

Quarterly Activities Report September 2014

Equus Mining Limited ('Equus' or 'Equus Mining') (ASX: EQE) is pleased to report on its activities for the quarter ended 30 September 2014.

Summary of Activities

Chile's Thermal Coal Projects

- **Positioned to Meet Chile's Energy Deficiency** - Equus Mining Limited (ASX: EQE) has strategically positioned itself to take advantage of Chile's growing demand for coal based electricity generation and heavy dependency on fuel imports. EQE has secured the rights to a large package of exploration licences centred on the coal bearing Loreto Formation, located in Chile's largest coal field, the Magallanes Basin.
- **11km Drill Target at Mina Rica** - An 11km long zone major drilling target has been outlined at Mina Rica through the correlation of seismic sections together with the incorporation of log data from oil & gas wells. Plans and preparations for drilling have commenced.
- **Low Capital & Operating Costs** - The Mina Rica project is considered highly strategic. Located adjacent to the exhausted Pecket mine with existing idle infrastructure including a ship loader and mining equipment means low capital costs. Direct ship loading from mine and an anticipated low strip ratio means low operating costs.
- **Ground Position Increased Significantly** - EQE has further increased its strategic ground position with exploration licence applications. This has seen the total area of interest over near surface coal within the Loreto formation increased from 166 km² to over 300 km² – EQE is now the largest holder of potentially open pit-table coal resources in Chile's largest coal basin. EQE intends to continue increasing ground dominance via exploration licence applications and potential joint ventures.

Corporate

Board Changes - Mr Mark Lochtenberg has been appointed Director and Non-Executive Chairman of Equus Mining and replaces Norm Seckold who has resigned. Mr Lochtenberg appointment will be greatly beneficial to Equus given his significant coal industry experience.

Share Purchase Plan & Placement - During the quarter a Mining Share Purchase Plan ('SPP') was completed with an encouraging level of participation resulting in the allotment of 52,100,000 new fully paid ordinary shares totalling \$521,000. In addition, the Company has placed a further 35,034,000 shares. The shares were issued at 1 cent, the same price as the shares issued under the SPP, raising an additional \$350,340. The funds raised are being used to advance the Company's three strategic thermal coal projects.

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Mina Rica Thermal Coal Project

The Mina Rica project is considered highly strategic given its close proximity to key idle infrastructure and the potential in the short term for its development in order to help solve Chile's severe shortage of domestically supplied thermal coal. The Mina Rica thermal coal project covers 85km² of the coal bearing Loreto Formation on the north side of the Brunswick Peninsula and is situated adjacent to the dormant Pecket mine and coal loader owned by a third party.

