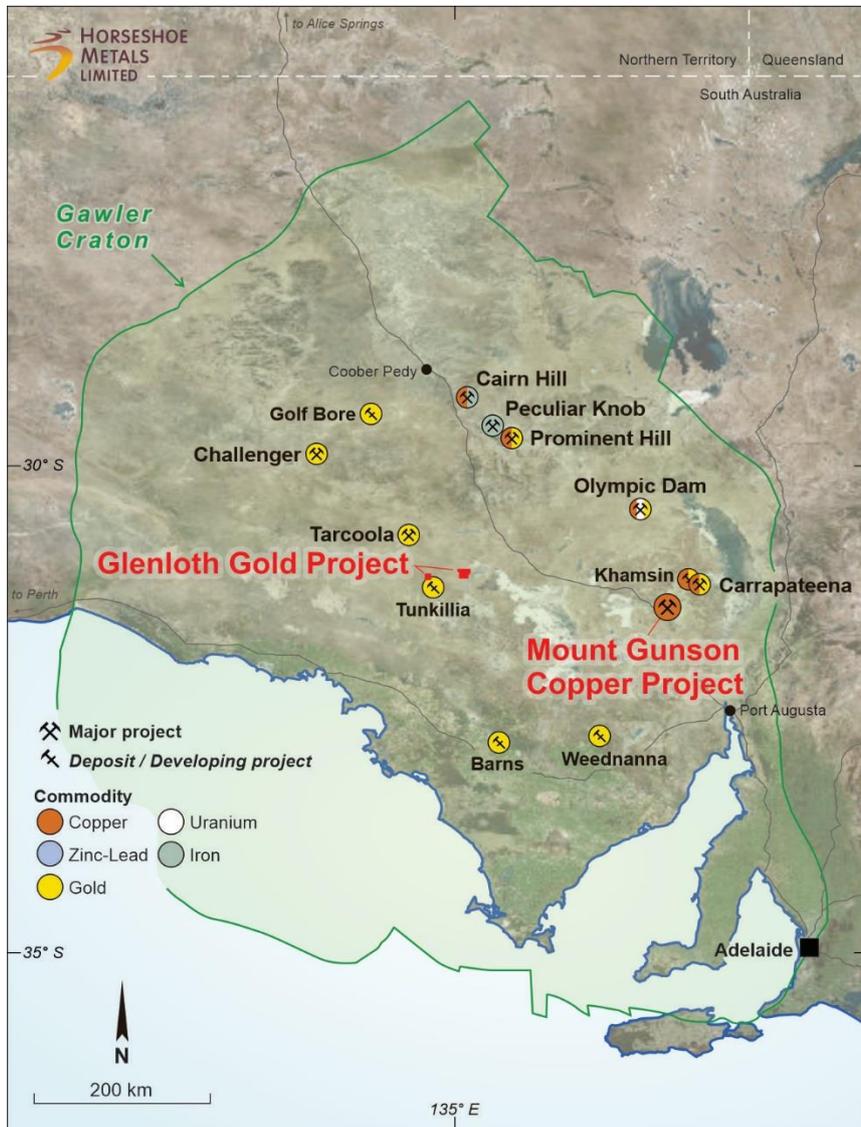


Figure 2: Location of Mt Gunson Copper Project and Glenloth Gold Project, with significant local deposits, South Australia

## Discussion of the Mt Gunson Copper Project

Copper ore was discovered at Mount Gunson in 1875 and the first recorded production was from 1899. A smelter was subsequently erected in the Main Open Cut (MOC) area in 1904. Small-scale production continued in the area until the Cattlegrid deposit was discovered and subsequently mined by CSR Limited from 1974 to 1986, with 7.2 Mt of 1.9% Cu ore mined from the Cattlegrid open pit. Together with 270,000 t of MOC ore, the tenements recorded production 127 000 t of copper, 62 t of silver and 2900 t of cobalt in concentrates (refer Figures 3, 4).

