

June 2014

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Company Information

ASX Code	HOR
Share Price	A\$0.022
Ord Shares	86.1m
Performance Shares	2.8m
Options	5.4m
MCAP	A\$2.10m
Cash (31/5/14)	A\$0.1m
Total Debt	-
Enterprise Value	A\$2.00m

Figures are pre raising

Directors

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

Pre-restructure

Substantial Share Holders

Investmet Limited	15.9%
Directors	5.5%
Azure Capital	5.0%
Wyllie Group	4.6%

Figures are pre raising

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: IRESS

Horseshoe Metals Limited (HOR)

Highly Prospective Bryah Basin Copper/Gold

Recommendation: Speculative Buy

Company Update

Key Points

- **Significant copper resources and high quality copper and copper/gold targets in the highly prospective Bryah and Bangemall Basins of WA**
- **Drill testing of a number of targets is now required**
- **2 for 3 Rights issue and placement to raise up to \$2.05m to fund ongoing exploration**
- **This includes a \$630,000 placement to the largest shareholder**
- **Additional issues to cover existing debts, and to pay for drilling with equity**
- **Board restructure to cut overheads, and hence maximise money going into the ground**
- **Work to commence immediately once funds are raised**

Horseshoe Metals is in the process of raising up to \$2.05m to progress its Horseshoe Lights and Kumarina projects in the highly prospective Bryah and Bangemall Basins of Western Australia.

The Company has already identified significant copper resources on its projects, and the work has also identified a number of additional encouraging targets that require further work, particularly drilling. As such the Company has planned a drill programme that will commence once funds are raised.

We see significant potential for exploration success, and for the Company to build a critical mass of +200,000 tonnes of contained copper at Horseshoe Lights and to significantly add to the Kumarina copper resources.

Investment Thesis

Horseshoe Metals has made considerable progress on the Horseshoe Lights and Kumarina Projects since listing on the ASX in 2010.

Copper resources have been delineated on both projects, and work has delineated a number of targets worthy of follow up. The Horseshoe Lights Project is centred over the historic Horseshoe Lights Mine, which produced 300,000oz of gold and 54,000t of copper up until closure in 1994.

Horseshoe Lights is located in a similar stratigraphic position in the Bryah Basin to the recently discovered DeGrussa Deposit of Sandfire Resources, and we consider there to be excellent potential for the discovery of additional zones of mineralisation on the Company's leases, in addition to the current resource of 12.8Mt @ 1% copper.

At Kumarina a number of additional drilling targets have been identified, that have the potential to significantly augment the current shallow Rinaldi resource of 835,000t @ 1.3% copper.



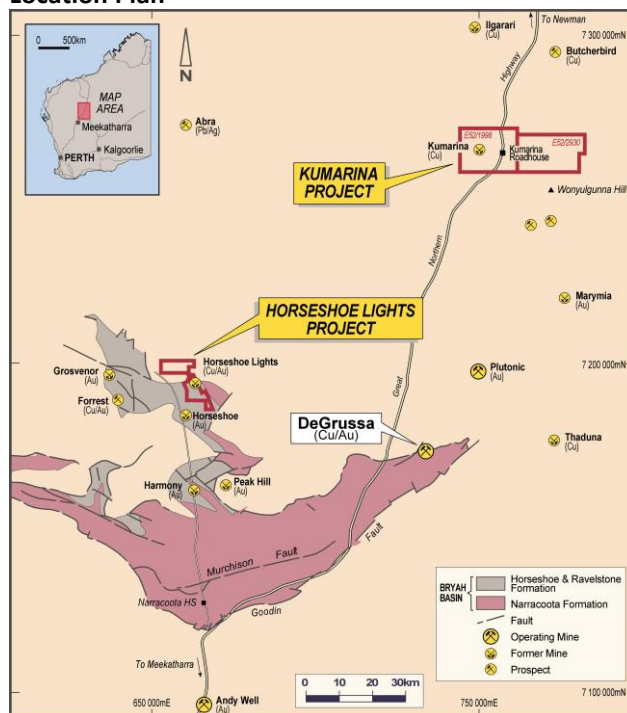
Company Update

Copper and copper/gold prospective projects in the Peak Hill Mineral Field of WA

Horseshoe Metals ("Horseshoe" or "the Company") has defined significant copper resources at its Horseshoe and Kumarina prospects in the productive Peak Hill Mineral Field of WA, which also hosts the high grade DeGrussa Cu/Au mine (13.0Mt @ 4.5% Cu and 1.8g/t Au) and other significant copper and gold deposits and prospects. DeGrussa is located 75km east of Horseshoe Lights and 100km south of Kumarina.

