

**16 September 2014**

## **WELLS INDICATE COAL SEAMS AT MINA RICA PROJECT**

**The Mina Rica project is one of three strategic thermal coal projects recently acquired by Equus Mining Limited (ASX: EQE). Key information recently interpreted from oil & gas wells has revealed the presence of previously unrecognised coal seams at Mina Rica.**

**Chile is desperately short of domestically sourced thermal coal so there is a ready market for new coal discoveries. Mina Rica is located close to critical infrastructure.**

### **Announcement Key Points**

- The Mina Rica project is one of three strategic thermal coal projects recently acquired by Equus Mining Limited (ASX: EQE).
- Previous mining in the Mina Rica area only occurred where coal seams outcropped, such as on the coast and on higher ground inland. Much of the surface geology is obscured by this thin gravel cover.
- Equus Mining has interpreted key information from oil & gas wells which reveal the presence of coal seams previously obscured by a thin layer of gravel.
- Oil well tri-cone drilling intersected coal horizons over broad zones from deeper portions of a broad anticline limb. Wireline logs confirm the occurrence of coal seams. These zones are simply projected to surface and will be tested with shallow drilling.
- There is potential for multiple near surface coal seams due to gentle folding of the coal bearing Loreto Formation. Chile's desperate shortage of domestic thermal coal means there is a very ready market for any new supply. Currently 80% of Chile's thermal coal needs to be imported.
- Strong economic growth and the cancellation of the massive 2,750MW HydroAysen project mean Chile's reliance on imported energy will only increase in the future.

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## **Oil & Gas Well Indicate Coal Seams Below Cover at Mina Rica**

Equus Mining recently acquired control of the Mina Rica thermal coal project, one of three strategic packages of exploration licenses located in Chile's largest coal occurrence, the Magallanes Basin. Mina Rica is located close to critical infrastructure.

The Mina Rica thermal coal project covers 85km<sup>2</sup> of the coal bearing Loreto Formation on the north side of the Brunswick Peninsula. This unit is known to host shallowly dipping coal deposits suitable for bulk open cut extraction.

Despite a long history of coal mining the general distribution of the coal seams is poorly understood due to a thin layer of glacial moraine that covers much of the area and the lack of exploration drilling. To date coal mining has only occurred where coal seams outcropped on the coast and on higher ground inland.

Nevertheless coal has been intercepted in oil & gas wells and seismic shot holes drilled by oil companies. Equus Mining believes using oil & gas well logs and seismic sections to project coal intercepts to surface is key to delineating areas potentially hosting near surface coal seams.

Tri-cone drilling of the Las Hojas 1 well returned coal chips over broad zones on the deeper portion of broad anticline limb (See Map 1). In addition wireline logs (gamma, resistivity & density) from this well showed typical signatures associated with coal seams. It is also worth noting that the Las Hojas 1 well was reportedly also a significant "gas producer" with coal seams being the likely gas reservoir.

Using known bedding orientations and correlating defined stratigraphy between wells and seismic sections the likely extensions to the coal bearing seams intersected in the oil & gas wells can be simply projected to surface (See Map 2).

The gently folded Loreto Formation over large areas in the Mina Rica area signifies potential for the repetition of spatially extensive, multiple, near surface coal seams. Equus is sourcing more well data to potentially delineate further zones of potential near surface subcropping coal seams. These targets will be drilled later in the year as part of a broad drill campaign testing other defined targets throughout Equus Mining's coal projects.

