

**Horseshoe Metals
Limited**

ABN 20 123 133 166

**Financial report for the half-year ended
30 June 2019**

Corporate Information

Board of Directors

Craig Hall (Non-executive Director)
Alan Still (Non-executive Director)
Carol New (Non-executive Director)

Company Secretary

Carol New

Registered Office

24 Mumford Place
Balcatta, WA 6021
Telephone: +61 8 6241 1844
Facsimile: +61 8 6241 1811

Solicitors

Squire Patton Boggs
Level 21
300 Murray Street
Perth WA 6000

Bankers

National Australia Bank
Level 14, 100 St Georges Terrace
Perth WA 6000

Share Registry

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

Auditors

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

Securities Exchange Listing

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

Website

www.horseshoemetals.com.au

CONTENTS

	Page
Directors' Report	1
Auditor's Independence Declaration	4
Consolidated Statement of Profit or Loss and Other Comprehensive Income	5
Consolidated Statement of Financial Position	6
Consolidated Statement of Cash Flows	7
Consolidated Statement of Changes in Equity	8
Notes to the Financial Statements	9
Directors' Declaration	13
Independent Review Report	14

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 2019. 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.

Alan Still	Non-executive Director	
Carol New	Non-executive Director	Appointed 9 April 2019
Craig Hall	Non-executive Director	Appointed 30 April 2019
Neil Porter	Non-executive Director	Resigned 9 April 2019
Michael Fotios	Non -executive Chairman	Resigned 30 April 2019

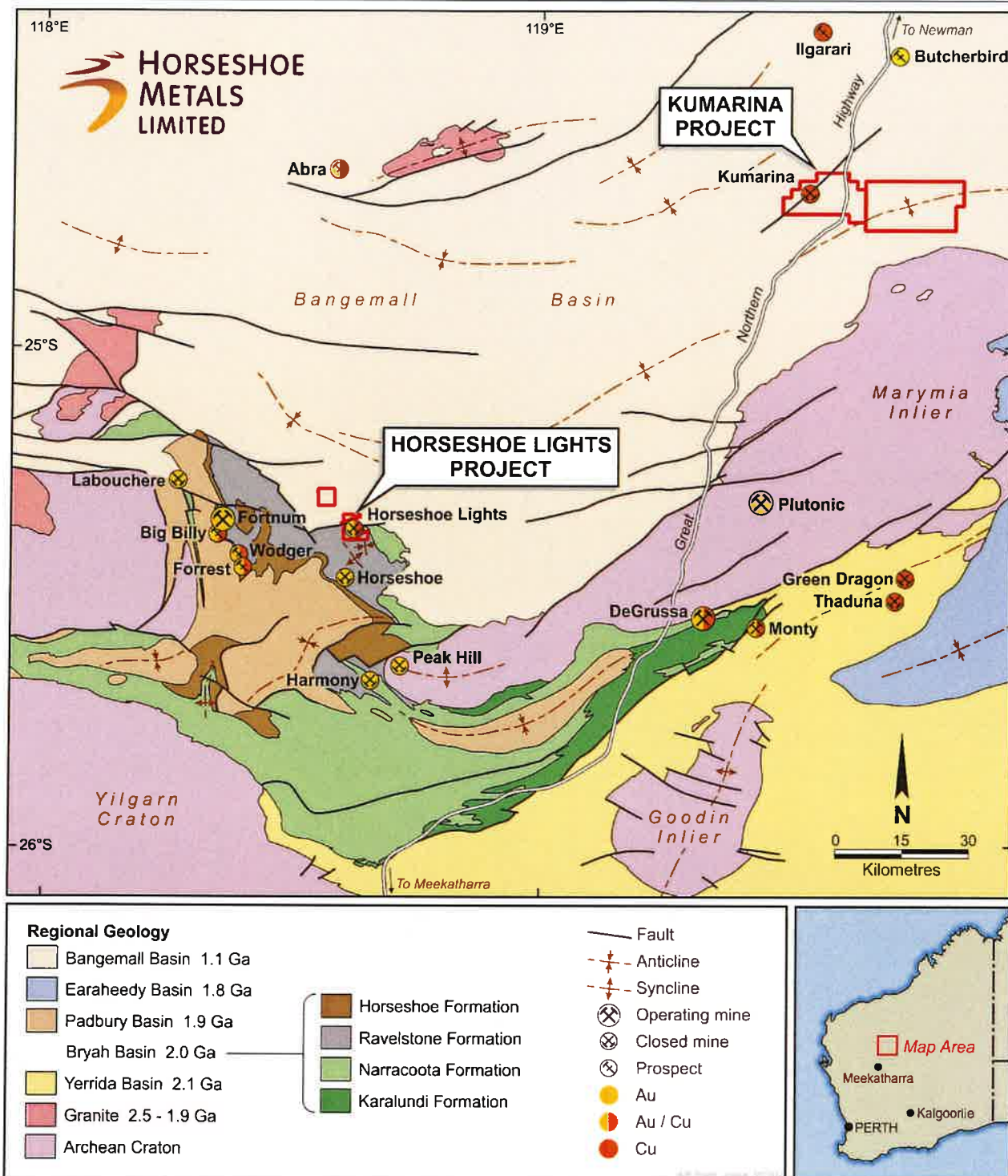
Review of Operations

The Group realised a net loss for the half-year of \$271,536 (2018: \$87,155).

