

ASX/MEDIA
ANNOUNCEMENT

10 SEPTEMBER 2012

ASX Code:

HOR

Board of Directors

Mr Jeremy Shervington
Non-Executive Chairman

Mr Neil Marston
Managing Director

Mr Michael Fotios
Non-Executive Director

Mr Stuart Hall
Non-Executive Director

Issued Capital

Shares: 75.7 Million

Options: 21.1 Million

Share Price:
\$0.23

Market Capitalisation:
\$17.4 Million

Cash at Bank
(31 August 2012)

\$2.9 Million



HORSESHOE METALS
LIMITED

DRILLING UNDERWAY AT KUMARINA

HIGHLIGHTS

- RC drilling at Kumarina Copper Project has commenced.
- Minimum 4,000 metre programme to test Rinaldi, Kumarina Copper Mine, North Show and Review East prospects.
- RC drilling on-going at Horseshoe Lights Project.
- HyVista hyperspectral imagery survey to be completed over Kumarina and Horseshoe Lights Projects in September.

Horseshoe Metals Limited (ASX:HOR) (“Horseshoe” or “the Company”) is pleased to advise that a drilling campaign has commenced at its 100% owned Kumarina Copper Project (“Kumarina Project”), located in the Peak Hill Mineral Field of Western Australia (see Figure 1).

Kumarina Drilling Programme

A Reverse Circulation Percussion (“RC”) drill rig has been drilling at Kumarina since 8 September 2012. It is planned that a minimum of 4,000 metres of drilling will be undertaken in the current drilling programme over the next 20 – 30 days.

Drilling will test a number of areas (see Figure 2) including:

1. In-fill and extensional drilling at the Rinaldi prospect, and
2. Reconnaissance drilling at the Kumarina Copper Mine, North Show and Review East Prospects.



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Planned Activities

Horseshoe Lights Project

Drilling at the Horseshoe Lights Project is ongoing. An RC rig is drilling to test for additional mineral resources to the north of the existing open pit.

The focus of follow-up drilling efforts at Horseshoe Lights in the coming months will be to:

1. drill deeper holes in areas where copper/gold mineralisation has previously been intersected in the North West Stringer Zone and the Main Zone;
2. test for deep, high grade copper/gold zones, down dip and down plunge of the Main Zone, which potentially could be of sufficient grade to support underground mining, and
3. follow up shallow exploration targets outside of the immediate pit area which have not been adequately tested by previous exploration efforts.

The Company plans to complete a revised mineral resource estimate once drilling has been completed. At a cut-off grade of 0.5% Cu, the current estimate is a total Measured, Indicated and Inferred Mineral Resource of **8.6 million tonnes @ 1.06% Cu and 0.13 g/t Au** for 91,000 tonnes Cu and 37,400 oz Au.

HyVista Survey

HyVista Corporation Pty Ltd ("HyVista") have been contracted to fly an airborne hyperspectral imagery survey over the entire Kumarina Project as well as the Horseshoe Lights Project area.

It is expected the survey will be undertaken later this month with data processing and interpretation to follow thereafter.

ENDS

For further information please contact:

Neil Marston
Managing Director
Horseshoe Metals Limited
Ph: +61 8 9481 5866
M: 0427 188 768
E: nam@horseshoemetals.com.au

Colin Hay
Professional Public Relations Pty Ltd
Ph: +61 8 9388 0944
E: colin.hay@ppr.com.au

About Horseshoe Metals Limited

Horseshoe Metals Limited (ASX: HOR) is a copper and gold focused company with a package of tenements covering approximately 300km² in the highly prospective Peak Hill Mineral Field, located north of Meekatharra in Western Australia. The Company's projects are the Horseshoe Lights Project and the Kumarina Project.



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About the Horseshoe Lights Project

The Horseshoe Lights Project includes the old open pit of the Horseshoe Lights copper-gold mine which operated intermittently between 1946 and 1994, producing over 300,000 ounces of gold and 54,000 tonnes of copper. The Horseshoe Lights ore body is interpreted as a deformed volcanic-hosted massive sulphide (VHMS) deposit that has undergone supergene alteration to generate the gold-enriched and copper-depleted cap that was the target of initial mining. The deposit is hosted by quartz-sericite and quartz-chlorite schists of the Lower Proterozoic Narracoota Volcanics, which also host Sandfire Resources' recent DeGrussa Cu-Au discovery.