Work on both projects has identified prospective targets that now require additional work.

Location Plan



Source: Horseshoe Metals

Rights Issue and Placement

Placement and non-renounceable rights issue to raise up to \$2.05m, as well as extra issues to cover debts and additional drilling

To carry out this work the Company is now raising funds, and as such has recently announced a placement and non-renounceable rights issue to raise up to \$2.05m in direct funds, and an additional \$569k in shares for services and debt repayment. The rights issue is not underwritten; however there will be the capacity to place any shortfall.

Fund raising details – assuming full rights take-up

Item	Shares Issued	Price	Funds Raised/Value
2 for 3 Rights Issue (max)	57,381,982	\$0.02	\$1,147,639
Placement/Subscription shares to Michael Fotios (subject to Rights Issue proceeding)	20,642,857	\$0.0305	\$630,000
2 for 3 rights for Fotios placement/subscription shares (max)	13,761,904	\$0.02	\$275,238
Potential direct funds raised (max)	91,786,743	\$0.0234	\$2,052,877
Drilling for Equity (includes \$65,000 of services already provided)	15,000,000	\$0.02	\$300,000
Creditor Shares	10,000,000	\$0.02	\$200,000
Azure Fee Shares (6% of funds raised)	3,442,917	\$0.02	\$68,858
Total Shares issued, value	120,229,660	\$0.0226	\$2,621,735
Shares currently on issue	86,072,973		
Potential shares on issue – full take-up	206,302,633		

Source: Horseshoe Metals



Largest shareholder to take up significant additional stock

The share placement and subscription to Michael Fotios and associates (currently the largest shareholder through Investmet Limited) is conditional upon the rights issue proceeding (this has now been approved by shareholders, and there is no minimal take-up required for the placement to proceed).

Board restructure to cut overheads, and to maximise money into the ground

Another condition is that there will be a board restructure to reduce corporate overheads as follows (and thus maximise dollars in the ground):

- New board to comprise Michael Fotios, Neil Marston (current MD) and a third director to be appointed as technical director
- Jeremy Shervington and Stuart Hall will resign as non-executive directors
- Damian Delaney will resign as company secretary with Neil Marston to assume that additional role.

Funds raised will be used on targeted exploration at the prospective Horseshoe Lights and Kumarina Projects.

Horseshoe Lights Project

Horseshoe Lights has historically produced 300,000oz of gold and 54,000t of copper

The project covers the historic Horseshoe Lights ore body that is interpreted to be a deformed VMS deposit which has undergone supergene enrichment. Horseshoe Lights produced over 300,000oz of gold and 54,000t of copper at various periods between its discovery in 1946 and final closure in 1994, with mining targeting the high grade supergene zone.

Hosted in rocks of the highly prospective Bryah Basin

The deposit is hosted in altered volcanics of the Narracoota Formation within the Paleoproterozoic Bryah Basin, which also hosts Sandfire Resources' DeGrussa deposit (ASX: SFR) and a number of other promising prospects. Most recently Resources and Investment NL (ASX: RNI, "RNI") discovered the Forrest copper/gold prospect located in a similar stratigraphic position 23km west of Horseshoe Lights.

Current resource containing 128,000t of copper

Horseshoe has defined a JORC compliant resource of **12.8Mt @ 1.0% Cu at a 0.5% Cu cut-off grade**, with approximately 30% of this being in the Measured and Indicated category. In addition there are inferred resources of 1.7Mt @ 0.52% Cu in stockpiles on the lease.

