

Quarterly Activities Report 31 December 2014

Equus Mining Limited ('Equus' or 'Equus Mining') (ASX: EQE) is pleased to report on its activities for the quarter ended 31 December 2014.

Summary of Activities

Mina Rica Thermal Coal Project

- **Delineation of 11km drill target zone** - Coal seams intercepted by oil & gas wells have been projected up dip using the known stratigraphic sequence and a dozen seismic sections. This 11km long zone now constitutes a major drilling target located adjacent to established infrastructure.
- **Discovery of outcropping coal seams** – Previously unrecognised coal seams have been exposed in recent drainage excavations adjacent to the main target zone.
- **Preparations for drilling** – Prospective drill contractors have been shortlisted and it is planned that drilling will commence during the current quarter.

Rubens Thermal Coal Project

- **Mapping shows main seam continuity** – Further mapping of the main Rubens coal seam has revealed one outcrop to have almost continuous surface exposure over 800m. In one location the seam is fully exposed and measures 8.45m in thickness.
- **Mapping has discovered 2 additional seams** - Two additional outcropping seams have been discovered higher in the Loreto Formation sequence. These appear to be the same two seams intercepted down dip in the Kerber 1 oil & gas exploration well to the east.
- **Project Area Extended** – The Rubens Project area has been extended through new exploration licence applications which doubles the strike length coverage of the coal bearing Loreto Formation to 25km. Part of these new exploration licence applications are subject to the cancellation of underlying third party lease applications which are believed to be invalid under Chilean mining law.

Corporate

- **Potential Customers** - EQE has commenced discussions with both domestic and international thermal coal buyers. There are clear benefits from domestically supplied thermal coal to both domestic consumers and Chile's economy.
- **EQE Earns 51% in Andean Coal** - On the 3 November 2014 EQE announced that earn-in terms had been met and Andean has issued shares giving EQE a 51% interest in Andean. EQE also has the option to acquire the remaining 49% of Andean for the consideration of EQE shares currently valued at \$160k.
- **Capital Raised** - Subsequent to the December 2014 quarter EQE has raised \$305k from professional and sophisticated investors. 30.5million shares were placed at 1 cent per share. In addition, applications have been received from past and present directors on the same terms and conditions to raise a further \$50K subject to shareholder approval.

Mina Rica Thermal Coal Project

The Mina Rica thermal coal project is considered highly strategic given its close proximity to key idle infrastructure and the potential for rapid development in order to supply into Chile's severe shortage of domestically produced thermal coal. Currently 15mtpa of thermal coal is imported and this is expected to double within the next decade.

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 Pecket mine, port and coal loader (see Photo 1 & Map 1). This infrastructure is owned by a third party and is currently on care and maintenance. EQE is targeting production greater than 1mtpa operation whilst existing infrastructure has capacity in excess of 10mtpa. Existing infrastructure means capital expenditure requirements will be very low.

Developments during the quarter included:

Delineation of 11km drill target zone - Coal seams intercepted by oil & gas wells have been projected up dip using the known stratigraphic sequence and several seismic sections. This 11km long zone now constitutes a major drilling target located adjacent to established infrastructure.

These seams are interpreted as being the same seams that were mined at the adjacent Mina Pecket but subcrop below thin cover within the Mina Rica project area. There are 13 recognised coal seams at the 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 bulk carriers and transported to coastal base thermal power stations. The coal is ranked as low sulphur (0.3%), sub-bituminous best suited for blending with higher sulphur thermal coals currently imported into Chile.

Discovery of outcropping coal seams – Previously unrecognised coal seams have been exposed in recent drainage excavations adjacent to the main target zone. This essentially proves the existence of a terrestrial depositional environment, the existence of the coal bearing Loreto Formation within the Mina Rica project area and supports the interpretation generated from the seismic sections and petroleum holes

Preparations for drilling – There are a limited number of drilling contractors in Chile's XII region. Nevertheless a small number have been shortlisted and it is planned that drilling will commence during the current quarter. It is planned that drilling will be divided into small number of relatively deep, wide spaced cored holes to define coal seam stratigraphy and geometry, and a larger number of shallow tri-cone or RC holes to delineate resources.

