Cuesta Coal Limited
ACN: 153 351 994

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QVB NSW 1230

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Cuesta Coal Limited

ACN 153 351 994

NOTICE OF GENERAL MEETING

Explanatory Memorandum and Proxy Form

DATE: Friday 8th August, 2014

TIME: 11.00am AEST

LOCATION: Thomson Geer, Level 25, 1 O'Connell Street, Sydney NSW 2000

THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR ATTENTION.
This Notice of General Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser prior to voting.
Should you wish to discuss any matter please do not hesitate to contact the Company Secretary by telephone on +61 2 9284 5900.

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Dear Shareholders,

I am pleased to advise you that, as announced on 19 May 2014, Cuesta Coal Limited (**Cuesta**) has reached conditional agreement with its major shareholder, Longluck Investment (Australia) Pty Ltd (**Longluck**), a wholly owned subsidiary of Beijing Guoli Energy Investment Co., Ltd (**Guoli**), to invest a further $15,000,000 in Cuesta (**Placement**).

If the Placement proceeds, the funds will be applied to advancing the Definitive Feasibility Study (**DFS**) for the Company's flagship development project, Moorlands, and towards the full repayment of the $5,000,000 Convertible Note Liability associated with the acquisition of the Orion Coal Project (EPCs 775 & 776 contained in the Moorlands Project) in 2012.

The Placement to Longluck is structured in two stages as follows:

- **Stage One Placement**: the issue of 82,524,272 new ordinary shares to raise $8,500,000; and
- **Stage Two Placement**: the issue of 63,106,796 new ordinary shares to raise a further $6,500,000, with settlement of the Stage Two Placement to occur within 30 days of the date of the General Meeting of the Company.

The proposed issue price of $0.103 per share represents a 10% premium to the 30-day trading volume weighted average price (**VWAP**) of Cuesta's shares up to and including 7 May 2014 (being the final trading day prior to the announcement of the Placement on 19 May 2014) and a 15% premium to the last traded price on 7 May 2014.

Under the Share Subscription Agreement (**SSA**) with Longluck, Cuesta may raise up to a further $10,000,000 to third parties prior to 31 December 2014 at a price not less than $0.103 per share. The purpose of this additional funding will be to complete the DFS and to reach a final investment decision for the development of Moorlands.

Longluck currently holds 36.32% of the issued share capital of Cuesta. Following settlement of the Stage One Placement, Longluck's shareholding, and voting power, in Cuesta would increase to 47.77%. Following settlement of the Stage Two Placement and in the absence of any further equity issues, Longluck's shareholding, and voting power, in Cuesta would increase to 54.09%.

The Placement is subject to a number of conditions, including Chinese Regulatory approval, FIRB approval, Noteholder consent and Cuesta Shareholder approval. Chinese Regulatory documentation and the FIRB application have been lodged with the appropriate regulatory bodies. **The attached Explanatory Memorandum, including Independent Expert's Report, has been prepared for the benefit of Cuesta Shareholders and contains information to be considered in conjunction with the resolutions being voted on at a meeting of Cuesta Shareholders on Wednesday, 30 July 2014.**

The Independent Expert has concluded that the Placement is not fair, but is reasonable, and that the investment is in the best interests of the Shareholders of Cuesta not associated with Longluck (**Non-associated Shareholders**).

Full details of the conditions precedent to completion of the investment are set out in section 2.2(b) of the Explanatory Memorandum. **The advantages, disadvantages and risks for Cuesta of the proposed Placement to Longluck are set out in sections 2.5(d) and (e) of the attached Explanatory Memorandum, and in the Independent Expert's Report**.

An advantage of the Placement is that if approved, it will allow Cuesta to continue to advance its development plans for the Moorlands Project, from which it is targeting first coal production in 2016. This is significant given the limited funding availability, particularly for emerging coal companies such as Cuesta, in the context of the negative investor sentiment currently surrounding the coal sector as a whole. In addition, the Placement will provide for repayment of the Convertible Note due for redemption by 28 August 2014. Repayment of the Convertible Note by Cuesta prior to the Redemption Date will, based on the current Cuesta share price and pricing of the Placement, be less dilutive to Cuesta shareholders than if the Noteholders elect to convert the Notes to ordinary shares under the terms of the Noteholder Agreement.

In the absence of any further equity issues, a disadvantage of the Placement is that Longluck will become the owner of up to 54.09% of Cuesta's shares, giving Longluck a significant level of control over Cuesta. Guoli has indicated to Cuesta that it has no current plans for any operational changes to Cuesta following completion of the Placement.

If the Placement is approved, Longluck's total investment in Cuesta will increase to $47,000,000. This level of investment is indicative of Guoli's confidence and support of the Board and management of Cuesta. Guoli recognises the potential of the Moorlands Project and their continued support will increase the likelihood of securing favourable project finance funding for the construction phase of Moorlands.

The Directors of Cuesta who are not associated with Guoli (the **Independent Directors**), recommend the Placement and that you vote in favour of the resolutions as outlined in the attached Notice of General Meeting.

Please do not hesitate to contact either Matthew Crawford or Megan McPherson should you have any questions regarding the Placement.

Yours Sincerely,

Brian Johnson

Chairman
Cuesta Coal Limited

CUESTA COAL LIMITED
ACN 153 351 994

NOTICE OF GENERAL MEETING

Notice is hereby given that a General Meeting of Shareholders of Cuesta Coal Limited (**Cuesta** or **Company**) will be held at the offices of Thomson Geer, Level 25, 1 O'Connell Street, Sydney NSW on Friday, 8th August 2014 at 11.00am (AEST) (**Meeting**) to carry out the following business.

The Explanatory Memorandum that accompanies and forms part of this Notice of General Meeting (**Notice**) provides additional information on matters to be considered at the meeting. Shareholders should read the Explanatory Memorandum in full.

The Directors have determined pursuant to regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the meeting are those who are registered as Shareholders on Wednesday, 6th August 2014 at 7.00pm (AEST).

Terms and abbreviations used in this Notice will, unless the context otherwise requires, have the same meaning given to them in the Glossary contained in the Explanatory Memorandum.

AGENDA

1. Resolution 1 – Approval of the Issue of Ordinary Shares

To consider, and if thought fit, to pass the following resolution as an ordinary resolution:

*"That, subject to the passing of Resolution 2, for the purposes of Item 7 of Section 611 of the Corporations Acts 2001 (Cth), ASX Listing Rule 10.11 and for all other purposes, approval is given for the issue of 145,631,068 fully paid ordinary shares in the Company (**Shares**) to Longluck Investment (Australia) Pty Ltd ACN 154 567 530 (**Longluck**) at $0.103 per Share to raise $15,000,000 in accordance with the terms of the Share Subscription Agreement (such that the maximum possible voting power that Longluck and its associates will have immediately after the issue, assuming no other securities in the Company are issued, will be 54.09%) and otherwise on the terms and conditions set out in the Explanatory Memorandum accompanying, and forming part of, the notice convening this meeting."*

Voting

Required Majority

In accordance with the Corporations Act and the Company's Constitution, an ordinary resolution must be passed by a simple majority of the total votes cast by shareholders entitled to vote on the resolution (whether in person or by proxy, attorney or representative).

Voting Exclusion

The Company will disregard any votes cast on this resolution by Longluck (and any associates of Longluck).

However, the Company will not disregard a vote if:

a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or
b) it is cast by the Chairman as proxy for a person who is entitled to vote, in accordance with a

direction on the Proxy Form to vote as the proxy decides.

Expert's Report: Shareholders should carefully consider the Independent Expert's Report for the purposes of the Shareholder approval required under Section 611 (item 7) of the Corporations Act for this Resolution. The Independent Expert's Report comments on the fairness and reasonableness of the Placement to the Non-associated Shareholders in the Company. The Independent Expert has determined that the Placement is not fair but is reasonable to the Non-associated Shareholders.