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

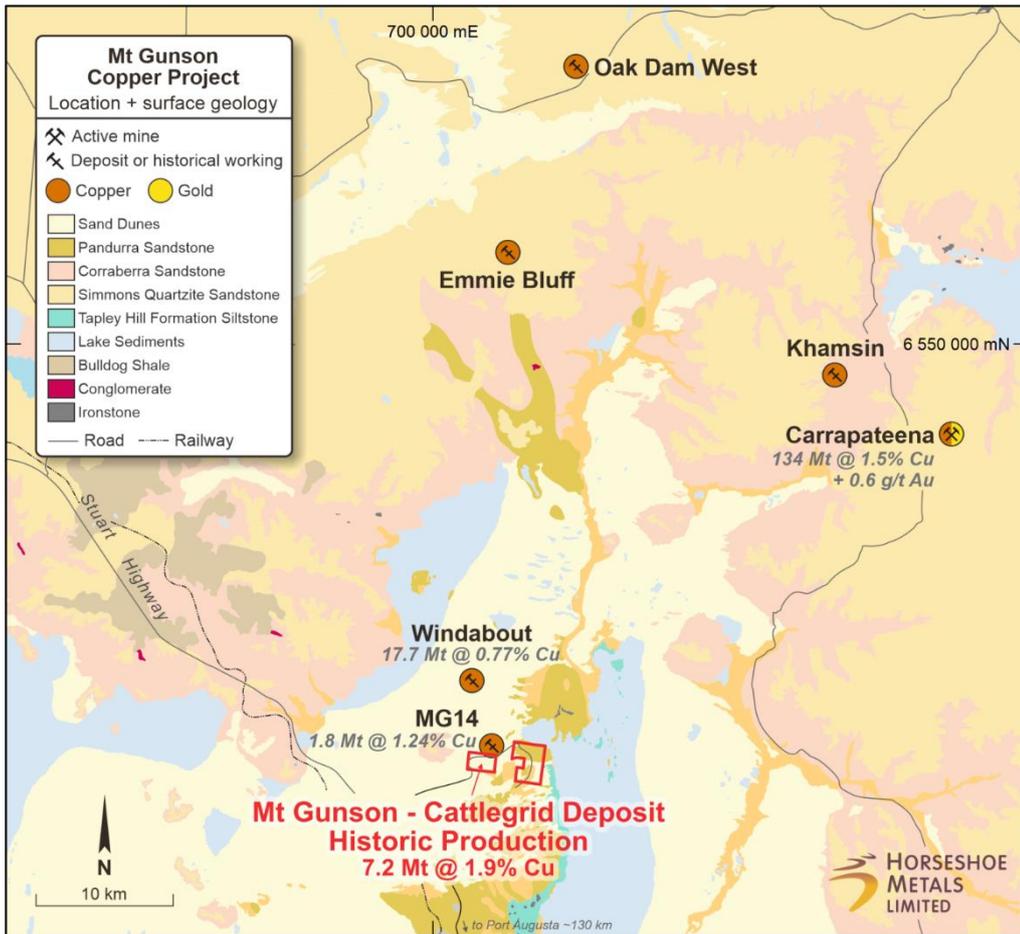
The leases forming the current project (ML3717-21, ML5598, ML5599; MPL1) were subsequently acquired and are currently held by a family-owned earthmoving contractor based in Adelaide, who previously operated their own copper oxide leach operation until the oxide development rights were granted to CMM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

In the original announcement to the ASX dated 16<sup>th</sup> October 2019, the Company stated the following:

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

In the clarification announcement of 7<sup>th</sup> November, the Company formally retracted this paragraph as it included unclassified minerals and a production target which did not satisfy ASX's requirements under listing rule 5.16. The Company instructs investors to not rely on the retracted information. The Company reiterates that no contained JORC *in situ* resources can currently be stated for the project and that the Company intends to define copper resources that can be considered for development purposes.

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



**Carrapateena Resource:**  
[https://www.ozminerals.com/uploads/docs/170824\\_ASX\\_Release\\_Resource\\_and\\_Reserve\\_Statement\\_-\\_Carrapateena\\_August\\_2017.pdf](https://www.ozminerals.com/uploads/docs/170824_ASX_Release_Resource_and_Reserve_Statement_-_Carrapateena_August_2017.pdf) p5

