HORSESHOE METALS

LIMITED

A.B.N. 20 123 133 166

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

CORPORATE INFORMATION

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

Company Secretary
Carol New
Kate Stoney

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

Solicitors
Dentons
Level 7
150 St George's Terrace
Perth WA 6000
Telephone: +61 8 9323 0999

Bankers
National Australia Bank
1232 Hay Street
West Perth WA 6005

Share Register
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

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DIRECTORS REPORT

Your Directors present their report, together with the financial statements of Horseshoe Metals Limited and controlled entity (the Group) for the year ended 31 December 2019.

The names of the Directors in office at any time during, or since the end of the year are:

NAME	POSITION	APPOINTED/RETIRED
Mr Alan Still	Non-executive Director	
Ms Carol New	Non-executive Director	09/04/2019
Mr Craig Hall	Non-executive Director	30/04/2019
Mr Neil Porter	Non-executive Director	04/01/2017 - 09/04/2019
Mr Michael Fotios	Non-executive Chairman	23/06/2014 - 30/04/2019

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

INFORMATION ON DIRECTORS

The names, qualifications and experience of the current Directors are:

Mr Alan Still

Mr Alan Still is a metallurgist with over 40 years' experience in a variety of commodities. In the previous three years Mr Still was also a director of the following ASX listed companies:

- Eastern Goldfields Limited – resigned 28 August 2018;
- Scorpion Minerals Limited – resigned 31 October 2018; and
- General Mining Corporations Limited – resigned 9 August 2016.

Carol New
(appointed 9 April 2019)

Ms New holds a Bachelor of Business Degree and is a Chartered Accountant and has over 20 years' experience working with public companies in director, accounting and secretarial roles.

In the previous three years Ms New was also a director of the following ASX listed companies:

- Scorpion Minerals Limited – Current
- Redbank Copper Limited – resigned 2 August 2019; and
- Target Energy Limited – resigned 17 December 2019

Craig Hall
(appointed 30 April 2019)

Mr Hall is an experienced geologist with over 30 years of mineral industry experience in exploration, development and production roles in a range of commodities, principally precious and base metals. He has held a variety of senior positions with mid-tier and junior sector resource companies within Australia and overseas.

Mr Hall is currently a Non-executive director of ASX listed Auris Minerals Limited and Scorpion Minerals Limited. Mr Hall was previously a Non-executive Director of Redbank Copper Limited; and

In the previous three years Ms New was also a director of the following ASX listed companies:

- Auris Minerals Limited - Current
- Scorpion Minerals Limited – Current
- Redbank Copper Limited – resigned 2 August 2019; and
- Target Energy Limited – resigned 17 December 2019

COMPANY SECRETARY

Ms Carol New was appointed as Company Secretary on 16 January 2019, Mr Brendon Morton (resigned 16 January 2019) held the position of Company Secretary during the year. Ms New is a Chartered Accountant with over 20 years' experience in financial accounting and compliance for public companies. Ms New is also Company Secretary to a number of ASX listed companies.

Ms Kate Stoney was appointed joint Company Secretary on 2 December 2019. Ms Stoney is a CPA qualified accountant with over 15 years' experience working in accounting, administration and company secretarial positions.

CURRENT DIRECTORS' INTERESTS

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

Director	Fully Paid Shares	Unlisted Options	Performance Rights
Alan Still	-	-	-
Carol New	-	-	-
Craig Hall	-	-	-

MEETINGS OF DIRECTORS

The number of meetings of the Company's Board of Directors held during the year ended 31 December 2019 and the number of meetings attended by each Director were:

Director	Number eligible to attend in 2019	Number attended in 2019
Alan Still	6	5
Carol New	6	6
Craig Hall	6	6
Neil Porter	Nil	Nil
Michael Fotios	Nil	Nil

DIVIDENDS PAID OR RECOMMENDED

No dividends have been paid, declared or recommended by the Directors during the year.

INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

The Group has agreed to indemnify all the Directors of the Group for any liabilities to another person (other than the Group or related body corporate) that may arise from their position as Directors of the Group and its controlled entity, except where the liability arises out of conduct involving a lack of good faith.

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

NON-AUDIT SERVICES

Rothsay Auditing, the Group's auditors, did not provide any non-audit services during the year ended 31 December 2019.

PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings.

The Group was not a party to any such proceedings during the year.

AUDITORS INDEPENDENCE DECLARATION

The auditor's independence declaration for the year ended 31 December 2019 has been received and can be found on page 20 of the financial report.

OPTIONS AND PERFORMANCE RIGHTS

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

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

During the year ended 31 December 2019, no ordinary shares in Horseshoe Metals Limited were issued on the exercise of options granted. No further shares have been issued since that date No amounts are unpaid on any of these shares. No options were issued during, or since the end of the year.

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

PRINCIPAL ACTIVITIES

Details of the operations of the Group are set out in the Review of Operations. There were no significant changes in the nature of the Group's principal activities during the year.

OPERATING RESULTS

The consolidated loss of the Group after providing for income tax amounted to $746,901 (31 December 2018: loss $640,384).

REVIEW OF OPERATIONS

Mt Gunson Copper Project (HOR earning to 50%) (ML3717-21, ML5598, ML5599; MPL1):

On the 16th October 2019, 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 1, 2 and 3). The Company released a revised announcement in relation to these transactions on the 7th November 2019 "*Entry Mt Gunson Copper and Glenloth Gold Projects Revised*", and post year-end on the 28th February 2020 further technical detail about the project ("*Mt Gunson Copper Project Update*").

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 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 156 000 t of copper, 62 t of silver and 2900 t of cobalt in concentrates (refer Figures 2, 3).

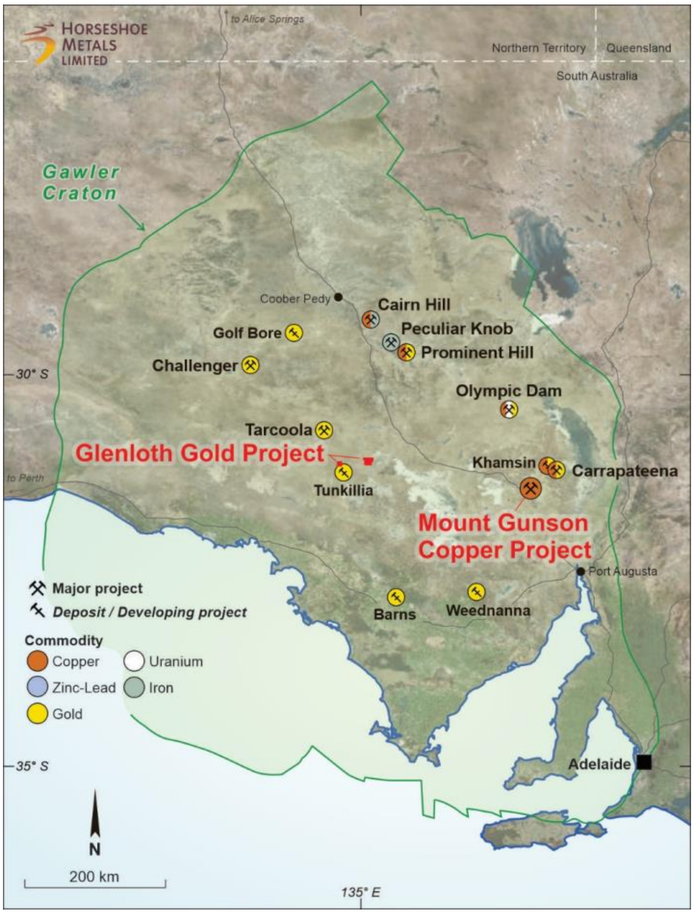

Figure 1: Location of Mt Gunson Copper Project and Glenloth Gold Project, with significant local deposits, South Australia