2. Resolution 2 – Approval of the giving of a financial benefit

To consider, and if thought fit, to pass the following resolution as an ordinary resolution:

"*That, subject to the passing of Resolution 1, for the purposes of Part 2E of the Corporations Act 2001 (Cth) and for all other purposes, approval is given for the giving of a financial benefit to Longluck pursuant to the issue of 145,631,068 Shares to Longluck at $0.103 per Share in accordance with the terms of the Share Subscription Agreement (such that the maximum possible voting power that Longluck and its associates will have immediately after the issue, assuming no other securities in the Company are issued will be 54.09%), and otherwise on the terms and conditions set out in the Explanatory Memorandum accompanying, and forming part of, the notice convening this meeting.*"

Voting

Required Majority

In accordance with the Corporations Act and the Company's Constitution, an ordinary resolution must be passed by a simple majority of the total votes cast by shareholders entitled to vote on the resolution (whether in person or by proxy, attorney or representative).

Voting Exclusion

The Company will disregard any votes cast (in any capacity) on this resolution by or on behalf of Longluck or any associates of Longluck.

However, the Company will not disregard a vote if:

c) it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or
d) it is cast by the Chairman as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides,

provided that it is not cast on behalf of Longluck or any associates of Longluck.

Expert's Report: Shareholders should carefully consider the Independent Expert's Report for the purposes of the Shareholder approval required under Part 2E of the Corporations Act for this Resolution. The Independent Expert's Report considers whether the Placement is in the best interests of the Non-associated Shareholders in the Company. The Independent Expert has determined that the Placement is in the best interests of the Non-associated Shareholders of the Company.

3. Resolution 3 – Approval of the Issue of Ordinary Shares

To consider, and if thought fit, to pass the following resolution as an ordinary resolution:

"That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the issue of up to a maximum of 97,087,379 fully paid ordinary shares in the Company at not less than $0.103 per share to raise a maximum of $10,000,000 in accordance with the terms set out in the Explanatory Memorandum accompanying, and forming part of, the notice convening this meeting."

Voting

Required Majority

In accordance with the Corporations Act and the Company's Constitution, an ordinary resolution must be passed by a simple majority of the total votes cast by shareholders entitled to vote on the resolution (whether in person or by proxy, attorney or representative).

Voting Exclusion

The Company will disregard any votes cast on this resolution by a person who may participate in the issue of the securities and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities of the Company, if this resolution is passed (and any associates of such a person).

However, the company will not disregard a vote if:

e) It is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or

f) It is cast by the Chairman as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Date 2 July 2014
BY ORDER OF THE BOARD

Megan McPherson
Company Secretary
Cuesta Coal Limited

NOTES

Voting Eligibility

The Company has determined in accordance with the Corporations Act that for the purposes of voting at the meeting or adjourned meeting, shares in the Company will be taken to be held by those persons who are registered holders at 7pm (AEST) on Wednesday 6th August 2014. Accordingly, transactions registered after that time will be disregarded in determining entitlement to attend the meeting and vote.

Voting by Proxy

- A Proxy Form accompanies this Notice and contains additional information. To vote by proxy, please complete and sign the enclosed Proxy Form and return it to the Company by the time and in accordance with the instructions set out in the Proxy Form.
- In accordance with s249L of the Corporations Act, Shareholders are advised that:
  - each Shareholder has a right to appoint a proxy to attend and vote at the meeting instead of the Shareholder;
  - the proxy need not be a shareholder of the Company; and
  - a Shareholder who is entitled to cast two or more votes may appoint two proxies. If the Shareholder appoints two proxies and the appointment does not specify the proportion or number of the Shareholder's votes each proxy may exercise, each proxy may exercise half of the votes.
- The Chairman intends to vote all undirected proxies in favour of the resolutions except where a voting restriction applies.
- To be effective, the completed Proxy Form together with duly completed proxy appointment authorities under which a proxy form is signed, such as a power of attorney, must be received by the Company at an address or the facsimile number specified below no later than 48 hours before the time in Sydney of the commencement of the meeting:
  - By mail:
    Computershare Investor Services Pty Ltd
    GPO Box 242
    Melbourne, VIC 3001
    Australia
  - By facsimile:
    (Within Australia) 1800 783 447
    (Outside Australia) + 61 3 9473 2555
  - Online:
    For Intermediary Online subscribers only (custodians)
    www.intermediaryonline.com
- Any Proxy Form received later than 48 hours before the commencement of the meeting will not be valid for the meeting.

CUESTA COAL LIMITED
ACN 153 351 994

EXPLANATORY MEMORANDUM

1. Introduction

This Explanatory Memorandum has been prepared for the information of the Shareholders of the Company in connection with the business to be conducted at the Meeting to be held on Friday 8th August 2014 at 11.00am (AEST) at the offices of Thomson Geer, Level 25, 1 O'Connell Street, Sydney NSW.

This Explanatory Memorandum should be read in conjunction with and forms part of the accompanying Notice. The purpose of this Explanatory Memorandum is to provide information to Shareholders in deciding whether or not to pass the Resolutions in the Notice.

Terms used in this Notice and Explanatory Memorandum are defined in Section 5.

2. Resolution 1 – Approval of the issue of Ordinary Shares

2.1 Background

On 19 May 2014, the Company announced that it had executed a Share Subscription Agreement (**SSA**) with the Company's major shareholder, Longluck to raise $15,000,000 by issuing 145,631,068 Shares at $0.103 per Share (**Subscription Shares**)in two stages;

- **Stage One Placement**: the issue of 82,524,272 Shares to raise $8,500,000 with settlement within 30 days of the date of this Meeting in accordance with ASX Listing Rule 10.13.3; and

- **Stage Two Placement**: the issue of 63,106,796 Shares to raise an additional $6,500,000 with settlement following the Stage One Placement but within 30 days of the date of this Meeting in accordance with ASX Listing Rule 10.13.3.

The Placement funds will be applied to advancing the Definitive Feasibility Study (**DFS**) for the Company's flagship development project, Moorlands, and the full repayment of the $5,000,000 Convertible Note liability associated with the acquisition of the Orion Coal Project (EPCs 775 and 776 contained in the Moorlands Project) in 2012.

The Moorlands Project is an open cut export thermal coal project, located 30 kilometres northwest of the township of Clermont in the Western Bowen Basin of Queensland and to the immediate west of the Blair Athol and Clermont coal mines (**Moorlands Project**). Cuesta is targeting first coal production from the Moorlands Project in 2016.

The Moorlands Project has a current JORC resource of 281.1 Mt including 118.5 Mt in the Measured and 52.7 Mt in the Indicated Category in accordance with JORC code 2012 (as announced by the Company on 4 March 2014). Pursuant to ASX Listing Rule 5.23.2, Cuesta confirms that it is not aware of any new information or data that materially affects the information in that announcement and that all material assumptions and technical parameters underpinning the estimates continue to apply and have not materially changed.

A 50 hole resource definition and infill drilling program completed in January 2014 exceeded expectations with wide spread intersections of target seams. These results will underpin Cuesta's maiden reserve estimate which will provide critical input into the DFS.

The DFS will expand on the Mine Scoping Study completed by Xenith in November 2013 (as announced by the Company on 25 November 2013) which confirmed robust project economics for the development of a 1.9 Mt per annum open cut mine for 30 years in the South Pit. Pursuant to ASX Listing Rule 5.19.2, Cuesta confirms that it is not aware of any new information or data that materially affects the information in that announcement and that all material assumptions and technical parameters underpinning the production target, and the forecast financial information derived from the production target continue to apply and have not materially changed. Cuesta anticipates improvement in the proposed South Pit mine design on the basis of westerly extensions of the coal resource discovered in March 2014, resulting in increased coal quantities and a widening of the proposed mining area.

The Mine Scoping Study assumes product coal is trucked by an internal haul road (11 kilometres) to a new train load out facility, rail loop and spur, for transportation to Dalrymple Bay Coal Terminal for export. While the project economics are robust, the Company believes there is further scope to reduce costs by using existing infrastructure located in close proximity to the Moorlands Project.

$10,000,000 of the Placement proceeds will be applied towards supporting the Moorlands Project pre-development budget and specifically advancing the DFS over the next 12 months. Completion of the DFS is a critical step to facilitate final investment decision for Moorlands Project and in obtaining favourable project financing for Moorlands Project.

The table below provides a more detailed breakdown of the proposed use of funds raised from the Placement.