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

**MG14 Resource:**  
<https://gindalbie.com.au/wp-content/uploads/2018/01/Mt-Gunson-Copper-Cobalt-Project-Update.pdf> p1

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

Figure 3: Location of Mt Gunson Copper Project and significant local deposits

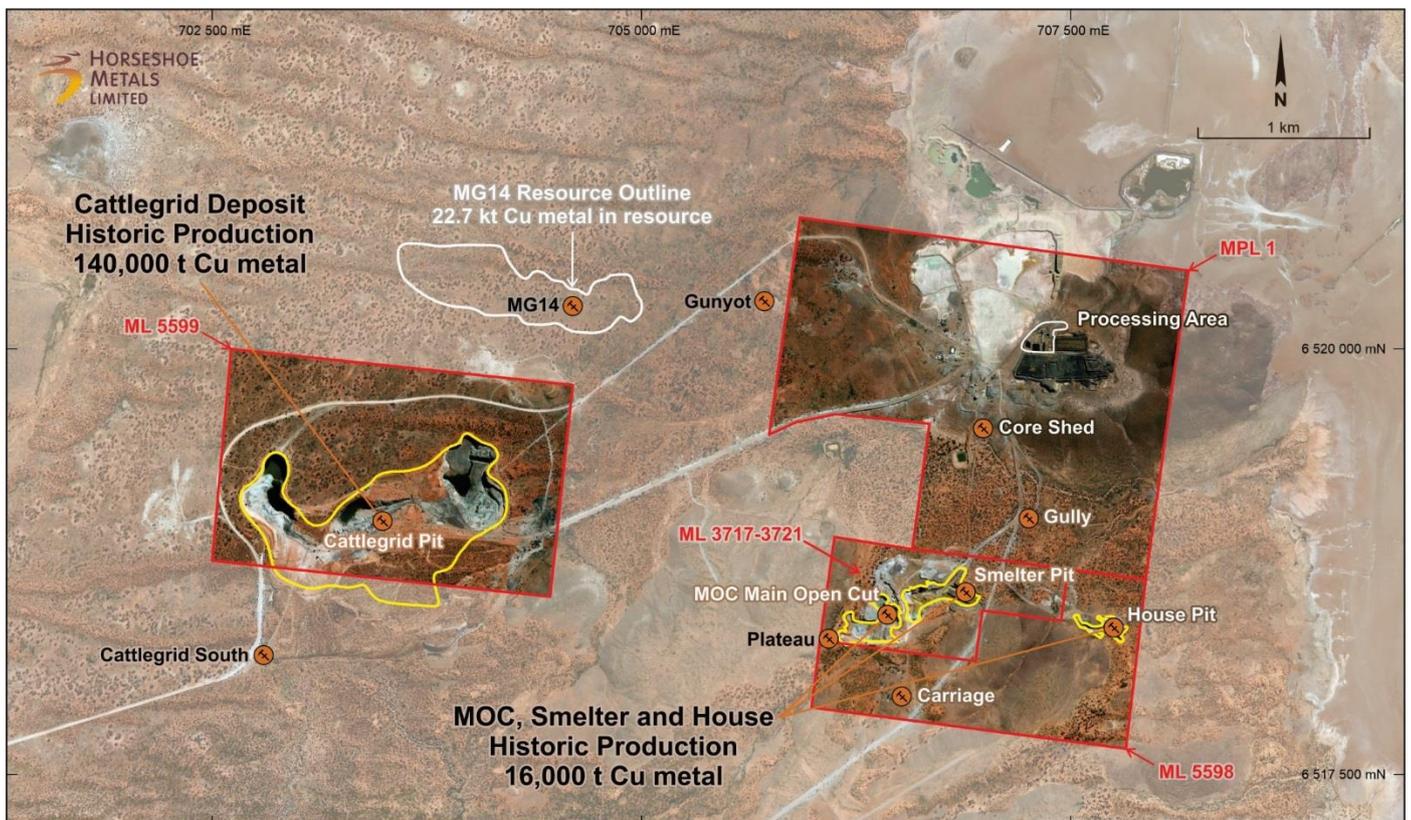


Figure 4: Location of Mt Gunson Copper Project tenure with local deposits and prospects. Historic pit outlines in yellow

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

**MG14 Resource:**  
<https://gindalbie.com.au/wp-content/uploads/2018/01/Mt-Gunson-Copper-Cobalt-Project-Update.pdf> p1

## Discussion of Mt Gunson geology

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

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

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

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



Figure 5: View of Cattlegrid pit looking south, residual leachable material in foreground



Figure 6: View of Mt Gunson Oxide Treatment Facilities and Leach Ponds

### **Discussion of the Glenloth Gold Project**

Glenloth is located about 50 km east of the 0.5 MOz Tunkillia Gold deposit (refer figure7). The Glenloth Goldfield was found with the discovery of alluvial gold in 1893 and established in 1901 when auriferous reefs were identified. Between 1901 and 1955, approximately 9800 oz (315 kg) of gold was produced from 14,620 t of ore, at an average grade of 21.6 g/t. The Fabian 3, Royal Tiger (excised from tenure) and the Glen Markie and Jay-Jay mines were considered the largest historical producers (refer Figure 8). Since 1955, gold production has been small and sporadic.