Past mining was focused on the Main Zone, a series of lensoid ore zones which passed with depth from a gold-rich oxide zone through zones of high-grade chalcocite mineralisation into massive pyrite-chalcopyrite. To the west and east of the Main Zone, copper mineralisation in the Northwest Stringer Zone and Motters Zone consists of veins and disseminations of chalcopyrite and pyrite and their upper oxide copper extensions. Previous operators of the mine drilled 829 RC and approximately 70 diamond drill-holes, many of which do not exceed 100m in depth and, in the case of some of the sterilisation holes drilled in the 1980's, did not assay for copper.

Prior to the commencement of drilling by Horseshoe in 2010, the project had no exploration since the 1990's and Horseshoe believes that systematic drilling, combined with the application of modern geophysical methods, can upgrade the known resources and may lead to new discoveries in the mine area.

Following the drilling completed in 2010/2011, a new Mineral Resource Estimation was completed. At a cut-off grade of 0.5% Cu, the total Measured, Indicated and Inferred is **8.6 million tonnes @ 1.06% Cu and 0.13 g/t Au** for 91,000 tonnes Cu and 37,400 oz Au (see Table 1).

About the Kumarina Project

The copper deposits at the Kumarina Project were discovered in 1913 and worked intermittently until 1973. The workings extend over nearly 3km as a series of pits, shafts and shallow open cuts. At the main Kumarina Copper Mine, the workings are entirely underground with drives from the main shaft extending for some 200m in the upper levels and for about 100m in the lower levels at a depth of 49m below surface.

Incomplete records post-1960s make it difficult to estimate the total copper production from the workings. However, indications are that the Kumarina Copper mine was the second largest producer in the Bangemall Basin group of copper mines. Recorded production to the late 1960s is 481t of copper ore at a high-grade of 37.0% Cu and 2,340t at a grade of 17.51% Cu. Exploration activities completed over the Kumarina area between 1992 and 1998 by St Barbara Limited focused on the Kumarina and Rinaldi workings and included geological mapping, gridding, rock sampling and 51 air core holes for 2,062m. Six metre composite drill samples were assayed for Cu, Au, Ag, Co, As, Pb and Mg. Four holes intersected multiple lodes that returned assays between 1.15% Cu to 3.5% Cu.

Two reverse circulation percussion drilling programmes were completed during the December 2011 quarter. Results of the drilling programmes identified significant shallow copper mineralisation at the Rinaldi Prospect along a north – south oriented intrusive. A March 2012 diamond drilling programme of seven holes intersected visible copper with some high grade zones returning one metre assays of up to 15.2% copper.

