



**Breakaway
Research**

November 2013

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Company Information

ASX Code	HOR
Share Price	A\$0.046
Ord Shares	86.07m
Options + Rights	14.6m
MCAP	A\$3.9m
Cash (Sept 13)	A\$0.9m
Total Debt	-
Enterprise Value	A\$3.0m

Directors

Non-Ex. Chairman	Jeremy Shervington
Managing Director	Neil Marston
Non-Executive Director	Michael Fotios
Non-Executive Director	Stuart Hall

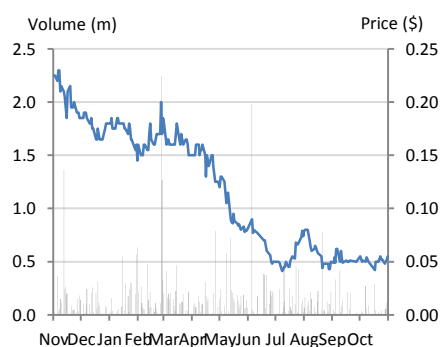
Substantial Share Holders

Investment Limited	18.0%
Azure Capital Limited	5.3%
Directors	4.9%
Wyllie Group	1.5%

Company Details

Address	Unit 6/11, Colin Grove West Perth WA 6005
Phone	+618 9481 5866
Web	www.horseshoemetals.com.au

1 Year Price Chart



Source: Bloomberg

Horseshoe Metals Limited (HOR)

Copper explorer nearing critical mass

Recommendation: Speculative BUY

Company Update

Key Points

- **Drilling testing new targets at Horseshoe Lights – aimed at boosting existing resources of 12.8Mt @ 1.0% Cu**
- **High resolution magnetics completed in order to better define additional exploration targets**
- **Drilling also planned at the Kumarina Project - where a resource of 0.8Mt @ 1.3% Cu has been delineated at the Rinaldi deposit**
- **\$1.06m of environmental bonds released back to Horseshoe Metals**

Horseshoe Metals has two highly prospective projects in the well-endowed Peak Hill Mineral Field, WA; Horseshoe Lights and Kumarina. Significant resources have already been established at these projects and the Company has identified additional drill targets aimed at boosting them in the near term. A recent drilling campaign targeting mineralisation immediately south of the Horseshoe Lights open pit has been completed with assays pending. A drill program is now planned for the Snell North and Kumarina Deeps prospects.

Investment Thesis

Horseshoe Metals' (ASX: HOR) flagship project is Horseshoe Lights, where the Company has already defined a JORC Mineral Resource of 12.8Mt @ 1.0% Cu and 0.1 g/t Au for 128,600t of contained copper and 36,000oz gold (using a 0.5% Cu cut-off grade).

The Horseshoe Lights deposit includes shallow, high grade supergene mineralisation which was historically mined via an open pit. Mining efforts were concentrated on this zone, and only limited exploration was undertaken along strike from the open cut or below a depth of ~100m.

Horseshoe Metals is systematically testing potential extensions and repetitions of the mineralisation within the host Narracoota Formation, including the recently completed drill campaign south and east of the old open pit, as well as at targets in other geological settings.

At the Kumarina Project, a new prospect has been generated at Snell North following the re-discovery of several old shafts. The Company has completed a heritage survey and expects to commence drilling in Q4 2013.

A significant, but deep magnetic target has been identified at the Kumarina Deeps prospect and the Company is seeking co-funding under the WA State Government's Exploration Incentive Scheme before committing to a drill program.