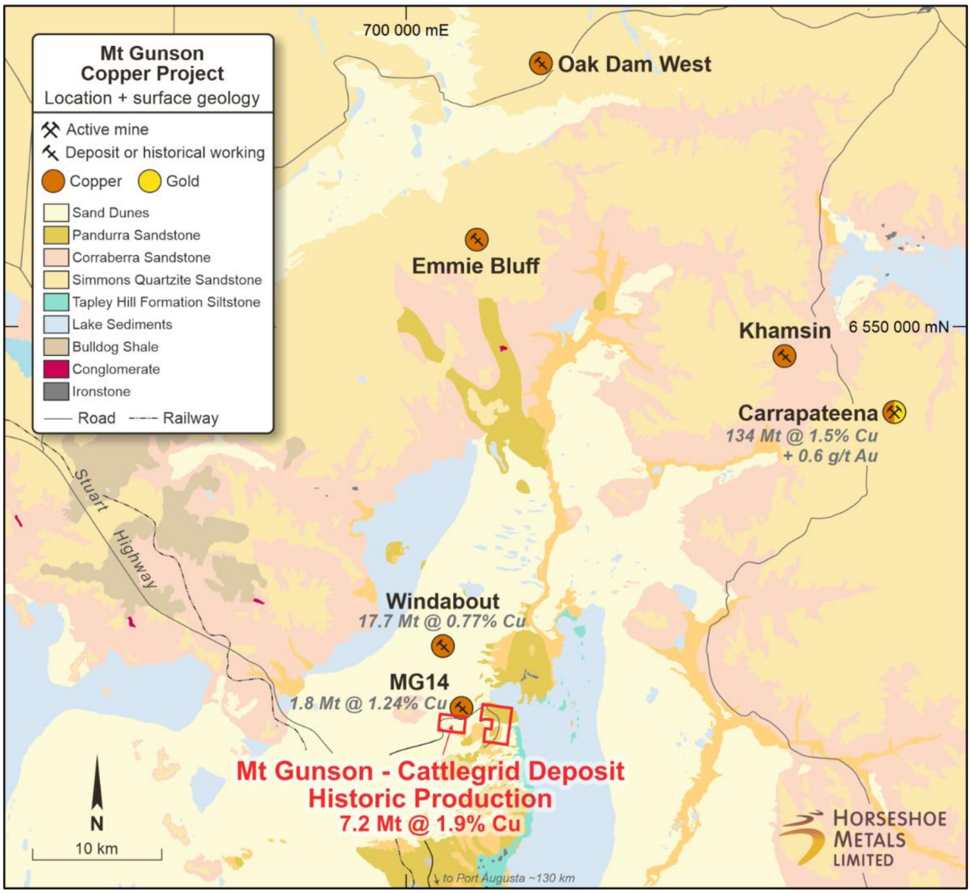

Figure 2: Location of Mt Gunson Copper Project and significant local deposits

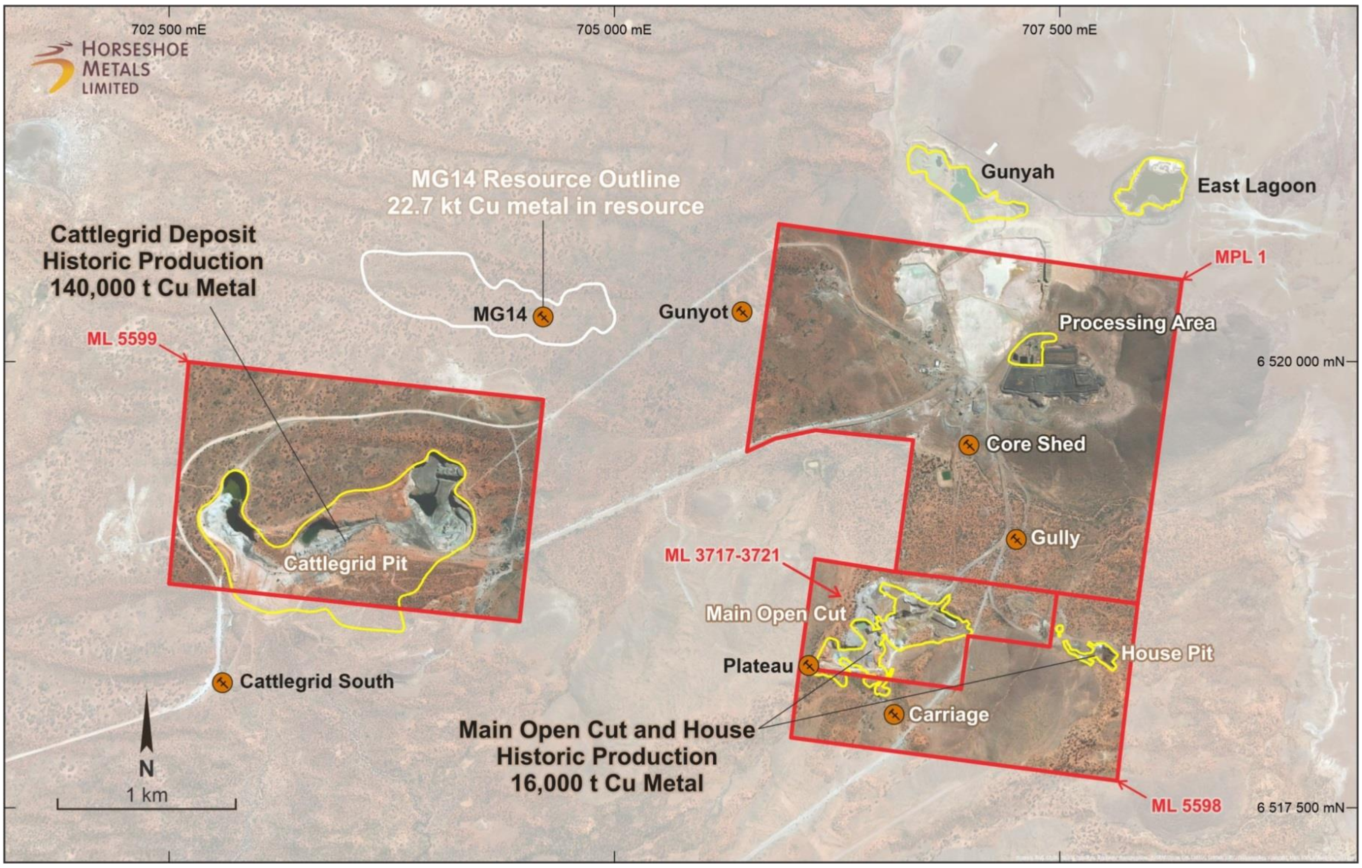

Figure 3: Location of Mt Gunson Copper Project tenure with local deposits and prospects. Historic pit outlines in yellow

From 1987 to around 2006, Adelaide Chemical "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 29th 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 29th June 2020 and can be extended by CMM for a period of a further two years to the 29th June 2022. Further extension beyond 29th June 2022 can be negotiated during the term of this lease.

CMM has considerable expertise in developing copper mining operations in South Australia. CMM has successfully completed a pilot scale oxide copper heap leach trial at Mt Gunson and now plans to advance to commercial small-scale production. 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.

As of February 2020, development associated with the recommencement of oxide-copper heap leaching is now underway at the Mt Gunson copper project in South Australia, with CMM Operations Manager Mr Steven Sickerdick on-site directing activities. In conjunction with a recent site visit by representatives from Horseshoe, surface stockpiles were identified for priority leach pad construction, and are expected to provide an early boost in planned copper-cement production.

Recent significant rainfall in January has provided significant fresh water, deferring the need for a planned capital purchase to improve water quality thereby preserving capital for other activities. While CMM still intends to purchase equipment to ensure stable quality water supply, the requirement can now be deferred to a less capital-intensive period.

Some residual bags of copper cement product remained on site from the previous pilot-scale operation and under the term sheet agreement with Adchem, CMM is making arrangements for the sale of this product. CMM continues to receive considerable unsolicited interest from alternative purchasers for the copper cement.

HOR has been compiling historical activity and released a more comprehensive update of the geology and mineralisation at Mt Gunson post-year end in its release dated 28th February 2020 "*Mt Gunson Copper Project Update*". The Company has collated and commenced review activities of a significant project database of historical drilling with a view to identifying residual oxide targets in proximity to the Main Open Cut (MOC) area. The data confirms the persistent, elongate tabular form of flat-lying shallow oxide mineralisation (refer Figures 8 and 10). The extensive database totals around 20,000m of drilling, which (excluding Cattlegrid drilling on ML5599) is mostly made up of holes less than 15m in depth, as outlined in Table 1 below.

Table 1: Mt Gunson Drill Database details

Prospect	Number of Holes	Number of metres		Average depth	Number of samples
Main Open Cut	528	6864.5		13	5476
House	256	2673		10	3201
Core Shed	117	895		7	887
Carriage	27	420.5		16	359
Total	1102	10853		10	9923
Cattlegrid					
Exploration	394	16936		43	5724
Grade Control	923	2987		3	3755
Total	**1317**	**19922**			**9479**

Remnant oxide material extending immediately outside the current MOC pit boundary (refer Figures 4, 7 and 8) is open and presents a priority drill target. In addition, oxide mineralisation is present in the 'Gap' area between MOC and House prospects, where a series of four holes confirmed shallow copper mineralisation for possible mining. The Company is planning drilling of these and other available areas in the near term.

Left - Recent 2020 photo of part of Main Open Cut (MOC) at Mt Gunson, highlighting available rainwater for processing
Right - View of Mt Gunson Oxide Treatment Facilities and Leach Ponds, 2019

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 (eg: 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 fluviatile 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.

Mt Gunson Transaction Details

The terms of the Mt Gunson transaction are as follows:

- HOR (or its related nominee) has 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 is to be provided by way of cash generated from production and capital raisings i.e. placements and rights entitlement offers. HOR has 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 has rights to 50% of all surplus cash flow from any copper production conducted by CMM.
- HOR has a 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 is retained as Operations Manager at Mt Gunson, while HOR manages administration, exploration and development.
- Horseshoe has issued 10 million fully paid ordinary shares valued at $0.02 under its existing capacity under LR7.1 to Mines Trust ("MT") a company associated with Mr Sickerdick 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. The nominal $200,000 value comprises part of the minimum commitment of $500,000, and CMM is to issue 400 shares to HOR accordingly.
- 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.

Glenloth Gold Project (HOR:100% of EL6301; and rights to explore and develop ML5848, ML5849, ML5885 and MPL62):

Discussion of the Glenloth Gold Project

Glenloth is located about 50 km east of the 0.5 MOz Tunkillia Gold deposit (refer Figure 4). 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. Since 1955, gold production has been small and sporadic.

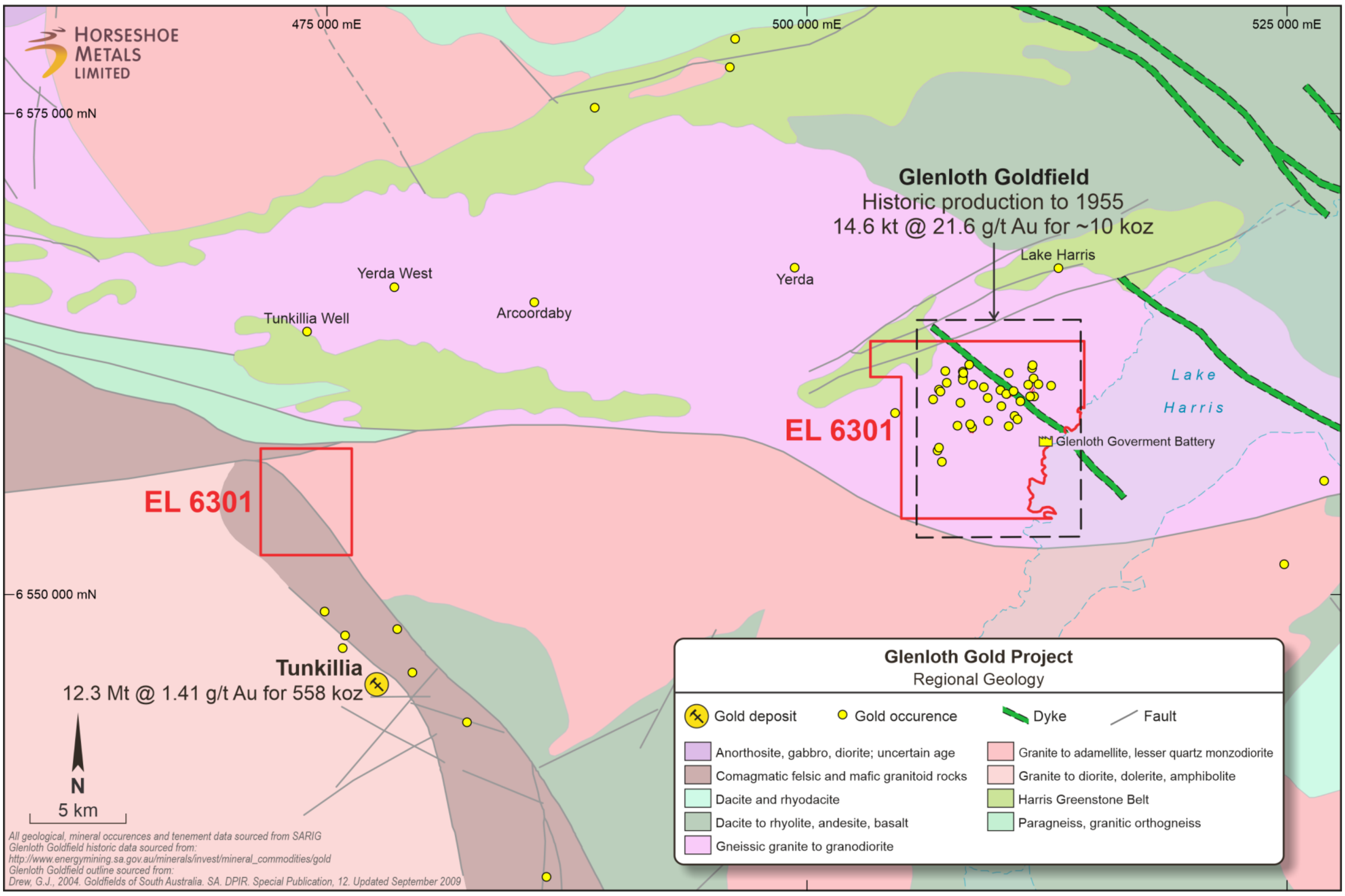

Figure 4: Location of Glenloth Gold Project tenure with regional geology, with known gold occurrences and significant resources

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; 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 2020, along with a planned exploration programme.