	A$m
Cash on hand- as at 30 April 2014	$2.8
Proceeds of the Placement	$15.0
Total Funds Available	**$17.8**
Application of Funds Available	
Redemption of Convertible Notes (including final interest payment)	$5.1
Vendor Payments	$0.7
Costs of the Placement	$0.1
Moorlands pre-development funding	$10.0
Exploration & operations overheads	$0.8
Corporate administration	$0.9
General working capital	$0.2
Total Application of Funds Available	**$17.8**

The Placement was priced with reference to the 30 trading day VWAP of the Shares prior to 7 May 2014, being the last trading day prior to the execution of the SSA. This was determined by the Board of Cuesta to provide an appropriate pricing benchmark as it reflects the traded price of Shares, removing for the influence of small volume trades, which prevailed over the period of negotiating the SSA. The Placement issue price of $0.103 per Share represents a 10% premium to the 30 trading day VWAP up to and including 7 May 2014 (being the final trading day prior to the announcement of the Placement) of $0.094, and a 15% premium to the last traded price of $0.09 per share on 7 May 2014.

In reaching the decision to enter into the SSA, the Board of Cuesta considered a number of factors including:

- the current working capital balance of the Company, and the impact of not raising funds in the near term would involve placing all works on hold until prior additional funds could be secured;
- the current financial obligations of the Company, in particular the Convertible Note Liability

and associated interest payments which fall due on 28 August 2014;

- the provision within the SSA which enables the Company to place an additional $10,000,000 over and above the Longluck Placement at a minimum price of $0.103 before 31 December 2014 to other parties, which would have the effect of diluting Longluck's interest in Cuesta;
- the risk that the Company would not be able to complete a similar size capital raising via alternative fundraising options which may be on less favourable terms, given the current capital market climate, particularly in relation to junior coal companies; and
- minimisation of the dilutionary effect on Non-associated Shareholders by issuing the Subscription Shares at a premium to market price.

2.2 General Terms of the Share Subscription Agreement (SSA)

A summary of the general terms of the SSA is set out below.

(a) Subscription Shares and Subscription Price

The Subscription Shares comprise a total of 145,631,068 Shares. The subscription price payable by Longluck to the Company for the Subscription Shares is $15,000,000 (being $0.103 per Subscription Share). The Placement will be undertaken in two stages;

Stage One Placement: the issue of 82,524,272 Shares (**Stage One Subscription Shares**) to raise $8,500,000 with settlement of the Stage One Placement to occur within 1 month of the date of this Meeting in accordance with ASX Listing Rule 10.13.3; and

Stage Two Placement: the issue of 63,106,796 new ordinary shares (**Stage Two Subscription Shares**) to raise a further $6,500,000 with settlement after Stage One Placement but within 1 month of the date of this Meeting in accordance with ASX Listing Rule 10.13.3.

(b) Conditions precedent to Completion- Stage One Placement

Completion of the Stage One Placement is subject to the satisfaction of several conditions precedent, including:

(i) the Resolutions which are the subject of this Notice of Meeting and Explanatory Memorandum being passed by the requisite majorities of Shareholders;

(ii) the Australian Federal Government notifying the parties that it has no objections to the Transaction under the *Foreign Acquisitions and Takeovers Act 1975* (Cth) and/or the Federal Government's foreign investment policy, and such notice being unconditional;

(iii) all necessary Chinese regulatory consents, permits and approvals in respect of the Transaction being obtained by Longluck, on conditions (if any) acceptable to Cuesta. The applications to the Chinese regulatory authorities have been submitted, and it is envisaged that the necessary consents will likely be obtained by prior to the General Meeting;

(iv) no default or other trigger event having occurred under the Convertible Note Deeds, and the Noteholders having provided consents to the Placement and undertakings to accept $5,000,000 in consideration for the repurchase and cancellation of all of the remaining Convertible Notes on completion of the Placement. The Company is not aware of any default or other trigger event under the terms of the Convertible Note Deeds occurring, or being likely to occur, and the necessary consents and undertakings from the Noteholders have been sought;

(v) there being no breach, or expected breach, of any of the warranties given by the Company in the SSA. The Directors have no reason to believe that this condition will not be satisfied;

(vi) there being no material adverse change, or expected material adverse change, in the business, financial position or prospects of the Company. The Directors have no reason to believe that this condition will not be satisfied;

(vii) the Shares in the Company being quoted on the ASX and ASX not having informed the Company that it intends to suspend the Company's shares from official quotation on ASX. The Directors have no reason to believe that this condition will not be satisfied; and

(viii) the Directors resolving to appoint or elect one person jointly nominated by Cuesta and Longluck as an Independent Non-executive Director of the Company, with the appointment or election of that person to take effect no later than completion of the Stage One Placement.

The conditions are to be fulfilled (or waived, where possible) as soon as reasonably practicable, and in any event by no later than 31 July 2014 (or such other date agreed between the parties). Completion must occur five business days after the first date on which all the conditions have been satisfied or waived (or such later date agreed between the parties).

(c) Conditions precedent to Completion- Stage Two Placement

Completion of the Stage Two Placement is subject to the satisfaction of several conditions precedent, including:

(i) there being no breach, or expected breach, of any of the warranties given by the Company in the SSA. The Directors have no reason to believe that this condition will not be satisfied;

(ii) there being no material adverse change, or expected material adverse change, in the business, financial position or prospects of the Company. The Directors have no reason to believe that this condition will not be satisfied; and

(iii) the Shares in the Company being quoted on the ASX and ASX not having informed the Company that it intends to suspend the Company's shares from official quotation on ASX. The Directors have no reason to believe that this condition will not be satisfied.

The conditions are to be fulfilled (or waived, where possible) as soon as reasonably practicable, and in any event by no later than 31 July 2014 (or such other date agreed between the parties).

(d) Conduct prior to Completion

Prior to Completion of the Stage Two Placement, the Company must:

(i) conduct its business in the ordinary and normal course, consistent with past practice;

(ii) not enter into any transaction which if effected before the date of the SSA would render any of the warranties given by the Company incorrect or inaccurate; and

(iii) use all reasonable endeavours to ensure that all contracts, agreements, arrangement and understandings to which the Company is a party remain in full force and effect and enforceable according to their terms.

(e) Obligations

The Company must:

(i) do all things reasonably necessary or desirable for the implementation of the Placement, including promoting the merits of the Placement, commissioning an independent expert's report, liaising with ASIC and the ASX, keeping Longluck informed of its progress and convening the extraordinary general meeting, the subject of this Notice of Meeting and Explanatory Memorandum;

(ii) prior to completion of the Stage Two Placement, not (either the Company nor any Subsidiary) reduce its capital, undergo any capital reorganisation or declare, pay or make available any dividend or other distribution;

(iii) immediately notify Longluck of any breach of any of the warranties given by the Company under the SSA (as described below); and

(iv) except with the prior written approval of Longluck, not issue or offer to issue any Shares or any other securities convertible into or redeemable for Shares on or before 31 December 2014 other than:

a. Shares up to the maximum amount of $10,000,000, where Longluck’s consent will not be unreasonably withheld where the issue price of such Shares is not less than $0.103 per share;

b. on conversion or exercise of any convertible security (excluding the Convertible Notes) which was issued in accordance with the terms of an agreement entered into before the date of the SSA and appropriately notified to Longluck.

(f) Completion- Stage One Placement

On completion of the Stage One Placement, the Company must:

(i) issue the Stage One Subscription Shares to Longluck, and deliver to Longluck an issuer sponsored holding statement in respect of the Stage One Subscription Shares;

(ii) procure the repurchase and cancellation of all of the Convertible Notes (having an aggregate face value of $5,000,000) issued to the Noteholder pursuant to the Noteholder agreement and pay all interest payable to the Noteholder under the Note Agreement; and

(iii) do all things necessary to confirm the appointment of the new independent Director jointly nominated by Cuesta and Longluck (**Nominee Director**);

and Longluck must pay:

(iv) $8,500,000 to the Company.

The Stage One Subscription Shares are to be quoted on the ASX and rank pari passu with all other ordinary shares. Immediately following Completion, the Company must do all things necessary to procure that Longluck is free to sell or direct the sale of the Subscription Shares to any person, including issuing a cleansing notice in accordance with sections 708A(5)(e) and 708A(6) of the Corporations Act, in respect of the Stage One Subscription Shares.

