



HORSESHOE METALS
LIMITED

ABN 20 123 133 166

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

CORPORATE INFORMATION

Directors

Neil Andrew Marston (Managing Director)
Michael George Fotios (Non-executive Director)
Alan Wallace Still (Non-executive Director)

Company Secretary

Neil Andrew Marston

Registered Office

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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

Somes Cooke
Level 2, 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

CONTENTS

Directors' Report	2
Auditor's Independence Declaration	4
Statement of Profit or Loss and Other Comprehensive Income	5
Statement of Financial Position	6
Statement of Cash Flows	7
Statement of Changes in Equity	8
Notes to the Financial Statements.....	9
Directors' Declaration	14
Independent Review Report	15

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 2015. 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.

Neil Andrew Marston	Managing Director
Michael George Fotios	Non-executive Director
Alan Wallace Still	Non-executive Director

Review of Operations

The principal activities of the Group throughout the half-year have comprised of the following:

- (i) assessing development options for the Horseshoe Lights Copper/Gold Project
- (ii) exploration of the Horseshoe Lights and Kumarina Projects;
- (iii) investing cash assets in interest bearing bank accounts; and
- (iv) the general administration of the Group.

The Group realised a net loss for the half-year of (\$267,993) (2014: \$363,339).

Horseshoe Lights Project

The Horseshoe Lights Project is located 140 km north of the town of Meekatharra in Western Australia. The project tenements cover a total of approximately 60 km² in area. The Horseshoe Lights Project includes the closed Horseshoe Lights mine which operated up until 1994, producing over 300,000 ounces of gold and 54,000 tonnes of copper.

Exploration activities during the half year consisted of gravity testwork on tailings material as well as diamond and reverse circulation (RC) drilling activities.

Kumarina Project

The Kumarina Project is located 235 km north of the town of Meekatharra in Western Australia. The project tenements cover a total of 433 km² in area. Copper mineralisation was discovered at Kumarina in 1913. Historically approximately 580 tonnes of copper metal is reported to have been mined from the Kumarina Project.

Exploration activities for the half year were limited to completing a low level airborne magnetic and radiometric survey over Exploration Licence 52/2930.

HORSESHOE METALS LIMITED
ABN 20 123 133 166
HALF YEAR REPORT 30 JUNE 2015

AUDITOR'S INDEPENDENCE DECLARATION

The Company has obtained an independence declaration from its auditors, Somes Cooke, 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 4 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*.



Neil Marston
Managing Director
Perth, Western Australia
Dated this 11th day of September 2015

AUDITOR'S INDEPENDENCE DECLARATION

To those charged with governance of Horseshoe Metals Limited

As auditor for the review of Horseshoe Metals Limited for the period ended 30 June 2015, I declare that, to the best of my knowledge and belief, there have been:

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



Somes Cooke



Kevin Somes
Perth
11 September 2015

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 30 JUNE 2015

	Note	Consolidated HALF-YEAR TO JUNE 2015 \$	Consolidated HALF-YEAR TO JUNE 2014 \$
Revenue			
Interest income		2,394	2,103
Other Income	2	102,910	8,300
		105,304	10,403
Expenses			
Occupancy expenses		(15,000)	(12,819)
Consulting expenses		(9,000)	(8,952)
Administrative expenses		(194,169)	(210,115)
Depreciation expenses		(10,849)	(15,362)
Directors' remuneration		(166,909)	(210,330)
Performance shares lapsed	7	-	102,118
Other expenses		(34,910)	(18,282)
Rehabilitation expenses	5	57,540	-
Loss before tax		(267,993)	(363,339)
Income tax expense		-	-
Loss after tax from continuing operations		(267,993)	(363,339)
Loss for the period		(267,993)	(363,339)
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		(267,993)	(363,339)
Loss per share:			
Basic loss per share (cents per share)		(0.16)	(0.41)
Diluted loss per share (cents per share)		(0.16)	(0.41)