Glenloth Gold Project Transaction Details

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. The Company is currently in the process of gaining South Australian ministerial approval to formally transfer the tenement.

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

The Horseshoe Lights Project covers an area of approximately 60 km2 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 5).

As part of the strategic review process announced on the 6th March 2019 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, and the Board did not receive any suitable offers.

Post year-end, the start of 2020 has seen renewed interest in the Project including a number of unsolicited approaches and the Board is seeking to complete a suitable transaction. PCF Capital (PCF) have provided an updated timetable to the Company to seek indicative offers for the acquisition, or such other arrangement to the satisfaction of the Company of the Horseshoe Project, with the Company anticipating a completion date for a transaction agreement in April 2020. Any potential sale may be subject to shareholder and regulatory approvals.

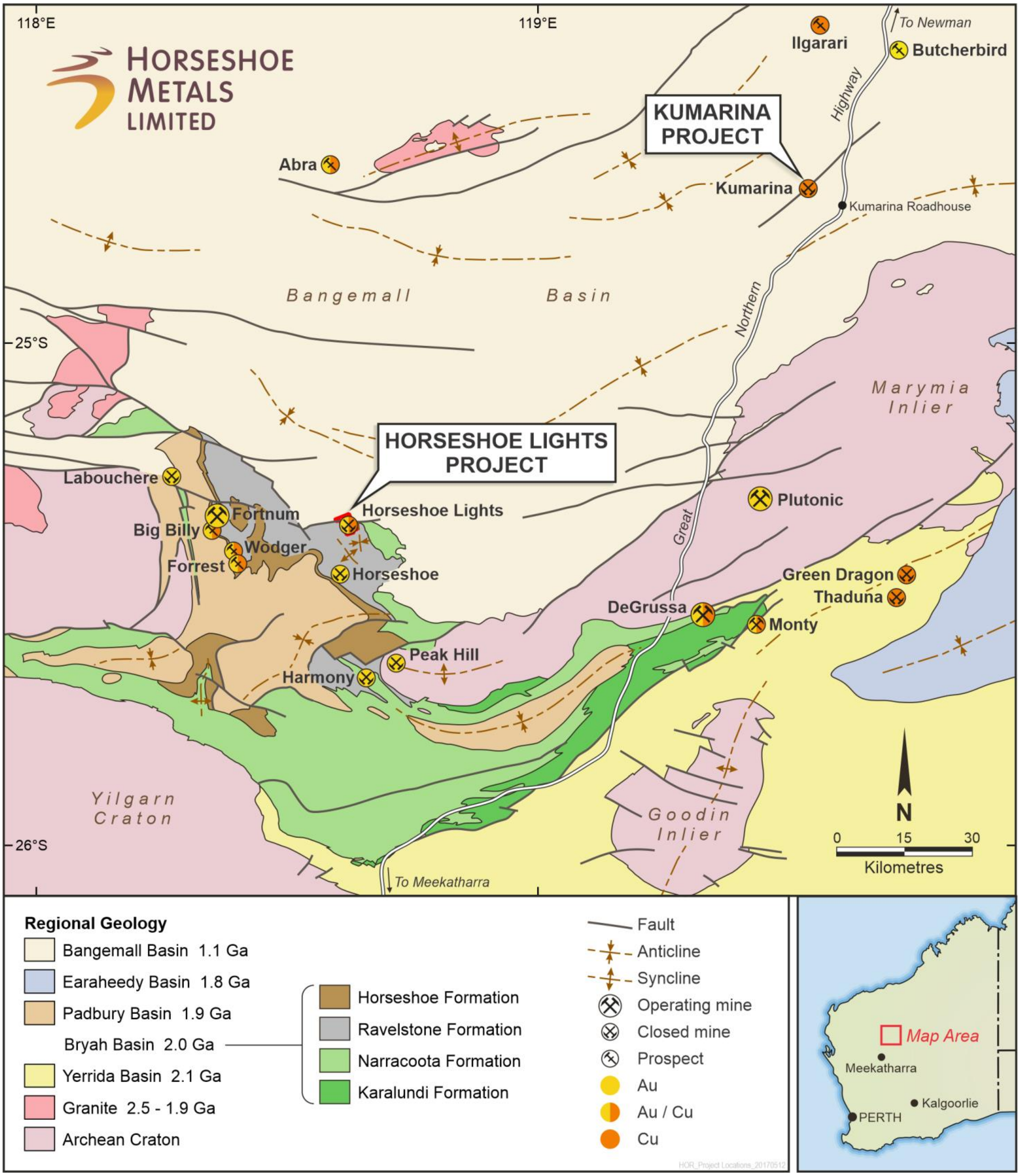

Figure 5: Location map and geology, Horseshoe Lights and Kumarina Projects

Table 3 below summarises the total Mineral Resources for the Horseshoe Lights Project as at 30 December 2019.

TABLE 3 HORSESHOE LIGHTS PROJECT SUMMARY OF MINERAL RESOURCES AS AT 30 December 2019								
Location	**Category**	**Tonnes (Mt)**	**Cu (%)**	**Au (g/t)**	**Ag (g/t)**	**Cu metal (tonnes)**	**Au metal (oz)**	**Ag metal (k oz)**
In-situ Deposit (0.5% Cu cut-off grade)	*Measured*	*1.73*	*1.04*	*0.0*	*0.5*	*18,000*	*1,900*	*28.8*
	Indicated	*2.43*	*0.95*	*0.0*	*0.7*	*23,200*	*3,400*	*52.2*
	Inferred	*8.69*	*1.01*	*0.1*	*2.6*	*87,400*	*30,700*	*712.4*
	Total	**12.85**	**1.00**	**0.1**	**1.9**	**128,600**	**36,000**	**793.4**
Flotation Tailings	**Inferred**	**1.421**	**0.48**	**0.34**	**6.5**	**6,800**	**15,300**	**294.8**
M15 Stockpiles	**Inferred**	**0.243**	**1.10**	**0.17**	**4.7**	**2,650**	**1,300**	**36.7**
Note: At 0% Cu cut-off grade unless otherwise stated				**TOTAL**		**138,050**	**52,600**	**1,124.9**

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

Kumarina Copper Project (HOR: 100%)

The Kumarina Project consists of an exploration licence and one mining lease covering approximately 120km^2. The Project is located 95km north of Sandfire Resources NL's DeGrussa copper-gold mine in the Gascoyne region of Western Australia. During 2019 the Company applied for a mining lease (MLA52/1078) to cover the Rinaldi resource, contiguous with M52/27.

Table 4 below summarises the total Mineral Resources for the Kumarina Project as at 30 December 2019

TABLE 4 KUMARINA PROJECT SUMMARY OF MINERAL RESOURCES AS AT 30 December 2019				
Location	**Category**	**Tonnes (t)**	**Cu (%)**	**Cu metal (tonnes)**
Rinaldi Prospect (0.5% Cu cut-off)	*Measured*	*415,000*	*1.46*	*6,100*
	Indicated	*307,000*	*1.16*	*3,500*
	Inferred	*114,000*	*0.9*	*1,000*
	Total	**835,000**	**1.3**	**10,600**

The 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 operations report 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 non-executive director of 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, and first disclosed under the JORC Code 2004. This information was subsequently disclosed under the JORC Code 2012 in the Company's ASX release "Quarterly Report Period Ended 30th June 2013", released on the 31st July 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, and first disclosed under the JORC Code 2004. This information was subsequently disclosed under the JORC Code 2012 in the Company's ASX release "Quarterly Report Period Ended 30th June 2013", released on the 31st July 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.

CORPORATE

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 7th 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 10th 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 12th December in response to this request; all resolutions were considered by shareholders and rejected.

The Company requested voluntary suspension on the 16th December in response to addressing a winding up application made against the Company, and subsequently requested an extension to the suspension on the 23rd December until the 31st January 2020 to allow time to address further ASX queries. Post-year end on the 17th January the Company announced that 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 Company has requested subsequent extensions on the 31st January and the 28th February pending the outcome of ASX queries.

FINANCIAL POSITION

The net assets of the Group have decreased from a net asset deficiency of $1,880,660 at 31 December 2018 to a net asset deficiency of $2,427,562. This decrease is largely due to the following factors:

- Ongoing corporate and exploration activities resulting in an increase in trade creditors and/or draw down on loan facility.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

The Group is focused on the exploration and development of its mineral assets and as such, needs to issue equity to raise exploration funds. No significant changes in the Group's state of affairs occurred during the year.

EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

No additional matters or circumstances have arisen since the end of the year which significantly affected or could significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future years.

LIKELY DEVELOPMENTS

The Directors have excluded from this report any further information on the likely developments in the operations of the Group and the expected results of those operations in future financial periods, as the Directors believe that it would be speculative and prejudicial to the interests of the Group to include any such information in this report.

ENVIRONMENTAL ISSUES

The Group's operations are subject to various environmental laws and regulations under government legislation. The exploration tenements held by the Group are subject to these regulations and there have been no breaches of the Group's environmental obligations in this regard.

At the Horseshoe Lights Project, there are several un-rehabilitated legacy areas including dumps, stockpiles and tailings storage facilities associated with previous mining operations. A review of the cost to rehabilitate these areas has been completed during the reporting period and the financial statements of the Group adjusted where required. A remediation programme to address possible standing water in the immediate mine environs after heavy rainfall is planned in the current year.

REMUNERATION REPORT (AUDITED)

REMUNERATION POLICY

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

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

REMUNERATION STRUCTURE

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

Non-executive Director Remuneration

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

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

Executive Director Remuneration

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

RELATIONSHIP BETWEEN REMUNERATION POLICY AND COMPANY PERFORMANCE

Short Term

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

Long Term

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

Company Performance

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

PERFORMANCE CONDITIONS LINKED TO REMUNERATION

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

USE OF REMUNERATION CONSULTANTS

The Group did not employ the services of any remuneration consultants during the financial year ended 31 December 2019.