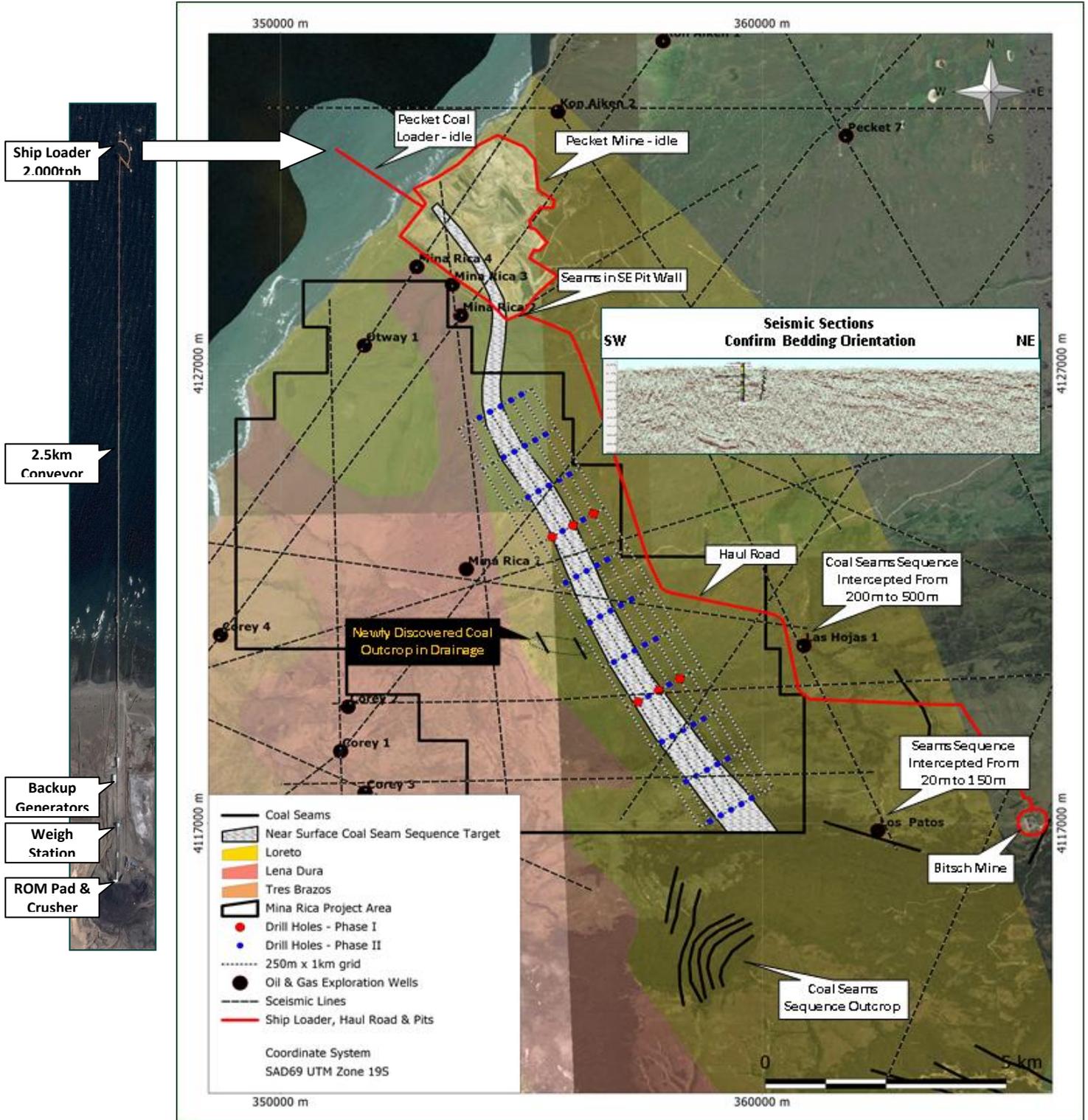
Establishment of surface landowner relationships – Considerable time has been spent working with landowners and building solid relationships which will ensure ongoing land access during the critical drilling phase.