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

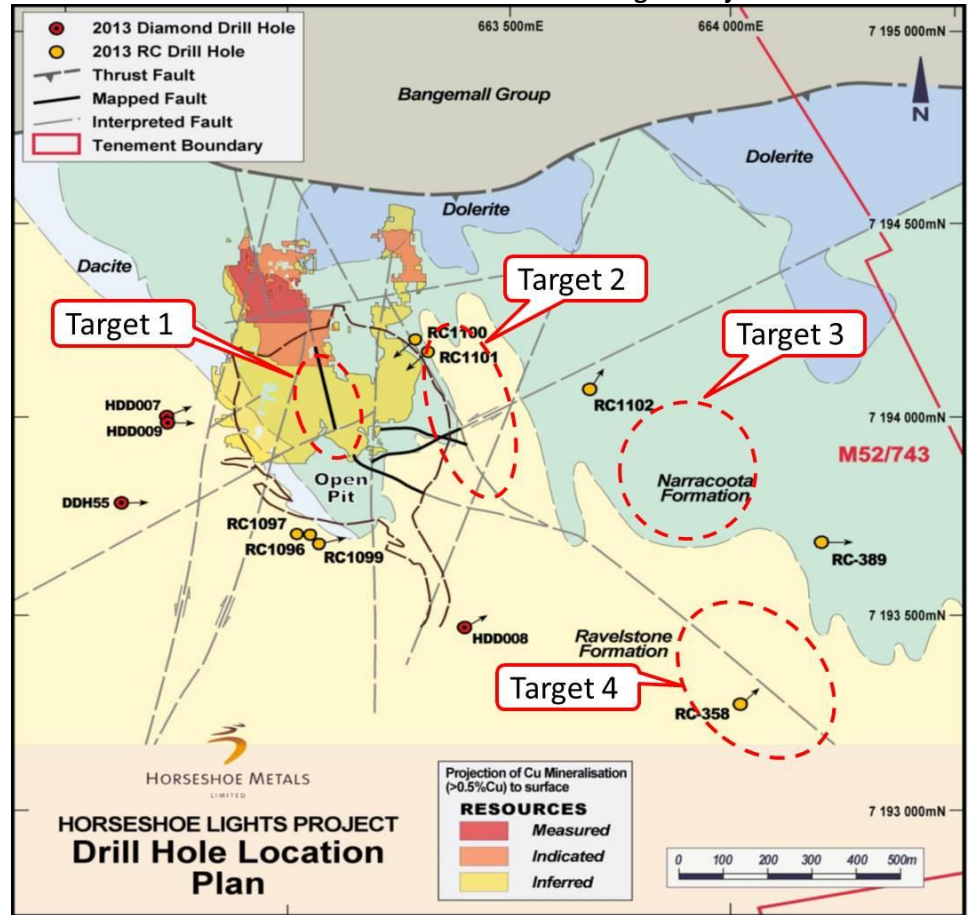
Source: Horseshoe Metals

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'.

Exploration Potential and Planned Drilling

The Company has outlined a number of target areas where it sees potential to significantly increase copper resources, with a targeted production threshold of +200,000 tonnes of contained copper. These primary targets are shown on the figure below.

Site Plan and 2013 Drill Hole Location Plan: Horseshoe Lights Project



Source: Adapted from Horseshoe Metals

Drilling in 2013 delivered encouraging results that require follow-up

In 2013 Horseshoe completed a 1,523.8m diamond and a 1,818m RC drilling programme, testing a number of targets, with some encouraging results that are planned to be followed up following a successful capital raising.

Down-dip extensions of the Main Zone were intersected under the open cut

Target 1 is aimed at Main Zone mineralisation down-dip below the floor of the open pit. With historical mining focused on the enriched zone, only limited exploration has been undertaken in the primary zone below the base of the pit, and thus there is potential for the discovery of extensions to the current resources.

In 2013 diamond holes HDD007 and HD009 were drilled under the pit, intersecting mineralisation down dip from the mined area. Best intersections included 4.3m @ 2.6% Cu from 264.7m in HDD007, and 4.1m @ 1.5% Cu from 308.9m in HDD009, and indicate the potential for deeper mineralisation. Further drilling in this area is planned for 2014.

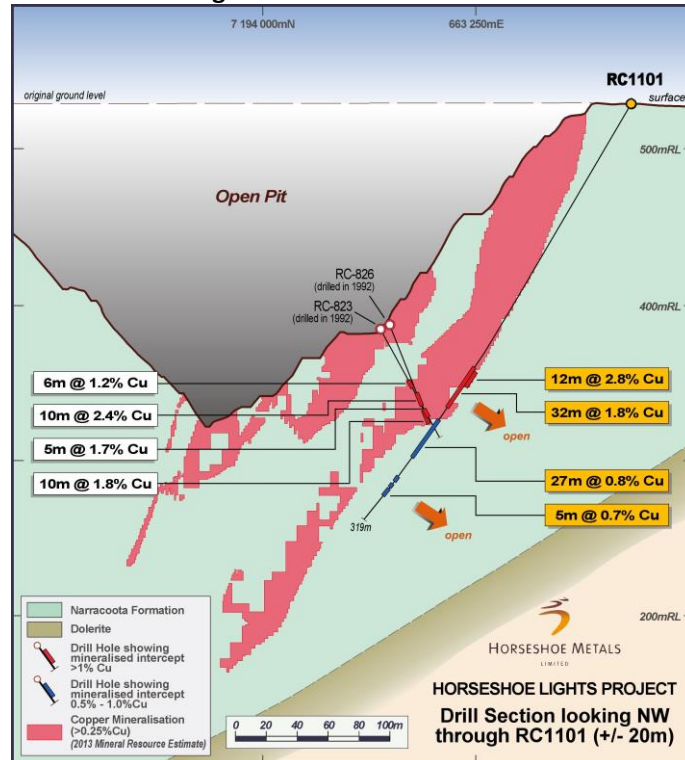
In addition the inferred resources in this area are largely based on pre-JORC drilling – twinning to verify this may allow the upgrade of areas of inferred mineralisation to indicated or measured status – this area has not been adequately tested.