EMPLOYMENT DETAILS OF MEMBERS OF KEY MANAGEMENT PERSONNEL AND OTHER EXECUTIVES

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

		NON PERFORMANCE RELATED %	SHARES %	OPTIONS/ RIGHTS %
Director	**Position**			
Mr Alan Still	Non-executive Director	100	-	-
Ms Carol New (appointed 9 April 2019)	Non-executive Director	100	-	-
Mr Craig Hall (appointed 30 April 2019)	Non-executive Director	100	-	-
Mr Neil Porter (resigned 9 April 2019)	Non-executive Director	100	-	-
Mr Michael Fotios (resigned 30 April 2019)	Non-executive Director	100	-	-

SERVICE AGREEMENTS

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

REMUNERATION DETAILS FOR THE YEAR ENDED 31 DECEMBER 2019

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

Table of benefits and payments

2019	SHORT TERM			POST EMPLOYMENT	SHARE BASED PAYMENTS		
	CASH SALARY FEES	BONUS	NON MONETARY	SUPERANNUATION	OPTIONS AND RIGHTS	SHARES AND UNITS	
2019	$	$	$	$	$	$	$
Directors							
Mr Alan Still	24,000	-	-	-	-	-	24,000
Ms Carol New	41,018[1]	-	-	-	-	-	41,018
Mr Craig Hall	20,000	-	-	-	-	-	20,000
Mr Neil Porter	2,000	-	-	-	-	-	2,000
Mr Michael Fotios	12,000	-	-	-	-	-	12,000
	99,018	-	-	-	-	-	99,018

Directors Cash Salary are accrued and have not been paid

[1]Carol New's Salary is comprised $22,766 in Directors Fees and $18,251 in Company Secretarial Fees.

Mr Neil Porter (resigned 9 April 2019), Mr Michael Fotios (resigned 30 April 2019)

2018	SHORT TERM			POST EMPLOYMENT	SHARE BASED PAYMENTS		
	CASH SALARY FEES	BONUS	NON MONETARY	SUPERANNUATION	OPTIONS AND RIGHTS	SHARES AND UNITS	
2018	$	$	$	$	$	$	$
Directors							
Mr Michael Fotios	30,000	-	-	-	-	-	30,000
Mr Alan Still	24,000	-	-	-	-	-	24,000
Mr Neil Porter	24,000	-	-	-	-	-	24,000
	78,000	-	-	-	-	-	78,000

OPTION HOLDINGS OF KEY MANAGEMENT PERSONNEL

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

31 DECEMBER 2019	BALANCE AT BEGINNING OF YEAR	GRANTED AS REMUN-ERATION	EXERCISED	OTHER CHANGES	BALANCE AT THE END OF YEAR	VESTED DURING THE YEAR	VESTED AND EXERCISABLE
Directors							
Mr Alan Still	-	-	-	-	-	-	-
Ms Carol New	-	-	-	-	-	-	-
Mr Craig Hall	-	-	-	-	-	-	-
	-	-	-	-	-	-	-

Mr Neil Porter (resigned 9 April 2019), Mr Michael Fotios (resigned 30 April 2019)

31 DECEMBER 2018	BALANCE AT BEGINNING OF YEAR	GRANTED AS REMUN-ERATION	EXERCISED	OTHER CHANGES	BALANCE AT THE END OF YEAR	VESTED DURING THE YEAR	VESTED AND EXERCISABLE
Directors							
Mr Alan Still	-	-	-	-	-	-	-
Mr Michael Fotios	-	-	-	-	-	-	-
Mr Neil Porter	-	-	-	-	-	-	-
	-	-	-	-	-	-	-

SHAREHOLDINGS OF KEY MANAGEMENT PERSONNEL

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

31 DECEMBER 2019	BALANCE AT BEGINNING OF YEAR	ON EXERCISE OF OPTIONS	OTHER CHANGES DURING THE YEAR	BALANCE AT END OF YEAR
Directors				
Mr Alan Still	-	-	-	-
Ms Carol New	-	-	-	-
Mr Craig Hall	-	-	-	-
	-	-	-	-

Mr Neil Porter (resigned 9 April 2019), Mr Michael Fotios (resigned 30 April 2019)

31 DECEMBER 2018	BALANCE AT BEGINNING OF YEAR	ON EXERCISE OF OPTIONS	OTHER CHANGES DURING THE YEAR	BALANCE AT END OF YEAR
Directors				
Mr Michael Fotios	37,334,236	-	-	37,334,236
Mr Alan Still	-	-	-	-
Mr Neil Porter	495,319	-	-	495,319
	37,829,555	-	-	37,829,555

OPTIONS AND RIGHTS GRANTED DURING THE YEAR TO 31 DECEMBER 2019

No options or rights were granted to key management personnel as remuneration in the year ended 31 December 2019.

End of audited section.

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

Carol New
Non-executive Director
31 March 2020

ROTHSAY
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 of the 31 December 2019 financial statements; and

ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Graham R Swan FCA (Lead auditor)

Rothsay Auditing

Dated 31st March 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

	NOTE	2019 $	2018 $
Other income		-	275,444
Interest income		-	2,334
			-
Consulting expenses		(188,606)	(138,296)
Administrative expenses		(102,379)	(195,185)
Depreciation expense		(10,293)	(10,791)
Directors' remuneration	18	(99,018)	(78,000)
Interest expense		(84,030)	(100,502)
Care and maintenance		(979)	(37,881)
Project exploration and evaluation expenses		(261,596)	(320,617)
Provision for Environmental Rehabilitation – additions	12	-	(36,890)
Loss before income taxes		(746,901)	(640,384)
Income tax expense	4	-	-
Other comprehensive income, net of tax		-	-
Total comprehensive income		(746,901)	(640,384)
Total Comprehensive Income attributable to members of the parent entity		(746,901)	(640,384)

Loss per share			
Basic and diluted loss per share (cents)	14	(0.38)	(0.33)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

	NOTE	2019 $	2018 $
CURRENT ASSETS			
Cash and cash equivalents	5	473	3,593
Trade and other receivables	6	79,195	60,888
Other assets	7	7,071	7,034
TOTAL CURRENT ASSETS		86,739	71,515
NON.CURRENT ASSETS			
Property, plant and equipment	8	23,096	33,389
Exploration and evaluation expenditure	9	6,508,801	6,508,801
Investments		205,000	-
TOTAL NON-CURRENT ASSETS		6,736,897	6,542,190
TOTAL ASSETS		6,823,636	6,613,705
CURRENT LIABILITIES			
Trade and other payables	10	1,380,968	632,218
TOTAL CURRENT LIABILITIES		1,314,968	632,218
NON-CURRENT LIABILITIES			
Trade and other payables	10	859,043	1,186,337
Borrowings	11	1,198,297	862,920
Provisions	12	5,812,890	5,812,890
TOTAL NON-CURRENT LIABILITIES		7,870,230	7,862,147
TOTAL LIABILITIES		9,251,198	8,494,365
NET ASSETS		(2,427,562)	(1,880,660)
EQUITY			
Issued Capital	13	17,358,393	17,158,393
Accumulated losses		(19,785,955)	(19,093,053)
TOTAL EQUITY		(2,427,562)	(1,880,660)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

2019

	ISSUED CAPITAL $	ACCUMULATED LOSSES $	SHARE BASED PAYMENT RESERVE $	OPTION PREMIUM RESERVE $	TOTAL EQUITY $
Balance at 1 January 2019	17,158,393	(19,039,053)	-	-	(1,880,660)
Losses attributable to members of the parent entity	-	(746,901)	-	-	(746,901)
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income for the year	-	(746,901)	-	-	(746,901)
Shares issued during the year	200,000	-	-	-	200,000
Transaction costs	-	-	-	-	-
Expiry of rights and options	-	-	-	-	-
Sub-total	200,000	(746,901)	-	-	(546,901)
Balance at 31 December 2019	17,358,393	(19,785,955)	-	-	(2,427,562)

2018

	ISSUED CAPITAL $	ACCUMULATED LOSSES $	SHARE BASED PAYMENT RESERVE $	OPTION PREMIUM RESERVE $	TOTAL EQUITY $
Balance at 1 January 2018	17,158,393	(18,398,669)	-	-	(1,240,276)
Losses attributable to members of the parent entity	-	(640,384)	-	-	(640,384)
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income for the year	-	(640,384)	-	-	(640,384)
Shares issued during the year	-	-	-	-	-
Transaction costs	-	-	-	-	-
Expiry of rights and options	-	-	-	-	-
Sub-total	-	(640,384)	-	-	(640,384)
Balance at 31 December 2018	17,158,393	(19,039,053)	-	-	(1,880,660)

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

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2019

	NOTE	2019 $	2018 $
CASH FROM OPERATING ACTIVITIES			
Receipts from customers		-	238,856
Payments to suppliers and employees		(182,098)	(156,045)
Other Income		-	-
Interest Paid		(12,013)	-
Interest received		-	2,334
Payments for exploration and evaluation expenditure		(67,369)	(195,257)
Net cash used by operating activities	23	(261,480)	(110,112)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for investments		(5,000)	-
Net cash used by investing activities		(5,000)	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	13	-	-
Proceeds from borrowings		263,360	106,048
Payment for costs of raising capital			-
Net cash provided by financing activities		263,360	106,048
Net (decrease)/increase in cash and cash equivalents		(3,120)	(4,064)
Cash and cash equivalents at beginning of the year		3,593	7,657
Cash and cash equivalents at the end of the year	5	473	3,593

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

NOTES TO FINANCIAL STATEMENTS

1. REPORTING ENTITY

This financial report includes the consolidated financial statements and notes of Horseshoe Metals Limited and Controlled Entities (the 'Group'). The financial statements were authorised for issue by the Board of Directors on 31 March 2020.

Horseshoe Metals Limited is a public company limited by shares, incorporated in Australia. The Company is domiciled in Western Australia.

The nature of operations and principal activities of the Company are described in the Directors' Report. The registered office and principal place of business of the Company is 24 Mumford Place, Balcatta WA 6021.

2. BASIS OF PREPARATION

(a) General information

This financial report:

- Has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board as applicable to a for-profit entity.
- Has been prepared on a historical cost basis.
- Is presented in Australian dollars, which is the functional currency of the Company and each of its subsidiaries.
- Adopts all new and amended Accounting Standards and Interpretations issued by the AASB that are relevant to the operations of the Group and effective for reporting periods beginning on or before 1 January 2019.
- Does not early adopt any Accounting Standards and Interpretations that have been issued or amended but are not yet effective.

(b) Going concern

The financial statements have been prepared on the going concern basis that contemplates normal business activities and the realisation of assets and extinguishment of liabilities in the ordinary course of business.

Cash and cash equivalents on hand as at the date of this report was $846. The going concern basis is dependent upon the Group raising sufficient funds to pay the Group's debts as and when they fall due.

On the 6th March 2019, the Company has signed a mandate with PCF Capital Group to carry out a sale process of the Horseshoe Lights Copper-Gold Project to identify options that deliver best value for Horseshoe shareholders. Any potential sale will be subject to shareholder and any regulatory approvals. The Company continues to pursue the sale of the Project.

The Company has executed a loan facility agreement with associated entities. The loan facility with associated entities is to be repaid in cash within 7 days of the successful completion of a capital raising. Prior to a capital raising, any lender may convert all or some of the outstanding balance of the loan in ordinary shares at the price at which the capital raising is to be completed. Conversion of the loan to ordinary shares is subject to compliance with the applicable laws and regulations including the requirement to seek shareholder approval for a related party transaction. The loan bears interest of 8% p.a. The undrawn loan balance available to the Company as at 31 December 2019 from associated entities amounts to $313,000.

In addition, the lenders have confirmed unconditionally that these entities will not call on or demand any repayment of the advances made to the Company up to 31 December 2020 until such time as the Group's financial position improves.