(g) Completion- Stage Two Placement

On completion of the Stage Two Placement, the Company must:

(i) issue the Stage Two Subscription Shares to Longluck, and deliver to Longluck an issuer sponsored holding statement in respect of the Stage Two Subscription Shares;

and Longluck must pay:

(ii) $6,500,000 to the Company.

The Stage Two Subscription Shares are to be quoted on the ASX and rank pari passu with all other ordinary shares. Immediately following completion, the Company must do all things necessary to procure that Longluck is free to sell or direct the sale of the Subscription Shares to any person, including issuing a cleansing notice in accordance with sections 708A(5)(e) and 708A(6) of the Corporations Act, in respect of the Stage Two Subscription Shares.

(h) Warranties

The Company has given several warranties in favour of Longluck, including the following:

(i) that the Company has full capacity to enter into and to perform its obligations under the SSA;

(ii) that the Company is solvent;

(iii) that the Company has complied with the ASX Listing Rules and the Corporations Act, including the disclosure requirements thereof;

(iv) that there is no information of the kind to which Listing Rule 3.1 applies which the Company has not disclosed in breach of Listing Rule 3.1 or because it is relying on Listing Rule 3.1A;

(v) that the Subscription Shares will be tradeable on ASX and transferrable off-market without restriction immediately upon their issue;

(vi) that no default has occurred under the Convertible Note Deeds, and the Noteholders have no right to convert any of the Convertible Notes and no Convertible Notes have been converted;

(vii) that the Transaction will not violate any laws, the Company's Constitution or any contract to which the Company is party; and

(viii) that the issued share capital of the Company and details of all securities granted by the Company convertible into shares are accurately described in the schedule to the SSA, and that there is no other commitment or arrangement in place under which the Company is obliged at any time to issue any shares or other securities of the Company (except as disclosed in the schedule and as provided under the SSA).

2.3 Indicative Timetable for the Placement

The anticipated timetable for completion of the Placement is set out below. However, the Directors reserve the right to change any of the dates below without notice, subject to relevant laws and the Listing Rules:

Event	**Date**
Dispatch Notice of meeting seeking approval of placement	8 July 2014
FIRB approval granted	Prior to General Meeting
Chinese regulatory approval granted	Prior to General Meeting
General Meeting to approve Placement as contemplated by this Explanatory Memorandum	8 August 2014
Completion of Stage One Placement (subject to satisfaction of all Conditions set out in 2.2(b)	15 August 2014
Completion of Stage Two Placement (subject to satisfaction of all Conditions set out in 2.2(c)	5 September 2014

In accordance with ASX Listing Rule 10.13.3, the Subscription Shares will be issued no later than one month after the date of the General Meeting.

2.4 Corporations Act Approval

Section 606 of the Corporations Act expressly prohibits a person acquiring a relevant interest in issued voting shares in a public company if, as a result of the acquisition, that person's or someone else's voting power in the company increases:

(a) from less than 20% to more than 20%; or
(b) from a starting point that is above 20% and below 90%;

unless an exception under Section 611 of the Corporation Act applies.

Item 7 of Section 611 of the Corporation Act provides an exception to the above prohibition where the acquisition is approved by resolution at General Meeting in favour of the acquisition.

2.5 Corporations Act and ASIC Regulatory Guide Information

Section 611 of the Corporations Act provides that certain acquisitions of relevant interests in a company's voting shares are exempt from the prohibition in section 606(1). In particular, section 611 (Item 7) of the Corporations Act provides that an acquisition approved previously by a resolution passed at a general meeting of the relevant company will be exempt from the prohibition in section 606(1) if:

(a) no votes are cast in favour of the resolution by:
  (i) the person proposing to make the acquisition and their associates; or
  (ii) the persons (if any) from whom the acquisition is to be made and their associates;

and

(b) the members of the company were given all information known to the person proposing to make the acquisition or their associates, or known to the company, that was material to the decision on how to vote on the resolution.

ASIC Regulatory Guide 74 recommends that Directors should ensure that all matters are disclosed that are material and necessary for shareholders to make an informed decision on the resolutions required to be passed to put the proposal into effect, and that shareholders should be provided with an analysis of whether the proposals which they are being asked to approve under section 611 (item 7) of the Corporations Act are fair and reasonable when considered in the context of the interests of Shareholders other than those involved in the proposed allotment or purchase or associated with such persons.

The information required to be provided by ASIC Regulatory Guide 74 (**RG74**) is set out in this section 2.5 (to the extent that it is not otherwise included in this Explanatory Memorandum).

(a) Independent Expert Report

RG74 sets out the obligation of Directors to supply Shareholders with all information that is material by either:

- undertaking a detailed examination of the proposal themselves, if they consider that they have sufficient expertise; or
- commissioning an independent expert's report.

To assist Shareholders in their assessment of Resolution 1, the Directors have appointed BDO Corporate Finance (East Coast) Pty Ltd (**Independent Expert**) to prepare an independent expert's report in relation to the Placement, the purpose of which is to state whether or not, in their opinion, the Placement is fair and reasonable to Non-associated Shareholders (refer Annexure A). The Independent Expert has determined that the transaction is not fair, but is reasonable to the Non-associated Shareholders.

(b) Details about Longluck Investment (Australia) Pty Ltd and its associates

Longluck Investment (Australia) Pty Ltd ACN 154 567 530, is an Australian proprietary company limited by shares which was incorporated on 16 December 2011.

Longluck's sole shareholder is Rongda Guoji Investment (Hong Kong) Company Limited, which (through interposed entities) is a wholly owned subsidiary of Beijing Guoli. Longluck was incorporated to serve as an Australian corporate vehicle for Beijing Guoli's Australian investments and transactions.

Beijing Guoli is a limited liability company registered with the Beijing Administration of Industry and Commerce in 1993. Beijing Guoli is based in Beijing, China. Its registered office is at No. 20, Shouti Nanlu, Haidian District, 100044 Beijing, PRC.

In accordance with its audited financial statements for the year ended 31 December 2012, Beijing Guoli has consolidated total assets of approximately RMB3.44 Billion (AU$530 million at the prevailing exchange rate on 31 December 2012).

Beijing Guoli's primary activities are investments in the electricity generation, real estate development, financial investment and chemical industries as summarised below:

Industry	Interests and Activities
Electricity generation	Beijing Guoli holds a 25% equity interest in Beijing Sanjili Energy Co., Ltd. (**Beijing Sanjili**), which engages in the investment, development and operational management of electric power and coal projects. Currently, Beijing Sanjili owns four power plants in China with total generating capacity of 4910 megawatts.
Real estate development	Beijing Guoli has developed over 2.2 million square metres of real estate projects. Developed projects include: (i) Beijing Guoxing Green Lake International Project; (ii) Beijing Guoxing Jia Yuan Project; (iii) International Investment Plaza Project; and (iv) Suyuan Jinjiang Plaza Project. Beijing Guoli, through its wholly owned subsidiary, Beijing Rongda Investment Co., Ltd (**Beijing Rongda**), holds 27.42% interest in a listed company, Guoxing Rongda Real Estate Co., Ltd. (whose shares are listed on the Shenzhen Stock Exchange in China, Stock Code: 000838, Stock Abbreviation: Guoxing Real Estate).
Financial investment	Beijing Rongda holds a 50.01% equity interest in Sino-Australian International Trust Company Limited, which is currently managing over RMB 12 billion in assets.
Chemicals	Other investments held by Beijing Guoli include a 75.5% interest in Lianyungang Sanjili Chemical Industry Co., Ltd.

The following are the existing shareholders of Beijing Guoli, together with their interest in Beijing Guoli (expressed as a percentage of the total capital of Beijing Guoli):

Shareholder		**Shareholding in Beijing Guoli (%)**
1.	SDIC Assets Management Company	10%
2.	Beijing Capital Assets Management Co., Ltd.	10%
3.	Zhangjiagang Jincheng Investment & Development Co. Ltd.	10%
4.	Beijing Guohua Real- Estate Co., Ltd.-	10%
5.	Zhangjiagang Junma Polyester Fibre Products Co., Ltd	10%
6.	Chengdu Jinsen Investment Management Co., Ltd	10%
7.	Beijing Zhonghe Rongtong Technology Development Co., Ltd.	10%
8.	Zhangjiagang Zhonghe Rongtong Electric Power Science & Technology Development Co., Ltd	10%
9.	Shanghai Tongwei Investment Co., Ltd.	10%
10.	Xuchang Sanchang Industrial Co., Ltd.	10%

The shareholders numbered 1 to 3 above (inclusive) are either PRC state-owned enterprises or controlled by PRC state-owned enterprises whilst the remaining seven are privately owned PRC foreign enterprises.