Drilling on the eastern side of the pit has indicated the potential for additional mineralisation

The second main target area (Target 2) lies to the east and south of the open pit, and the drilling success in hole RC1101. Holes RC1100 and RC1101, although drilled down dip east of the pit, confirmed the potential for additional mineralisation in the poorly drilled area east of the existing pit. The best intersection was 32m @ 1.8% Cu in hole RC1101, as shown in the figure below.



Drill Section through RC1101



Source: Horseshoe Metals

There is potential for a fault offset of the Main Zone to the south of an interpreted NE-SW fault

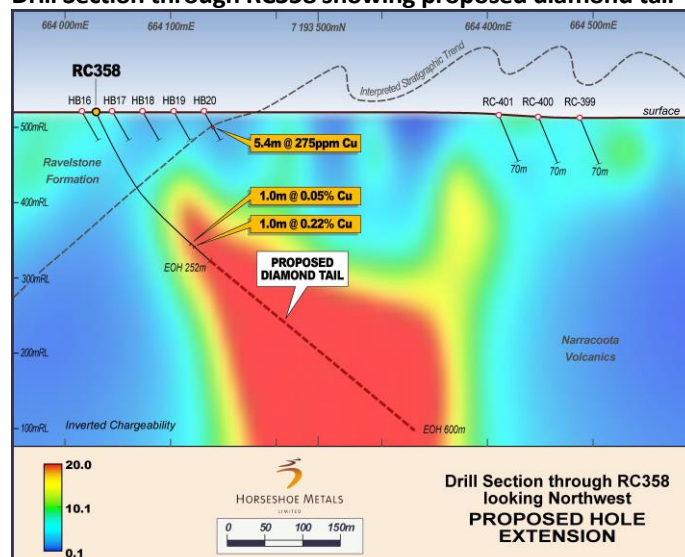
It is also interpreted that the main mineralisation is cut off to the south by a NE-SW trending fault, with the interpreted offset to the east and south side down of the NE-SW fault. The target area to the south of the fault has not been adequately tested. It is planned to drill this area in 2014.

Target 3 covers the old gold tailings dam area, at the prospective contact between the Ravelstone Formation and the Narracoota Formation. This area was recommended for testing in an historical geological report, however was never followed up.

Hole RC358 intersected altered volcanics and copper mineralisation on the edge of an IP anomaly to the SE of the open cut – this is a very encouraging result requiring follow-up

Hole RC358 (Target 4), located approximately 800m SE of the pit, intersected two narrow zones of copper mineralisation near the edge of an interpreted chargeability anomaly from a ground-based Dipole-Dipole Induced Polarisation ("DDIP") survey completed in 2011 (refer figure below).

Drill Section through RC358 showing proposed diamond tail



Source: Horseshoe Metals



These intersections (and the rest of the hole below the base of the Ravelstone Formation at 115m) were in silicified and chlorite altered volcanics of the host Narracoota Formation, which did not explain the cause of the anomaly.

We consider this result very encouraging – this style of alteration is commonly associated with VMS mineralisation, and this target needs further drilling. The Company plans to test the DDIP anomaly with a diamond drill to RC358.

There is also potential for structurally controlled copper-gold mineralisation (possible similar to RNI's Forrest discovery) at the contact between the Ravelstone and Narracoota Formations away from the mine area. A number of copper-gold geochemical anomalies have been outlined, that appear to coincide with structural features. There has only been limited shallow RAB drilling, and the Company plans reconnaissance aircore/RC drilling to test a number of targets.