The Directors have also prepared a cash flow forecast that further indicates the Company's ability to continue to operate as a going concern.

In the Directors' opinion, at the date of signing the financial report there are reasonable grounds to believe that the matters set out above will be achieved and have therefore prepared the financial statements on a going concern basis.

Should the Directors not achieve the matters set out above, there is material uncertainty whether the Group will be able to continue as a going concern. The financial report does not include any adjustments relating to the recoverability or classification of recorded asset amounts, or to the amounts or classification of liabilities, which might be necessary should the Group not be able to continue as a going concern.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Horseshoe Metals Limited at the end of the reporting period. A controlled entity is any entity over which Horseshoe Metals Limited has the power to govern the financial and operating policies so as to obtain benefits from its activities. Control will generally exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are also considered.

A list of controlled entities is contained in Note 21 to the financial statements.

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended.

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the Group have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

(b) Revenue and other income

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

(c) Income tax

The income tax expense for the year comprises current income tax expense and deferred tax expense.

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at the end of the reporting period. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

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

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

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

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

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

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

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

(d) Property, plant and equipment

Each class of property, plant and equipment is stated at historical cost, including any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, less accumulated depreciation and impairment.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the Group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements. Land is not depreciated.

The estimated useful lives used for each class of depreciable assets are:

- Plant and equipment 5 – 15 years

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

(e) Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. For financial assets, this is the equivalent to the date that the Group commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transactions costs, except where the instrument is classified 'at fair value through profit or loss' in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at either fair value, amortised cost using the effective interest rate method, or cost. *Fair value* represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in arm's length transaction. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

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

(b) less principal repayments;

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

(d) less any reduction for impairment.

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

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

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

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

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

(ii) Loans and receivables

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

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

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Held-to-maturity investments are included in non-current assets, except for those which are expected to be realised within 12 months after the end of the reporting period, which will be classified as current assets.
If during the period the Group sold or reclassified more than an insignificant amount of the held-to-maturity investments before maturity, the entire held-to-maturity investments category would be tainted and reclassified as available-for-sale.

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

(iv) Available-for-sale financial assets

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

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

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

(v) Financial liabilities

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

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

De-recognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

When available-for-sale investments are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss.

(f) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options for immediate are recognised as a deduction from equity, net of any tax effects.

Preference share capital is classified as equity if it is non-redeemable or redeemable only at the Company’s option, and any dividends are discretionary.

Preference share capital is classified as financial liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary.

(g) Impairment of non-financial assets

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include considering external sources of information and internal sources of information and dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use to the asset's carrying value. Value in use is calculated by discounting the estimated future cash flows of the asset or cash-generating unit (CGU) at a pre-tax discount rate reflecting the specific risks in the asset / CGU. Any excess of the asset's carrying value over its recoverable amount is expensed to the consolidated statement of comprehensive income.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs.

Where the future economic benefits of the asset are not primarily dependent upon the asset's ability to generate net cash inflows and when the Group would, if deprived of the asset, replace its remaining future economic benefits, value in use is determined as the depreciated replacement cost of an asset.

Impairment losses recognised in respect of CGU's are allocated first to reduce the carrying amount of goodwill to nil and then to the other assets in the unit in proportion to their carrying amount.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Assets, other than goodwill that have an allocated impairment loss are reviewed for reversal indicators at the end of each reporting period. After recognition of an impairment loss, the amortisation charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount on a systematic basis over its remaining useful life.

Impairment losses are recognised as an expense immediately, unless the relevant asset is property, plant and equipment held at fair value (other than investment property carried at a revalued amount) in which case the impairment loss is treated as a revaluation decrease as described in the accounting policy for property, plant and equipment.

Where an impairment loss on a revalued asset is identified, this is debited against the revaluation surplus in respect of the same class of asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same class of asset.

(h) Exploration and development expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. As the asset is not available for use it is not depreciated or amortised.

Exploration and evaluation assets are initially measured at cost and include acquisition of mining tenements, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortised of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

Deferred exploration and evaluation accumulated costs in relation to an abandoned area are written off in full against profit or loss in the period in which the decision to abandon that area is made.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

The mining extraction and processing activities of the Group normally give rise to obligations for site closure or rehabilitation.

Costs of site restoration are provided over the life of the facility from when exploration commences except when rehabilitation obligations are assumed through a business combination. When provisions for closure and rehabilitation are recognised, or remeasured more than one year after being assumed through a business combination, the corresponding cost is expensed. The value of the provision is progressively increased over time as the effect of discounting unwinds, creating an expense. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology discounted to their present value.

(i) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less which are convertible to a known amount of cash and subject to an insignificant risk of change in value, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the consolidated statement of financial position.

(j) Trade and other payables

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the Group during the reporting period which remain unpaid. The balance includes both current and non-current liabilities.

(k) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured at the present value of management's best estimate of the outflow required to settle the obligation at the end of the reporting period. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the unwinding of the discount is taken to finance costs in the consolidated statement of comprehensive income.

Provisions recognised represent the best estimate of the amounts required to settle the obligation at the end of the reporting period.

Provisions relating to the rehabilitation of land as the result of exploration and evaluation activities are expensed in the consolidated statement of comprehensive income rather than capitalised as deferred exploration expenditure.

(l) Employee benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled.

Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Those cashflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cashflows.

Equity-settled compensation

The Group operates equity-settled share-based payment share, right and option schemes. The fair value of the equity to which personnel become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using a Black-Scholes pricing model which incorporates all market vesting conditions. The fair value of the performance rights issued are calculated via a hybrid share option pricing model that simulates the share price as at the expiry date using a Monte-Carlo model. The amount to be expensed is determined by reference to the fair value of the options, rights or shares granted. This expense takes in account any market performance conditions and the impact of any non-vesting conditions but ignores the effect of any service and non-market performance vesting conditions.

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

(m) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(n) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the consolidated statement of financial position are shown inclusive of GST.

Cash flows are presented in the consolidated statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(o) Critical accounting estimates and judgments

The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Key estimates - impairment

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

Key estimates - share based payments

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

Key Estimates - provisions for rehabilitation

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

Key judgments - exploration and evaluation expenditure

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

(p) New Accounting Standards

New Standards, Interpretations and Amendments

In the year ended 31 December 2019, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 January 2019.

As a result of this review, the Group has adopted AASB 16 Leases from 1 January 2019.

AASB 16 replaces the existing guidance in AASB 117 Leases. For lessees, all leases other than short term leases and low value leases will be recognised on the balance sheet. The new standard is effective for annual reporting periods commencing on or after 1 January 2019. The standard will see all leases, held by a lessee, record obligations as a liability and a corresponding right of use asset, both current and non-current, for the term of the lease.

The office lease is a short-term lease and is therefore exempt from the reporting obligations of AASB 16.

It has been determined that there is no material impact of the new and revised Standards and Interpretations on the financial position or performance of the Group.

Impact of standards issued but not yet applied by the Group

The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 31 December 2019. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to Group accounting policies.

4. INCOME TAX EXPENSE

(a) The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax expense as follows:

	2019 $	2018 $
Statement of comprehensive income		
Current income tax	-	-
Current income tax charges/(benefits)	-	-
Deferred tax expense		
Relating to the origination and reversal of temporary differences	-	-

(b) The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:

	2019	2018
	$	$
- Loss for the year at 30%	(224,070)	(192,115)
Add:		
Tax effect of:		
- share based payments	-	-
- entertainment and other permanent differences	-	-
- impairment	-	-
- non-assessable income	-	-
- temporary differences not recognised	-	11,067
- tax losses not brought to account as DTA	224,070	181,048
	-	-

At 31 December 2019 the Group had unused tax losses for which no deferred tax asset has been recognised in the amount of approximately $8,096,975 (2018: $7,872,905). The availability of these losses is subject to satisfying Australian taxation legislation requirements. The deferred tax asset attributable to tax losses has not been brought to account in these financial statements because the Directors believe it is not presently appropriate to regard realisation of the future income tax benefits probable.

5. CASH AND CASH EQUIVALENTS

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

	2019	2018
	$	$
Cash at bank	473	3,593
Short-term bank deposits	-	-
	473	3,593

6. TRADE AND OTHER RECEIVABLES

The following table details the major components of current trade and other receivables as reported in the statement of financial position.

	2019	2018
	$	$
Other receivables	79,195	60,889
	79,195	60,889

The Group expects the above trade and other receivables to be recovered within 12 months of 31 December 2019 and therefore considers the amounts shown above at cost to be a close approximation of fair value.

Trade and other receivables expose the Group to credit risk as potential for financial loss arises should a debtor fail to repay their debt in a timely manner. Disclosure on credit risk can be found at Note 15(a).

7. OTHER ASSETS

	2019 $	2018 $
CURRENT		
Prepayments	7,071	7,034
	7,071	7,034

8. PROPERTY, PLANT AND EQUIPMENT

	2019 $	2018 $
Plant and equipment		
At cost	219,663	219,663
Accumulated depreciation	(196,567)	(186,274)
	23,096	33,389

MOVEMENTS IN CARRYING AMOUNTS

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	PLANT AND EQUIPMENT $	TOTAL $
Balance at 31 December 2019		
Balance at the beginning of year	33,389	33,389
Additions	-	-
Depreciation expense	(10,293)	(10,293)
	23,096	23,096
Balance at 31 December 2018		
Balance at the beginning of year	44,180	44,180
Additions	-	-
Depreciation expense	(10,791)	(10,791)
	33,389	33,389

9. EXPLORATION AND EVALUATION EXPENDITURE

The following table details the movement in deferred exploration and evaluation expenditure reported in the statement of financial position during the year ended 31 December 2019.

	2019 $	2018 $
Carrying amount at beginning of year	6,508,801	6,508,801
Capitalised expenditure during the year	-	-
Impairment	-	-
	6,508,801	6,508,801

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.

10. TRADE AND OTHER PAYABLES

	2019 $	2018 $
CURRENT		
Trade payables	1,314,968	599,218
Other payables	66,000	33,000
	1,380,968	632,218
NON-CURRENT		
Related party creditors [1]	859,043	1,186,337

[1] Reconciliation of carrying amount of related party creditors		
Whitestone Mining Services Pty Ltd (Not related party 2019)	-	575,073
Delta Resource Management Pty Ltd	716,841	428,189
Michael Fotios Family Trust	11,000	11,000
Micheal Fotios	10,712	-
Investmet Limited	-	33,210
National Supply Partners (Not related party 2019)	-	69,800
New Consulting Services Pty Ltd	21,017	-
Next Site (Not related party 2019)	-	8,093
Zedsee Enterprises (Private) Limited	99,473	60,972
	859,043	1,186,337

11. BORROWINGS

	2019 $	2018 $
NON-CURRENT		
Loan – Delta Resource Management Pty Ltd	425,560	194,706
Loan – Investmet Limited	599,976	537,314
Loan – Michael Fotios	72,331	10,516
Loan – Apollo Corporation Pty Ltd	10,868	10,064
Loan – Azurite Corporation Pty Ltd	10,505	-
Loan – Other	79,057	110,320
	1,198,297	862,920

The Company has executed a loan facility agreement with associated entities. The loan facility with the associated entities is to be repaid in cash within 7 days of the successful completion of a capital raising. Prior to a capital raising, any lender may convert all or some of the outstanding balance of the loan in ordinary shares at the price at which the capital raising is to be completed. Conversion of the loan to ordinary shares is subject to compliance with the applicable laws and regulations including the requirement to seek shareholder approval for a related party transaction. The loan bears interest of 8% p.a. The undrawn loan balance available to the Company as at 31 December 2019 from the associated entities amounts to $313,000.