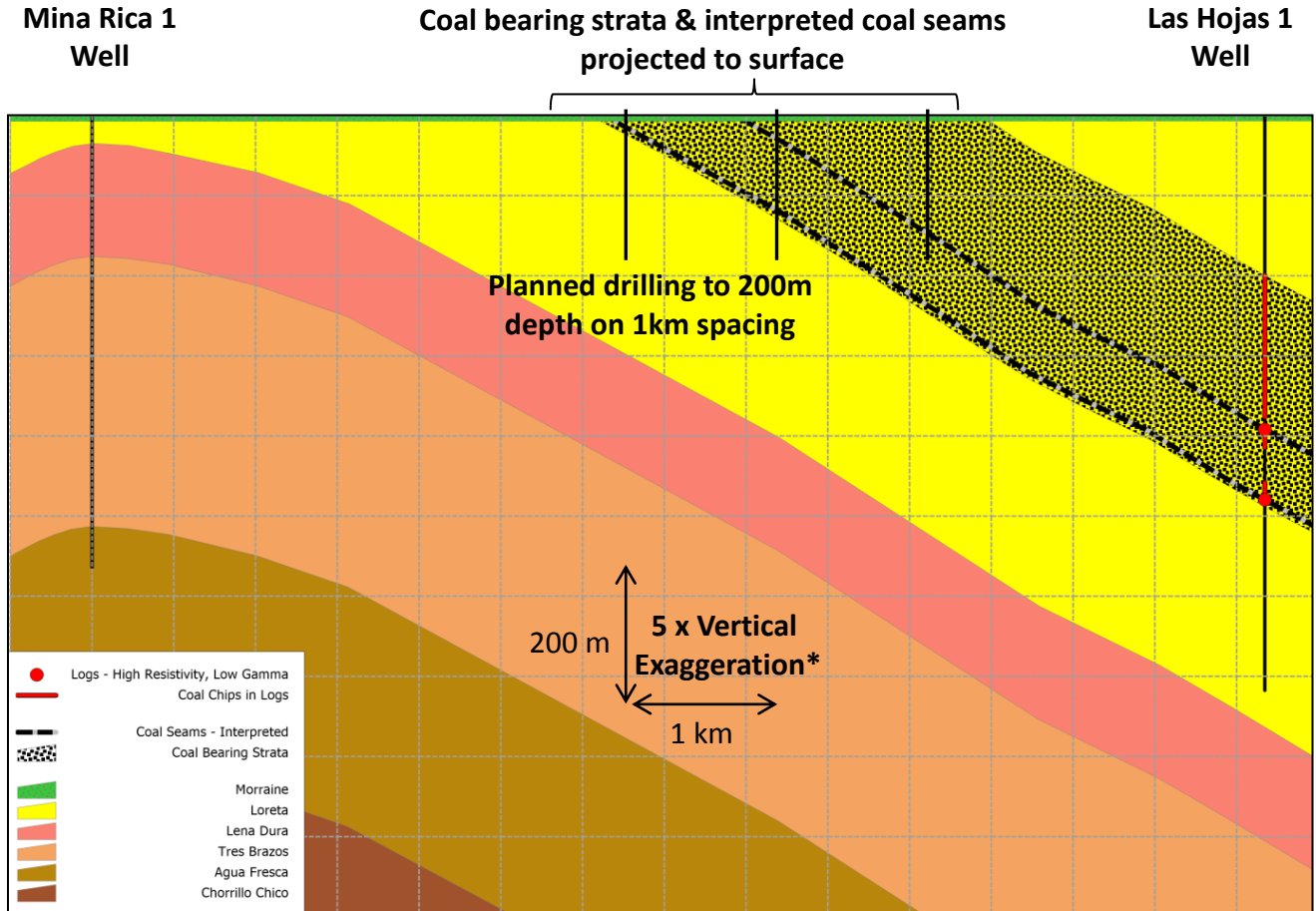
## **Mina Rica Close Proximity to Infrastructure**

The Mina Rica thermal coal project is located very close to excellent infrastructure. Mina Rica abuts against the deep water Otway Sound which is navigable by bulk carriers (See Map 3 & 4).

Mina Rica is located 10km from the Pecket coal mine which has ceased production. Management of this mine have presented a 2-year mine closure plan to the Chilean government. The closure is reportedly as a result of a major pit wall failure in April 2014 which immediately paralysed production and sterilised remanent coal reserves. The Pecket mine previously exported thermal coal via bulk carriers using a 2,000tph ship loader. The closure of the Pecket mine leaves the Invierno Mine, located on Isla Riesco, as the only large scale coal mine in Chile.



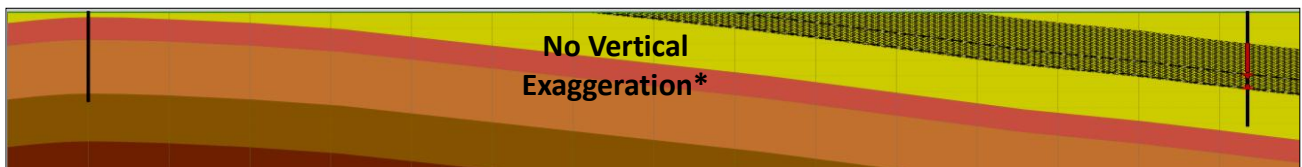
### Map1. Vertical Geological Section between Mina Rica 1 & Las Hojas 1 Wells