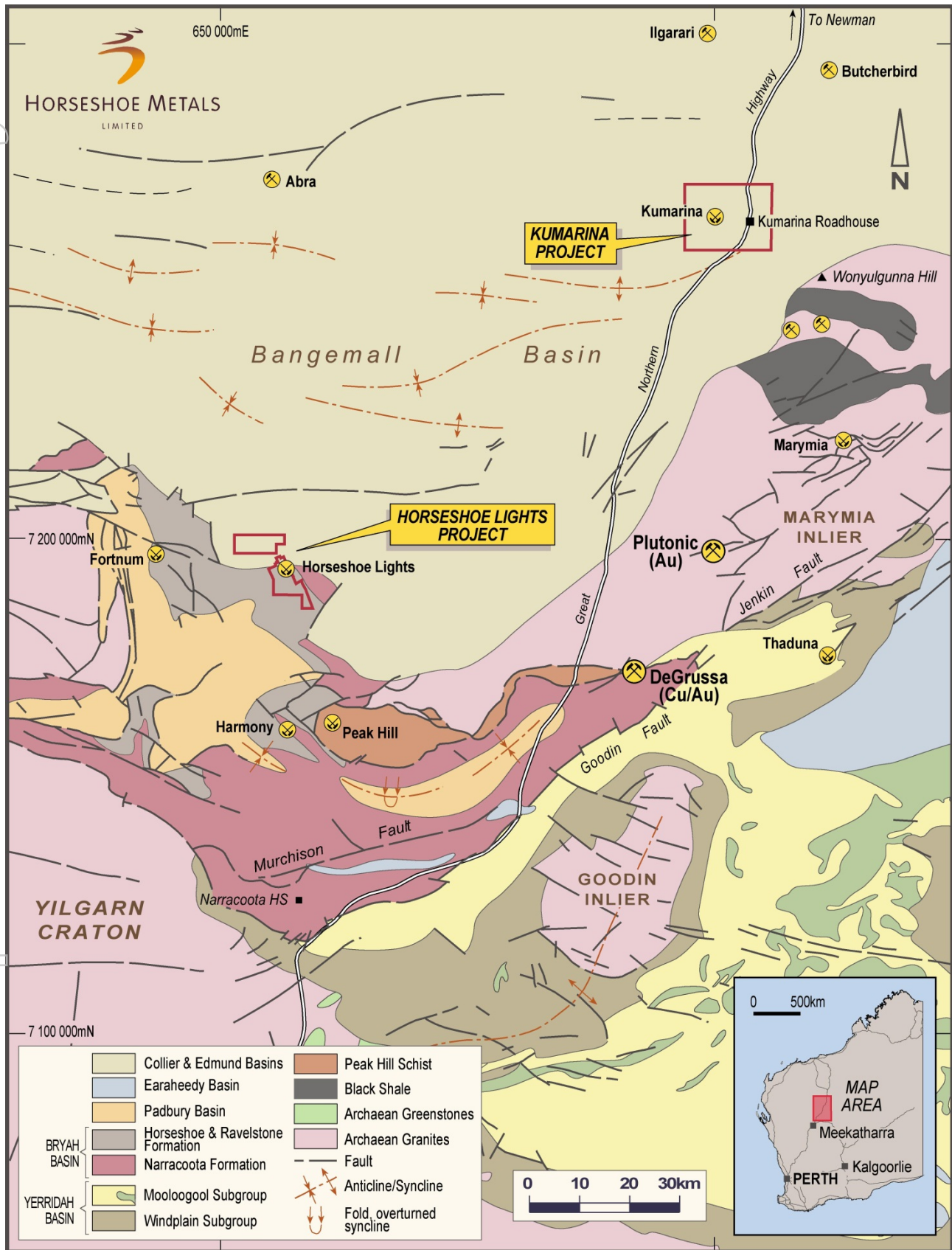


Figure 1 – Projects Location Plan

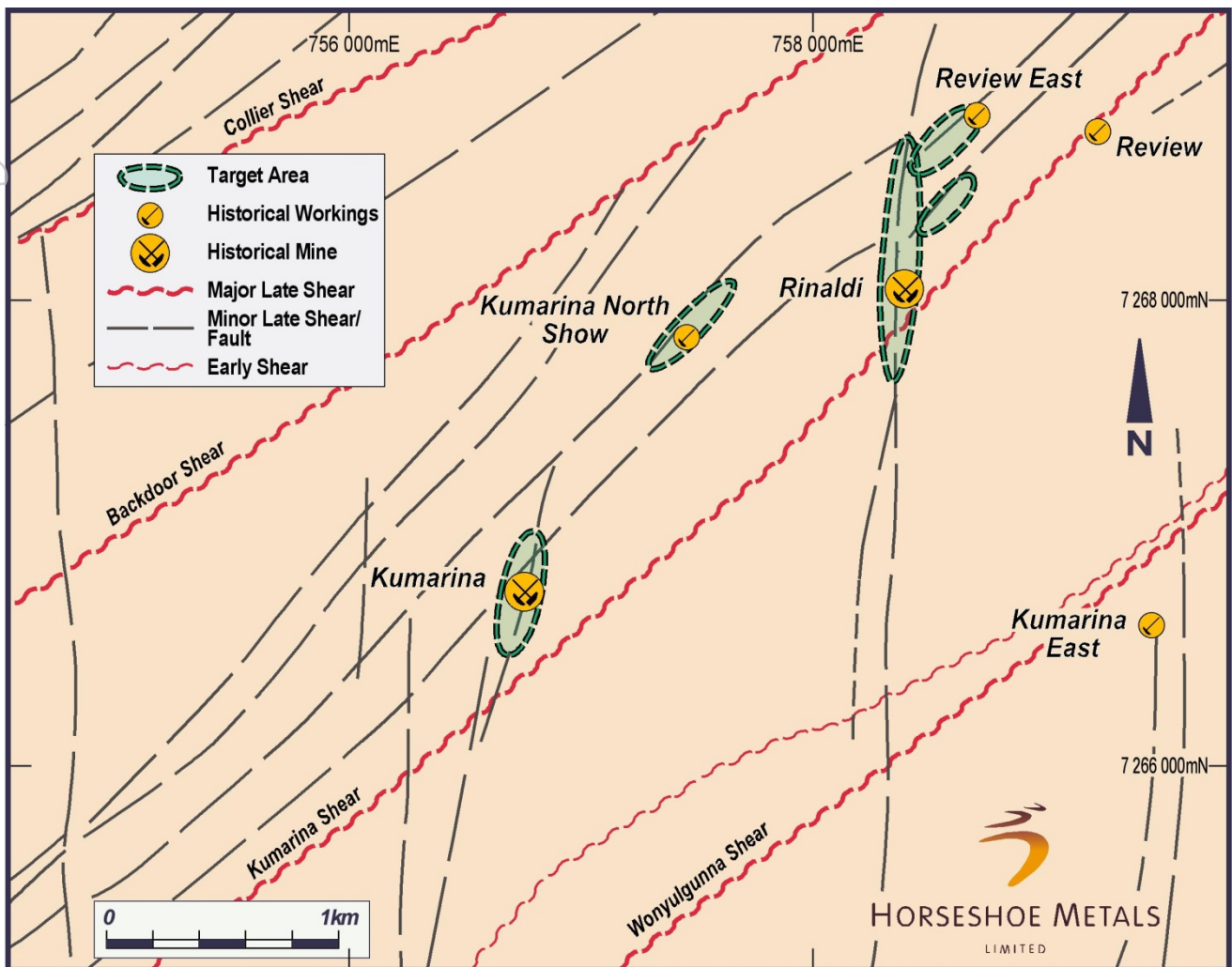


Figure 2 –Kumarina Project - Drilling Target Areas

Competent Persons Statement

The information in the report to which this statement is attached that relates to Exploration Results is based on information compiled by Mr Geoff Willetts, BSc. (Hons) MSc. who is a Member of the Australian Institute of Geoscientists. Geoff Willetts is employed full-time by Horseshoe Metals Limited.

Geoff Willetts has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Geoff Willetts consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to Mineral Resources is based on information compiled by Dr Bielin Shi, who is a member of the Australasian Institute of Mining and Metallurgy (AusIMM) and Australian Institute of Geoscientists (AIG). Dr Shi is a full-time employee of CSA Global Pty Ltd.

Dr Bielin Shi has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Mineral Resources and Ore Reserves". Dr Shi consents to the inclusion of such information in this report in the form and context in which it appears.

Table 1
Horseshoe Lights Project
Mineral Resource Estimation

Cut-off (Cu %)	Measured					Indicated					Inferred					TOTAL				
	Tonnes (Mt)	Grade (Cu %)	Grade (Au g/t)	Copper Metal (T)	Gold Metal (Oz)	Tonnes (Mt)	Grade (Cu %)	Grade (Au g/t)	Copper Metal (T)	Gold Metal (Oz)	Tonnes (Mt)	Grade (Cu %)	Grade (Au g/t)	Copper Metal (T)	Gold Metal (Oz)	Tonnes (Mt)	Grade (Cu %)	Grade (Au g/t)	Copper Metal (T)	Gold Metal (Oz)