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

HOR considers the acquisition of interests in the Project as a value-based entry into a dominant position of a very prospective area with the tenement covering most of the recognised goldfields (refer Figure 7); that previous exploration of the field is piecemeal and inadequate; and that larger, high grade gold deposits could be uncovered by systematic exploration and a more considered approach to drilling. HOR is currently compiling historical data for the area and the Company intends to release a more comprehensive update of the geology and mineralisation at Glenloth in the near term.

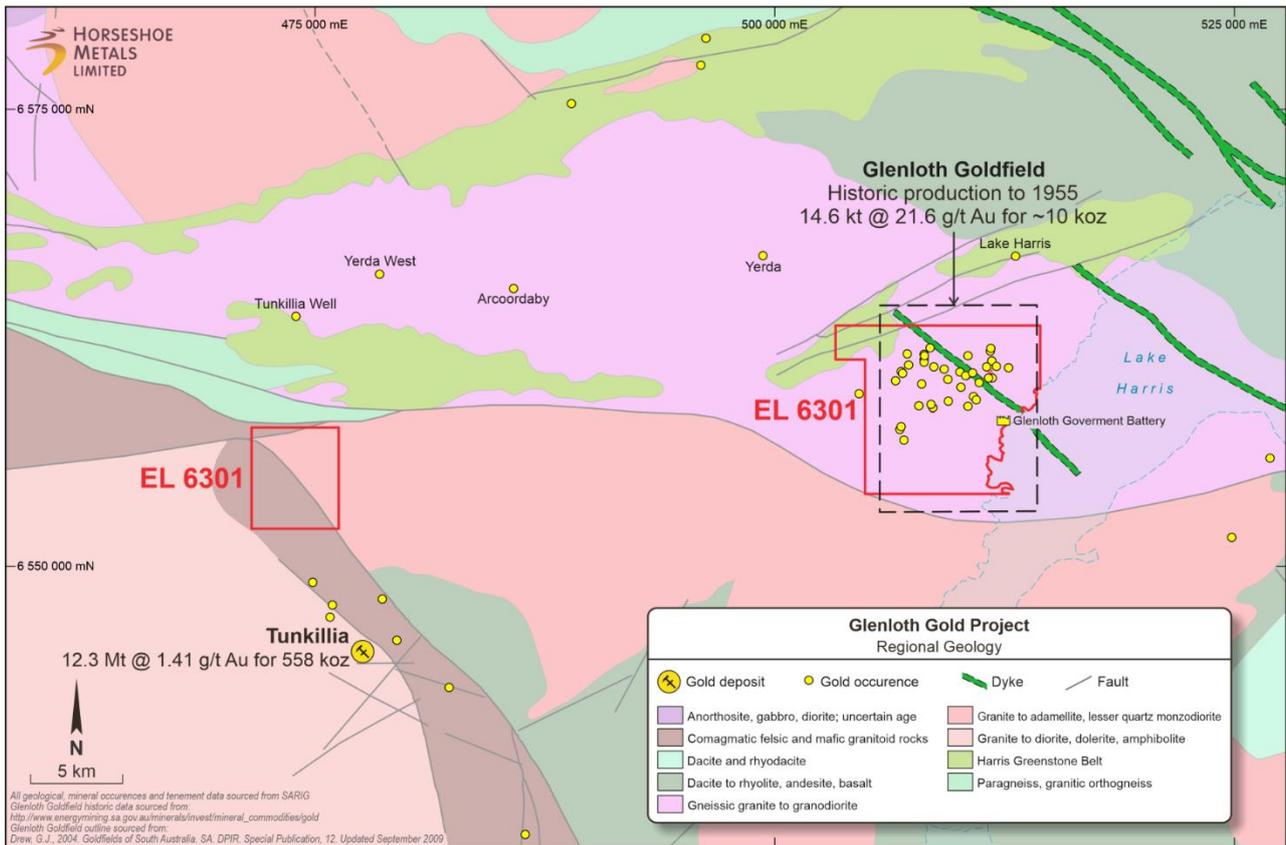


Figure 7: Location of Glenloth Gold Project tenure with regional geology, with known gold occurrences and significant resources.

