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Developing Coal Resources In Energy Deficient Chile

September 2014

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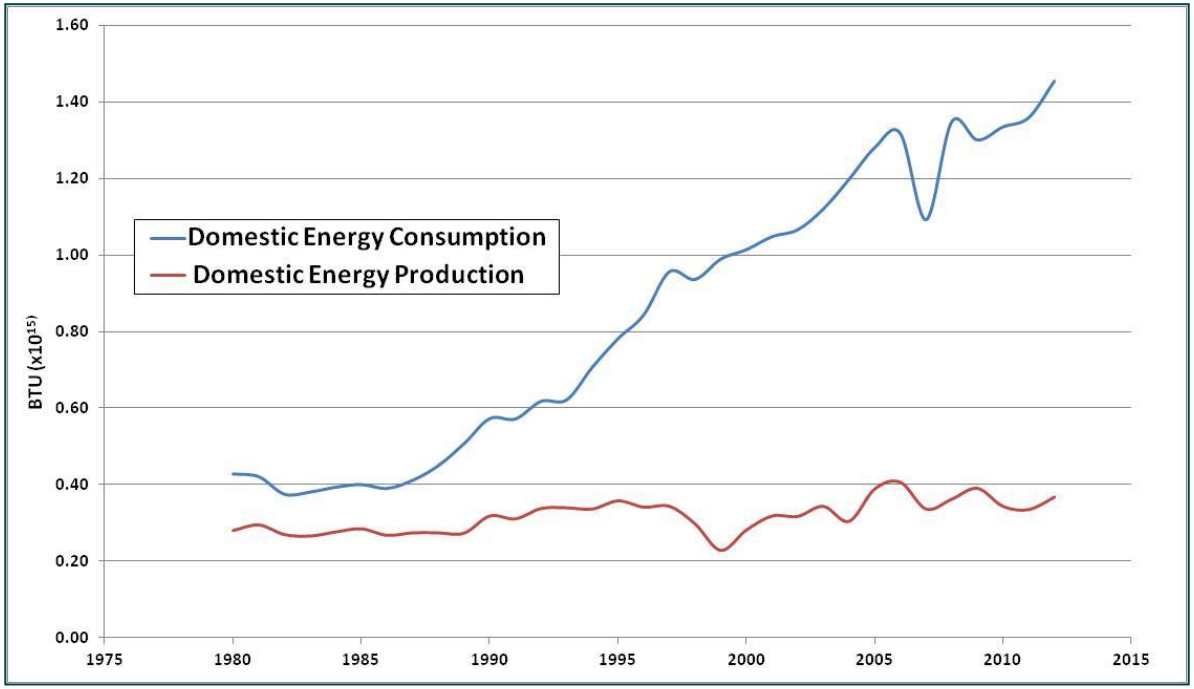
Chile's Energy Deficiency – Consumption Outstrips Production

- Chile's economic development is driving strong growth in energy demand.
- Since 1987 GDP & energy consumption has grown 5.4% pa & 5.3% pa respectively
- However domestic sourced energy production has "flat-lined" resulting in 75% of Chile's energy requirements being imported

Chile's Domestic Energy Consumption & Production



Source: United States Energy Information Administration

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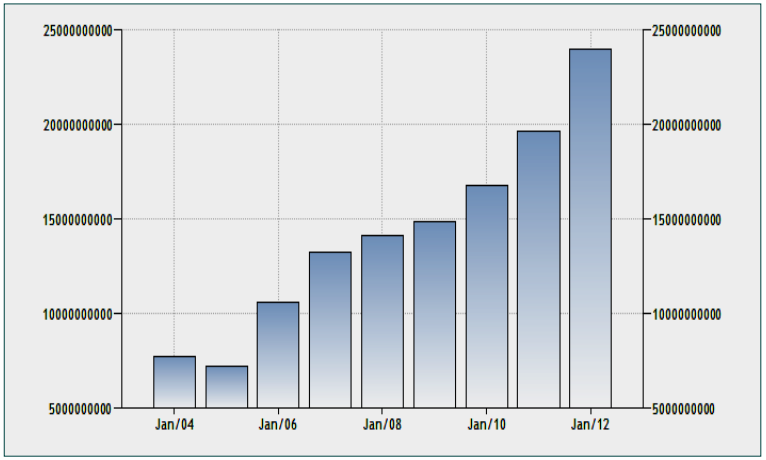
Chile's Energy Deficiency - Thermal Coal replaces Gas & Heavy Oil