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. Tenements cover an area of approximately 60 km² including the previously-mined Horseshoe Lights copper-gold mine, located 75 km west of Sandfire Resources NL's (ASX:SFR) DeGrussa copper-gold mine, in the Bryah Basin region of Western Australia (Figure 1).

As part of the strategic review process announced on the 6th 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. The process has generated significant interest, and the company is in the latter stages of finalising an outcome.

Any potential sale will be subject to shareholder and regulatory approvals.



Corporate

The Company has negotiated an increase from \$1,000,000 to \$1,500,000 in its loan facility with the Lenders. All other terms remain the same.

On 22 May 2019, the Company held its Annual General Meeting where all resolutions put to the meeting were passed unanimously on a show of hands.

The Company continues its efforts to identify and review suitable sector opportunities within Australia.

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 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.



Craig Hall

Director

Perth

13 September 2019

*R*OTHSA Y

Level 1, Lincoln House, 4 Ventnor Avenue, West Perth WA 6005
P.O. Box 8716, Perth Business Centre WA 6849
Phone (08) 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 2019 half year financial statements; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit.



Graham Swan FCA (Lead auditor)

Rothsay Auditing

Dated 13 September 2019



**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
 FOR THE HALF-YEAR ENDED 30 JUNE 2019**

	Note	Consolidated	
		Half-year to 30 June 2019 \$	Half-year to 30 June 2018 \$
Revenue			
Interest income		-	-
Other income		-	277,778
Expenses			
Occupancy expenses		(15,000)	(78,500)
Consultancy expenses		(52,674)	(64,116)
Administrative expenses		(48,874)	(30,328)
Depreciation expenses		(7,181)	(5,351)
Directors' remuneration		(24,500)	(37,000)
Exploration expensed		(93,553)	(97,917)
Interest expenses		(34,028)	(51,721)
Rehabilitation expenses		-	-
Loss before income tax expense		(275,810)	(87,155)
Income tax expense		-	-
Loss after tax from continuing operations		(275,810)	(87,155)
Loss for the period		(275,810)	(87,155)
Other comprehensive income		-	-
Total comprehensive loss for the period		(275,810)	(87,155)
Loss per share:			
Basic loss per share (cents per share)		(0.142)	(0.045)
Diluted loss per share (cents per share)		(0.142)	(0.045)

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
 AS AT 30 JUNE 2019**

		Consolidated	
		30 June 2019	31 December 2018
		\$	\$
ASSETS	Note		
Current assets			
Cash and cash equivalents		3,051	3,593
Trade and other receivables	2	34,945	60,888
Other assets		-	7,034
Total current assets		37,996	71,515
Non-current assets			
Plant and equipment		26,208	33,389
Exploration and evaluation expenditure	3	6,508,801	6,508,801
Total non-current assets		6,535,009	6,542,190
Total assets		6,573,005	6,613,705
LIABILITIES			
Current liabilities			
Trade and other payables	5	511,392	632,218
Total current liabilities		511,392	632,118
Non-current Liabilities			
Trade and other payables	5	1,372,105	1,186,337
Borrowings	6	1,033,088	862,920
Provisions	4	5,812,890	5,812,890
Total Non-current Liabilities		8,218,083	7,862,147
Total liabilities		8,729,475	8,494,365
Net assets		(2,156,470)	(1,880,660)
Equity			
Issued capital	7	17,158,393	17,158,393
Accumulated losses		(19,314,863)	(19,093,053)
Total equity		(2,156,470)	(1,880,660)

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 30 JUNE 2019

	Consolidated	
	30 June 2019	31 December 2018
	\$	\$
Cash flows from operating activities		
Receipts from customers	46,181	238,856
Payments to suppliers and employees	(101,643)	(156,045)
Interest received	-	2,334
Payments for exploration and evaluation expenditure	(82,180)	(195,257)
Net cash used in operating activities	(137,642)	(110,112)
Cash flows from investing activities		
Payments for purchase of plant and equipment	-	-
Net cash used in investing activities	-	-
Cash flows from financing activities		
Repayment of borrowings	(12,000)	-
Proceeds from the issue of shares	-	-
Proceeds from borrowings	149,100	106,048
Net cash flows from/(used in) financing activities	137,100	106,048
Net increase/(decrease) in cash and cash equivalents	(542)	(4,064)
Cash and cash equivalents at the beginning of the period	3,593	7,657
Cash and cash equivalents at the end of the period	3,051	3,593