**Glenloth Historic Production:**

[http://www.energymining.sa.gov.au/minerals/invest/mineral\\_commodities/gold](http://www.energymining.sa.gov.au/minerals/invest/mineral_commodities/gold)

**Glenloth Goldfield Location:**

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

**Tunkillia Resource:**

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

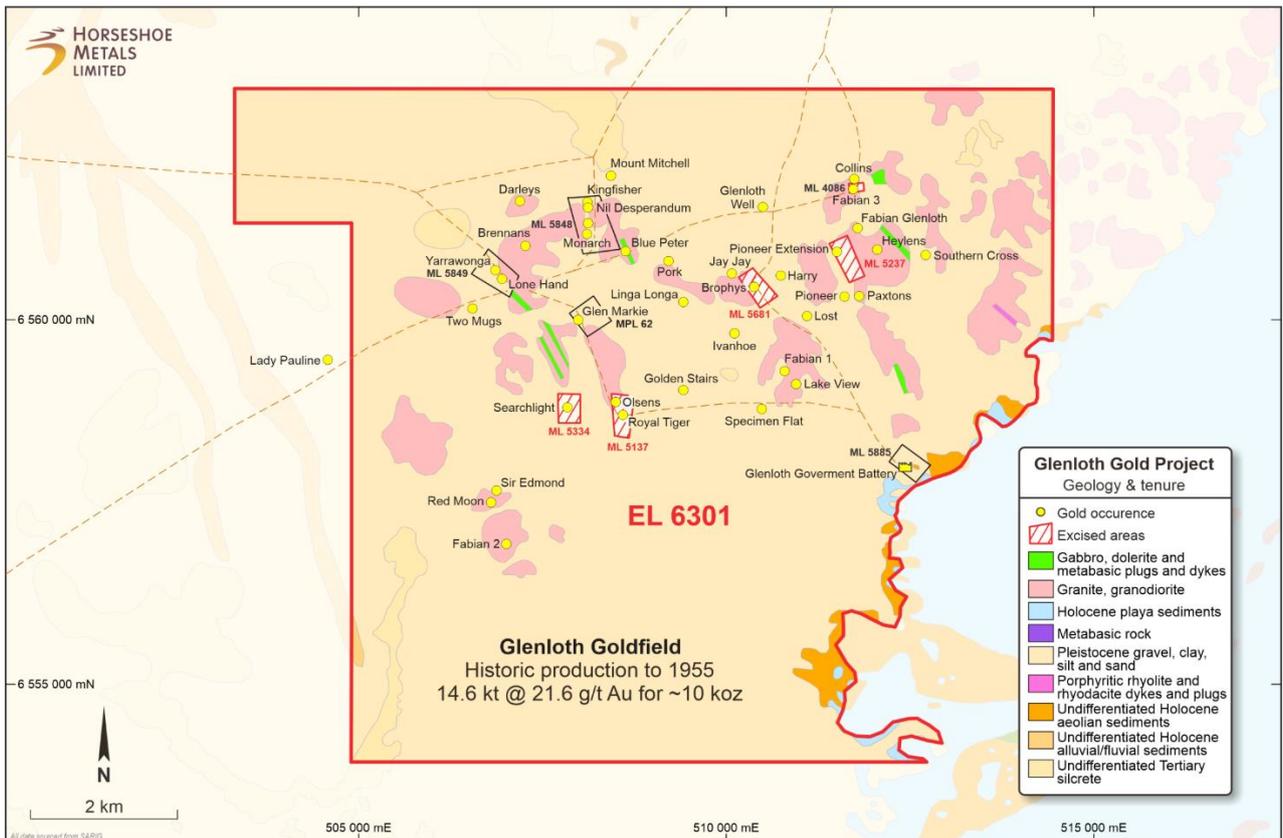


Figure 8: Location of Glenloth Goldfield tenure with regional geology, with named gold occurrences

## Transaction Details

Both transactions were subject to and conditional upon:

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

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

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

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

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

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

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

- SEM will sell to HOR (or its related nominee) a 100% interest in EL6301 in consideration of the issue of 6 million fully paid ordinary shares valued at \$0.02 under its existing capacity under LR7.1.
- The holders of the remaining Glenloth tenements (being Gawler Craton Resources Pty Ltd and Mark and Ian Filsell) will grant HOR rights to explore and develop on those tenements, together with a right of first refusal on a disposal or relinquishment of those tenements, in consideration of the grant of the royalties noted below and the issue of 2 million fully paid ordinary shares (in aggregate) valued at \$0.02 under its existing capacity under LR7.1. The tenement holders will have a right to terminate these rights in the event of a change of control of HOR.
- In the event that HOR defines a published JORC 2012 resource that it does not intend to develop or mine then SEM will be granted a first right of refusal over the resource.
- If, during the term of the tenements or subsequent mining tenements, exploration conducted by HOR defines a 2012 JORC resource (at a cut-off grade of 0.5 g/t Au) in excess of 10,000 ounces Au and less than 50,000 ounces Au in respect of the Project as a whole, then HOR shall have the right to develop the resource in return for a royalty payable to the tenement holders (other than in respect of EL6301) of \$20/ounce of gold produced. This arrangement extinguishes on any individual tenement which expires, but not through conversion of title to allow gold production.
- During the term of the tenements or subsequent mining tenements, any gold production from the Glenloth Project in excess of 50,000 ounces in aggregate will be subject to a 1% royalty payable to SEM (in respect of EL6301) and the tenement holders (in respect of the other tenements), capped to a maximum of 250,000 ounces of production in aggregate. This arrangement extinguishes on any individual tenement which expires, but not through conversion of title to allow gold production.
- During the term of the tenements or subsequent mining tenements, in the event that HOR defines and announces a 2012 JORC measured and indicated resource of 500,000 ounces in respect of the project as a whole (at a cut-off grade of 0.5 g/t Au), then it will issue to SEM a further 4 million fully paid ordinary shares out of existing capacity under LR7.1. This arrangement extinguishes on any individual tenement which expires, but not through conversion of title to allow gold production.
- HOR will undertake to meet minimum statutory expenditure commitments and keep the tenements in good standing.

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

### **Other activities**

The site remains under care and maintenance. During the quarter, the Company continued to undertake activities associated with remediation works at the Horseshoe mine as part of its rehabilitation assessment activities, which are ongoing. The Company remains committed to the completion of a remediation programme to prevent standing water pooling within the old plant site during high rainfall events.

## CORPORATE

During the quarter, on Wednesday 16th October 2019 the Company announced transactions relating to the Mt Gunson Copper Project and the Glenloth Gold Project in South Australia. On the 24th October at the direction of the ASX, the Company requested a trading halt to facilitate an orderly market in the Company's securities pending the release of a clarification announcement in relation to the Mt Gunson and Glenloth opportunities. On the 28th October, after further discussions with the ASX, the Company requested that its securities be suspended from trading whilst the ASX considered the application of Chapter 11 to those transactions. The Company released a revised "Entry Mt Gunson Copper and Glenloth Gold Projects" on the 7<sup>th</sup> November, and was subsequently reinstated to official quotation.

The announcement dated 7 November 2019 contained detailed information in relation to those projects and set out the key terms of the transactions. On the 10<sup>th</sup> December, the Company announced that it had issued a total of 10,000,000 new fully paid ordinary shares (valued at \$0.02 each) to Mines Trust ("MT") as part payment of fees owing to MT by Copper Mining & Metallurgy Pty Ltd (the entity which has rights to explore, develop and operate the Mt Gunson Project). This amount is deemed to form part of HOR's funding of the Mt Gunson Project and CMM has issued 400 shares to HOR accordingly.

Those shares were issued under the Company's existing capacity under Listing Rule 7.1. Completion of the acquisition by the Company of the Glenloth tenement EL6301 remains subject to receipt of Ministerial consent under section 83(1) of the South Australian Mining Act 1971. Upon receipt of such consent, a further 10 million fully paid ordinary shares in HOR will be issued in consideration of the acquisition and the grant of other rights associated with the Glenloth Gold Project. The Company has since received notice that the tenement has been renewed.

On Tuesday 15th October 2019, the Company received a request pursuant to Section 249D of the Corporations Act 2001 (Cth) from shareholder Botsis Holdings Pty Ltd, being a shareholder of the Company with at least 5% of the votes that may be cast at a meeting of the Company. The notice requested pursuant to Section 249D of the Corporations Act 2001 that the Company call a general meeting to consider and if thought fit pass, the removal of the current Board and the election of three new directors. The Company held a general meeting on the 12<sup>th</sup> December in response to this request and all resolutions were considered by shareholders and not passed.