Mina Rica 1 Well

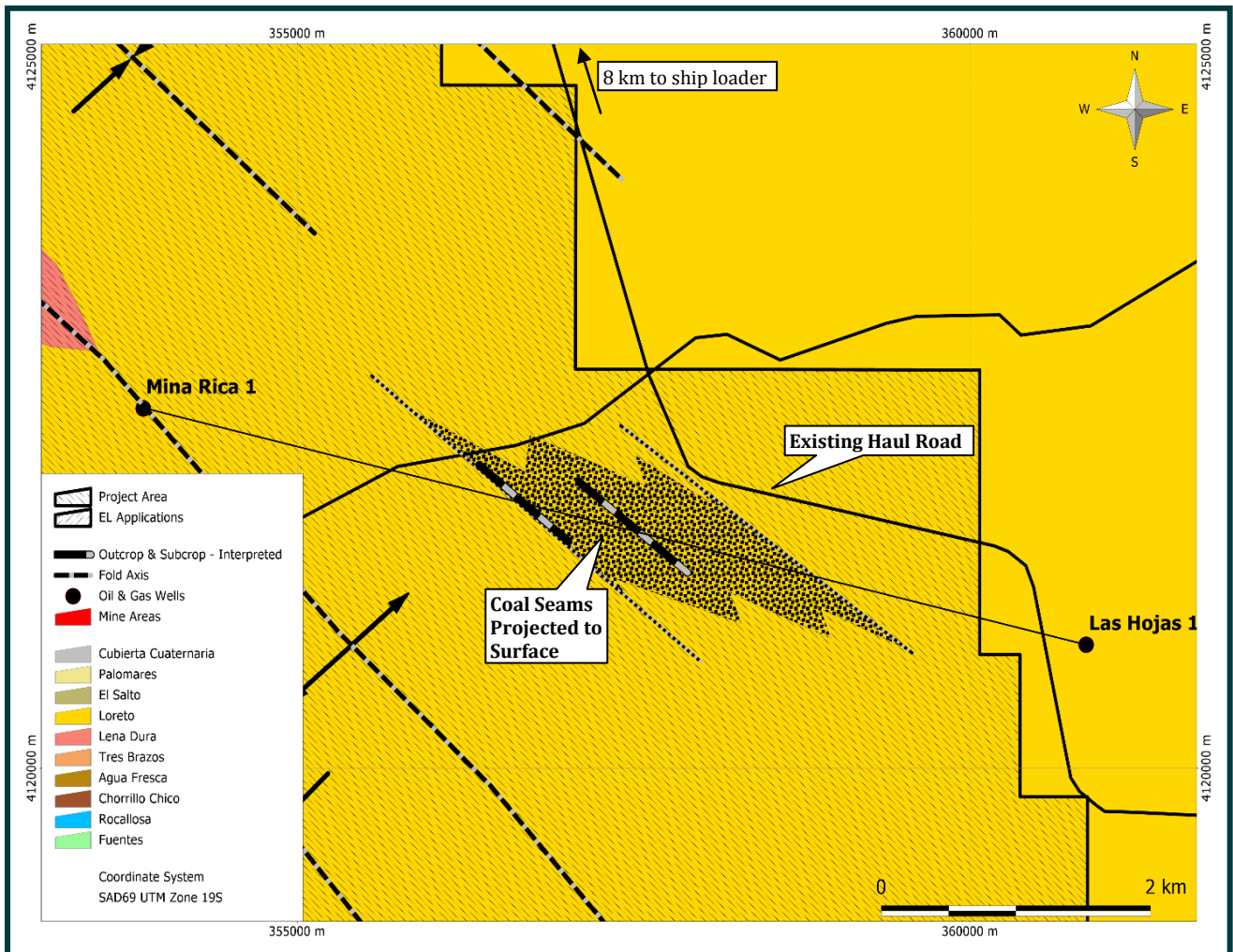
7.2 km

Las Hojas Well 1



\*Note: Vertical Exaggeration is used to show map features when stratigraphy is laterally extensive and shallow dipping

**Map 2. Plan of Coal Seams Intercepted in Las Hojas 1 Projected to Surface**



## Strategic Acquisition of 3 Coal Projects - Background

On 25 May 2014 Equus Mining Limited announced that it had secured the rights to acquire 100% of Andean Coal Pty Ltd ('Andean'). Equus is to earn:

- An initial 51% in Andean through the expenditure of A\$0.2 million on exploration and administration at Andean's coal projects.
- The remaining 49% through a 2 year option for the consideration of A\$0.2 million in shares.