12. PROVISIONS

	2019 $	2018 $
NON-CURRENT		
Environmental rehabilitation	5,812,890	5,812,890
	5,812,890	5,812,890

	ENVIRONMENTAL REHABILITATION $	TOTAL $
At 1 January 2019	5,812,890	5,776,000
Additions during the year	-	36,890
Paid during the year	-	-
Write backs	-	-
Balance at 31 December 2019	5,812,890	5,812,890

Rehabilitation obligations in relation to the Horseshoe Lights Mining Lease M52/743 exist. The majority of the outstanding rehabilitation obligations are associated with the flotation tailings dam, the waste dumps, and the plant and camp site.

In July 2013 the Group successfully applied for participation in the State Government of Western Australia's Mine Rehabilitation Fund (“MRF”) administered by the Department of Mines and Petroleum (“DMP”). Through this application process a calculation of rehabilitation costs is determined by the DMP and this was used to establish the Group’s contribution amount to the MRF.

The provision is measured at the present value of management's best estimate of the costs required to settle the obligations. Actual costs incurred in future periods to settle these obligations could differ materially from these estimates. Additionally, future changes to environmental laws and regulations, life of mine estimates, and discount rates could affect the carrying amount of this provision.

13. CONTRIBUTED EQUITY

	2019 $	2018 $
Ordinary shares 204,652,190 (31 December 2018: 194,652,190)	18,412,637	18,212,638
Share issue costs written off against issued capital	(1,054,244)	(1,054,245)
	17,358,393	17,158,393

MOVEMENT IN ORDINARY SHARES

	No.	$
Balance at 1 January	194,652,190	18,212,437
Issue of shares	10,000,000	200,000
Balance at 31 December	**204,652,190**	**18,414,638**

14. EARNINGS PER SHARE

	2019 $	2018 $
Earnings used to calculate overall earnings per share	(746,901)	(640,384)

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

	2019 $	2018 $
Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	(195,229,113)	194,652,190
Anti-dilutive options on issue not used in EPS calculation	-	-

15. COMMITMENTS

	2019 $	2018 $
EXPLORATION EXPENDITURE COMMITMENTS		
Payable:		
- no later than 1 year	181,380	401,879
- between 1 year and 5 years	130,829	574,005
- greater than 5 years	20,466	40,493
	332,675	1,016,377

16. FINANCIAL RISK MANAGEMENT

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects and ensure that net cash flows are sufficient to support the delivery of the Group's financial targets whilst protecting future financial security. The Group continually monitors and tests its forecast financial position against these objectives.

The main risks the Group is exposed to through its financial instruments are credit risk and liquidity risk and market risk consisting of interest rate risk and commodity price risk.

The Group's financial instruments consist mainly of deposits with banks, accounts receivable and payable and loans to subsidiaries.

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

	2019 $	2018 $
Financial Assets		
Cash and cash equivalents	473	3,593
Trade and other receivables	79,195	60,888
Total financial assets	79,668	64,481
Financial Liabilities		
Trade and other payables	2,240,011	1,818,555
Borrowings	1,198,297	862,920
Total financial liabilities	3,438,308	2,681,475

FINANCIAL RISK MANAGEMENT POLICIES

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

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

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

Mitigation strategies for specific risks faced are described below:

SPECIFIC FINANCIAL RISK EXPOSURES AND MANAGEMENT

The main risks the Group is exposed to through its financial instruments are credit risk, liquidity risk and market risk relating to interest rate risk.

(a) CREDIT RISK

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group and arises principally from the Group's receivables.

The Group's maximum exposure to credit risk at the reporting date in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the statement of financial position. The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

(b) LIQUIDITY RISK

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

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

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

Financial liability maturity analysis

	WITHIN 1 YEAR		1 TO 5 YEARS		OVER 5 YEARS		TOTAL	
	2019 $	2018 $	2019 $	2018 $	2019 $	2018 $	2019 $	2018 $
Trade and other payables	2,240,011	1,818,555	-	-	-	-	2,240,011	1,818,555
Borrowings	-	-	1,198,297	862,920	-	-	1,198,297	862,920
Total contractual outflows	2,240,011	1,818,555	1,198,297	862,920	-	-	3,348,308	2,681,475

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

(c) FAIR VALUE ESTIMATION

The fair values of financial assets and financial liabilities can be compared to their carrying values as presented in the consolidated statement of financial position. Fair values are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

	2019		2018	
	NET CARRYING VALUE $	NET FAIR VALUE $	NET CARRYING VALUE $	NET FAIR VALUE $
Financial assets				
Cash and cash equivalents	473	473	3,593	3,593
Trade and other receivables	79,195	79,195	60,888	60,888
Total financial assets	79,668	79,668	64,481	64,481
Financial liabilities				
Trade and other payables	2,240,011	2,240,011	1,818,555	1,818,555
Borrowings	1,198,297	1,198,297	862,920	862,920
Total financial liabilities	3,438,308	3,438,308	2,681,475	2,681,475

17. OPERATING SEGMENTS

For management purposes, the Group is organised into one main operating segment, which involves the exploration of minerals and evaluation of investment opportunities for its investors, presently solely in Australia. All of the Group's activities are interrelated, and discrete financial information is reported to the Board (chief operating decision maker) as a single segment. Accordingly, all significant operating decisions are based upon analysis of the Group as one segment. The financial results from this segment are equivalent to the financial statements of the Group as a whole. The accounting policies applied for internal reporting purposes are consistent with those applied in the preparation of these financial statements.

18. REMUNERATION OF KEY MANAGEMENT PERSONNEL

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

	2019 $	2018 $
Short-term employee benefits[1]	99,018	78,000
Post-employment benefits	-	-
Share-based payments	-	-
	99,018	78,000

[1]Directors short-term employee benefits are accrued and have not been paid

The Remuneration Report contained in the Directors' Report contains details of the remuneration paid or payable to each member of the Group's key management personnel for the year ended 31 December 2019.

19. AUDITORS' REMUNERATION

	2019 $	2018 $
Remuneration of the auditor of the Group, Rothsay Auditing for:		
- auditing or reviewing the financial statements	32,000	32,000

20. CONTROLLED ENTITIES

	COUNTRY OF INCORPORATION	PERCENTAGE OWNED (%) 2019	PERCENTAGE OWNED (%) 2018
Subsidiaries:			
Murchison Copper Mines Pty Ltd	Australia	100	100

21. CONTINGENT ASSETS AND LIABILITIES

In the opinion of the Directors, the Group did not have any contingencies at 31 December 2019 (31 December 2018: nil).

22. RELATED PARTY TRANSACTIONS

At 31 December 2019 Horseshoe Metals Limited had a loan receivable from its subsidiary in the amount of $11,071,828 (2018: $10,912,963). The loan is non-interest bearing and has no specific repayment date nor is it subject to any contract. The loan balance is eliminated on Group consolidation.

The Company has executed a loan facility agreement of $1,500,000 with associated entities. During the year, the associated entities lent money to the Company. Loan balances outstanding at 31 December 2019 include:

- Delta Resource Management: $425,560 (2018: $194,706)
- Apollo Corporation Pty Ltd: $10,868 (2018: $10,064)
- Investmet Limited: $599,976 (2018: $537,314)
- Michael Fotios: $72,331 (2018: $10,516)
- Azurite Corporation Pty Ltd $10,505 (2018: nil)

Key management personnel:

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

For details of remuneration disclosures relating to key management personnel, refer to Note 19.

23. CASH FLOW INFORMATION

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

	2019 $	2018 $
Net loss for the period	(746,901)	(640,384)
Non-cash flows in profit:		
- interest expense	-	-
- depreciation	10,293	10,791
- supplier payments via loans		-
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:		
- decrease/(increase) in trade and other receivables	(18,343)	78,604
- decrease/(increase) in other assets	-	677
- decrease/(increase) in investment	(205,000)	
- increase in trade and other payables	363,094	230,185
- increase in borrowings	335,377	173,125
- increase in provisions	-	36,890
Cashflow from operations	(261,480)	(110,112)

24. SHARE-BASED PAYMENTS

No share-based payments were made during the year ended 31 December 2019 (2018: Nil).

25. EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

No additional matters or circumstances have arisen since the end of the year which significantly affected or could significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future years.

26. PARENT ENTITY

The following information has been extracted from the books and records of the parent, Horseshoe Metals Limited and has been prepared in accordance with Australian Accounting Standards.

The financial information for the parent entity, Horseshoe Metals Limited has been prepared on the same basis as the consolidated financial statements.

	2019 $	2018 $
Statement of Financial Position		
Assets		
Current assets	39,115	24,171
Non-current assets (i)	13,398,651	13,043,082
Total Assets	13,437,766	13,067,253
Liabilities		
Current liabilities	1,821,860	(208,370)
Non-current liabilities	859,043	(1,658,539)
Total Liabilities	2,680,903	(1,866,909)
Net Assets	**10,756,863**	**11,200,344**

Equity		
Issued capital	17,358,393	17,158,393
Retained earnings	(6,601,530)	(5,958,049)
Reserves		-
Total Equity	**10,756,863**	**11,200,344**
Statement of Comprehensive Income		
Total comprehensive income	(643,481)	(353,160)

(i) Included in non-current assets is a loan receivable from the subsidiary in the amount of $11,071,828 (2018: $10,912,963)

Contingent Liabilities

The parent entity did not have any contingent liabilities as at 31 December 2019 or 31 December 2018.

Contractual Commitments

The parent entity did not have any commitments as at 31 December 2019 or 31 December 2018 other than as disclosed in Note 21.

DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 21 to 43, are in accordance with the *Corporations Act 2001* and:

    (a) comply with International Financial Reporting Standards and Corporations Regulations 2001; and

    (b) give a true and fair view of the financial position as at 31 December 2019 and of the performance for the year ended on that date of the Company and consolidated group;

2. In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

3. The remuneration disclosures included in the Directors' Report (as part of the audited Remuneration Report), for the year ended 31 December 2019, comply with Section 300A of the Corporations Act 2001, and

4. the Directors have been given the declarations by the Non-executive Chairman and Chief Financial Officer pursuant to Section 295(5) of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the Board of Directors.

C New

Carol New
Non-executive Director

Perth Western Australia
Dated this 31st day of March 2020

ROTHSAY

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 AUDIT REPORT TO THE MEMBERS OF HORSESHOE METALS LIMITED

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Horseshoe Metals Limited ("the Company") and its subsidiaries (the Group) which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended on that date and notes to the financial statements, including a summary of significant accounting policies and the directors' declaration of the Company.