The Company requested voluntary suspension on the 16<sup>th</sup> December in response to addressing a winding up application made against the Company and subsequently requested an extension to the suspension until the 31<sup>st</sup> January 2020 to allow time to address further ASX queries. Post-quarter end on the 17<sup>th</sup> January the Company announced that the winding-up proceedings in respect of HOR and its wholly-owned subsidiary Murchison Copper Mines Pty Ltd ("MCM") were dealt with by the existing loan facility and dismissed, by way of consent orders with no order as to costs.

The Board of directors of HOR has authorised this announcement to be given to the ASX.

### *Enquiries*

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## About Horseshoe Metals Limited

Horseshoe Metals Limited (ASX:HOR) is a copper and gold focused Company with a package of tenements covering approximately 500km<sup>2</sup> in the highly prospective Peak Hill Mineral Field, located north of Meekatharra in Western Australia. The Company manages the Horseshoe Lights Project and the Kumarina Project.

## About the Horseshoe Lights Project

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

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

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.

Table 1 below summarises the total Mineral Resources for the Horseshoe Lights Project as at 30 September 2019.

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

The above Mineral Resource Estimates all meet the reporting requirements of the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves".

## About the Kumarina Project

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

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

*An initial Mineral Resource Estimate for the Rinaldi deposit was completed by the Company in 2013 (see 30 June 2013 Quarterly Report announced on 31 July 2013). The total Measured, Indicated and Inferred Mineral Resource Estimate as at 30 September 2019 is shown in Table 2 below.*

<b>TABLE 2 KUMARINA PROJECT SUMMARY OF MINERAL RESOURCES AS AT 30 September 2019</b>				
<b>Location</b>	<b>Category</b>	<b>Tonnes (t)</b>	<b>Cu (%)</b>	<b>Cu metal (tonnes)</b>
<b>Rinaldi Prospect (0.5% Cu cut-off)</b>	<i>Measured</i>	<i>415,000</i>	<i>1.46</i>	<i>6,100</i>
	<i>Indicated</i>	<i>307,000</i>	<i>1.16</i>	<i>3,500</i>
	<i>Inferred</i>	<i>114,000</i>	<i>0.9</i>	<i>1,000</i>
	<b>Total</b>	<b>835,000</b>	<b>1.3</b>	<b>10,600</b>

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

### **Forward Looking Statements**

Horseshoe Metals Limited has prepared this announcement based on information available to it. No representation or warranty, express or implied, is made as to the fairness, accuracy, completeness or correctness of the information, opinions and conclusions contained in this announcement. To the maximum extent permitted by law, none of Horseshoe Metals Limited, its directors, employees or agents, advisers, nor any other person accepts any liability, including, without limitation, any liability arising from fault or negligence on the part of any of them or any other person, for any loss arising from the use of this announcement or its contents or otherwise arising in connection with it. This announcement is not an offer, invitation, solicitation or other recommendation with respect to the subscription for, purchase or sale of any security, and neither this announcement nor anything in it shall form the basis of any contract or commitment whatsoever. This announcement may contain forward-looking statements that are subject to risk factors associated with gold exploration, mining and production businesses. It is believed that the expectations reflected in these statements are reasonable but they may be affected by a variety of variables and changes in underlying assumptions which could cause actual results or trends to differ materially, including but not limited to price fluctuations, actual demand, currency fluctuations, drilling and production results, reserve estimations, loss of market, industry competition, environmental risks, physical risks, legislative, fiscal and regulatory changes, economic and financial market conditions in various countries and regions, political risks, project delay or advancement, approvals and cost estimates.

### **Competent Persons Statement**

The information in this report that relates to the Exploration Results and Mineral Resources at the Horseshoe Lights and Kumarina Projects is based on information reviewed by Mr Craig Hall, who is a member of the Australian Institute of Geoscientists. Mr Hall is a contractor to Horseshoe Metals Limited and has sufficient experience which is relevant to the style of mineralisation and types of deposit under consideration and to the activity he is undertaking to qualify as Competent Persons as defined in the 2012 Edition of the ‘Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code 2012)’. Mr Hall consents to the inclusion of the data in the form and context in which it appears.