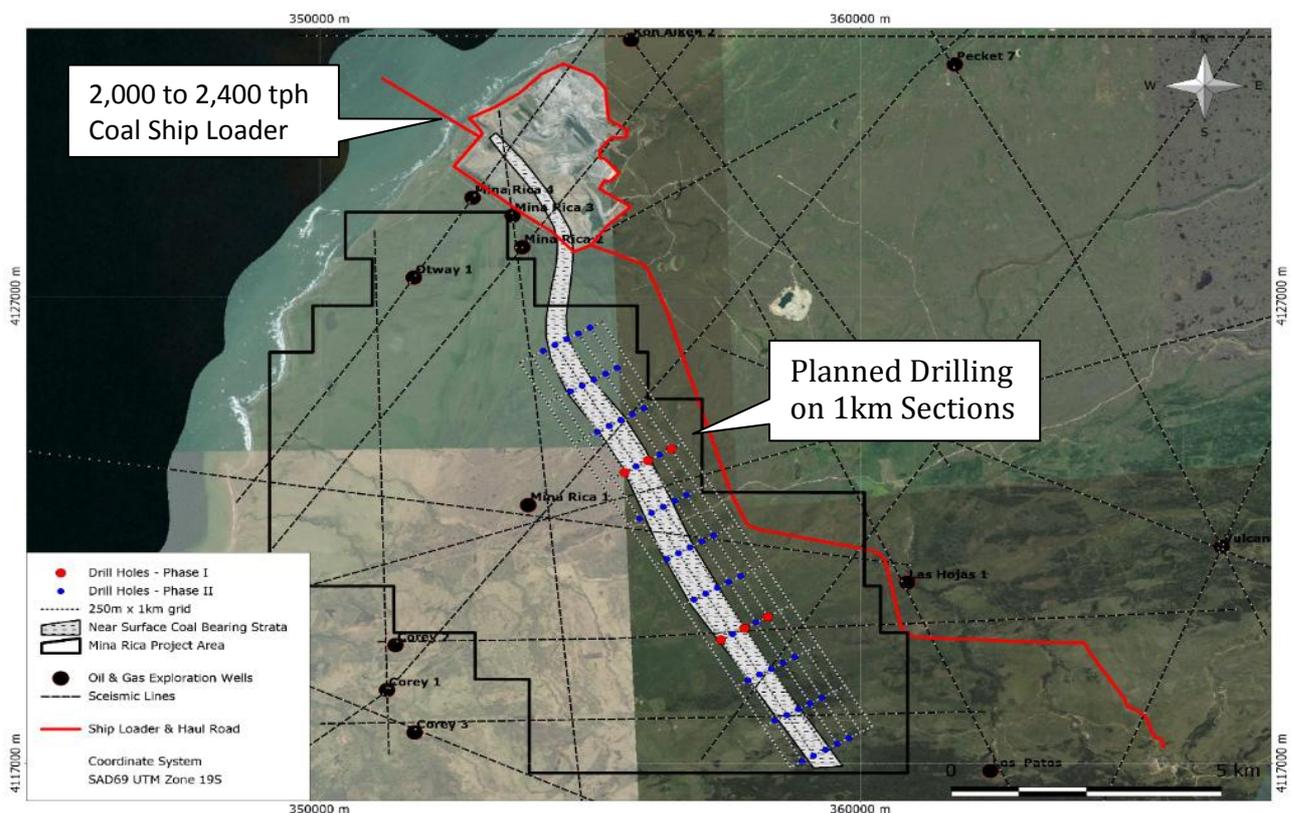
Historic oil well tri-cone drilling has revealed the presence of coal seams previously obscured by a thin layer of gravel (5m average thickness) at Mina Rica. Coal horizons have been intersected over broad zones from deeper portions of a broad anticlinal limb. Wireline electrical logs confirm the occurrence of these coal seams. Based on the combined understanding of structure and stratigraphy, these zones can be extrapolated up-dip towards the surface at which point they indicate the approximate location of shallow dipping coal seams potentially suitable for bulk open cut extraction.

Correlation of geology from 8 historic seismic sections together with downhole log data from oil & gas wells as described above indicates the possible orientation and extension of coal bearing strata throughout the entire eastern portion of the Mina Rica project area. Bedding dip ranges from 7 to 10 degrees at the northern project boundary to 0 to 5 degrees in the southern project area.

The interpreted near surface expression of this coal bearing strata strikes in a south-south easterly direction over a length of 11km from the adjacent dormant Pecket mine (See Map 1). This 11km long zone now constitutes a major drilling target. Plans and preparations for drilling have commenced.

There are 13 recognised coal seams at the adjacent Pecket mine of which Seams 5 & 6 were previously mined commercially as one combined unit approximately 10 metres in thickness. Unwashed coal product was loaded onto ships via a +2,000 tonne per hour ship loader. The coal is ranked as low sulphur (0.3%), sub-bituminous best suited for blending with higher sulphur thermal coals currently imported into Chile.

Map 1. Mina Rica Project



Conceptual Mining Scenario

Mina Rica's close proximity to existing key infrastructure means capital requirements for potential mine development would be very low. The dormant Pecket Mine contains existing infrastructure and mining equipment including the ship loader, crushers, conveyors, haul roads and an extensive idle fleet of excavators and haulage trucks (See Photos 1 to 3). Preliminary discussions have been initiated with the owner of the Pecket mine ICV for future contract mining and loading of bulk ship carriers on behalf of Equus Mining.