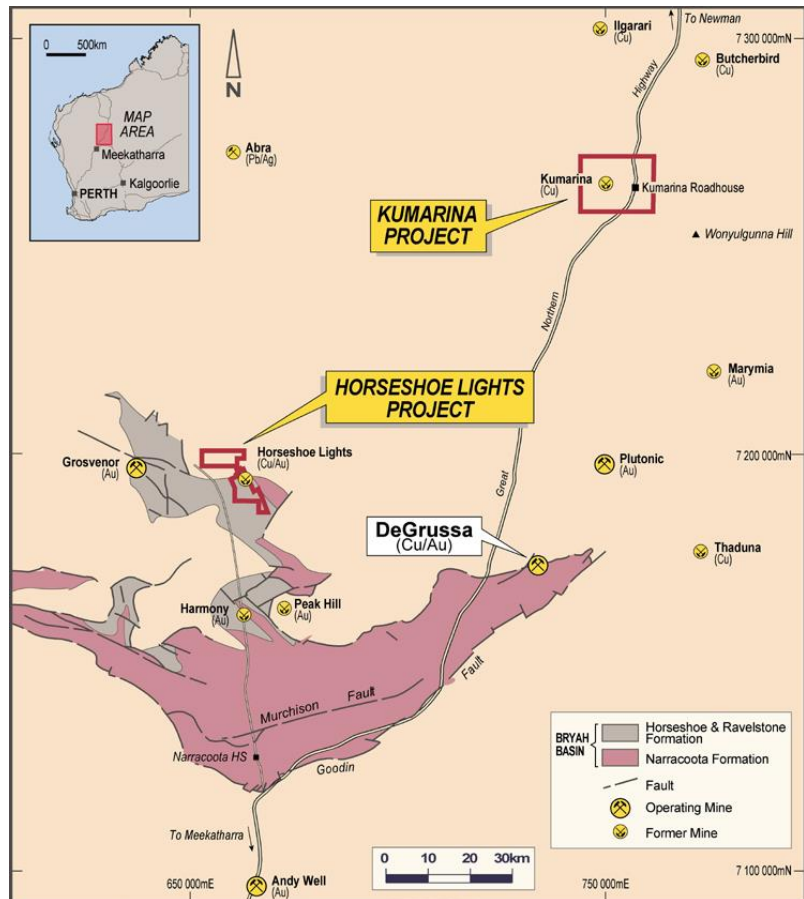


Company Update

Two active projects in a well-endowed mineral province

Horseshoe Metals has established significant copper resources at two projects in the productive Peak Hill Mineral Field, which also hosts the high grade DeGrussa Cu/Au mine and other significant copper and gold mines. DeGrussa is located 75km east of Horseshoe Lights and 100km south of Kumarina. Good opportunities have been identified to grow the resource inventory at both projects.

Location Plan



Source: Horseshoe Metals

Favourable location with good surrounding infrastructure

Horseshoe Lights Project

Same geological setting as Sandfires DeGrussa deposit

The Horseshoe Lights ore body is interpreted to be a deformed VMS deposit which has undergone supergene enrichment (during weathering), forming the exceptionally high grade supergene zone mined previously. It is hosted in the Narracoota Formation, as is Sandfire Resources' rich DeGrussa deposit (ASX: SFR). With historical mining focused on the enriched zone, minimal exploration has been undertaken along strike and below the base of the open pit.

Upgraded JORC resource

In June this year the JORC Resource for Horseshoe Lights was upgraded from 8.6Mt @ 1.1% Cu to **12.8Mt @ 1.0% Cu at a 0.5% Cu cut-off grade**. Approximately 30% of this resource is now in the Measured and Indicated category, increasing confidence in the resource model.