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

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2015

		Consolidated AS AT 30 JUNE 2015 \$	Consolidated AS AT 31 DECEMBER 2014 \$
	<i>Notes</i>	<hr/>	<hr/>
ASSETS			
Current Assets			
Cash and cash equivalents		23,334	403,697
Trade and other receivables		55,585	17,619
Other current assets	3	45,595	252,069
Total Current Assets		<hr/> 124,514	<hr/> 673,385
Non-current Assets			
Property, plant and equipment		79,987	90,837
Exploration and evaluation assets	4	7,087,919	6,484,800
Total Non-current Assets		<hr/> 7,167,906	<hr/> 6,575,637
TOTAL ASSETS		<hr/> 7,292,420	<hr/> 7,249,022
LIABILITIES			
Current Liabilities			
Trade and other payables		468,246	122,191
Borrowings		5,044	9,951
Provisions	5	7,174	3,391
Total Current Liabilities		<hr/> 480,464	<hr/> 135,533
Non-current Liabilities			
Borrowings		9,719	9,719
Provisions	5	4,234,100	4,291,640
Total Non-current Liabilities		<hr/> 4,243,819	<hr/> 4,301,359
TOTAL LIABILITIES		<hr/> 4,724,283	<hr/> 4,436,892
NET ASSETS		<hr/> 2,568,137	<hr/> 2,812,130
EQUITY			
Issued capital	6	16,535,893	16,511,893
Reserves	7	-	442,600
Accumulated losses		(13,967,756)	(14,142,363)
TOTAL EQUITY		<hr/> 2,568,137	<hr/> 2,812,130

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

STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 30 JUNE 2015

	Consolidated HALF-YEAR TO JUNE 2015 \$	Consolidated HALF-YEAR TO JUNE 2014 \$
Cash flows from operating activities		
Payments to suppliers and employees	(223,233)	(164,627)
Interest received	2,394	2,103
Financing costs	(551)	-
Fuel tax rebate received	11,334	8,300
Net cash used in operating activities	(210,056)	(154,224)
Cash flows from investing activities		
Payments for property, plant and equipment	-	-
Payments for exploration and evaluation expenditure	(165,370)	(122,427)
Net cash used in investing activities	(165,370)	(122,427)
Cash flows from financing activities		
Repayment of debt	(4,937)	(18,745)
Proceeds from the issue of shares	-	798,978
Payment for costs of raising capital	-	(72,648)
Net cash flows (used in)/from financing activities	(4,937)	707,585
Net (decrease)/increase in cash and cash equivalents	(380,363)	430,934
Cash and cash equivalents at beginning of the period	403,697	309,978
Cash and cash equivalents at end of the period	23,334	740,912

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

STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 30 JUNE 2015

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

FOR THE HALF-YEAR ENDED 30 JUNE 2014

	Issued Capital	Accumulated Losses	Share Based Payment Reserve	Option Premium Reserve	Total
	\$	\$	\$	\$	\$
Balance as at 1 Jan 2014	14,710,460	(12,845,227)	544,718	-	2,409,951
Loss attributable to members of the parent entity	-	(363,339)	-	-	(363,339)
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	(363,339)	-	-	(363,339)
Share issues for cash during the period	798,978	-	-	-	798,978
Share issues to retire debts and for prepaid services during the period	500,000	-	-	-	500,000
Transaction costs	(72,649)	-	-	-	(72,649)
Share based payment expense	-	-	(102,118)	-	(102,118)
Sub-total	1,226,329	(363,339)	(102,118)	-	760,872
Balance as at 30 June 2014	15,936,789	(13,208,566)	442,600	-	3,170,823

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

HORSESHOE METALS LIMITED
ABN 20 123 133 166
HALF YEAR REPORT 30 JUNE 2015

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2015

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 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 2014 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.

The accounting policies adopted are consistent with those applied and disclosed in the 31 December 2014 annual report.

Basis of Preparation

The interim 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 interim 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.

As at the date of this interim report, the Group has \$100 in cash and cash equivalents. 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 2015**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

New and Revised Accounting Standards Issued and Effective

New and revised accounting standards, effective 1 January 2015, that became mandatory for the first time during the period have not had a material impact on the amounts and disclosures in the Groups' financial statements.

New Accounting Standards and Interpretations not yet adopted

New accounting standards, amendments to standards and interpretations that are not yet mandatory, but may be adopted early have not been applied in preparing these financial statements. These standards are not expected to have a material impact on the Group's financial statements.

NOTE 2: OTHER INCOME

	Consolidated HALF-YEAR TO 30 JUNE 2015 \$	Consolidated HALF-YEAR TO 30 JUNE 2014 \$
Co- funded drilling	49,976	-
Fuel tax rebate	18,390	8,300
Other income	34,544	-
Total	102,910	8,300

NOTE 3: OTHER ASSETS

	Consolidated AS AT 30 JUNE 2015 \$	Consolidated AS AT 31 DECEMBER 2014 \$
(a) Current		
Prepayments	-	16,474
Prepaid Drilling Services (i)	45,595	235,595
Total Current	45,595	252,069

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

Due to the occurrence of a force majeure situation arising as a result of very heavy rainfall in early 2015, the Company subsequently agreed with Whitestone to extend the Drilling Fund Contract expiry date to 30 June 2015. As at 30 June 2015, Whitestone had completed approximately \$190,000 of the drilling services. The balance of the drilling provided under the Drilling Fund Contract was completed during August 2015.