Photo 1. Bulk Vessel Manoeuvring at Puerto Pecket





Map 1. Mina Rica Thermal Coal Project



Rubens Thermal Coal Project

The Rubens Thermal Coal Project is considered to have high potential for the delineation of a comparatively large thermal coal resource in global terms.

This project is located 15km east of the Ultima Esperanza Sound, 16km from concrete Highway 9, and 50km from the 240 MW Rio Turbio coal fired power station where commissioning has been delayed primarily due to coal production from the underground Rio Turbio mine being 80% below the required rate.

Developments during the quarter includes:

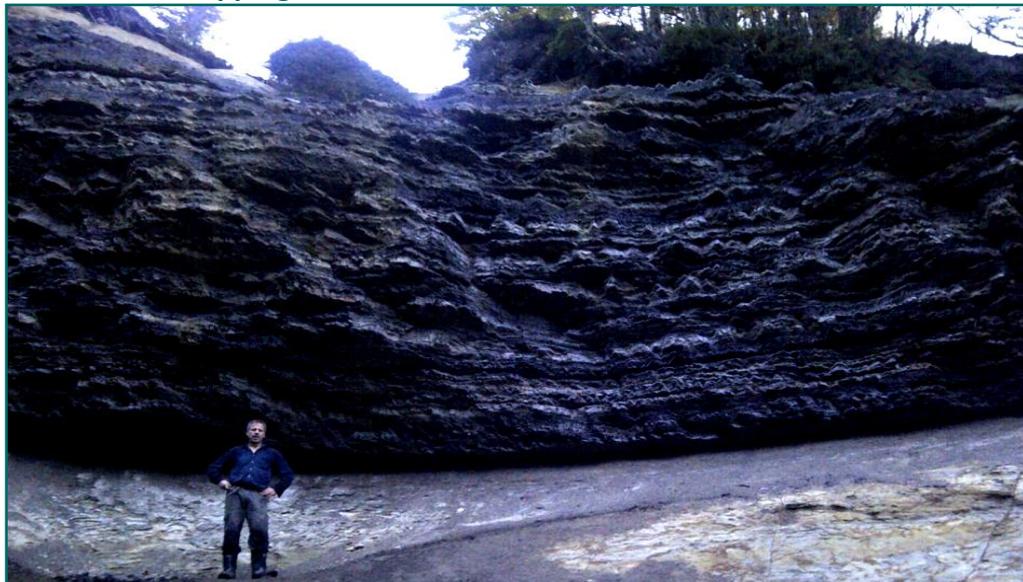
Mapping shows main seam continuity – Further mapping of the main Rubens coal seam has revealed one outcrop to have almost continuous surface exposure over 800m. In one location the seam is fully exposed and measures 8.45m in thickness (see Photo 2). The main Rubens coal seams appears to be the lower of 3 seams intercepted down dip in the Kerber 1 oil & gas exploration well 8 kilometres to the east. This demonstrates good coal seam continuity laterally and down dip, and has implications for the spacing of resource delineation drill holes.

Mapping has discovered 2 additional seams - Two new thinner outcropping seams have been discovered higher in the Loreto Formation sequence. These appear to be the two upper seams intercepted in the Kerber 1 oil & gas exploration well to the east. Whilst these seams appear to have lower economic potential they also demonstrate seam continuity over many kilometres.