0.25	0.54	0.674	0.014	3,607	241	0.76	0.569	0.028	4,322	684	17.09	0.689	0.107	117,743	58,788	18.38	0.683	0.101	125,560	59,696
0.50	0.29	0.939	0.017	2,705	157	0.32	0.880	0.027	2,787	275	8.02	1.067	0.143	85,534	36,856	8.62	1.056	0.135	91,040	37,400
0.70	0.18	1.152	0.019	2,051	109	0.16	1.146	0.024	1,871	126	4.96	1.363	0.173	67,612	27,591	5.30	1.349	0.163	71,522	27,785
1.00	0.10	1.414	0.023	1,347	70	0.08	1.432	0.020	1,213	54	2.71	1.803	0.226	48,932	19,720	2.89	1.780	0.213	51,511	19,818
1.50	0.03	2.013	0.021	564	19	0.02	2.056	0.031	438	21	1.27	2.473	0.343	31,484	14,040	1.32	2.457	0.331	32,492	14,073
2.00	0.01	2.509	0.009	285	3	0.01	2.845	0.001	205	0	0.71	3.066	0.399	21,782	9,114	0.73	3.055	0.389	22,271	9,117

The 3D block models were estimated using the geostatistical method of Ordinary Kriging (OK) Multiple Indicator Kriging (MIK) with block support adjustment based on the Kriging parameters. The block model estimate is based on 58 diamond drill holes and 789 RC drill holes using a 2m composite data set for 3 individual domains. 28 historic RC holes have been used for wireframe interpretation, but the assay data with low geological confidence have been excluded from the estimation. The same 3D block models were also estimated using the geostatistical method of Multiple Indicator Kriging (MIK). The MIK estimate produced very similar results with the OK estimate being the slightly more conservative of the two. Density values assigned to the block model are shown in Table 2.

Table 2
Block Model Density Values

Weathering Zone	Density (g/cm ³)
Oxidised	2.00
Transitional	2.20
Fresh	2.50