JORC Resource – Horseshoe Lights Project@ 0.5% Cu cut-off

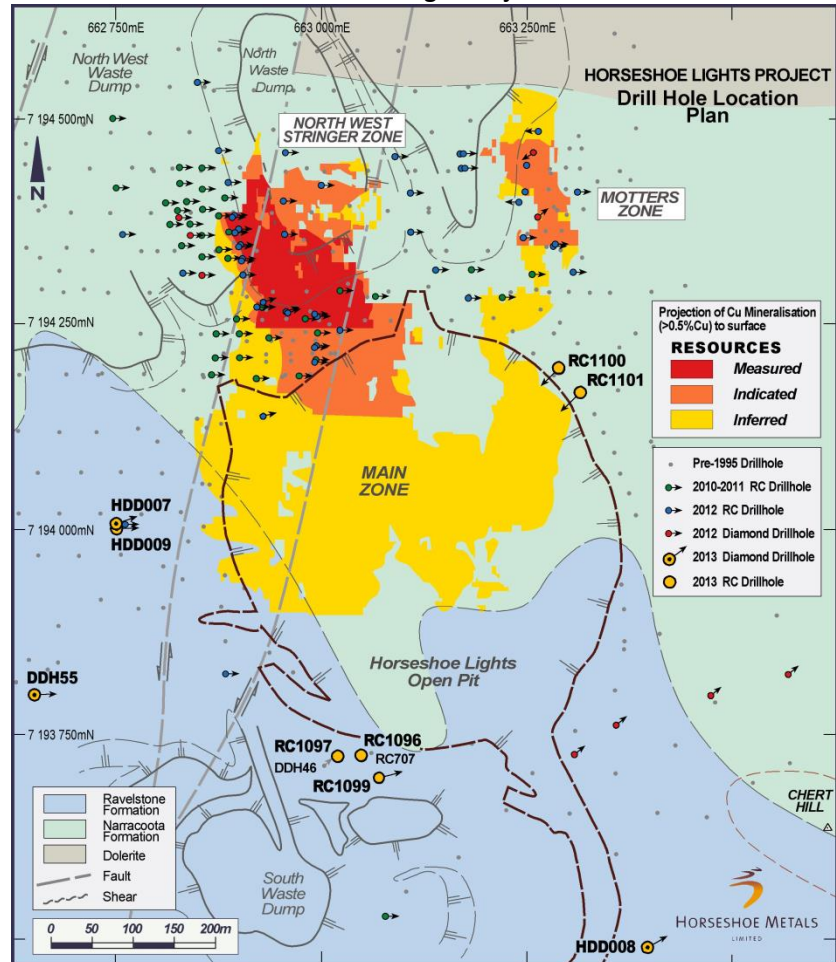
Category	Tonnage (Mt)	Cu (%)	Contained Cu Metal (t)
Measured	1.7	1.0	18,000
Indicated	2.4	1.0	23,200
Inferred	8.7	1.0	87,400
Total	12.8	1.0	128,600

Source: Horseshoe Metals

Grade reported to 2 significant figures

12.8Mt @ 1.0% Cu

Drill Hole Location Plan: Horseshoe Light Project



Source: Horseshoe Metals

Mineralisation concentrated to the north of the open pit

Resource is primarily hosted within sulphide (primary) mineralisation

Opportunity to increase resource by 'twinning' historical holes

The majority of the 12.8Mt resource is based on primary sulphide mineralisation, with the Measured and Indicated component mainly occurring to the north of the open pit in the 'North West Stringer Zone'.

Historical drilling below the open pit was largely undertaken prior to the introduction of the JORC code and additional drilling is required to test the reliability of the historical data by 'twinning' some of these holes. Should the historical data prove reliable, opportunity then exists to upgrade a large proportion of the existing Inferred Resource to the Measured and Indicated categories.

At the southern end of the open pit, a zone of strong hydrothermal alteration has been identified during a reassessment of drill historical samples. Lithological geochemistry profiling of the drill pulps (by XRF) has provided the impetus for the Company to target drilling of this anomalous zone.