Photo 1. Haulage Fleet



Based on this scenario we would expect the main capital expenditure item to be a 5,000 metre drill out programme costing US\$1 million. The target resource is 50 to 70 million tonne near surface coal of which 10 million tonnes would be defined to reserve status with a strip ratio of less than 1:1. Additional capital items would be environmental, minor preliminary earthworks and other smaller capital items bringing start-up capex to approximately US\$2 million.

Direct ship loading from mine and an anticipated low strip ratio means low

operating costs and a distinct competitive advantage. Preliminary estimates for operating costs are between \$15 to \$20 per tonne of coal roughly split evenly between overburden removal and coal mining and transport/ship loading.

Base case production is targeted at 1 million tonnes per year for a 10 year mine life. The Pecket ship loader has a capacity of 2,000 to 2,400 tonnes per hour, equivalent to a 5% or 6% utilisation rate.

Photo 2. Conveyor Belt



Photo 3. Coal Ship Loader



Equus Mining's Thermal Coal Projects

Equus is earning a 51% in Andean through the expenditure of A\$0.2 million on exploration and administration at Andean's coal projects located in Chile's Region XII. Equus has also been granted a 2 year option to purchase the remaining 49% of Andean for the consideration of A\$0.2 million in shares.

Equus Mining Limited has strategically positioned itself to take advantage of Chile's fast growing increase in coal fired electricity generation 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. These licences are situated in three project areas: Rubens, Perez and Mina Rica (see Map 2).

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 166 km² to over 300km². Equus Mining now controls the largest ground position overlying near surface, potentially open pitable coal measures in the Magallanes basin. 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 and despite Chile importing 80% of its current thermal coal needs, the Magallanes basin has just one operating mine.

Corporate

Board Changes

Mr Mark Lochtenberg has been appointed Director and Non-Executive Chairman of Equus Mining and replaces Norm Seckold who has resigned.

Mr Lochtenberg graduated with a Bachelor of Law (Hons) degree from Liverpool University, U.K. and has been actively involved in the coal industry for more than 25 years.

Mark Lochtenberg is the former Executive Chairman and founding Managing Director of ASX-listed Cockatoo Coal Limited. He was a principal architect of Cockatoo's inception and growth from an early-stage grassroots explorer through to its current position as an emerging mainstream coal producer.

Mark was also formerly the co-head of Glencore International AG's worldwide coal division, where he spent 13 years overseeing a range of trading activities including the identification, due diligence, negotiation, acquisition and aggregation of the coal project portfolio that would become Xstrata Coal.