- Curtailment of Argentina gas in 2007 resulted in marginal power costs jumping from US$46/MWh in 2006 to US$205/MWh in 2008 and remains high at around US$150/MWh
- Initially gas was replaced by expensive fuel oil however subsequent conversions resulted in very strong thermal coal demand growth
- 2,155 MW of coal fired power capacity introduced from 2007 to 2012, greater than previous 70 years
- Chile Government sites power generation costs:
  - $80/MWh from coal
  - $120/MWh from gas
  - $200/MWh from fuel oil (diesel)
- Still thermal coal is just 27% of the current power generation fuel mix compared to a world average of 43%

Chile's Power Generation from Thermal Coal (kWh)



Installed Power Generation Split by Energy Source

Generation Type	Energy Source	Installed Capacity (MW)		Number of Units	Average Size (MW)
Themoelectric	Coal	4,736	27%	18	263
Themoelectric	Diesel	1,903	11%	80	24
Themoelectric	Fuel Oil	142	1%	4	35
Themoelectric	Gas Natural	4,398	25%	30	147
Themoelectric	Petcoke	75	0%	1	75
Themoelectric	Biogas	269	2%	14	19
Hydroelectric	Dams	3,701	21%	10	370
Hydroelectric	Run-of-river	2,161	12%	67	32
Solar	Sun	1	0%	1	1
Turbine	Wind	200	1%	8	25
Total		**17,586**	**100%**	**233**	75

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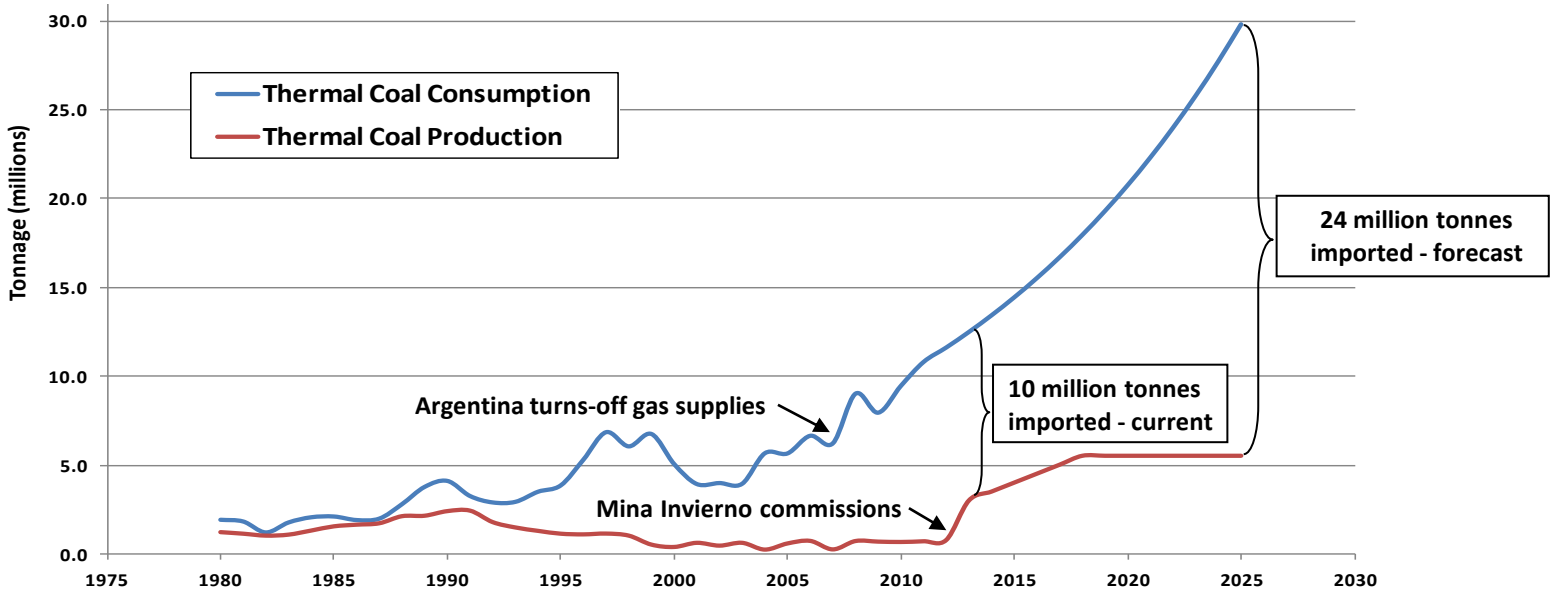
Chile's Energy Deficiency – Thermal Coal Demand Growth