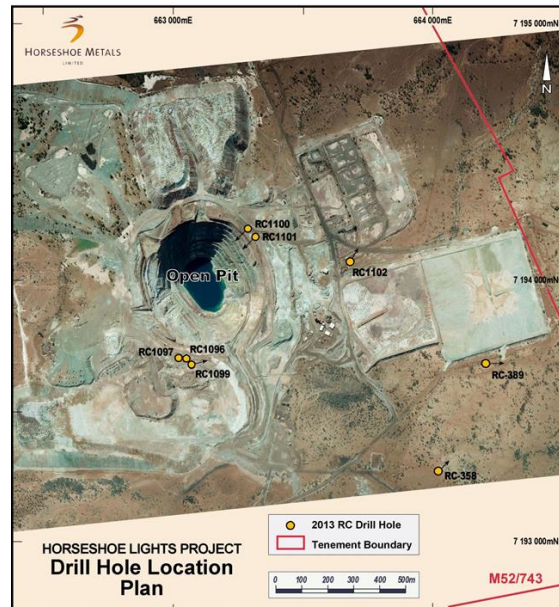


Recent Exploration Work

*Recently completed 1,818m
RC drill campaign*

Horseshoe Metals recently completed a 1,818m RC drilling program, primarily designed to test possible new zones of mineralisation outside of the existing JORC Resource as well as some exploration targets defined from geophysical surveys. The locations of these holes are shown below:

Horseshoe Lights Open Pit: RC Drill Hole Locations



Source: Horseshoe Metals

Drill Results: First assays received with remaining assays due imminently

*Remaining assays still
pending*

From the eight RC holes completed, assays have only been received from two of the holes RC1100 & RC1101 which were drilled to the east of the existing open pit down dip into the interpreted footwall zone of the deposit. Encouragingly, the Company has intersected broad zones of 'ore grade' mineralisation including:

- **32 metres @ 1.8% Cu**, including 12 metres @ 2.8% Cu and 0.2 g/t Au from 197m (RC1101).
- **11m @ 0.8% Cu**, including 4m @1.4% Cu from 131m (RC1100)

The image on the following page shows a drill section through RC1101.

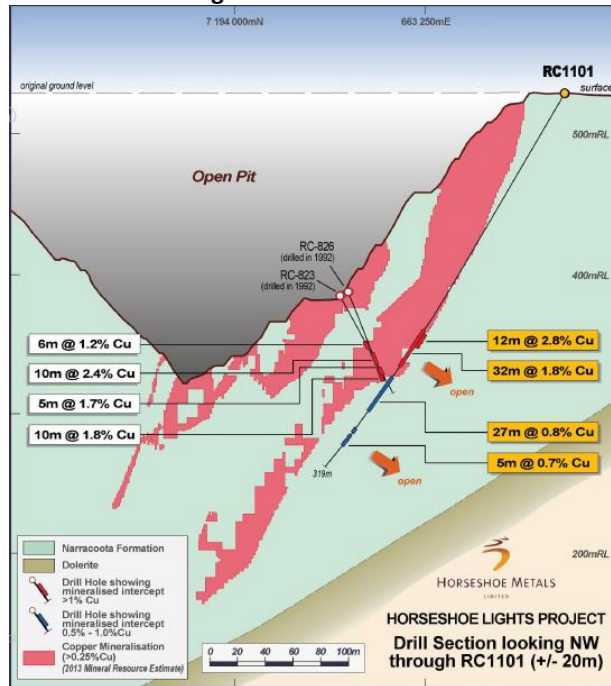
*Possible mineralisation east
and south of the open pit*

Whilst both RC1100 and RC1101 have been drilled down the interpreted dip of the copper mineralisation they have confirmed the potential for high grade copper mineralisation to occur east of the existing deposit. Importantly this mineralised zone is generally open to the east and south with very limited historical drilling in the area. This footwall zone will be further tested in future drill campaigns.

Assays from the remaining six holes are expected imminently.



Drill Section through RC1101



Source: Horseshoe Metals

Mineralisation still open

Additional Horseshoe Lights Targets

The immediate area around the open pit remains prospective for further zones of mineralisation to be identified. Past mining was focused on the Main Zone, and comprised a series of lensoid ore zones which transitioned from an upper gold-rich oxide zone through zones of high-grade chalcocite mineralisation into massive pyrite-chalcopyrite. West and east of the Main Zone, copper mineralisation consists of veins and disseminations of chalcopyrite and pyrite and their upper oxide copper extensions. Many of these targets require further follow-up drilling.