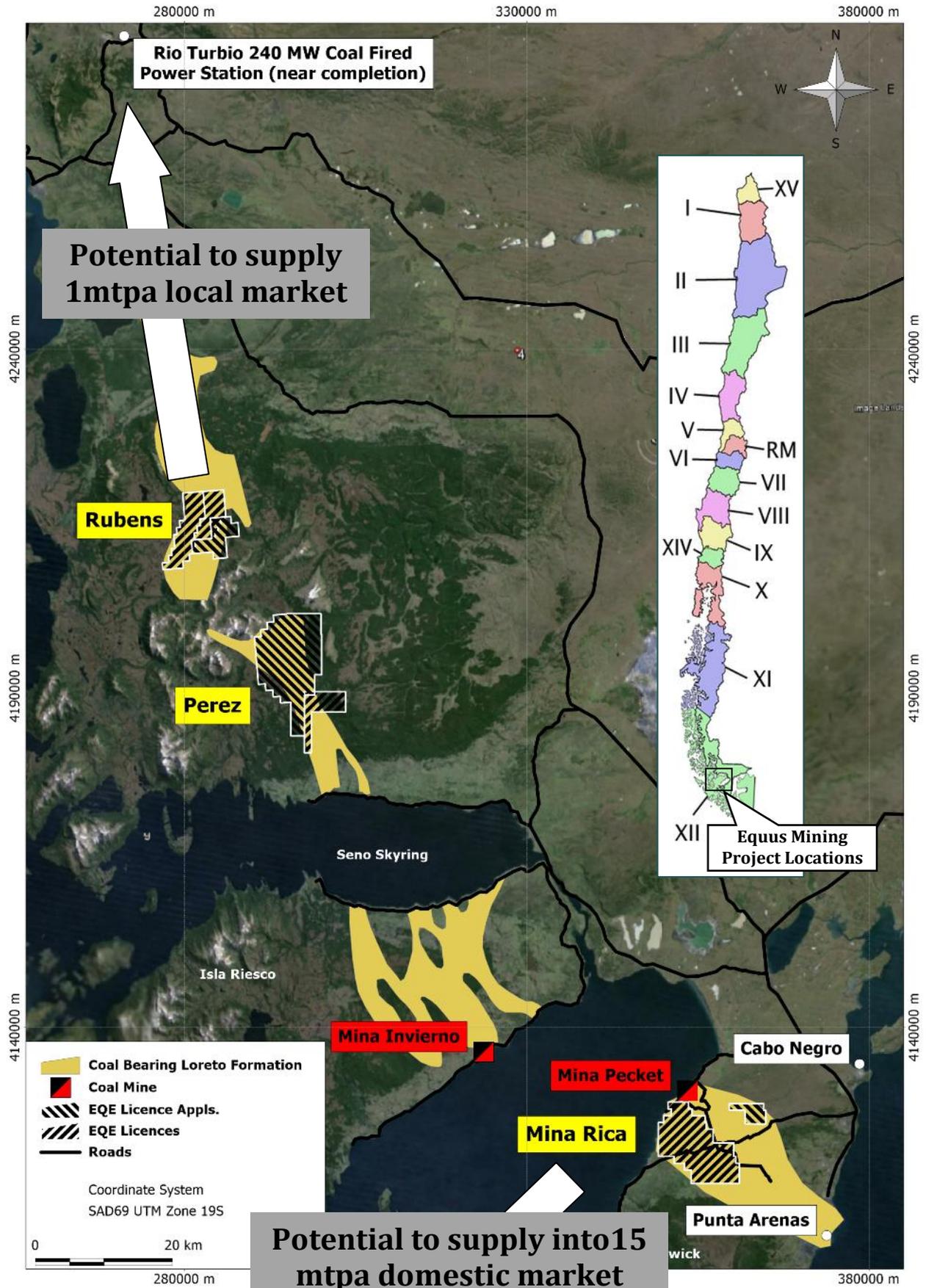
Prior to this Mark established a coal "swaps" market for Bain Refco, (Deutsche bank) after having served as a senior coal trader for Hansen Neuerburg AG and as coal marketing manager for Peko Wallsend Limited.

Mark has previously been a Director of ASX-listed Cumnock Coal Limited and of privately held United Collieries Pty Limited and is currently a Director of Australian Transport and Energy Corridor Pty Limited, (ATEC).

The Board of Equus would like to express its gratitude to Mr Seckold for the contribution he has made to the Company during his time as Chairman. Mr Seckold has made the following comments on his departure; "Given the Company's move into coal the appointment of an industry specialist has compelling logic and I am certain Mark's appointment will be greatly beneficial to Equus. I remain committed to the Company as a shareholder and will remain in full support of the Company."



Map 2. Equus Mining's Thermal Coal Project Locations



Share Purchase Plan & Placement

During the quarter a Mining Share Purchase Plan ('SPP') was completed with an encouraging level of participation resulting in the allotment of 52,100,000 new fully paid ordinary shares totalling \$521,000. In addition, the Company has placed a further 35,034,000 shares. The shares were issued at 1 cent, the same price as the shares issued under the SPP, raising an additional \$350,034. The funds raised are being used to:

- Accelerate the Company's strategy of dominating prospective coal acreage in the Magallanes Coal Basin by applying for further exploration licences as well as advancing current applications.
- Further advance Company's strategy of dominating infrastructure positioning via increased ground position within the Magallanes Coal Basin.
- Carry out early stage exploration, preparation for drilling of obvious coal measures likely to deliver "easy" tonnage and carry out high resolution seismic where there is empirical evidence of sub-cropping coal measures.
- Invite joint venture offers from potential strategic partners.