Kumarina Project

The Kumarina Project, located 100km north of Horseshoe Lights, comprises licences totalling 432km²

The area is characterised by a number of historic copper workings

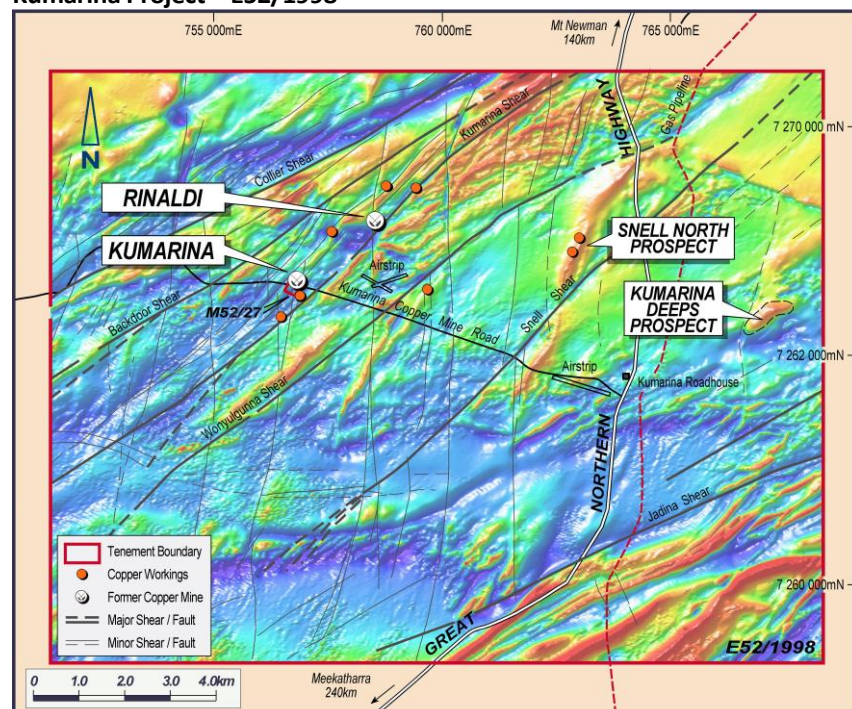
Work to date has identified a number of drill ready targets

The Kumarina Project comprises two exploration licences and one mining lease covering ~432km², located in the Bangemall Group approximately 100km to the northeast of Horseshoe Lights. This includes the recently granted E52/2930, located to the east of E52/1998, on which no work has yet been carried out by Horseshoe.

The area is characterised by a number of historical copper workings, including the 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 dolerite dykes and north-south trending 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 that needs drill testing.

Kumarina Project – E52/1998



Source: Horseshoe Metals

The Rinaldi prospect has a shallow resource of 835kt @ 1.3% copper

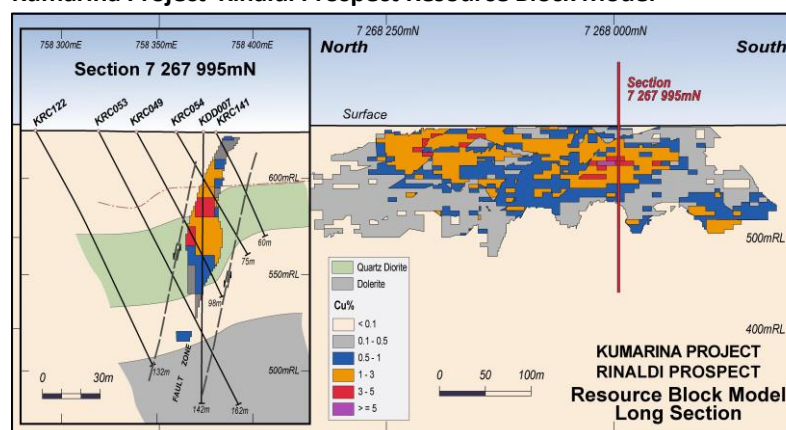
Ongoing work by Horseshoe led in early 2013 to the delineation of an initial JORC-compliant resource of 835,000t @ 1.3% Cu at the Rinaldi prospect. The mineralisation is controlled by a north-south striking sub-vertical structure where it cuts a shallowly dipping dolerite sill, and commences within 2m of surface, extending to a depth of ~120m. Mineralisation, which reaches true widths of up to 30m, is still potentially open along strike and at depth, with drilling planned to test for resource extensions, potentially associated with additional sills.