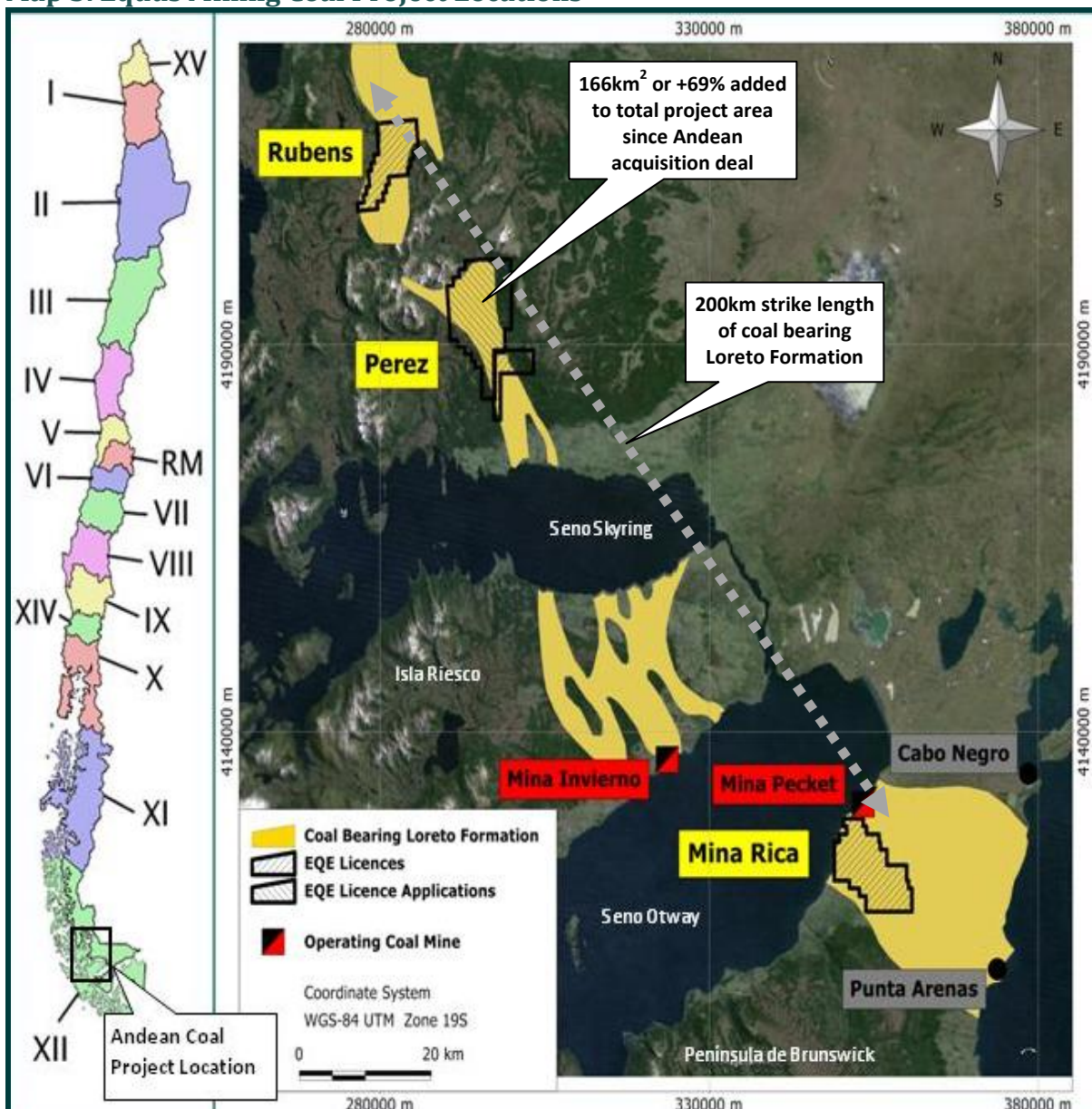
Equus Mining Limited has strategically positioned itself to take advantage of Chile's growing demand for electricity via the Andean Coal acquisition deal. Equus Mining now controls a package of exploration licences centred on the coal bearing Loreto Formation, located in Chile's largest coalfield, the Magallanes Basin (see Map 3). These licences are situated in three project areas: Rubens, Perez and Mina Rica.

All three projects have strong potential to host shallow dipping coal deposits suitable for bulk open cut extraction as indicated by a combination of coal outcrop, float and intercepts in oil and gas wells in the general licence areas as well as historic regional work by BHP and Chile's state owned petroleum company ENAP.