- Government forecasts 6-7% pa power demand growth
- Thermal coal consumption can be expected to grow to 30mt (+150%) over the next decade assuming constant power generation fuel mix
- Recently cancelled 2,750MW HydroAysen project has no domestic replacement
  - Will result in lower hydropower fuel mix (i.e. below 33%)
  - Imported coal & gas only alternative
  - Equivalent to 7 - 8 million tonnes of thermal coal demand per year
- Excellent opportunity for a new player to supply domestic thermal coal for both:
  - Import replacement - 10mtpa existing market opportunity
  - Strong demand growth - 24mtpa future market opportunity



Sources: United States Energy Information Administration, Chile Government, Site Visits.

Coal Mining in the Magallanes Basin

- The Magallanes Basin hosts the largest coal deposits in Chile
- Two existing coal mining operations, both utilise direct ship loading:
  - Mina Invierno 3mtpa, targeting 5mtpa
  - Mina Pecket 0.3tpa (ceased production April 2014)
- Loreto Formation hosted coal seams classified as sub-bituminous:
  - Low sulphur & moderate ash
  - Calorific value generally improves from south to north (AR: 4,000 - 6,000 Kcal/kg, DAF: 5,000 - 7,000 Kcal/kg)
- Thermal coal shipped directly to coast based power stations via bulk carriers
- Supplies just 20% of demand from 12 power stations