Project Area Extended – The Rubens Project area has been extended through new exploration licence applications which doubles the strike length coverage of the coal bearing Loreto Formation to 25km (see Map 2). These new areas, in part, overlay lease applications previously made by a third party however the critical legal pre-requisites have not been met including the failure to install the necessarily survey posts within the required time period. EQE has had this verified by an accredited independent surveyor and notary, and has sort legal representation to have the relevant laws upheld in the local courts and the underlying licence applications nullified. EQE has received legal advice that this shortcoming should render these third party lease applications invalid under Chilean law.

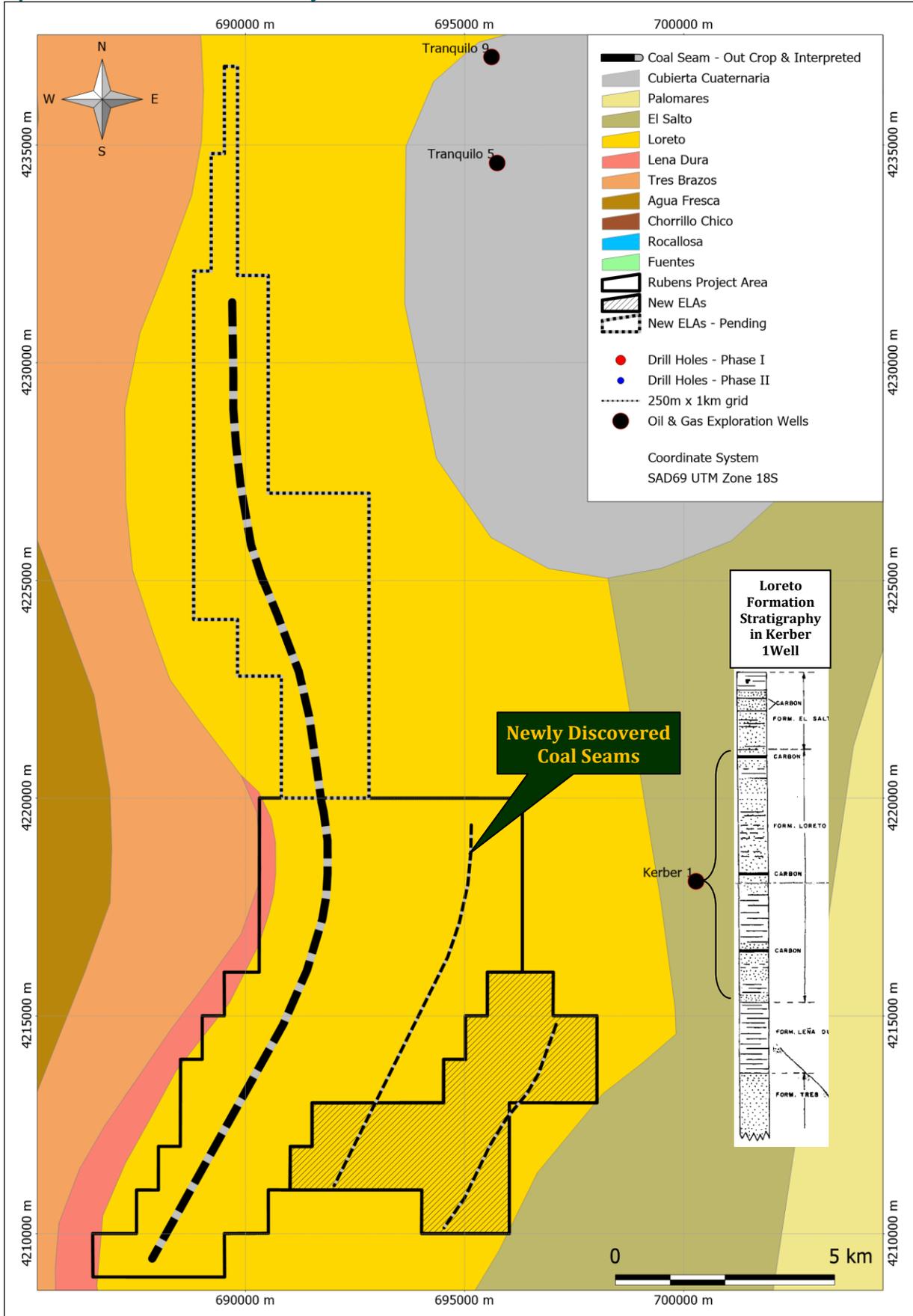
Establishment of surface landowner relationships – Considerable time has been spent working with landowners and building solid relationships which will ensure ongoing land access.