Equus Mining Limited has further increased its strategic ground position with exploration licence applications. This has seen the Equus total area of interest over the coal bearing Loreto Formation increase from approximately 166 km<sup>2</sup> to 281 km<sup>2</sup>, an increase of 69% in area (see Map 3). EQE intends to continue increasing ground holdings via exploration licence applications and potential joint ventures.

The Magallanes basin is recognised as the largest coal occurrence in Chile and is the centre of a fledgling coal mining industry. Andean's licences are centred over the main coal bearing unit, the Loreto Formation, which extends over a distance of 200km. Despite Chile importing 80% of its current thermal coal needs, the Magallanes basin has just one operating mine.

**Map 3. Equus Mining Coal Project Locations**



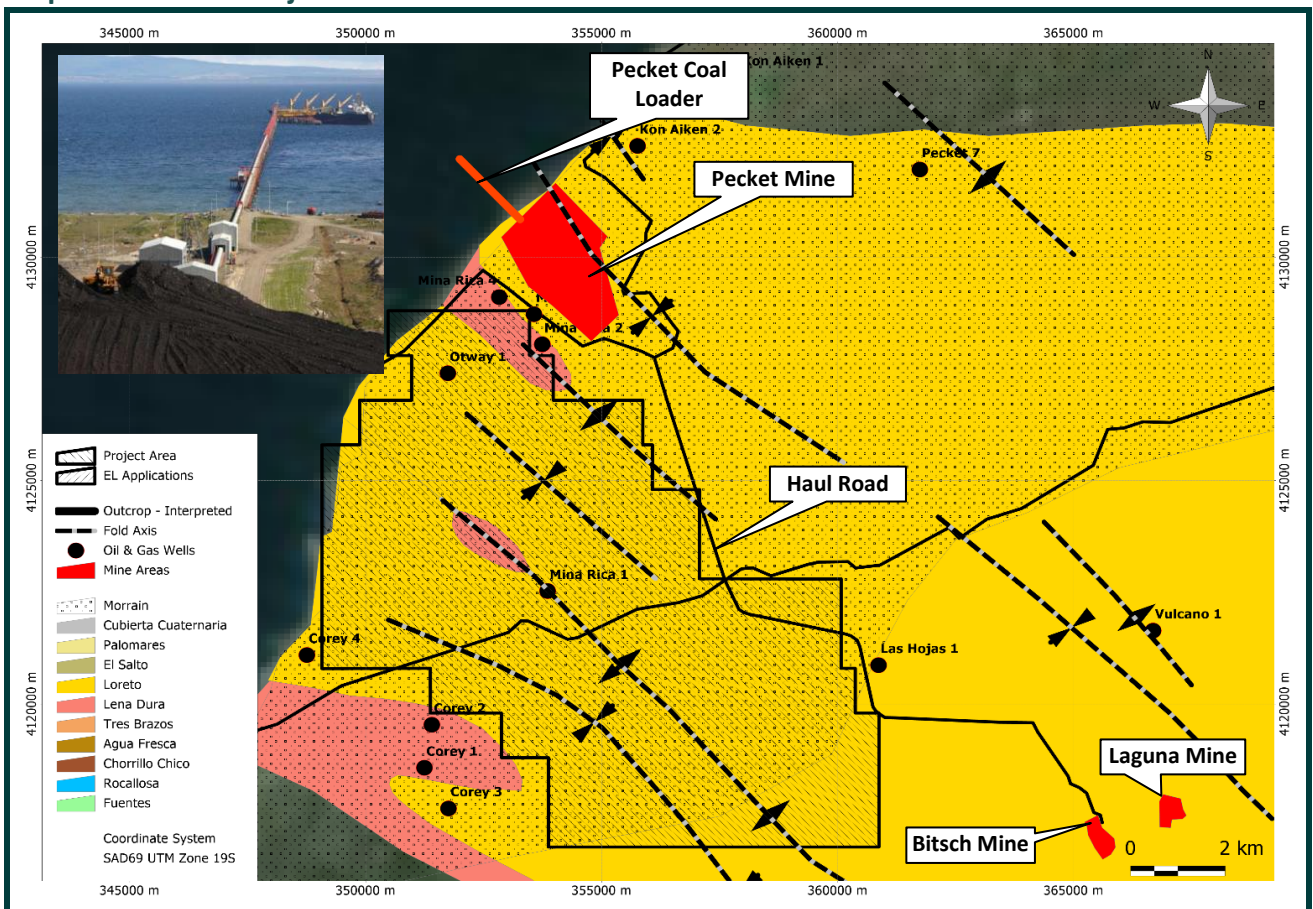
## Mina Rica Coal Project

The Mina Rica Coal Project covers a large area of the Loreto Formation adjacent to the idle Pecket coal loader (owned by a third party).