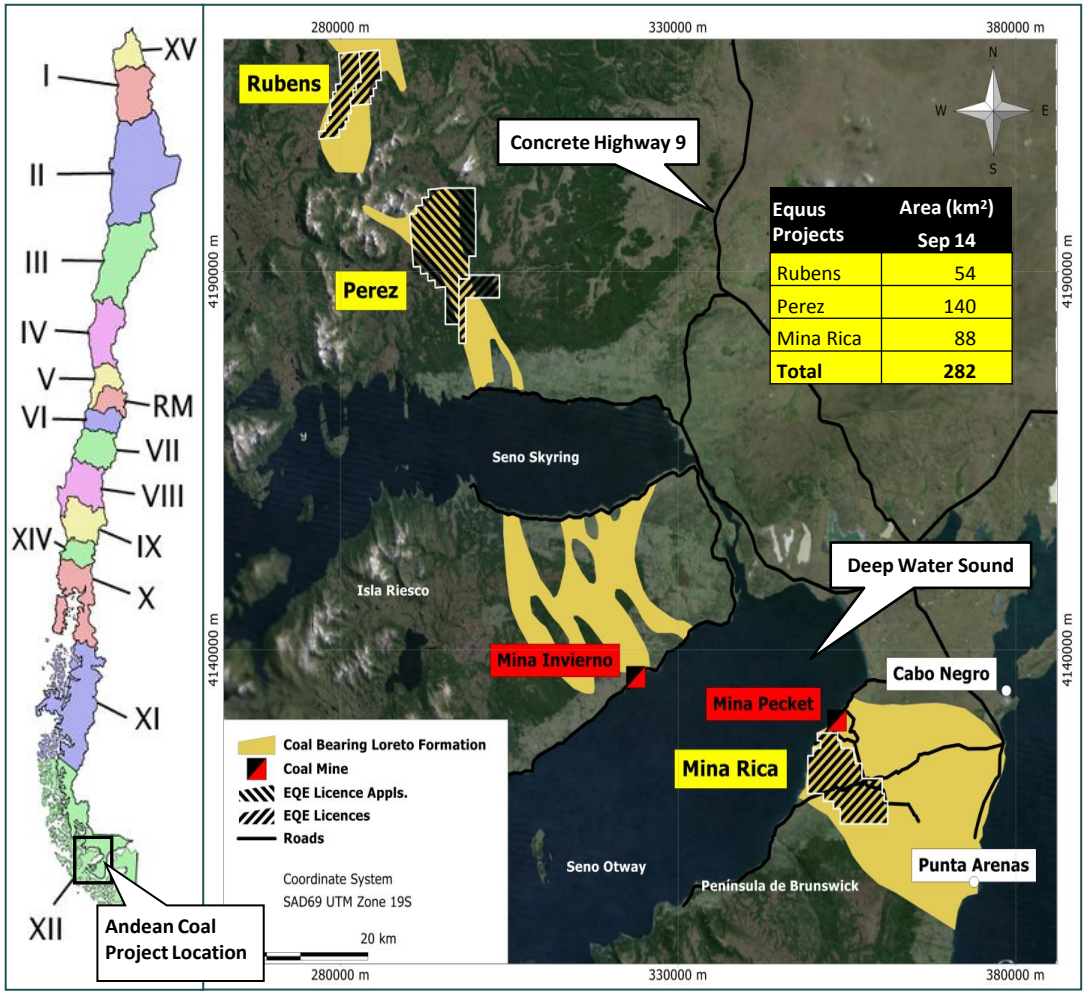
Mina Pecket Coal Mining

Mina Invierno Ship Loader