Photo 2. Outcropping Coal Seam at Rubens





Map 2. Rubens Thermal Coal Project



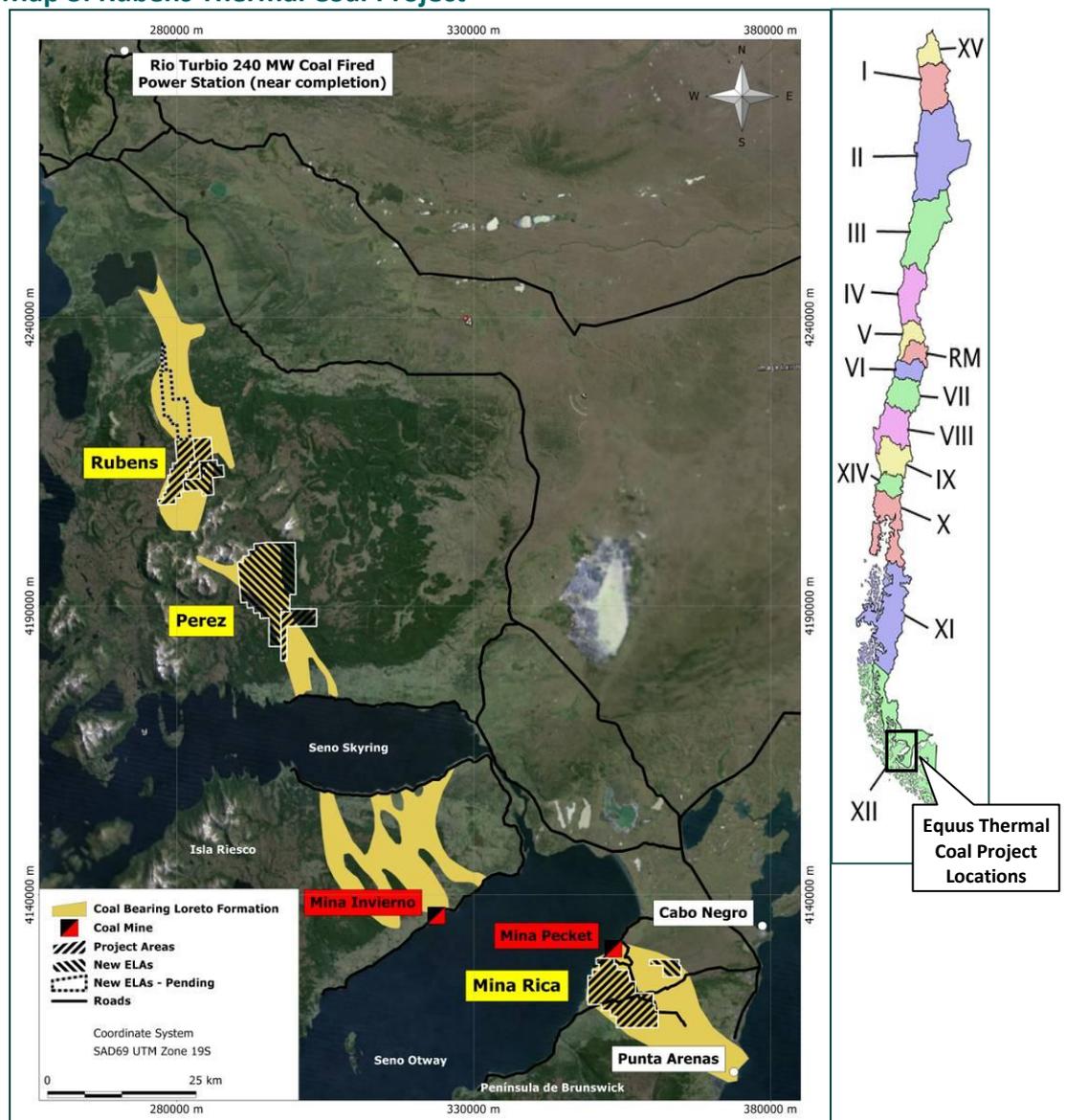
Equus Mining’s Thermal Coal Project Background