The information in this report that relates to the Horseshoe Lights Project In-situ Mineral Resources is based on information originally compiled by Mr Dmitry Pertel, an employee of CSA Global Pty Ltd, and reviewed by Mr Hall. This information was originally issued in the Company’s ASX announcement “40% increase in Copper Resource at Horseshoe Lights Copper/Gold

Project”, released to the ASX on 5th June 2013. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements. The company confirms that the form and context in which the findings are presented have not materially modified from the original market announcements.

The information in this report that relates to the Horseshoe Lights Project surface stockpile Mineral Resources is based on information compiled by a previous employee of Horseshoe Metals Limited, and reviewed by Mr Hall. The information was previously issued in announcements released to the ASX on 26 February 2015 and 9 March 2015. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements. The company confirms that the form and context in which the findings are presented have not materially modified from the original market announcements.

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, an independent consultant to Horseshoe Metals Limited and a then full-time employee and Director of H&S Consultants Pty Ltd (formerly Hellman & Schofield Pty Ltd), and reviewed by Mr Hall. The information was originally issued in the Company’s ASX announcement “Horseshoe releases Maiden Mineral Resource Estimate for Kumarina”, released to the ASX on 4th March 2013. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements. The company confirms that the form and context in which the findings are presented have not materially modified from the original market announcements.

## Appendix 1: Tenement Schedule (ASX Listing Rule 5.3.3)

SUMMARY OF MINING TENEMENT INTERESTS AS AT 30 <sup>th</sup> September 2019					
Location	Tenement No.	Interest At Beginning Of Quarter (%)	Interests relinquished, reduced or lapsed (%)	Interests acquired or increased (%)	Interest At End Of Quarter (%)
Horseshoe Lights	M52/743	100% <sup>1</sup>	-	-	100% <sup>1</sup>
Horseshoe Lights	L52/42	100%	-	-	100% <sup>1</sup>
Horseshoe Lights	L52/43	100%	-	-	100% <sup>1</sup>
Horseshoe Lights	L52/44	100%	-	-	100% <sup>1</sup>
Horseshoe Lights	L52/45	100%	-	-	100% <sup>1</sup>
Horseshoe Lights	L52/66	100%	-	-	100% <sup>1</sup>
Kumarina	M52/27	100%	-	-	100%
Kumarina	E52/1998	100%	-	-	100%
Kumarina	MLA52/1078	0% <sup>2</sup>			0% <sup>2</sup>

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 M52/743
2. The company has applied for a Mining Lease to cover the Rinaldi resource within E52/1998, contiguous with M52/27.

## Appendix 5B

# Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

### Name of entity

Horseshoe Metals Limited

### ABN

20 123 133 166

### Quarter ended ("current quarter")

31 December 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(105)	(225)
(b) development	-	-
(c) production	-	-
(d) staff costs	-	-
(e) administration and corporate costs	(25)	(86)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(130)</b>	<b>(311)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-

## Mining exploration entity and oil and gas exploration entity quarterly report

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>-</b>	<b>-</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	130	309
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>130</b>	<b>309</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	1	3
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(130)	(311)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	130	309
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>1</b>	<b>1</b>

5. <b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	1	1
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
<b>5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>1</b>	<b>1</b>

6. <b>Payments to directors of the entity and their associates</b>	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	-
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

N/A

7. <b>Payments to related entities of the entity and their associates</b>	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	-
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

N/A

## Mining exploration entity and oil and gas exploration entity quarterly report

<b>8. Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
8.1 Loan facilities	1,500	1,187
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

The Company has an unsecured loan agreement with a syndicate of lenders. The facility limit is \$1,500,000, interest rate 8% p.a.

<b>9. Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1 Exploration and evaluation	250
9.2 Development	-
9.3 Production	-
9.4 Staff costs	-
9.5 Administration and corporate costs	100
9.6 Other (provide details if material)	-
<b>9.7 Total estimated cash outflows</b>	<b>350</b>

<b>10. Changes in tenements (items 2.1(b) and 2.2(b) above)</b>	<b>Tenement reference and location</b>	<b>Nature of interest</b>	<b>Interest at beginning of quarter</b>	<b>Interest at end of quarter</b>
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	Nil			
10.2 Interests in mining tenements and petroleum tenements acquired or increased	Nil			

**Compliance statement**

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



31 January 2020

Sign here: .....  
(Director/~~Company secretary~~)

Date: .....

Print name: Carol New (Director)

**Notes**

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.