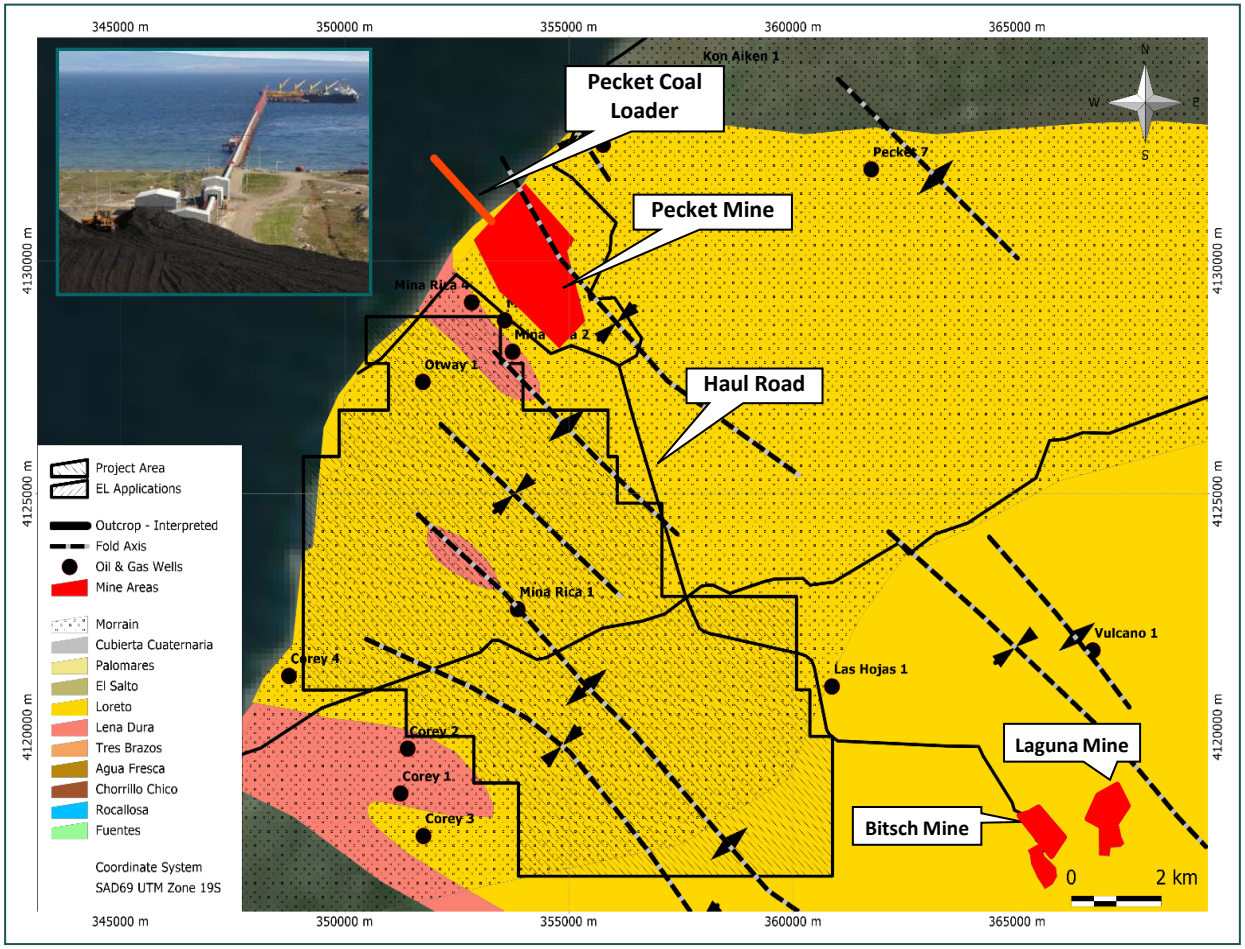
Guacolda Coal Fired Power Station Region III (600MW)