(c) Increase in voting power of Longluck and its associates in the Company as a result of the placement

The table below sets out the maximum possible voting power that Longluck and its associates will have immediately after the Stage Two Placement (assuming no other securities in the Company are issued).

Holder	Current relevant interest in Company	Current voting %	Relevant interest immediately following Placement Stage Two	Maximum Voting % immediately following placement Stage Two	Maximum extent of increase in voting %
Longluck	136,666,667	36.32%	282,297,735	54.09%	17.77%

Based on the number of Shares on issue at the date of this Notice being 376,289,380, Longluck's shareholding, and therefore voting power, will increase from 36.32% to 54.09% on an undiluted basis. This will give Longluck a significant level of control over the Company in comparison to other Shareholders, including the capacity to block special and ordinary resolutions.

The above assumes that there are no further Shares issued, pursuant to an exercise of any options, conversion of Convertible Notes to Shares or any other circumstances. If any new Share issues to entities other than Longluck or its associates, were to occur, the percentage shareholding of Longluck (and voting power in the Company) would be less than stated above. In particular, if Cuesta is able to raise an additional $10,000,000 at $0.103 per share via the issue of 97,087,378 Shares to other parties, as it is entitled to do under the SSA, Guoli's interest will be diluted to 45.60%.

The ten largest Shareholders of the Company as at 10 June 2014 (adjusted for beneficial ownership) are set out below:

Shareholder	Number of Ordinary Shares held	Percentage of total Ordinary Shares held
Longluck Investment (Australia) Pty Ltd	136,666,667	36.32%
Hanford Holdings Limited	75,000,000	19.93%
Mr Matthew Crawford	24,955,711	6.63%
Mr Keith McKnight	24,217,508	6.44%
Argonaut Resources NL	16,734,667	4.45%
New Mangrove Resources Pty Limited	12,052,406	3.20%
Waytop Investments Limited	6,764,644	1.80%
Anycall Pty Ltd	5,713,232	1.52%
ACN Mining Pty Limited	5,400,000	1.44%
Mr Brice Mutton <Brice Mutton Super Fund A/C>	5,134,488	1.36%
Inhouse Pty Ltd	4,086,364	1.09%
Top 10 Shareholders	**316,725,687**	**84.17%**
Other Shareholders	59,563,693	15.83%
TOTAL	**376,289,380**	**100.00%**

(d) Summary of advantages and disadvantages of proposed issue of securities

Advantages of the Issue

- If approved, the Placement will enable the Company to continue to advance its development plans for the Moorlands Project, from which it is targeting first coal production in 2016. Specifically, the Placement will provide working capital funding to progress the DFS, which will assist the Company in reaching a final investment decision and to secure project financing for the Moorlands Project. If the Placement does not proceed, the Company's development plans at Moorlands and any further exploration activities will need to be put on hold until alternative funding is secured.

- If approved, the Placement would enable the Company to repay its Convertible Note liability in full which is due for redemption by 28 August 2014. Repayment of the Convertible Note liability, based on the current Share price and pricing of the Placement, will be less dilutive to Shareholders than if the Noteholders elect to covert the Notes to Shares.
- The proposed issue price of $0.103 per Share represents a 10% premium to the 30 trading-day VWAP of Cuesta's shares up to and including 7 May 2014, being $0.094 and a 15% premium to the last traded price of $0.09 per share on 7 May 2014. Issuing Shares at a premium reduces the level of dilution to Shareholders compared to that which would result if funds were raised at or below the current Share price. A more detailed analysis of the Share price is set out in the Independent Expert's Report.
- The Placement demonstrates Guoli's commitment to the Moorlands Project and remains supportive of the Company's growth and development.

Shareholders are referred to the Independent Expert's Report attached to this Notice at Annexure A for a more detailed analysis of the advantages arising from the Placement. A pro-forma balance sheet outlining the financial impact on the Company if the Placement proceeds is attached to this Explanatory Memorandum at Annexure B.

Disadvantages of the Issue

- In the absence of any further equity issues, Longluck will become the owner of 54.09% of the Company's Shares following completion of the Stage Two Placement. This provides Longluck with a significant level of control over the Company as compared with other Shareholders, including the capacity to block or pass ordinary resolutions. It is however the Board's current intention to raise additional funds, over and above the Placement to Longluck and in accordance with the provisions of the SSA (as set out in 2.2(e)(v)), to facilitate a final investment decision and secure project finance for the development of the Moorlands Project. Should Cuesta be successful raising an additional $10,000,000 from third parties, Longluck's interest would reduce to 45.60%.
- The issue of the Subscription Shares to Longluck will dilute the combined shareholdings of the non-associated Shareholders by approximately 18%, from 63.68% to 45.91%. Further dilution will result should additional funds be raised by the Company, however, this will also have the effect of diluting Longluck's Shareholding as well (as discussed above).
- The Company will incur costs in connection with the Placement of approximately $120,000. These costs comprise fees paid to the Independent Expert, the Company's lawyers, and the Technical Expert who prepared the technical report contained in the Independent Expert's Report, as well as ancillary printing and mailing costs. These costs will be incurred by the Company regardless of whether the Placement completes.
- Cuesta will be bound to comply with the obligations in the SSA, including those restricting its ability to issue further Shares, as detailed in section 2.2(e) (iv) of this Explanatory Memorandum.

Shareholders are referred to the Independent Expert's Report attached to this Notice in Annexure A for a more detailed analysis of the disadvantages arising from the Placement. A pro-forma balance sheet outlining the financial impact on the Company if the Placement proceeds is attached to this Explanatory Memorandum at Annexure B.

(e) Summary of risks associated with the proposed issue of securities

Risks if Placement is approved

- Longluck will exercise a significant level of control over the Company as a result of their increased Shareholding of 54.09% of the Company's issued Share capital, giving Longluck the ability to block or pass ordinary resolutions at meetings of the Company.
- The increased Shareholding of Longluck may negatively impact the liquidity of the market in the

Shares, notwithstanding it is already low.

- There is a risk that the Company's Share price may increase beyond the price being offered by Longluck prior to Completion of the Placement, such that the issue price may not reflect a premium to the prevailing market price for Cuesta Shares.
- The risk that the warranties, obligations and conditions the Company must comply with under the terms of the SSA may be onerous, and these may not be satisfied.
- The risk that the intentions of Longluck as at the date of this document (as outlined in section 2.5(f)) may change.

Risks if Transaction is not approved

- If the Transaction is not approved, there is a risk that the Company will not be able to secure alternative funding in order to repay its Convertible Note Liability by 28 August 2014 or for its working capital requirements and development activities, or may only be able to do so on less favourable terms.

(f) Intentions of Longluck

As at the date of this notice, the Company understands that each of Longluck (and Guoli):

(1) have no present intention of making any changes to the business of the Company;

(2) have no present intention to inject further capital into the Company, (other than pursuant to the Placement) prior to final investment decision of the Moorlands Project;

(3) have no present intentions to affect or substantially change the continued or future employment of the current employees of the Company;

(4) have no present intention regarding any proposal whereby any property will be transferred between the Company and Longluck or any person associated with any of them;

(5) have no present intention to redeploy the fixed assets of the Company; and

(6) have no present intention to change significantly the financial or dividend policies of the Company.

These statements are based on the present intentions of Longluck on the basis of facts and information concerning the Company and the existing circumstances that affect the Company that are known to Longluck at the date of the Notice. These present intentions may change as new information becomes available, as circumstances change or in the light of all material information, facts and circumstances necessary to assess the operational, commercial, taxation and financial implications of those decisions at the relevant time.

(g) Directors' interests in the outcome of the Resolutions

Each of the Independent Directors states that they do not have an interest in the outcome of Resolution 1.

