

# Ted Leschke, President

## EQUUS MINING (ASX: EQE)

**EQE is building a major coal property portfolio in Region XII, targeting a key solution to Chile's domestic energy shortage.**

### **CER: What are the origins of EQE?**

**TL:** It's really the rebirth of an older company but we rebranded it and came to Chile, initially for copper. We had moderate success but while here I became aware of Chile's severe dependence on foreign imports for its energy needs. So when we were offered a key portfolio of strategically located coal projects the opportunity was obvious.

### **CER: What are these properties?**

**TL:** Through a staged acquisition we now control a dominant position of open pit coal measures in Chile's primary coal basin. The interesting geology is the Loreto Formation, which is recognized as hosting commercial coal seams, in Region XII. We have three projects: Mina Rica, which is adjacent to the now dormant Pecket mine, Perez, which is less developed, and towards the north of the coal belt, Rubens.

### **CER: What's the nature of the deal?**

**TL:** It's a two-stage deal, US\$200,000 of expenditure to earn a 51% stake and then a two-year option to acquire the remaining 49% by paying the vendors Andean Coal Pty Ltd, of which I am now a director, US\$200,000 in shares. Given the low value price and a chance to develop a solution to Chile's domestic energy shortage, it was an obvious deal to do. Since the acquisition, we have doubled our ground position to more than 300km<sup>2</sup>. Coal by its very nature is laterally extensive so one needs to dominate the lateral area.

### **CER: What are you planning to do now?**

**TL:** The next move will be exploration drilling. We plan to carry out approximately 5,000m of diamond drilling over the next 12 months, split evenly between Mina Rica and Rubens. These will be relatively short holes, less than 200m, a kilometer apart, to define the extension of the coal seams down dip and



along strike laterally for an open pit extraction scenario. This area has not been previously explored given that the targeted extensions are concealed by 5-10m of glacial moraine cover.

### **CER: And how quickly could you bring these mines into production?**

**TL:** In mining project timeline terms, I would say fast. Mina Rica is adjacent to the Pecket mine, which is currently on care and maintenance and which hosts a 2,000tph coal port and loader as well as a large fleet of 50-ton haul trucks, shovels, and the entire infrastructure one needs to export coal. We don't have an agreement yet but the implications are obvious. Permitting should be straightforward and there are no apparent environmental issues that would complicate near term production. So we are talking several months, rather than years, given the existing infrastructure.

### **CER: You want to fill a gap in Chile's energy supplies?**

**TL:** Chile undoubtedly needs to develop domestic sources of energy. When Argentina turned off the gas, demand for coal rose sharply and it is still rising. Chile only has one operating coal mine - Mina Invierno - and there is big shortfall in domestic supply. Energy supply is an issue of critical national importance. If we can help fill that gap, I'm confident the government will be very supportive. We are currently meeting with energy companies that consume coal in Chile to discuss our three coal projects.

### **CER: What kind of expertise does EQE have in coal marketing?**

**TL:** I have worked in coal before but our non-executive chairman Mark Lochtenberg, who joined three weeks ago, spent 13 years in charge of Glencore International's coal division and after that founded and developed Cockatoo Coal (ASX: COK), a coal producer in Australia.

### **CER: How will EQE be affected by stricter environmental regulations in Chile?**

**TL:** The carbon tax will affect all fossil fuels, although we understand that coal will remain cheaper than gas. In terms of emissions, coal from the Magallanes basin has a lower sulphur content (roughly 0.4%-0.5%) than coal imported from Colombia (0.5-1%) so it can be used on its own and could also be used for blending with coal with a higher calorific value and higher sulphur to bring the sulphur content down.

### **CER: What about exports?**

**TL:** In the case of our northernmost Rubens property, one possibility is Argentina. This project lies just 50km from Rio Turbio, where they are building a 240MW thermoelectric plant. Production at the Rio Turbio underground mine which was to supply the power plant is increasingly uncertain and falling and there could be a significant shortfall to the 1.2Mt required per year. The obvious place to supply coal would be from Chile's Magallanes basin, where we dominate the ground. Exporting energy to Argentina would certainly be a proud achievement.

**CER: Thank you**