Andean Coal Acquisition

- EQE has 100% rights to Andean Coal Pty Ltd:
  - 51% via A$0.2m exploration expenditure
  - 49% via 2yr purchase option for A$0.2m in scrip
- EQE now holds a dominant position in the Magallanes Basin - recognised as the largest known coal occurrence in Chile
- Three strategic project locations:
  - Total area of 282km²
  - Centred on coal bearing Loreto Formation
- Project areas host thick shallowly dipping coal seams suitable for bulk open cut extraction - targeting 250 million tonnes
- Coal seams traced via outcrop, float and intercepts in oil & gas wells in general project area
- Close proximity to infrastructure & deep water

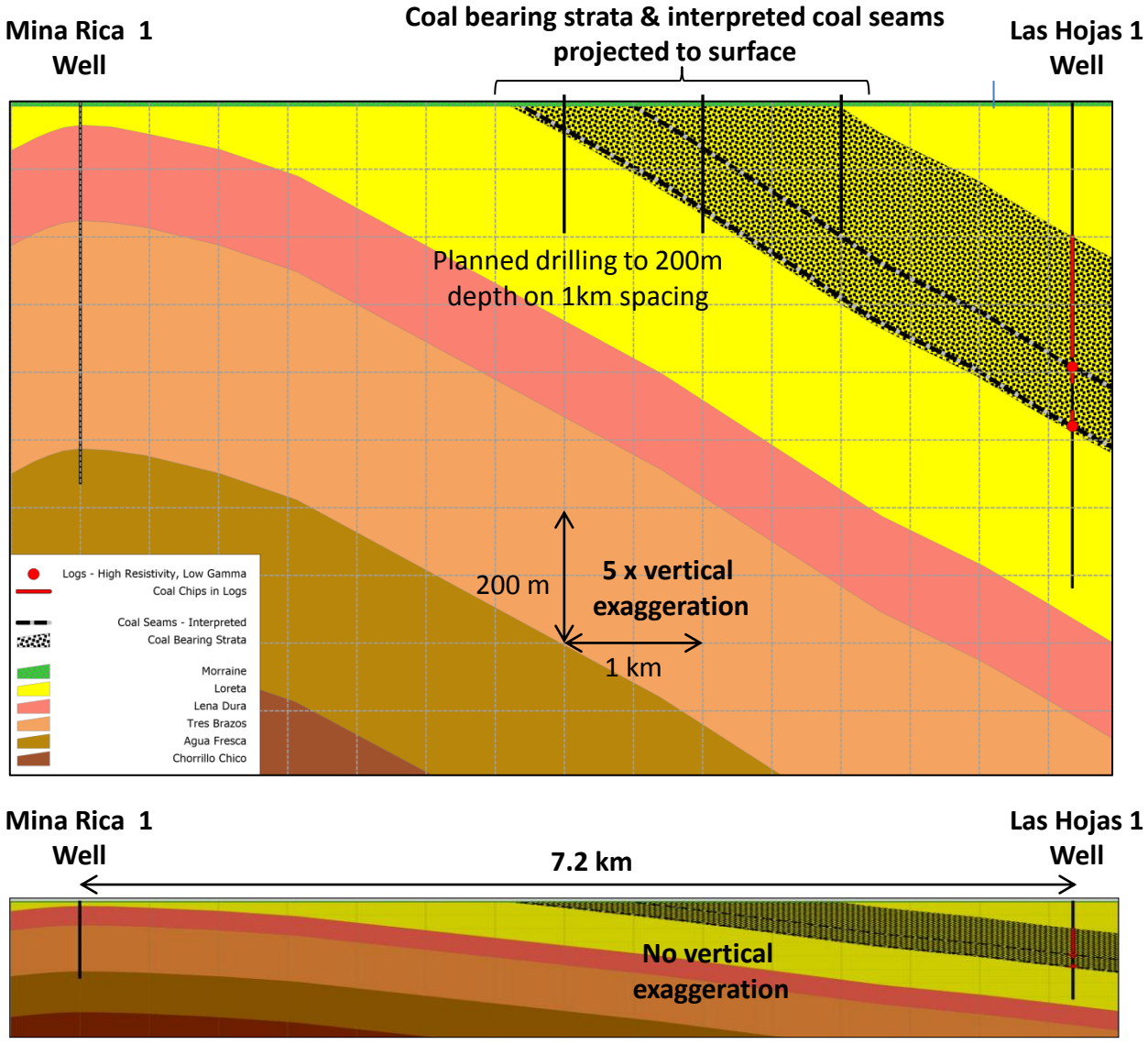


Mina Rica Coal Project



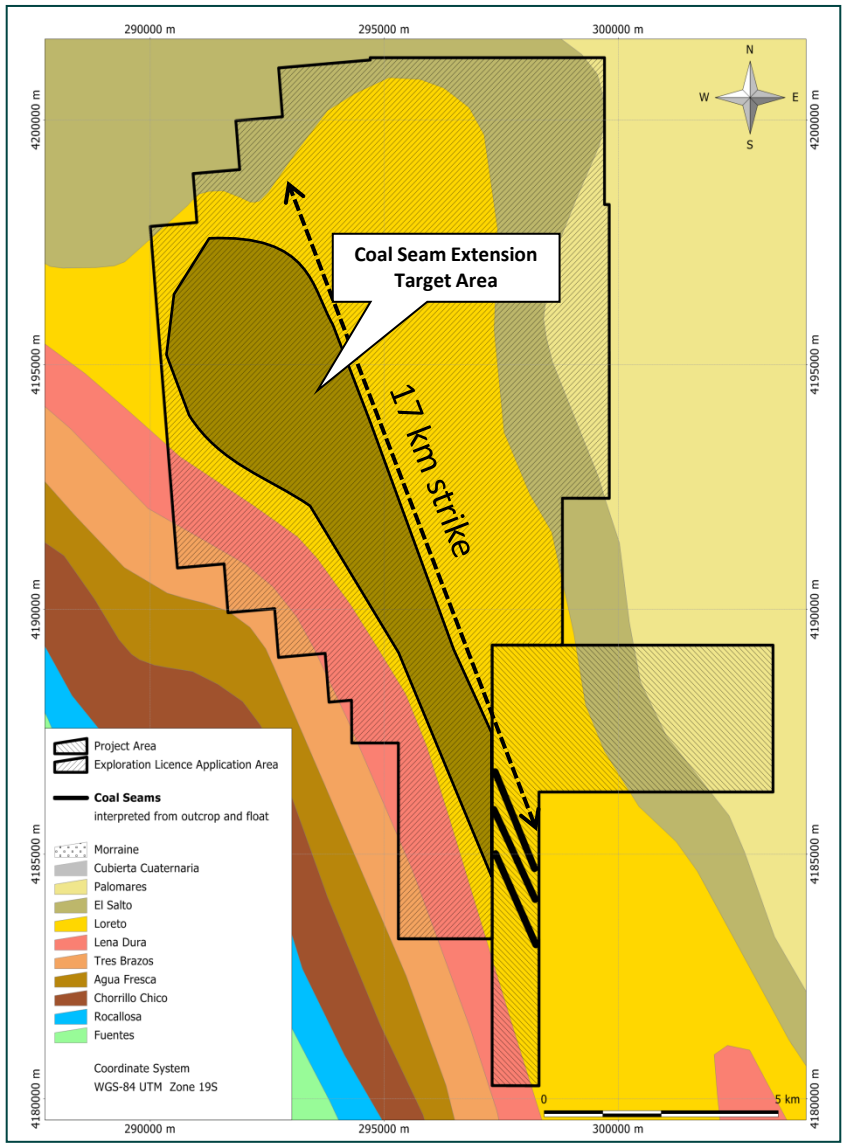
- Area 88km^2
- Main focus of recent & historical coal mining
- Poorly understood coal seam subcrop due to thin layer of glacial moraine
- Undulating Loreto Formation over large area means potential for multiple coal seam subcrop
- Coal intercepted in oil wells & seismic shot holes
- Neighbouring Pecket mine with 2,000tph ship loader has ceased production

Mina Rica Section – Wells Reveal Coal Seams



- Surface geology obscured by thin gavel cover
- Coal recorded in oil & gas wells
- Tri-cone drilling returned coal chips over broad zones on deeper portion of anticline limb
- Down hole logs – coal seams indicated by high resistivity & low gamma
- Coal bearing strata projected up dip to surface provides exploration target
- Target to be tested by shallow drilling