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE HALF-YEAR ENDED 30 JUNE 2015**

NOTE 4: EXPLORATION AND EVALUATION ASSETS

	Consolidated \$
Costs carried forward in respect of areas of interest:	
At 1 January 2015	6,484,800
Expenditure Incurred	603,119
At 30 June 2015 (i)	7,087,919

- (i) The carrying amount as at 30 June 2015 of \$7,087,919 is represented by accumulated capitalized costs of \$14,322,883, net of impairment charges of \$7,234,964. Recoverability of the carrying amount is dependent upon the successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

NOTE 5: PROVISIONS

	Consolidated AS AT 30 JUNE 2015 \$	Consolidated AS AT 31 DECEMBER 2014 \$
(a) Current		
Provision for Employee Entitlements	7,174	3,391
Total Current	7,174	3,391
(b) Non Current		
Provision for Rehabilitation (i)	4,234,100	4,291,640
Total Non-Current	4,234,100	4,291,640

- (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 2015 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.

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE HALF-YEAR ENDED 30 JUNE 2015**

NOTE 6: ISSUED CAPITAL

	Consolidated AS AT 30 JUNE 2015 \$	Consolidated AS AT 31 DECEMBER 2014 \$
<i>Ordinary Shares</i>		
Ordinary Shares - Fully Paid	<u>16,535,893</u>	<u>16,511,893</u>
	<u>Number</u>	<u>Number</u>
Ordinary Shares - Fully Paid	<u>169,752,190</u>	<u>168,989,722</u>
	Ordinary shares (Number)	Value (\$)
At 1 January 2015	168,989,722	16,511,893
Ordinary Shares Issue - 9 March 2015 (i)	762,468	24,000
Transaction Costs	-	-
At 30 June 2015	<u>169,752,190</u>	<u>16,535,893</u>

- (i) On 9 March 2015, a total of 762,468 shares were issued pursuant to the terms of an Option to Purchase agreement in respect to Mining Lease 52/600, to satisfy an option fee payment in lieu of cash of \$24,000.

NOTE 7: RESERVES

	Consolidated AS AT 30 JUNE 2015 \$	Consolidated AS AT 31 DECEMBER 2014 \$
Share-based Payment Reserve (i)	-	442,600
	<u>-</u>	<u>442,600</u>

(a) Nature and Purpose of Reserves

(i) *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 based payment reserve is transferred to share capital.

During the half-year to 30 June 2015, 2,800,000 performance rights and 5,400,000 unlisted options expired. The value previously ascribed to these share based payments was thus transferred to retained losses.

At the date of this report there were no performance rights or options on issue.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2015

NOTE 8: 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 9: EVENTS SUBSEQUENT TO REPORTING DATE

On 24th July 2015 the Company executed an unsecured \$1.0 Million Loan and Convertible Note Agreement ("Facility") with its major shareholder and company director, Michael Fotios ("Lender"). The interest rate for the Facility is 6.0%p.a., accruing annually and the maturity date is 24 July 2016. The Convertible Notes may be converted into shares, at the Lender's election, at a conversion price equal to the price of shares under the Company's next equity fund raising. The Lender is also entitled to receive any free attaching securities issued as part of the equity raising (at the same ratio). The issue of conversion shares and free attaching securities is subject to any shareholder approval that may be required.

Other than the matters referred to above the directors are not aware of any significant events since 30 June 2015.

DIRECTORS' DECLARATION

The directors declare that:

- (a) 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.
- (b) In the directors' opinion, the attached financial statements and notes and additional disclosures are in accordance with the Corporations Act 2001, including:
 - i. complying with Accounting Standard 134: Interim Financial Reporting; and
 - ii. giving a true and fair view of the Group's financial position as at 30 June 2015 and of its performance for the half-year then ended.

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



Neil Marston
Managing Director
Perth, Western Australia

Dated this 11th day of September 2015

Independent Auditor's Review Report

To the members of Horseshoe Metals Limited

Report on the Half-year Financial Report

We have reviewed the accompanying half-year financial report of Horseshoe Metals Limited, which comprises the consolidated statement of financial position as at 30 June 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 half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-year Financial Report

The directors of Horseshoe Metals Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a 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 financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of Horseshoe Metals Limited's financial position as at 30 June 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the 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 a half-year 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 half-year financial report of Horseshoe Metals Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Horseshoe Metals Limited's financial position as at 30 June 2015 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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 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 of Horseshoe Metals Limited to secure additional funding through either the issue of shares and or options.

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



Somes Cooke



Kevin Somes

11 September 2015

Perth
Western Australia