Neither Mr Ruoshui Wang, Mr Huaixi Zheng nor Mr Hanping Liu, each being a Director of the Company, has a material personal interest in the Placement. However, each of Mr Ruoshui Wang, Mr Huaixi Zheng and Mr Hanping Liu were originally appointed to the Board of the Company at the request of Longluck, and Messrs Wang and Liu are also Directors of Longluck.

(h) Details of new Director

If the Placement is approved by Shareholders, the Directors must appoint or elect one person jointly nominated by Cuesta and Longluck as an Independent Non-executive Director of the Company (**Nominee Director**), with the appointment or election of the Nominee Director to take effect no later than completion of the Stage One Placement.

The appointment of the Nominee Director is not at the sole discretion of Longluck. The number of Directors appointed solely by Longluck will remain at three Directors. The total number of Directors after the appointment of the Nominee Director will be nine.

The Company and Longluck have not yet identified the Nominee Director. It is likely that this decision will be made after the Meeting. The Company will make the appropriate disclosures once the Nominee Director has been elected, including the following details:

(1) name;
(2) qualifications and relevant professional or commercial experience;
(3) any associations that the proposed Director has with Longluck, Cuesta or any of their associates; and
(4) any interest that the proposed Director has in the Transaction or any other relevant agreement.

2.6 Listing Rule 10.11 Approval

Listing Rule 10.11 expressly prohibits an entity from issuing or agreeing to issue equity securities to any of the following persons without the approval of holders of ordinary securities:

- 10.11.1 - A related party
- 10.11.2 - A person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained.

ASX defines a related party as having the same meaning as Section 228 of the Corporations Act which defines what entities and persons would be considered related parties of a public company. The definition of related party includes an entity which controls the public company.

Longluck is the major Shareholder of the Company and currently holds 36.32% of all Shares. Following the proposed Transaction and in the absence of any further equity issues, Longluck's Shareholding and voting power, in the Company will increase to 54.09%. The number of Directors appointed by Longluck will remain at three of nine Directors on the Board.

While the Directors have not necessarily formed a view as to whether Longluck is a related party of the Company, ASX has determined under Listing Rule 10.11.2 that Shareholder approval for the Placement is required, given the relationship between the Company and Longluck.

2.7 Independent Directors' Recommendation

The Independent Directors of the Company unanimously recommend that you vote in favour of Resolution 1, as they have determined that the issue of the Subscription Shares to Longluck on the terms of the SSA is in the best interests of the Company. Mr Ruoshui Wang, Mr Huaixi Zheng and Mr Hanping Liu are in favour of Resolution 1, but have not provided a recommendation as each of them was originally appointed to the Board of the Company at the request of Longluck.

The Independent Directors' interest in shares in the Company are set out in the table below:

Independent Director	Number of Ordinary Shares held Directly or Indirectly
Mr Brian Johnson	1,000,000
Mr Matthew Crawford*	48,489,884
Mr Keith McKnight*	47,751,680
Mr Brice Mutton	5,134,488
Mr Patrick Elliott	17,334,667
Mr Yong Xiao	75,000,000

*Includes 47,068,346 ordinary shares held by Albion Ballymore Pty Ltd of which Mr Crawford and Mr Knight each have a 50% interest.

Each of the Directors intends to vote the shares in which they hold an interest in favour of Resolution 1.

2.8 If Placement is not approved

The Company requires funding in order to repay its Convertible Note liability of $5,000,000 which is due for redemption by 28 August 2014. The Company also requires funding in order to progress the DFS at Moorlands together with working capital expenditure, creditor payments, salaries and transaction costs.

If the Placement is not approved by Shareholders, the Company will have an immediate need to seek an alternate source of funding in order to meet the Convertible Note Liability to ensure the viability of the Company. It is likely that such funding will be on significantly less favourable terms due to the urgent nature of the requirement. Furthermore, the Company will be forced to put its current development plans for the Moorlands project on hold, resulting in a loss of momentum in the development timetable and a delay is the estimated production date.

3. Resolution 2 – Approval of the giving of a financial benefit to Longluck

3.1 Background

Under Part 2E of the Corporations Act, a public company must (unless an exception applies) obtain member approval to give a financial benefit to a related party of the Company.

The Directors have determined that the issue of the Subscription Shares to Longluck pursuant to the SSA could constitute the giving of a financial benefit to a related party, given that Longluck is an existing major Shareholder. Accordingly, in line with good corporate governance and the recommendations of ASIC Regulatory Guide 76 (*Related Party Transactions*), Shareholder approval of the Transaction under Part 2E of the Corporations Act is being sought.

Section 219 of the Corporations Act and ASIC Regulatory Guide 76 (*Related Party Transactions*) provide that meeting materials seeking member approval for related party transactions must provide sufficient information to members to enable them to decide whether or not the financial benefit to be given to a related party is in the interests of the company. That information is set out below.

3.2 Identity of the 'related party'

Section 228 of the Corporations Act defines what entities and persons would be considered related parties of a public company. The definition of related party includes an entity which controls the public company. While Longluck does not control the Company, the Directors have determined that seeking Shareholder approval for the Placement is consistent with good corporate governance, given the relationship between the Company and Longluck.

Longluck is the major Shareholder of the Company and currently holds 36.32% of the issued share capital of the Company. Following the completion of the Stage Two Placement and in the absence of any further equity issues, Longluck's shareholding, and voting power, in the Company would increase to 54.09%.

3.3 Details of the financial benefit

The financial benefit to be given to Longluck comprises the issue of 145,631,068 Shares in the Company to Longluck, and the rights and benefits granted to Longluck under the terms of the SSA. These benefits are not available to the other Shareholders of the Company.

The reason for the giving of the proposed financial benefit by the Company to Longluck is to raise $15,000,000, to be applied by the Company in the manner described in sections 2.1, 2.2 and 2.5 of this Explanatory Memorandum.

The Independent Expert's Report sets out a detailed valuation of the financial benefit. The Independent Expert has determined that the giving of the financial benefit is in the best interests of the Non-associated Shareholders.

3.4 Longluck's existing interest and dilution effect of the Placement

Longluck currently holds 36.32%, and following the issue of the Stage Two Subscription Shares will hold 54.09% of the issued Share capital of the Company. The issue of the Subscription Shares would dilute the shareholdings of the existing Shareholders in the Company (other than Longluck) from 63.68% to 45.91%.

3.5 Alternative options and reasons for choosing the Placement

The Directors have chosen to pursue the Placement in order to raise $15,000,000, which will enable the Company to repay its Convertible Note liability, and to proceed with its development plans for the Moorlands Project. If the Company is unable to complete the Placement to Longluck, the Company would need to seek an immediate source of alternate funding to repay the Convertible Note Liability due by 28 August 2014. Until alternative funding could be secured, the Company's operational plans would need to be put on hold.

The Board considered alternative funding options including a rights issue or a placement to professional and sophisticated investors. Given the current depressed coal market conditions and negative investor sentiment, the probability of attracting broker and investor support and raising $15,000,000 from these alternatives was considered low.

The Board also considered the divestment of non-core assets as a means of raising funds to support the exploration objectives of the Company. However, it was considered that successful divestment would unlikely be achieved in a timely manner, or to deliver the required level of funding. Given the current market conditions, it was also considered that the Company would be unable to realise the full value of the assets which was deemed to not be in the best interest of Shareholders.

3.6 Impact of the Placement on the Company

The Directors have given due consideration to the impact of the Placement on the Company. In particular the Directors have considered that the giving of the financial benefit will not result in any material opportunity costs, taxation consequences or detrimental economic and commercial consequences. As stated, the Company would need to immediately source alternate funding to repay its Convertible Note Liability. Such funding would likely be on less favourable terms. As such, the Directors consider that there are no material benefits forgone by the giving of the financial benefit.

Pro-forma financial statements outlining the financial impact on the Company if the Placement proceeds are attached to this Explanatory Memorandum as Annexure B.

Further details of the impact of the Transaction are set out in section 2.5 of this Explanatory Memorandum and in the Independent Expert's Report.

3.7 Independent Directors' recommendations

The Independent Directors of the Company unanimously recommend that you vote in favour of Resolution 2, as they have determined that the issue of the Subscription Shares to Longluck on the terms of the SSA is in the best interests of the Company. Mr Ruoshui Wang, Mr Huaixi Zheng and Mr Hanping Liu are in favour of Resolution 2, but have not provided a recommendation as each of them were originally appointed to the Board of the Company at the request of Longluck.