In our opinion the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 31 December 2019 and of its financial performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under these standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of this report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the "Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001,* which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

Without qualifying our opinion, we draw attention to Note 2 (b) in the financial report which outlines the reasons for preparing the accounts on a going concern basis. We note the Group had $473 in cash at 31 December 2019 and a deficiency in net assets and equity of $2,427,562. In the event the Group is unable to raise additional funds achieve the sale of mineral properties and does not receive the continuing support of creditors and lenders, there is a material uncertainty as to whether the Group may be able to continue as a going concern and therefore it may be unable to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matter described below to be the key audit matter to be communicated in our report.

Key Audit Matter

Exploration and evaluation expenditure

The group has incurred significant exploration and evaluation expenditure which have been capitalised. As the carrying value of exploration and evaluation expenditure represents a significant asset of the Group we considered it necessary to assess whether facts and circumstances exist to suggest that the carrying amount of this asset may exceed its recoverable amount.

In doing so we carried out the following work in accordance with the guidelines set out in AASB 6 *Exploration for and Evaluation of Mineral Resources.* Our procedures included but were not limited to the following:

- We obtained evidence that the Group has rights to explore in the areas represented by the capitalised exploration and evaluation expenditure by obtaining confirmation of the Group's tenement holdings;

- We obtained an understanding of the key processes associated with management's review of the carrying value of capitalised exploration and evaluation expenditure and challenged management's assertion that the carrying amount of the capitalised expenditure was likely to be recovered in full from successful development or sale.

We have also assessed the appropriateness of the disclosures included in Notes 1 and 9 to the financial report.

We also assessed the appropriateness of the disclosures included in the financial report.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2019, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If based on the work we have performed we conclude there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibility for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with the Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or cease operations, or have no realistic alternative but to do so.

Auditor's Responsibility for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatementt, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/Home.aspx

We communicate with the directors regarding, amongst other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe those matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communications.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the remuneration report included in the directors' report for the year ended 31 December 2019.

In our opinion the remuneration report of Horseshoe Metals Limited for the year ended 31 December 2019 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Rothsay

Rothsay Auditing

GR Swan

Graham R Swan FCA
Partner

Dated 31st March 2020

TENEMENTS

SUMMARY OF MINING TENEMENT INTERESTS 31 March 2020		
Location	**Tenement No.**	**Interest %**
Horseshoe Lights	M52/743	100%[1]
Horseshoe Lights	L52/42	100%
Horseshoe Lights	L52/43	100%
Horseshoe Lights	L52/44	100%
Horseshoe Lights	L52/45	100%
Horseshoe Lights	L52/66	100%
Kumarina	M52/27	100%
Kumarina	MLA52/1078	0%[2]

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.

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

Additional information required by the ASX Limited Rules and not disclosed elsewhere in this report is set out below. This information is effective as at 31 March 2020.

A. Distribution of equity security holders

Ordinary shares:

HOLDING	NUMBER OF SHARES	NUMBER OF HOLDERS
1 - 1,000	12,026	40
1,001 - 5,000	268,504	92
5,001 - 10,000	793,959	90
10,001 - 100,000	11,398,519	296
100,000 and over	192,179,182	169
	204,652,190	687

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

There were 412 holders of less than a marketable parcel of ordinary shares, being 41,666 shares as at 31 March 2020.

B. Twenty largest shareholders

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

		NUMBER HELD	% OF ISSUED SHARES
1	Mr Michael Fotios <Michael Fotios Family A/C>	12,294,642	6.01
2	Botsis Holdings Pty Ltd	12,000,000	5.86
3	Mr Steven Sickerdick <The Mines A/C>	10,000,000	4.89
4	Ralmana Pty Ltd	8,000,000	3.91
5	Delta Resource Management Pty Ltd	6,881,672	3.36
6	Mr Philip Colin Hammond + Mrs Betty Jeanette Moore <MGB Super A/C>	6,791,667	3.32
7	Investmet Limited	6,054,589	2.96
8	Wyllie Group Pty Ltd	5,756,420	2.81
9	Hengolo Pty Ltd <C L Readhead Super A/C>	5,473,978	2.67
10	Ms Betty Jeanette Moore + Mr Philip Colin Hammond <BJM Super A/C>	5,200,000	2.54
11	Garic Pty Ltd	3,837,065	1.87
12	Investmet Limited	3,600,000	1.76
13	Tarney Holdings Pty Ltd <DP & Fl Waddell Family A/C>	3,550,917	1.74
14	Mr Anthony Harold Fotios <Fotios Family A/C>	3,504,554	1.71
15	J P Morgan Nominees Australia Pty Limited	3,169,484	1.55
16	Fabral Investments Pty Ltd	3,119,500	1.52
17	Mr Eric Peter Murphy + Mrs Kim Lea Murphy <Murphy Family S/F A/C>	3,000,000	1.47
18	Redima Pty Ltd	3,000,000	1.47
19	Mr Matthew James Mulcahy	2,750,000	1.34
20	Mr Joe Leuzzi + Mrs Sally Leuzzi	2,730,848	1.33
		110,715,336	**54.10**

C. Substantial shareholders

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

SHAREHOLDER	NO. OF SHARES	% OF ORDINARY SHARES
Fotios associated entities	42,191,202	20.62%
Botsis Holdings Pty Ltd	12,000,000	5.86%

D. Unquoted securities

As at 31 March 2020, the Company had no unquoted securities on issue.

E. Corporate Governance

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

F. On-market buy-back

There is no current on-market buy-back.

Rules 4.7.3 and 4.10.3[1]

APPENDIX 4G

Key to Disclosures
Corporate Governance Council Principles and Recommendations

Introduced 01/07/14 Amended 02/11/15

Name of entity

Horseshoe Metals Limited

ABN / ARBN	Financial year ended:
20 123 133 166	31 December 2019

Our corporate governance statement[2] for the above period above can be found at:[3]

☐ These pages of our annual report:

☒ This URL on our website: www.horseshoemetals.com.au

The Corporate Governance Statement is accurate and up to date as at *[insert effective date of statement]* and has been approved by the board.

The annexure includes a key to where our corporate governance disclosures can be located.

Date:	31 March 2020
Name of Director or Secretary authorising lodgement:	Kate Stoney

[1] Under Listing Rule 4.7.3, an entity must lodge with ASX a completed Appendix 4G at the same time as it lodges its annual report with ASX.
Listing Rule 4.10.3 requires an entity that is included in the official list as an ASX Listing to include in its annual report either a corporate governance statement that meets the requirements of that rule or the URL of the page on its website where such a statement is located. The corporate governance statement must disclose the extent to which the entity has followed the recommendations set by the ASX Corporate Governance Council during the reporting period. If the entity has not followed a recommendation for any part of the reporting period, its corporate governance statement must separately identify that recommendation and the period during which it was not followed and state its reasons for not following the recommendation and what (if any) alternative governance practices it adopted in lieu of the recommendation during that period.
Under Listing Rule 4.7.4, if an entity chooses to include its corporate governance statement on its website rather than in its annual report, it must lodge a copy of the corporate governance statement with ASX at the same time as it lodges its annual report with ASX. The corporate governance statement must be current as at the effective date specified in that statement for the purposes of rule 4.10.3.

[2] "Corporate governance statement" is defined in Listing Rule 19.12 to mean the statement referred to in Listing Rule 4.10.3 which discloses the extent to which an entity has followed the recommendations set by the ASX Corporate Governance Council during a particular reporting period.

[3] Mark whichever option is correct and then complete the page number(s) of the annual report, or the URL of the web page, where the entity's corporate governance statement can be found. You can, if you wish, delete the option which is not applicable.
Throughout this form, where you are given two or more options to select, you can, if you wish, delete any option which is not applicable and just retain the option that is applicable. If you select an option that includes "OR" at the end of the selection and you delete the other options, you can also, if you wish, delete the "OR" at the end of the selection.

ANNEXURE – KEY TO CORPORATE GOVERNANCE DISCLOSURES

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed …	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed …[4]
PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT			
1.1	A listed entity should disclose: (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those delegated to management.	… the fact that we follow this recommendation: ☒ in our Corporate Governance Statement **OR** ☐ at [*insert location*] … and information about the respective roles and responsibilities of our board and management (including those matters expressly reserved to the board and those delegated to management): ☐ at [*insert location*]	☐ an explanation why that is so in our Corporate Governance Statement **OR** ☐ we are an externally managed entity and this recommendation is therefore not applicable
1.2	A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	… the fact that we follow this recommendation: ☒ in our Corporate Governance Statement **OR** ☐ at [*insert location*]	☐ an explanation why that is so in our Corporate Governance Statement **OR** ☐ we are an externally managed entity and this recommendation is therefore not applicable
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	… the fact that we follow this recommendation: ☐ in our Corporate Governance Statement **OR** ☐ at [*insert location*]	☒ an explanation why that is so in our Corporate Governance Statement **OR** ☐ we are an externally managed entity and this recommendation is therefore not applicable
1.4	The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	… the fact that we follow this recommendation: ☒ in our Corporate Governance Statement **OR** ☐ at [*insert location*]	☐ an explanation why that is so in our Corporate Governance Statement **OR** ☐ we are an externally managed entity and this recommendation is therefore not applicable

[4] If you have followed all of the Council's recommendations in full for the whole of the period above, you can, if you wish, delete this column from the form and re-format it.