Immediate vicinity still highly prospective

Horseshoe's interpretation of the local geology indicates the mineralisation to the south of the open pit is cut off by a fault and has highlighted opportunity for discovery of further zones of mineralisation displaced beyond this fault boundary.

To define the potential exploration targets east and south of the open pit, Horseshoe is undertaking detailed lithological geochemistry profiling using recent and historical pulps which is designed to better understand the geology and structure surrounding the open pit. The recent drilling of 400m to 500m deep diamond drill holes under the pit has also improved the quality of structural information. This data has enabled an enhanced interpretation of the geological setting for the southern targets which have recently been drilled.

Geophysics better defines structural targets

Broad spaced, 100m line spacing, aeromagnetic data is available across the Horseshoe Lights prospect and more recently the Company has undertaken a ground magnetic survey at 25m line spacing to infill this data. The result of the geophysical survey is to better define structural offset faults in the eastern side of the open pit and better define the outlines of the Ravelstone Formation Volcanics.



Kumarina Project

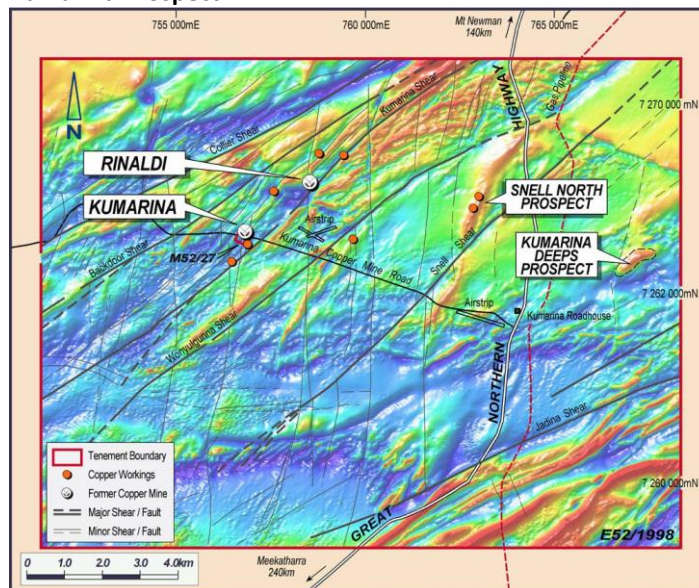
*Mineralisation to the south
of the open pit targeted*

*Structural folds and
mineralised faults south of
the open pit*

The Kumarina Project comprises two tenements, covering ~217km², located to the northeast of Horseshoe Lights. Copper deposits in this area extend over 5km and include the old Kumarina and Rinaldi mines.

A series of historical open pits and shafts were worked intermittently until 1973 with records indicating high grade (although small scale) copper production. These historical workings appear to be associated with north-south faults and structures. Interpretation of aeromagnetic data has identified multiple structures which occur under shallow cover and these exhibit similar characteristics to those associated with the historical workings. Follow up ground magnetics surveys has provided further detailed structural information and a drill program is planned for the near term.

Kumarina Prospect



Source: Horseshoe Metals

N-S faults, along with the NE-SW shear zones, are considered prospective for copper mineralisation

Ongoing exploration by Horseshoe recently led to the delineation of an initial JORC Resource of 835,000t @ 1.3% Cu at the Rinaldi prospect (part of the Kumarina Project) with the mineralisation still open along strike and at depth. Encouragingly, this resource commences within 2m of surface (to a depth of ~120m).