### Key points:

- Area 85km<sup>2</sup>
- Recent & historical coal mining occurred where seams outcropped on coast and on higher ground inland
- Surface geology obscured by thin gravel cover
- Coal intercepted in oil wells & seismic shot holes
- Using oil well logs to project coal intercepts to surface is key to delineating near surface seam extensions
- Gently folded Loreto Formation over large areas means potential for repetition of spatially extensive, multiple, near surface coal seams
- Simple broad spaced drilling required to locate projected near surface coal seam
- Located close to infrastructure

**Map 4. Mina Rica Project**



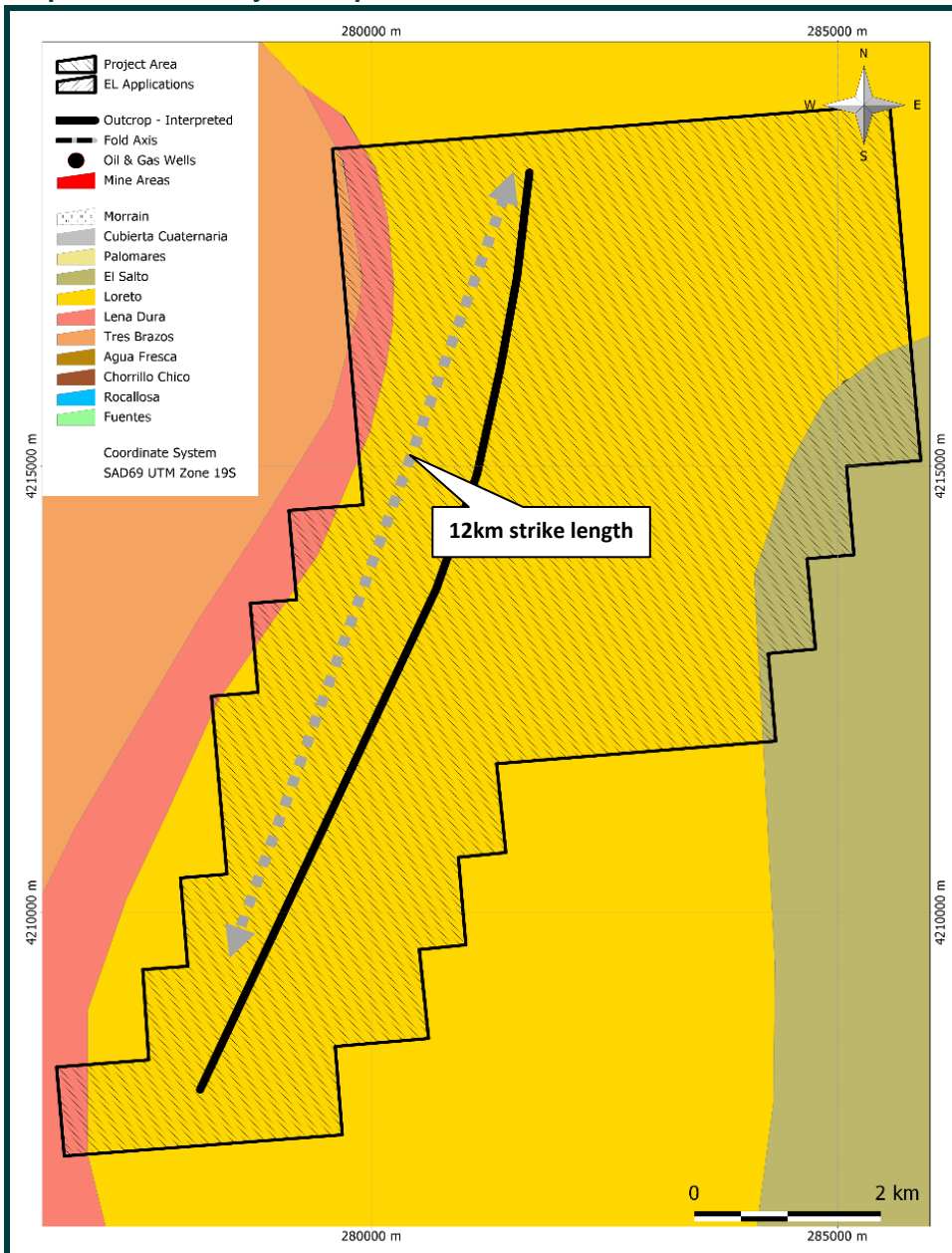
## Rubens Coal Project

The Rubens Coal Project covers a significant strike length of the coal bearing Loreto Formation.