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed …	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed …[4]
1.5	A listed entity should: (a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them; (b) disclose that policy or a summary of it; and (c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them and either: (1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or (2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.	… the fact that we have a diversity policy that complies with paragraph (a): ☒ in our Corporate Governance Statement **OR** ☐ at [*insert location*] … and a copy of our diversity policy or a summary of it: ☒ at www.horseshoemetals.com.au … and the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with our diversity policy and our progress towards achieving them: ☐ in our Corporate Governance Statement **OR** ☐ at [*insert location*] … and the information referred to in paragraphs (c)(1) or (2): ☒ in our Corporate Governance Statement **OR** ☐ at [*insert location*]	☒ an explanation why that is so in our Corporate Governance Statement **OR** ☐ we are an externally managed entity and this recommendation is therefore not applicable
1.6	A listed entity should: (a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	… the evaluation process referred to in paragraph (a): ☐ in our Corporate Governance Statement **OR** ☐ at [*insert location*] … and the information referred to in paragraph (b): ☐ in our Corporate Governance Statement **OR** ☐ at [*insert location*]	☒ an explanation why that is so in our Corporate Governance Statement **OR** ☐ we are an externally managed entity and this recommendation is therefore not applicable

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed …	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed …[4]
1.7	A listed entity should: (a) have and disclose a process for periodically evaluating the performance of its senior executives; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	… the evaluation process referred to in paragraph (a): ☐ in our Corporate Governance Statement **OR** ☐ at [*insert location*] … and the information referred to in paragraph (b): ☐ in our Corporate Governance Statement **OR** ☐ at [*insert location*]	☒ an explanation why that is so in our Corporate Governance Statement **OR** ☐ we are an externally managed entity and this recommendation is therefore not applicable
PRINCIPLE 2 - STRUCTURE THE BOARD TO ADD VALUE			
2.1	The board of a listed entity should: (a) have a nomination committee which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.	[If the entity complies with paragraph (a):] … the fact that we have a nomination committee that complies with paragraphs (1) and (2): ☐ in our Corporate Governance Statement **OR** ☐ at [*insert location*] … and a copy of the charter of the committee: ☐ at [*insert location*] … and the information referred to in paragraphs (4) and (5): ☐ in our Corporate Governance Statement **OR** ☐ at [*insert location*] [If the entity complies with paragraph (b):] … the fact that we do not have a nomination committee and the processes we employ to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively: ☒ in our Corporate Governance Statement **OR** ☐ at [*insert location*]	☐ an explanation why that is so in our Corporate Governance Statement **OR** ☐ we are an externally managed entity and this recommendation is therefore not applicable

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed …	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed …[4]
2.2	A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.	… our board skills matrix: ☒ in our Corporate Governance Statement **OR** ☐ at [*insert location*]	☐ an explanation why that is so in our Corporate Governance Statement **OR** ☐ we are an externally managed entity and this recommendation is therefore not applicable
2.3	A listed entity should disclose: (a) the names of the directors considered by the board to be independent directors; (b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and (c) the length of service of each director.	… the names of the directors considered by the board to be independent directors: ☒ in our Corporate Governance Statement **OR** ☐ at [*insert location*] … and, where applicable, the information referred to in paragraph (b): ☒ in our Corporate Governance Statement **OR** ☐ at [*insert location*] … and the length of service of each director: ☒ in our Corporate Governance Statement **OR** ☐ at [*insert location*]	☐ an explanation why that is so in our Corporate Governance Statement
2.4	A majority of the board of a listed entity should be independent directors.	… the fact that we follow this recommendation: ☒ in our Corporate Governance Statement **OR** ☐ at [*insert location*]	☐ an explanation why that is so in our Corporate Governance Statement **OR** ☐ we are an externally managed entity and this recommendation is therefore not applicable
2.5	The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	… the fact that we follow this recommendation: ☐ in our Corporate Governance Statement **OR** ☐ at [*insert location*]	☒ an explanation why that is so in our Corporate Governance Statement **OR** ☐ we are an externally managed entity and this recommendation is therefore not applicable
2.6	A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	… the fact that we follow this recommendation: ☒ in our Corporate Governance Statement **OR** ☐ at [*insert location*]	☐ an explanation why that is so in our Corporate Governance Statement **OR** ☐ we are an externally managed entity and this recommendation is therefore not applicable

<table>
<tr><th colspan="2">Corporate Governance Council recommendation</th><th>We have followed the recommendation in full for the whole of the period above. We have disclosed …</th><th>We have NOT followed the recommendation in full for the whole of the period above. We have disclosed …[4]</th></tr>
<tr><td colspan="4">PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY</td></tr>
<tr><td>3.1</td><td>A listed entity should:
(a) have a code of conduct for its directors, senior executives and employees; and
(b) disclose that code or a summary of it.</td><td>… our code of conduct or a summary of it:
☐ in our Corporate Governance Statement <u>OR</u>
☒ at www.horseshoemetals.com.au</td><td>☐ an explanation why that is so in our Corporate Governance Statement</td></tr>
<tr><td colspan="4">PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING</td></tr>
<tr><td>4.1</td><td>The board of a listed entity should:
(a) have an audit committee which:
(1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and
(2) is chaired by an independent director, who is not the chair of the board,
and disclose:
(3) the charter of the committee;
(4) the relevant qualifications and experience of the members of the committee; and
(5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</td><td>[If the entity complies with paragraph (a):]
… the fact that we have an audit committee that complies with paragraphs (1) and (2):
☐ in our Corporate Governance Statement <u>OR</u>
☐ at [insert location]
… and a copy of the charter of the committee:
☐ at [insert location]
… and the information referred to in paragraphs (4) and (5):
☐ in our Corporate Governance Statement <u>OR</u>
☐ at [insert location]
[If the entity complies with paragraph (b):]
… the fact that we do not have an audit committee and the processes we employ that independently verify and safeguard the integrity of our corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner:
☒ in our Corporate Governance Statement <u>OR</u>
☐ at [insert location]</td><td>☐ an explanation why that is so in our Corporate Governance Statement</td></tr>
</table>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed …	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed …[4]
4.2	The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	… the fact that we follow this recommendation: ☒ in our Corporate Governance Statement **OR** ☐ at [*insert location*]	☐ an explanation why that is so in our Corporate Governance Statement
4.3	A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	… the fact that we follow this recommendation: ☒ in our Corporate Governance Statement **OR** ☐ at [*insert location*]	☐ an explanation why that is so in our Corporate Governance Statement **OR** ☐ we are an externally managed entity that does not hold an annual general meeting and this recommendation is therefore not applicable
PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE			
5.1	A listed entity should: (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it.	… our continuous disclosure compliance policy or a summary of it: ☐ in our Corporate Governance Statement **OR** ☒ at [*insert location*]	☐ an explanation why that is so in our Corporate Governance Statement
PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS			
6.1	A listed entity should provide information about itself and its governance to investors via its website.	… information about us and our governance on our website: ☒ at www.horseshoemetals.com.au	☐ an explanation why that is so in our Corporate Governance Statement
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	… the fact that we follow this recommendation: ☐ in our Corporate Governance Statement **OR** ☒ at www.horseshoemetals.com.au	☐ an explanation why that is so in our Corporate Governance Statement
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	… our policies and processes for facilitating and encouraging participation at meetings of security holders: ☒ in our Corporate Governance Statement **OR** ☐ at [*insert location*]	☐ an explanation why that is so in our Corporate Governance Statement **OR** ☐ we are an externally managed entity that does not hold periodic meetings of security holders and this recommendation is therefore not applicable

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed …	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed …[4]
6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	… the fact that we follow this recommendation: ☒ in our Corporate Governance Statement **OR** ☐ at [*insert location*]	☐ an explanation why that is so in our Corporate Governance Statement
PRINCIPLE 7 – RECOGNISE AND MANAGE RISK			
7.1	The board of a listed entity should: (a) have a committee or committees to oversee risk, each of which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.	[If the entity complies with paragraph (a):] … the fact that we have a committee or committees to oversee risk that comply with paragraphs (1) and (2): ☐ in our Corporate Governance Statement **OR** ☐ at [*insert location*] … and a copy of the charter of the committee: ☐ at [*insert location*] … and the information referred to in paragraphs (4) and (5): ☐ in our Corporate Governance Statement **OR** ☐ at [*insert location*] [If the entity complies with paragraph (b):] … the fact that we do not have a risk committee or committees that satisfy (a) and the processes we employ for overseeing our risk management framework: ☒ in our Corporate Governance Statement **OR** ☐ at [*insert location*]	☐ an explanation why that is so in our Corporate Governance Statement

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed …	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed …[4]
7.2	The board or a committee of the board should: (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and (b) disclose, in relation to each reporting period, whether such a review has taken place.	… the fact that board or a committee of the board reviews the entity's risk management framework at least annually to satisfy itself that it continues to be sound: ☐ in our Corporate Governance Statement **OR** ☐ at [*insert location*] … and that such a review has taken place in the reporting period covered by this Appendix 4G: ☐ in our Corporate Governance Statement **OR** ☐ at [*insert location*]	☒ an explanation why that is so in our Corporate Governance Statement
7.3	A listed entity should disclose: (a) if it has an internal audit function, how the function is structured and what role it performs; or (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.	[If the entity complies with paragraph (a):] … how our internal audit function is structured and what role it performs: ☐ in our Corporate Governance Statement **OR** ☐ at [*insert location*] [If the entity complies with paragraph (b):] … the fact that we do not have an internal audit function and the processes we employ for evaluating and continually improving the effectiveness of our risk management and internal control processes: ☒ in our Corporate Governance Statement **OR** ☐ at [*insert location*]	☐ an explanation why that is so in our Corporate Governance Statement
7.4	A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	… whether we have any material exposure to economic, environmental and social sustainability risks and, if we do, how we manage or intend to manage those risks: ☒ in our Corporate Governance Statement **OR** ☐ at [*insert location*]	☐ an explanation why that is so in our Corporate Governance Statement

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed …	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed …[4]
PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY			
8.1	The board of a listed entity should: (a) have a remuneration committee which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.	[If the entity complies with paragraph (a):] … the fact that we have a remuneration committee that complies with paragraphs (1) and (2): ☐ in our Corporate Governance Statement **OR** ☐ at [*insert location*] … and a copy of the charter of the committee: ☐ at [*insert location*] … and the information referred to in paragraphs (4) and (5): ☐ in our Corporate Governance Statement **OR** ☐ at [*insert location*] [If the entity complies with paragraph (b):] … the fact that we do not have a remuneration committee and the processes we employ for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive: ☒ in our Corporate Governance Statement **OR** ☐ at [*insert location*]	☐ an explanation why that is so in our Corporate Governance Statement **OR** ☐ we are an externally managed entity and this recommendation is therefore not applicable
8.2	A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.	… separately our remuneration policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives: ☒ in our Corporate Governance Statement **OR** ☐ at [*insert location*]	☐ an explanation why that is so in our Corporate Governance Statement **OR** ☐ we are an externally managed entity and this recommendation is therefore not applicable

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed …	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed …[4]
8.3	A listed entity which has an equity-based remuneration scheme should: (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and (b) disclose that policy or a summary of it.	… our policy on this issue or a summary of it: ☒ in our Corporate Governance Statement **OR** ☐ at [*insert location*]	☐ an explanation why that is so in our Corporate Governance Statement **OR** ☐ w e do not have an equity-based remuneration scheme and this recommendation is therefore not applicable **OR** ☐ we are an externally managed entity and this recommendation is therefore not applicable
ADDITIONAL DISCLOSURES APPLICABLE TO EXTERNALLY MANAGED LISTED ENTITIES			
-	*Alternative to Recommendation 1.1 for externally managed listed entities:* The responsible entity of an externally managed listed entity should disclose: (a) the arrangements between the responsible entity and the listed entity for managing the affairs of the listed entity; (b) the role and responsibility of the board of the responsible entity for overseeing those arrangements.	… the information referred to in paragraphs (a) and (b): ☐ in our Corporate Governance Statement **OR** ☐ at [*insert location*]	☐ an explanation why that is so in our Corporate Governance Statement
-	*Alternative to Recommendations 8.1, 8.2 and 8.3 for externally managed listed entities:* An externally managed listed entity should clearly disclose the terms governing the remuneration of the manager.	… the terms governing our remuneration as manager of the entity: ☐ in our Corporate Governance Statement **OR** ☐ at [*insert location*]	☐ an explanation why that is so in our Corporate Governance Statement