Perez Coal Project



Coal seam sampling in 1984

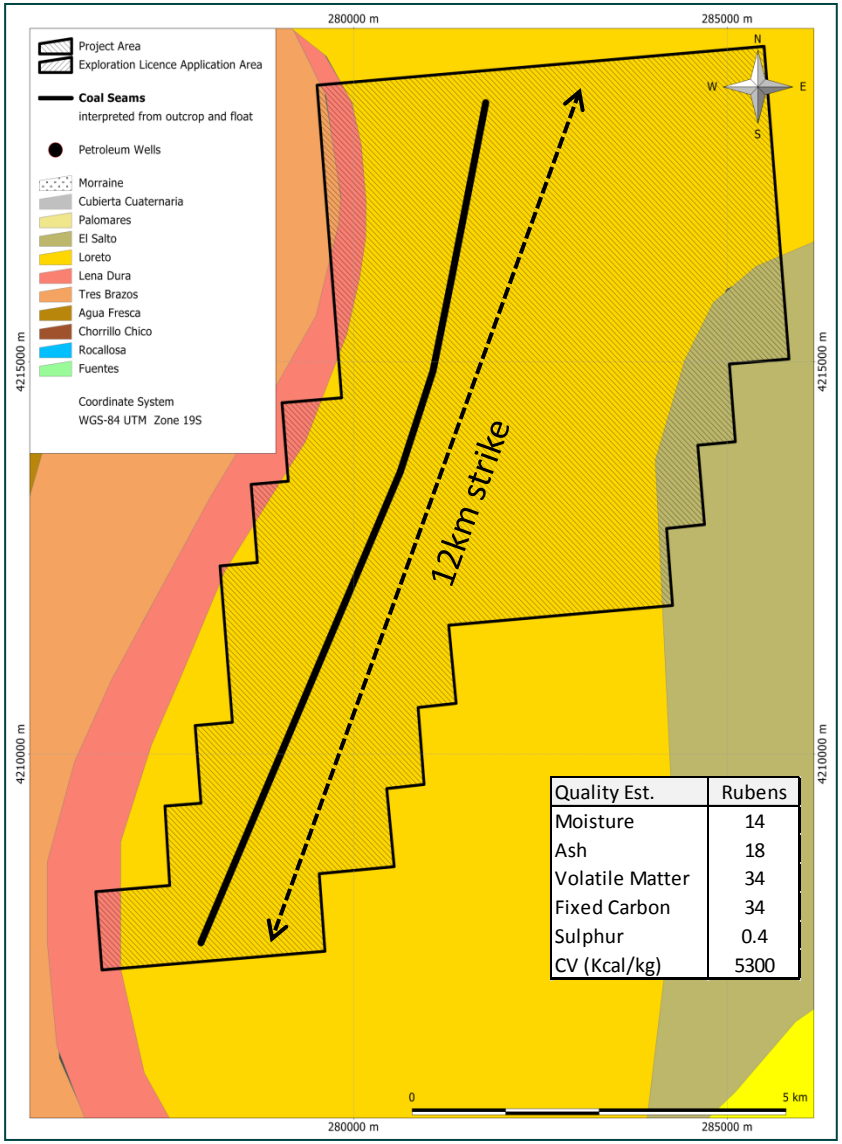
Coal seam sampling in 1984

- Area 140km^2
- Several coal seams reported in 1984
- Same basal coal seam geology as Rubens
- Increased Loreto Formation strike length to 17km with new applications
- Mapping of outcrop & float required prior to drilling
- 9km to Skyring Sound

Calorific Values from 1984 sampling

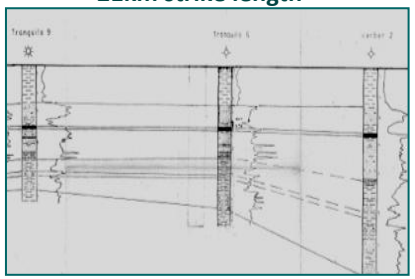
Poder Calorífico	Punto 1	Punto 3-A	Punto 3-B
CV (base seca) (Kcal/Kg)	5.393	5.902	5.631
Cenizas % (BS)	22,98	15,58	17,99
CV (DAF) Kcal/Kg	7.002	6.991	6.866

Rubens Coal Project



Thick seam outcrops over 800m

Oil wells intercept seam along 21km strike length



BHP intercepted same seam sequence to the north

- Area 54km^2
- Loreto Formation hosted coal seams dips 2° - 7° to east
- Coal continuity traced in outcrop & float plus intercepts down dip in wells
- 12km strike length of coal bearing Loreto Formation
- Estimated unbeneficiated CV 5,300Kcal/kg
- 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

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Summary & Strategy

- Chile severely deficient in domestic energy supply & heavily depended on fuel imports for thermal power generation
- Coal demand has doubled since 2007 & is expected to more than double again in the next decade
- Only one large domestic coal producer - to supply 5mtpa into forecast 30mtpa market
- Low priced 100% Andean Coal acquisition through just A$0.2m in future expenditure and a 2-year option for A$0.2m in script
- Equus controls 282km^2 of coal licences in Chile's largest coal basin
- Project areas host thick shallowly dipping coal seams suitable for bulk open cut extraction
- Strategy is to simply:

1. Dominate prospective coal acreage
2. Dominate strategic infrastructure positioning
3. Drill obvious coal measures for "easy" tonnage
4. Invite JV offers from potential strategic partners

"Equus Mining is in a prime position to take advantage of Chile's sky rocketing energy needs"