Equus Mining Limited has strategically positioned itself to take advantage of Chile’s fast increase in coal fired electricity generation. EQE has a 51% interest in a coal package centred on the coal bearing Loreto Formation in Chile’s largest coalfield, the Magallanes Basin in Chile’s Region XII. EQE also has a 2 year option to purchase the remaining 49% for the consideration of A\$0.16 million in shares based on the current share price of 1 cent.

Since the initial acquisition deal the total exploration project area has been more than doubled, from 170km² to 360km² through additional exploration licence applications. EQE now holds 50% of the available strike extent of the Loreto Formation. This is a dominate position over the largest known near surface coal occurrence in energy starved Chile. These licences are situated in three project areas: Rubens, Perez and Mina Rica (see Map 3).

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. 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.

Map 3. Rubens Thermal Coal Project



Exploration Expenditure

EQE incurred \$110K in exploration activities during the December 2014 quarter.

Corporate

Potential Customers

EQE has commenced discussions with both domestic and international thermal coal buyers. There are clear benefits from domestically supplied thermal coal to both domestic consumers and Chile's economy. These benefits include:

- **Security of supply** - currently 90% of Chile's thermal coal requirement is imported & demand is expected to double in the next decade
- **Diversity of fuel mix** – limit reliance on weather dependent hydroelectric generation
- **Diversity of domestic coal supply** – currently only one domestic supplier
- **Lower transport costs** - No long distance rail and shorter shipping distances
- **Lowest cost primary fuel for power generation** – 30-40% less than natural gas
- **Low sulphur content** – 0.36% compared to 0.6% for Colombian thermal coal
- **Employment** – currently Chilean unemployment is rising due in part to lower mining investment
- **Improved terms of trade** – Chile imports approximately US\$1 billion of thermal coal per annum

EQE Earns 51% in Andean Coal

On the 23 May 2014 EQE announced that it had secured the rights to acquire 100% of Andean Coal Pty (Andean) Ltd, the company which holds a package of licences in the Chile's Magallanes Basin. Under the terms of the Sales Purchase agreement EQE was to earn 51% of Andean through the expenditure of A\$200k. On the 3 November 2014 EQE announcement that this term had been met and Andean has issued shares giving EQE a 51% interest in Andean. EQE also has the option to acquire the remaining 49% of Andean for the consideration of 16 million EQE shares currently valued at \$160k.

Capital Raised

Subsequent to the December 2014 quarter EQE has raised \$305k from professional and sophisticated investors. 30.5million shares were placed at 1 cent per share. In addition, applications have been received from past and present directors on the same terms and conditions to raise a further \$50K subject to shareholder approval.

Yours sincerely



Edward Leschke
Managing Director

pjn8006

For further information please contact:

Ted Leschke – Managing Director
Ph: +61 2 9300 3366

Email: tleschke@equusmining.com

Website: www.equusmining.com

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	Magallanes, Chile	Carbones del Sur ¹
		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	Magallanes, Chile	Carbones del Sur ¹
		Kull 3A-7A, 12A-13A	Magallanes, Chile	Carbones del Sur ¹
		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 has earned 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 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.