JORC Resource – Kumarina Project – Rinaldi Project @ 0.5% Cu cut-off

Category	Tonnage (Mt)	Cu (%)	Contained Cu Metal (t)
Measured	0.4	1.5	6,100
Indicated	0.3	1.2	3,500
Inferred	0.1	0.9	1,000
Total	0.8	1.3	10,600

Source: Horseshoe Metals

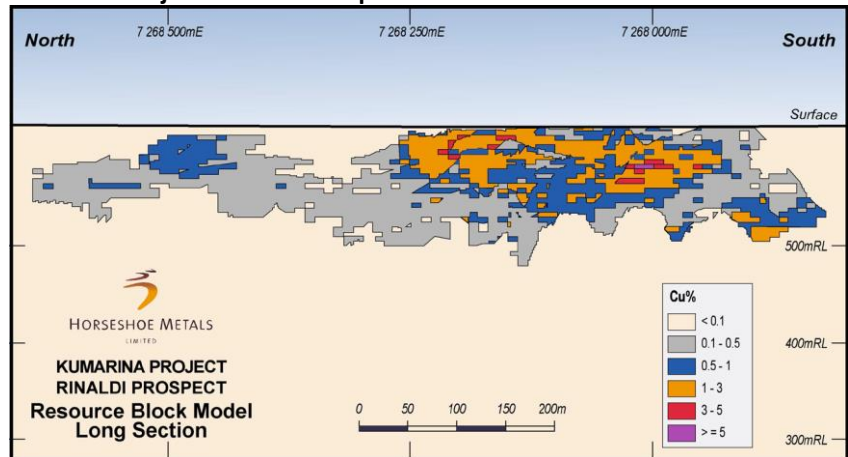
Grade reported to 2 significant figures



*Mineralisation still open
along strike and at depth*

0.8Mt @ 1.3% Cu

Kumarina Project – Rinaldi Prospect Resource Block Model



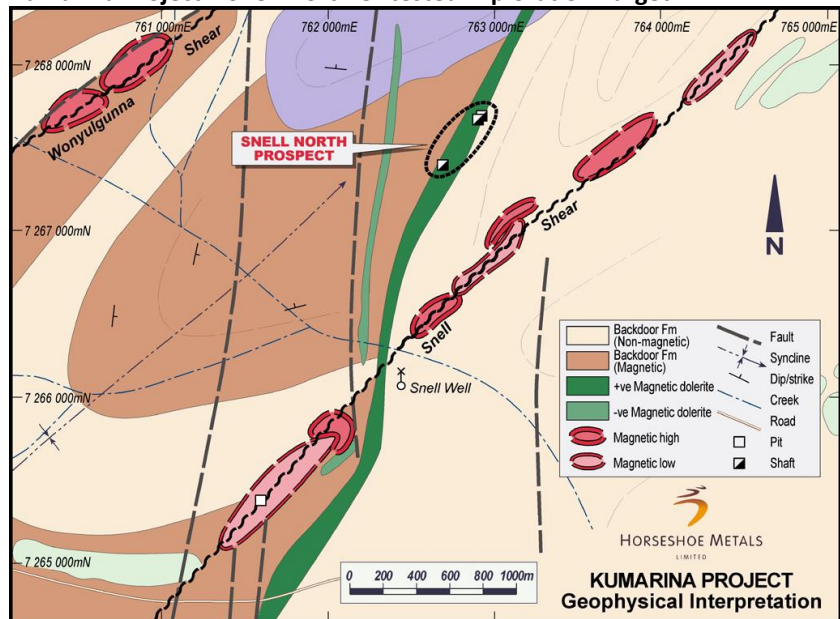
Upcoming Drilling

The next drilling activity planned by Horseshoe Metals is testing of regional targets, including possible extensions to old workings on the Snell North prospect and the Kumarina Deeps magnetic target.

*Resource commences within
2m of surface*

*Snell North Prospect and
Kumarina Deeps Prospect*

Kumarina Project – Snell North Untested Exploration Target



1,500m of RC drilling is planned for Q4 2013, starting with testing possible mineralisation in the “shadow” of old workings at Snell North.