Naltagua Copper Project

At the end of the quarter Equus Mining's Board agreed to discontinue its option to acquire 100% of a contiguous group of 14 mining licences known at the Naltagua Copper project. Exploration results to date, whilst encouraging were not of sufficient tenor to justify outstanding option payments totalling US\$4.3 million to acquire 100% of the project.

ZJ20 (XJ650) Drilling Rig Package Sold

A revised sale and purchase agreement has been executed with an Australian private energy company for the sale of a drilling rig package located in the Republic of Kyrgyzstan. Sale Details:

- The amended consideration for the sale of the rig is US\$2,000,000 in convertible notes to be issued to Equus Mining Limited by the purchaser net of taxes.
- Both parties have agreed to terminate the original Sale Agreement.
- The purchaser has forfeited in favour of Equus the deposit of A\$100,000 paid as part of original agreement.
- The maturity date of the Convertibles Notes is 30 September 2015.
- The purchaser can redeem the Convertible Notes at any time before maturity.
- Equus will be granted a charge over the rig as security.
- Equus at its own discretion may convert any or all of the Convertible Notes into shares in the purchaser at any time from listing of the purchaser on the ASX until the maturity date.
- Completion is expected to be on 18 November 2014, at which time Equus will be issued the Convertible Notes and granted charge, and possession of and risk in the rig will pass to the purchaser. The purchaser has up to 90 days from the date of the agreement to nominate a wholly-owned subsidiary to take title to the rig, and title will pass to the subsidiary following such nomination (or to the purchaser after 90 days if no nomination is made).



EQUUS
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Yours sincerely

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Tenement Information

Acquired during the quarter	Disposed during the quarter	Held at the end of the quarter	Location	Ownership
		Mina Rica 1 to 31	Magallanes, Chile	Carbones del Sur ¹
		Rio Rubens 1 to 31	Magallanes, Chile	Carbones del Sur ¹
		Rio Rubens East 2 to 7	Magallanes, Chile	Carbones del Sur ¹
		Rio Perez A to H	Magallanes, Chile	Carbones del Sur ¹
Kol 1 to 6 and 9		Kol 1 to 6 and 9	Magallanes, Chile	Carbones del Sur ¹
Kolen 2-3, 5-8		Kolen 2-3, 5-8	Magallanes, Chile	Carbones del Sur ¹
Charbon 1 to7, 13, 15, 17, 21-23, 25, 27, 31-32, 35, 36, 38, 40 & from I-XXV		Charbon 1 to7, 13, 15, 17, 21-23, 25, 27, 31-32, 35, 36, 38, 40 & from I-XXV	Magallanes, Chile	Carbones del Sur ¹
Kull 3A-7A, 12A-13A		Kull 3A-7A, 12A-13A	Magallanes, Chile	Carbones del Sur ¹
	Naltagua 14 Mining Licences	-	Talagante, Chile	TNM ²
		Osenace	Ghana	Equus 90%
		Asamankese	Ghana	Equus 90%
		Pramkese	Ghana	Equus 90%
		Kwatechi	Ghana	Equus 7% equity interest

- 1) The Company has secured the rights to acquire 100% of Andean Coal Pty Ltd ('Andean'). The Company is earning a 51% interest in Andean through the expenditure of AUD\$0.2 million and has been granted a 2 year option to acquire the remaining 49% for the consideration of 16 million shares in Equus. Equus has now assumed management responsibility for Andean. Andean, through its 99.99% subsidiary Carbones del Sur Limitada, holds exploration licences in three strategic locations within the Magallanes Basin in Chile.
- 2) The Group has decided not to proceed with the option to acquire 100% of a contiguous group of 14 mining licences in the Naltagua copper project owned by Tsuyoshi Nishimura Matsumoto (TNM).

During the quarter Equus spent \$156,218 in new exploration licence applications for Kol, Kolen, Charbon and Kull. In addition, as at the date of this report Equus additional exploration licence applications are still in progress with local authorities.