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 2019**

	Issued Capital	Accumulated Losses	Share Based Payment Reserve	Total
	\$	\$	\$	\$
Balance as at 1 Jan 2019	17,158,393	(19,039,053)	-	(1,880,660)
Loss attribute to members of the parent entity	-	(275,810)	-	(275,810)
Other comprehensive income	-	-	-	-
Total comprehensive income	-	(275,810)	-	(275,810)
Shares issues	-	-	-	-
Transaction costs	-	-	-	-
Sub-total	-	(275,810)	-	(275,810)
Balance as at 30 June 2019	17,158,393	(19,314,863)	-	(2,156,470)

FOR THE HALF-YEAR ENDED 30 JUNE 2018

	Issued Capital	Accumulated Losses	Share Based Payment Reserve	Total
	\$	\$	\$	\$
Balance as at 1 Jan 2018	17,158,393	(18,398,669)	-	(1,240,277)
Loss attribute to members of the parent entity	-	(87,155)	-	(87,155)
Other comprehensive income	-	-	-	-
Total comprehensive income	-	(87,155)	-	(87,155)
Shares issues	-	-	-	-
Transaction costs	-	-	-	-
Sub-total	-	(87,155)	-	(87,155)
Balance as at 30 June 2018	17,158,393	(18,485,824)	-	(1,327,431)

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2019

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 2018 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 2018 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 2019 the Group recorded an operating cash outflow of \$137,641 (half-year ended 30 June 2018: outflow of \$122,268) and at 30 June 2019 had a net working capital deficit of \$473,396 (31 December 2018 deficit of \$560,603).

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 there is a material uncertainty that the group may be unable to continue as a going concern and 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 Board of Directors of Delta Resources Management Pty Ltd and Investmet Ltd have confirmed unconditionally that these entities will not call on or demand any repayment of the advances made to the company up to 30 June 2019 until such time as the Group's financial position improves.

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE HALF-YEAR ENDED 30 JUNE 2019**

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 2018.

NOTE 2: TRADE AND OTHER RECEIVABLES

	Consolidated as at 30 June 2019 \$	Consolidated as at 31 December 2018 \$
CURRENT		
Trade Receivables and Other Receivables	34,945	67,922

NOTE 3: EXPLORATION AND EVALUATION ASSETS

The following table details the movement in deferred exploration and evaluation expenditure reported in the statement of financial position during the half year ended 30 June 2019.

	Consolidated Half-year to 30 June 2019 \$
Costs carried forward in respect of areas of interest	
At 1 January 2019	6,508,801
Exploration costs Expensed (i)	-
At 30 June 2019	<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 2019. 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 2019

NOTE 4: PROVISIONS

	Consolidated as at 30 June 2019 \$	Consolidated as at 31 December 2018 \$
Non Current		
Provision for Rehabilitation (i)	5,812,890	5,812,890
Total Non-Current		

(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 2019 using the methodology adopted under the Mining Rehabilitation Fund Regulations 2013 (WA) is \$5,812,890.

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: TRADE AND OTHER PAYABLES

	Consolidated as at 30 June 2019 \$	Consolidated as at 31 December 2018 \$
CURRENT		
Trade Payables and Accruals	511,392	632,218
NON-CURRENT		
Related party creditors	-	1,186,337
Other creditors	1,372,105	-
	1,372,105	1,186,337

NOTE 6: NON -CURRENT/RELATED PARTY BORROWINGS

	Consolidated as at 30 June 2019 \$	Consolidated as at 31 December 2018 \$
Other Borrowings	1,033,088	-
Related Party Borrowings	-	862,920
	1,033,088	862,920

The Board of Directors of Delta Resources Management Pty Ltd and Investmet Ltd have confirmed unconditionally that these entities will not call on or demand any repayment of the advances made to the company up to 30 June 2019 until such time as the Group's financial position improves.

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE HALF-YEAR ENDED 30 JUNE 2019**

NOTE 7: ISSUED CAPITAL

	Consolidated as at 30 June 2019 \$	Consolidated as at 31 December 2018 \$
Ordinary Shares		
Ordinary Shares – Fully Paid	<u>17,158,393</u>	<u>17,158,393</u>
	Number	Number
Ordinary Shares – Fully Paid	<u>194,652,190</u>	<u>194,652,190</u>
	Ordinary shares (Number)	Value (\$)
At 1 January 2019	194,652,190	17,158,393
Ordinary Shares Issue	-	-
Transaction Costs	-	-
At 30 June 2019	<u>194,652,190</u>	<u>17,158,393</u>

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

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 2019 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



Craig Hall
Director
Perth WA
13 September 2019



Level 1, Lincoln House, 4 Ventnor Avenue, West Perth WA 6005
P.O. Box 8716, Perth Business Centre WA 6849
Phone (08) 9486 7094 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 2019.

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 2019 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 2019 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*.





Material Uncertainty related to Going Concern

Without modifying our conclusion, we draw attention to Note 1 in the financial report which states 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 to secure additional funding through either the issue of shares and or options

In the event the Group is unable to raise additional funds there is a 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 Auditing

**Graham Swan FCA
Partner**

Dated 13 September 2019