Each of the Directors intends to vote the shares in which they hold an interest in favour of Resolution 2.

3.8 Directors' interests

Each of the Independent Directors states that they do not have an interest in the outcome of Resolution 2.

Neither Mr Ruoshui Wang, Mr Huaixi Zheng nor Mr Hanping Liu, each being a Director of the Company, has a material personal interest in the Placement or any other relevant agreement. However, each of Mr Ruoshui Wang, Mr Huaixi Zheng and Mr Hanping Liu were originally appointed to the Board of the Company at the request of Longluck. Messrs Wang and Liu are also Directors of Longluck.

4. Resolution 3– Approval of the issue of Ordinary Shares

4.1 Background

The SSA provides the Company with the ability to raise an additional $10,000,000 by issuing up to a maximum of 97,087,379 fully paid ordinary shares at a minimum price of $0.103 per share. This additional placement is over and above the Placement to Longluck.

The additional Placement funds will ensure that the Company is fully funded through to completion of the DFS and to final investment decision.

4.2 General

Resolution 3 seeks Shareholder approval of the issue of up to a maximum of 97,087,379 fully paid ordinary shares at a price no less than $0.103 per share to raise a maximum of $10,000,000.

Listing Rule 7.1 imposes a cap of 15% of the Company's Issued Capital that a Company may issue in a 12 month period without shareholder approval. At the Company's Annual General Meeting, held 27 November 2013, Shareholders approved an additional 10% placement facility under Listing Rule 7.1A. Based on the current issued capital of the Company (i.e. prior to settlement of the Placement), the issue of up to 97,087,379 fully paid ordinary shares is above the combined 25% limit, and therefore requires shareholder approval.

Pursuant to Listing Rule 7.3.2, the Company must issue these securities within three months from the date of this Meeting.

4.3 Information Required for Approval under Listing Rule 7.1

Fully Paid Ordinary Shares	
Number of Equity Securities	Up to a maximum of 97,087,379 Shares
Date of issue and allotment	The Company must issue these Shares within three months from the date of the Meeting
Issue Price	No less than $0.103
Allottees	The names of the allottees are not yet known, however, allottees will be sophisticated or professional investors, or clients of Licensed Securities Dealers and will not include any related parties
Term	The issued securities will rank pari passu will all other shares on issue
Allotment	Allotment will occur progressively
Use of Funds	To facilitate a final investment decision and secure project finance for the development of the Moorlands Project

5. Glossary

In this Notice and the Explanatory Memorandum:

$ mean Australian Dollars;

AEST means Australian Eastern Standard Time, being the time in Sydney, New South Wales;

ASIC means Australian Securities and Investment Commission;

Associate has the same meaning given to that term in section 9 of the Corporations Act;

ASX means ASX Limited (ACN 008 624 691) and, where the context permits, the Australian Securities Exchange operated by ASX;

Bcm/tonne means billion cubic metres per tonne;

Beijing Guoli means Beijing Guoli Energy Investment Co., Ltd;

Beijing Rongda means Beijing Rongda Investment Co., Ltd;

Beijing Sanjili means Beijing Sanjili Energy Co., Ltd;

Board means the board of Directors;

Business Day means:

a) For determining when a notice, consent or other communication is given, a day that is not a Saturday, Sunday or public holiday in the place to which the notice, consent or other communication is sent; and

b) For any other purpose, a day (other than a Saturday, Sunday or public Holiday) on which banks are open for general banking business in Sydney;

Cuesta and **Company** means Cuesta Coal Limited ACN 153 351 994;

Constitution means the constitution of the Company as at the commencement of the Meeting;

Convertible Note means a secured convertible note issued by the Company to the Noteholders under the provisions of the Convertible Note Deeds;

Corporations Act means the *Corporations Act 2001* (Cth);

Convertible Note Deeds means the Convertible Note Deeds between:

a) the Company and Eolai Pty Ltd as trustee for the Mathi Trust; and

b) the Company and Ian MacLeod-Carey & Associates Pty Ltd as trustee for the MacLeod-Carey Family Trust;

DFS means Definitive Feasibility Study;

Director means a director of the Company;

EPC means exploration permit for coal;

Equity Securities has the same meaning as in the Listing Rules;

Explanatory Memorandum means the explanatory memorandum attached to, and forming part of, the Notice;

FATA means the *Foreign Acquisition and Takeovers Act 1975* (Cth);

FIRB means the Foreign Investment Review Board;

Independent Directors means Mr Brice Mutton, Mr Matthew Crawford, Mr Keith McKnight, Mr Brian Johnson, Mr Patrick Elliott and Mr Yong Xiao (being, as at the date of the Notice, each of the Directors other than Mr Ruoshui Wang, Mr Huaixi Zheng, Mr Hanping Liu);

Independent Expert means BDO Corporate Finance (East Coast) Pty Ltd;

Independent Expert's Report means the report prepared by the Independent Expert in relation to the Transaction, attached to this Explanatory Memorandum as Annexure A;

Listing Rules means the official listing rules of ASX;

Longluck means Longluck Investment (Australia) Pty Ltd ACN 154 567 530;

Meeting has the meaning in the introductory paragraph of the Notice;

Mt means millions of tonnes;

Nominee Director means if the Placement is approved, the Director to be jointly nominated by Longluck and Cuesta, in accordance with the SSA.

Non-associated Shareholder means Shareholders not associated with Longluck;

Noteholders means:

(a) Eolai Pty Ltd as trustee for the Mathi Trust, being an associated entity of Trevor Bruce Hannigan; and
(b) Ian MacLeod-Carey & Associates Pty Ltd as trustee for the MacLeod-Carey Family Trust.

Notice means this notice of meeting;

Ordinary Share means a fully paid ordinary share in the issued capital of the Company;

Placement means the subscription for shares in the Company to be made by Longluck pursuant to the terms of the SSA comprising the Stage One Placement and the Stage Two Placement;

Proxy Form means the proxy form attached to the Notice;

Resolution means a resolution contained in the Notice;

Schedule means a schedule to this Notice;

Section means a section contained in the Explanatory Memorandum;

Shareholder means a shareholder of the Company;

SSA means the Share Subscription Agreement between the Company and Longluck Investment (Australia) Pty Ltd entered into on 17 May 2014;

Stage One Placement means the issue of the Stage One Subscription Shares to Longluck at $0.103 per share to raise $8,500,000, in accordance with the terms of the SSA;

Stage One Subscription Shares means 82,524,272 new ordinary shares in the Company**;**

Stage Two Placement means the issue of the Stage Two Subscription Shares to Longluck at $0.103 per share to raise $6,500,000, in accordance with the terms of the SSA;

Stage Two Subscription Shares means 63,106,796 new ordinary shares in the Company; and

VWAP means volume weighted average price.

In this Notice and the Explanatory Memorandum, words importing the singular include the plural and vice versa.

Any inquires in relation to the Resolutions or the Explanatory Memorandum should be directed to Megan McPherson (Company Secretary):

Cuesta Coal Limited

Address: Suite 15.01, Level 15, 31 Market Street, Sydney NSW 2000

Postal Address: PO Box Q716, Queen Victoria Building, Sydney NSW 1230

Ph: (02) 9284 5900 **Fax:** (02) 9284 5999 **Email:** info@cuestacoal.com.au

ANNEXURE A

INDEPENDENT EXPERT REPORT

INDEPENDENT EXPERT'S REPORT
Cuesta Coal Limited

25 June 2014

Tel: +61 2 9251 4100
Fax: +61 2 9240 9821
www.bdo.com.au

Level 11, 1 Margaret St
SYDNEY NSW 2000
Australia

FINANCIAL SERVICES GUIDE

This Financial Services Guide is issued in relation to an independent expert's report prepared by BDO Corporate Finance (East Coast) Pty Ltd (ABN 70 050 038 170) (BDO) at the request of the independent directors of Cuesta Coal Limited (CQC or the Company) in relation to whether the issue of two parcels of shares totalling approximately 145.6 million fully paid ordinary shares (Shares) in CQC to Longluck Investment (Australia) Pty Ltd (the Transaction) is fair and reasonable to CQC's non-associated shareholders under the Corporations Act 2001 (Cth). The Report is intended to accompany the notice of meeting and accompanying explanatory memorandum that are to be provided by the directors of CQC (Directors).