Key points:

- Area 54km<sup>2</sup>
- Loreto Formation hosted coal seams dips 2° - 7° to east
- Coal continuity traced in outcrop & float plus intercepts down dip in ENAP wells
- Estimated unbeneficiated CV 5,300Kcal/kg
- 12km strike length of coal bearing Loreto Formation
- 15km to Ultima Esperanza Sound and 16km to concrete Highway 9
- 50km to 240 MW Rio Turbio coal fired power station due for commissioning 4Q 2014
- Simple drill out along strike and down dip of known thick coal seams

### Map 5. Rubens Project Map



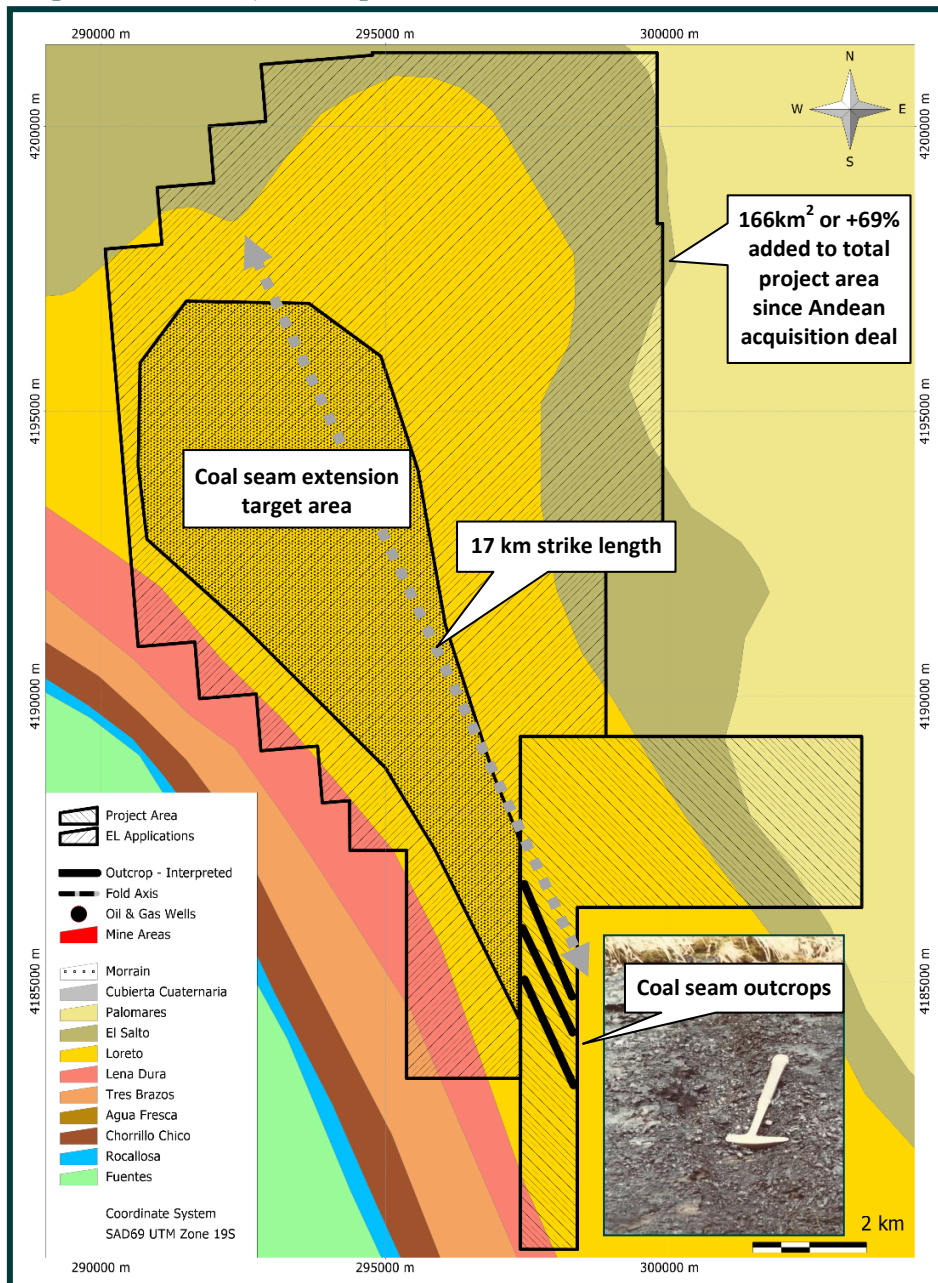
## Perez Coal Project

The Perez Coal Project covers a significant strike length of the coal bearing Loreto Formation.