Kumarina Project – E52/1998

Category	Tonnage (Mt)	Cu (%)	Contained Cu (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

Kumarina Project Rinaldi Prospect Resource Block Model



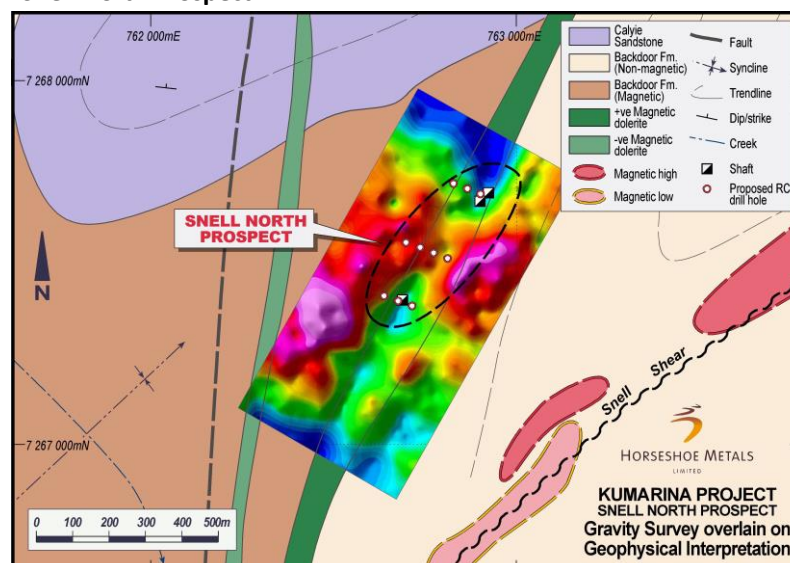
Source: Horseshoe Metals

Planned Exploration

A number of the targets now require drill testing

Horseshoe now plans to test a number of the structural targets as outlined by ground work. A key target is Snell North, where coincident gravity lows and geochemical copper anomalism up to 100m wide may indicate hydrothermal alteration with associated copper mineralisation, similar to Rinaldi and Kumarina.

Snell North Prospect



Source: Horseshoe Metals



Three historical shafts have been identified at Snell North, covering a strike length of 350m, which is covered by alluvium/colluvium with no significant outcrop. The Company has planned a 10 hole RC maiden drill programme for this prospect.

Other targets include Kumarina Deeps, which the Company plans to test with up to 5 x 500m deep RC holes. This prospect comprises an un-tested magnetic anomaly, and the Company has been chosen to receive a \$100,000 co-funding grant from the Department of Mines and Petroleum to test this target.

Breakaway's View

Work by Horseshoe has resulted in a number of very promising copper and copper/gold targets that require further drill testing.

Work by Horseshoe has identified a number of very promising exploration targets at both the Horseshoe Lights and Kumarina Projects

Horseshoe Lights is located in the now proven VMS prospective Bryah Basin, the host to Sandfire's DeGrussa deposit (13.4Mt @ 4.7% Cu and 1.9g/t Au). The Basin is also host to a number of other potentially VMS copper/gold prospects, including RNI's Forrest discovery, 23km west of Horseshoe Lights.

At Horseshoe Lights we consider the area to the SE of the open pit (as tested by hole RC358) as particularly encouraging, with this target now needing additional deeper drill testing. The coincidence of silica/chlorite altered Narracoota Formation rocks, a large IP anomaly and tantalising copper mineralisation in hole RC358 make for a compelling drill target. It also needs to be remembered that VMS deposits are often found as a series of, and not as a single lens of mineralisation, as is evidenced by the DeGrussa deposit.

Work to date has also indicated the potential for additional mineralisation closer to the historically mined area, again which requires further testing.

Kumarina offers a different style of target, with the potential to identify a number of shallow, smaller structurally controlled copper lenses similar to the already defined Rinaldi resource. The Company has already identified a number of promising additional targets that are ready for drill testing.

We are encouraged by the board restructure to cut overheads and the readiness of the major shareholder and associates to invest significant additional funds to carry on work at the projects.

There are of course risks involved in any further investment in Horseshoe, with the main technical one being exploration risk. In addition, should there be only limited take up of the rights; there is the potential of the planned exploration programmes being curtailed should any shortfall not be successfully placed. In this case the Company will need to judiciously prioritise activities.

Given the quality of the targets we rate Horseshoe as a Speculative Buy

We believe that Horseshoe has excellent targets worthy of follow up, and thus rate Horseshoe Metals as a **Speculative Buy**.



Analyst Verification

We, Grant Craighead and Mark Gordon, 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 receive corporate advisory fees, consultancy fees and commissions on sale and purchase of the shares of Horseshoe Lights and may hold direct and indirect shares in the company. It has also received a commission on the preparation of this research note.

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