At the Kumarina Deeps Prospect, the Company has identified a strong aeromagnetic anomaly commencing at ~250m below surface. Horseshoe Metals hopes to drill this target following completion of the Snell North program and is seeking co-funding under the WA State Government’s Exploration Incentive Scheme to subsidise the cost of the program



1,500m of RC drilling is planned for Q4 2013

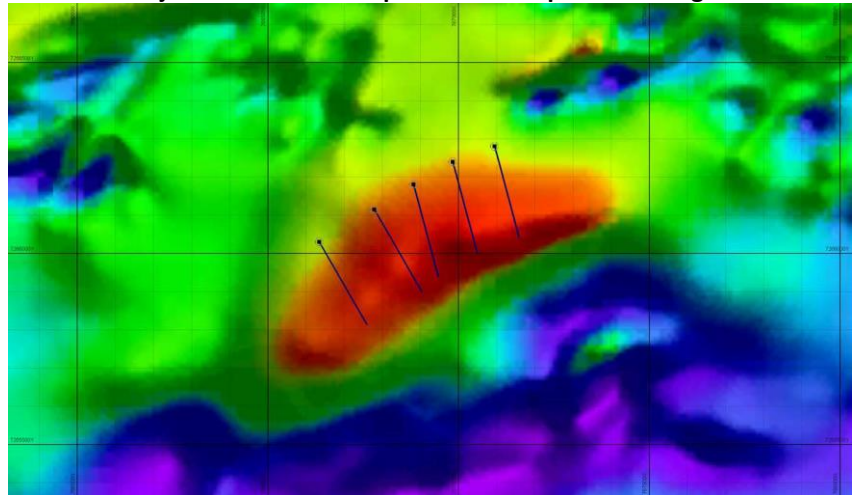
Strong aeromagnetic anomaly commencing at 250m below surface

Horseshoe Metal appears oversold

Assays from recent drill program due imminently

Recent corporate activity underscores value if the Horseshoe project

Kumarina Project – Kumarina Deeps Untested Exploration Target



Source: Horseshoe Metals

Breakaway's View

Exploration companies have been out of favour on the ASX during much of 2013, with soft metal prices being a driver of significant reductions in share prices and market valuations – and Horseshoe Metals has not been spared. However, recent global economic data has created optimism that better times are at hand and many junior resource companies are now simply looking oversold.

In this regard Horseshoe Metals is well placed. It has generated a solid foundation of copper resources (totalling 13.6Mt @ 1.0% Cu) with assays still pending on new drill targets which have good potential to expand this resource still further. The Company is rapidly approaching the point where a stand-alone operation may be justified and any positive news flow from the imminent results are likely to be a catalyst for a meaningful re-rating.

Corporate Activity

Breakaway is further encouraged by recent corporate activity in the vicinity, with Ventnor Resources (ASX: VRX) and Sandfire (ASX: SFR) recently agreeing terms to form a joint venture (JV) company to exploit the Thaduna/Green Dragon deposits.

Under the terms agreed, Sandfire will acquire an initial 35% stake in the JV for \$3M, implying a project value of \$8.6M on a 100% basis. In addition, Sandfire can earn up to 80% by sole funding the next \$6M of JV costs, and must also provide interest free loans to cover any further assessment and development costs incurred by the JV.

Ventnor's Thaduna/Green Dragon deposits have a total JORC Resource of 7.9Mt @ 1.8% Cu and 3.7g/t Ag for total contained copper of 142kt and 945,000oz of silver while Horseshoes' total resource is 13.6Mt @ 1.0% Cu for 136kt of contained copper (similar contained copper to Ventnor although Horseshoes' grade is lower).



Analyst Verification

We, Grant Craighead and Geoff Reed, as the Research Analysts, hereby certify that the views expressed in this research accurately reflect our personal views about the subject securities or issuers and no part of analyst compensation is directly or indirectly related to the inclusion of specific recommendations or views in this research.

Disclosure

Breakaway Investment Group (AFSL 290093) may hold direct and indirect shares in the Horseshoe Metals. It has also received a commission on the preparation of this research note.

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