Key points:

- Area 140km<sup>2</sup>
- Several coal seams reported in 1984
- Same basal coal seam geology as Rubens
- Loreto Formation hosted coal seams dips 5° - 7° to east
- Increased Loreto Formation strike length to 17km with new applications
- Mapping of outcrop & float required prior to drilling
- 9km to Skyring Sound and 30 km to concrete Highway 9

**Map 6. Perez Project Map**



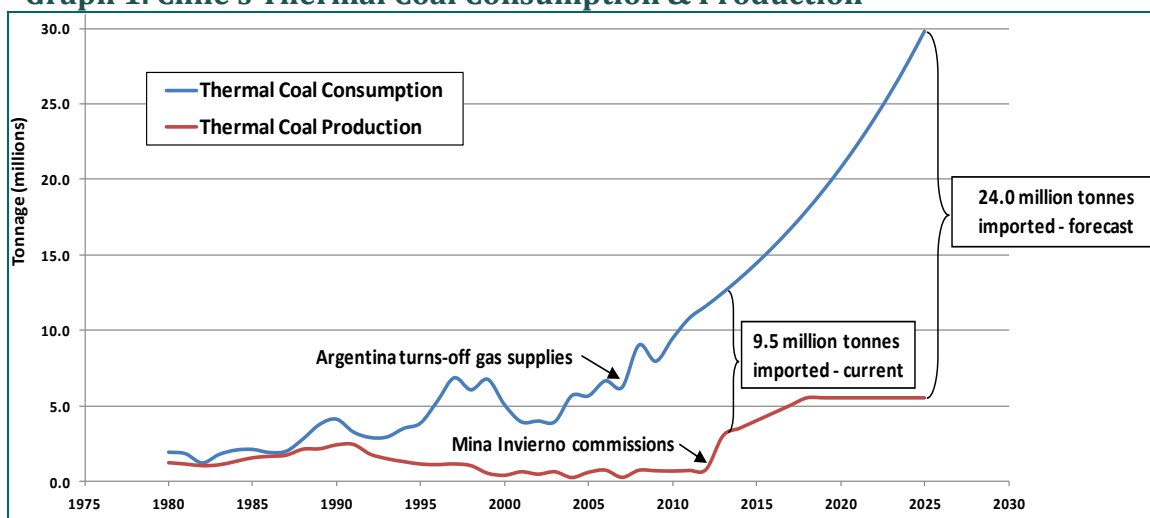


## Chile's Energy Deficiency

Chile is an energy deficient country. Chile's economic development is driving strong growth in energy demand. However, domestic energy production has stagnated resulting in Chile currently importing approximately three quarters of its energy needs.

Similarly, thermal coal imports are also three quarters of domestic coal consumption (See Graph 1). Demand for thermal coal has grown significantly since the curtailment of gas exports from Argentina in 2007. Coal fired power generation (coal consumption) doubled from 2005 to 2012.

**Graph 1. Chile's Thermal Coal Consumption & Production**



From 2007 to 2012 an additional 2,155 MW of coal fired power capacity was introduced to Chile's power grid, almost as much as the 2,549 MW added over the previous 70 years. The Chilean government forecasts that 8,000 MW of new power generation capacity (from all fuel sources) is needed by 2020 to meet demand growth.

Thermal coal consumption can be expected to grow from 12 million tonnes per annum in 2013 to around 30 million tonnes per annum over the next 10 years based on government annual power consumption growth figures (6% - 7%) and coal remaining at just 27% of the current power generation fuel mix compared to a world average of 43%.

The potential for import replacement together with forecast strong growth in thermal coal demand by domestic power producers provides an excellent opportunity for new coal project developments in Chile. Equus is strategically positioned to take advantage of Chile's growing energy needs.

Currently there is just one operating open-cut coal mine in Chile which utilises direct ship loading facilities on the Otway Sound (see Photo 1) supplying just 20% of demand from five power companies operating 12 coal fire power stations (See Photo 2). Transportation of coal from the Magallanes coal basin to power facilities is via bulk carrier ships.

**Photo 1. Coal loader at the recently commissioned 5mtpa Mina Invierno - Chile's only large coal mine**



**Photo 2. Guacolda coal fired power station in Region III (600MW) is one of Chiles 12 existing coal fired power stations**



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