Financial Services Guide

BDO holds an Australian Financial Services Licence (License No: 247420) (Licence). As a result of our Report being provided to you BDO are required to issue to you, as a retail client, a Financial Services Guide (FSG). The FSG includes information on the use of general financial product advice and is issued so as to comply with our obligations as holder of an Australian Financial Services Licence.

Financial services BDO is licensed to provide

The Licence authorises BDO to provide reports for the purposes of acting for and on behalf of clients in relation to proposed or actual mergers, acquisitions, takeovers, corporate restructures or share issues, to carry on a financial services business to provide general financial product advice for securities and certain derivatives (limited to old law securities, options contracts and warrants) to retail and wholesale clients.

BDO provides financial product advice by virtue of an engagement to issue the Report in connection with the issue of securities of another person.

Our Report includes a description of the circumstances of our engagement and identifies the party who has engaged us. You have not engaged us directly but will be provided with a copy of our Report (as a retail client) because of your connection with the matters on which our Report has been issued.

Our Report is provided on our own behalf as an Australian Financial Services Licensee authorised to provide the financial product advice contained in the Report.

General financial product advice

Our Report provides general financial product advice only, and does not provide personal financial product advice, because it has been prepared without taking into account your particular personal circumstances or objectives (either financial or otherwise), your financial position or your needs.

Some individuals may place a different emphasis on various aspects of potential investments.

An individual's decision in relation to the Transaction described in the Documents may be influenced by their particular circumstances and, therefore, individuals should seek independent advice.

Benefits that BDO may receive

BDO has charged fees for providing our Report. The basis on which our fees will be determined has been agreed with, and our fees will be paid by the person who engaged us to provide the Report. Our fees have been agreed on either a fixed fee or time cost basis.

BDO will receive a fee based on the time spent in the preparation of this Report in the amount of approximately $35,000 (plus GST and disbursements). BDO will not receive any fee contingent upon the outcome of the Transaction, and accordingly, does not have any pecuniary or other interests that could reasonably be regarded as being capable of affecting its ability to give an unbiased opinion in relation to the Transaction.

Remuneration or other benefits received by our employees

All our employees receive a salary. Employees may be eligible for bonuses based on overall productivity and contribution to the operation of BDO or related entities but any bonuses are not directly connected with any assignment and in particular are not directly related to the engagement for which our Report was provided.

Referrals

BDO does not pay commissions or provide any other benefits to any parties or person for referring customers to us in connection with the reports that BDO is licensed to provide.

Associations and relationships

BDO is the licensed corporate advisory arm of BDO East Coast Partnership, Chartered Accountants and Business Advisers. The directors of BDO may also be partners in BDO East Coast Partnership, Chartered Accountants and Business Advisers.

BDO East Coast Partnership, Chartered Accountants and Business Advisers are comprised of a number of related entities that provide audit, accounting, tax and financial advisory services to a wide range of clients.

BDO's contact details are as set out on our letterhead.

BDO is unaware of any matter or circumstance that would preclude it from preparing the Report on the grounds of independence under regulatory or professional requirements. In particular, BDO has had regard to the provisions of applicable pronouncements and other guidance statements relating to professional independence issued by Australian professional accounting bodies and Australian Securities and Investments Commission (ASIC).

Complaints resolution

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to The Complaints Officer, BDO Corporate Finance (East Coast) Pty Ltd, Level 11, 1 Margaret Street, Sydney NSW 2000.

On receipt of a written complaint we will record the complaint, acknowledge receipt of the complaint and seek to resolve the complaint as soon as practical. If we cannot reach a satisfactory resolution, you can raise your concerns with the Financial Ombudsman Service Limited (FOS). FOS is an independent body established to provide advice and assistance in helping resolve complaints relating to the financial services industry. BDO is a member of FOS. FOS may be contacted directly via the details set out below.

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Level 11, 1 Margaret St
SYDNEY NSW 2000
Australia

25 June 2014

The Independent Directors
Cuesta Coal Limited
Level 15, 31 Market Street
Sydney NSW 2000

Dear Independent Directors

INDEPENDENT EXPERT'S REPORT

Introduction

The independent directors (Independent Directors) of Cuesta Coal Limited (CQC or the Company) have appointed BDO Corporate Finance (East Coast) Pty Ltd (BDO, we, us or our) to prepare an independent expert's report (Report or IER) setting out our opinion as to whether the issue of two parcels of shares totalling approximately 145.6 million fully paid ordinary shares (Shares) in CQC to Longluck Investment (Australia) Pty Ltd (Longluck) (the Transaction) is fair and reasonable to CQC's non-associated shareholders (Non-associated Shareholders).

CQC is listed on the Australian Securities Exchange (ASX) and engages in coal exploration with a pipeline of coal projects ranging from development to greenfield exploration. The Company has a portfolio of thermal and coking coal exploration projects across the Bowen, Surat, Clarence/Moreton and Galilee Basins of Queensland, Australia. CQC is targeting first coal production from its priority Moorlands Projects in 2016.

Longluck, incorporated on 16 December 2011, is a wholly owned subsidiary of Beijing Guoli Energy Investment Co. Ltd (Beijing Guoli). Longluck was incorporated to serve as an Australian corporate vehicle for Beijing Guoli's Australian investments.

The Transaction

On 17 May 2014, CQC entered into a Share Subscription Agreement with Longluck (the Share Subscription Agreement) under which:

- Longluck will subscribe for two parcels of Shares (Stage 1 and Stage 2) at $0.103 per Share. The Stage 1 subscription will be for 82,524,272 Shares, the Stage 2 subscription will be for 63,106,796 Shares. The total amount to be received from the subscriptions under the Share Subscription Agreement will be approximately $15 million.
- The parties have agreed to various conditions of the Share Subscription Agreement, in summary:
  - Approval of the Transaction by the Foreign Investment Review Board and receipt of all necessary Chinese regulatory consents, permits and approvals.
  - The passing of resolutions at a general meeting to be convened (Meeting) allowing the Transaction to proceed.
  - Various agreements in relation to noteholders of convertible notes (Noteholders), primarily that the Noteholders approve the Transaction as required under the convertible note deed (Convertible Note Deed) and that the Noteholders agree to be paid $5 million in consideration for the repurchase and cancellation of all of the notes.
  - The appointment of one additional director to the board of CQC nominated by Longluck and CQC jointly.
  - Other conditions as provided in paragraphs 2.1 and 2.5 of the Share Subscription Agreement.

A summary of the terms of the Transaction is set out in section 1 of this Report. Full details of the Transaction are set out in the explanatory statement accompanying the notice of meeting (Documents) to be sent to shareholders of CQC (Shareholders) and voted on at the Meeting.

Purpose

The Independent Directors have engaged us to prepare this Report in relation to the Transaction to opine on whether:

- The Transaction is fair and reasonable to Non-associated Shareholders for the purposes of Section 606 and item 7 of Section 611 of the Corporations Act 2001 Cth (the Act) as well as ASX Listing Rules 7.1 and 10.11.
- The giving of a financial benefit to Longluck pursuant to the issue of approximately 1.45 million Shares at $0.103 per Share is in the best interests of Non-associated Shareholders for the purposes of Chapter 2E of the Act.

All amounts in this Report are stated in Australian dollars ($) unless otherwise stated.

Summary of opinion (to be updated)

In our opinion, the Transaction in accordance with Resolution 1 of the Documents is not fair but reasonable to the Non-associated Shareholders.

In our opinion, the giving of a financial benefit in accordance with Resolution 2 of the Documents is in the best interests of the Non-associated Shareholders.

Fairness assessment

In undertaking our fairness opinion we have had regard to Australian Securities and Investments Commission (ASIC) Regulatory Guide 111 *Content of expert reports* (RG 111).

RG 111.11 indicates that an offer is 'fair' if the value of the offer price or consideration is equal to or greater than the value of the securities the subject of the offer. The comparison must be made assuming:

- A knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length.
- 100% ownership of the target company, irrespective of the percentage holding of the bidder or its associates in the target company.

For the purposes of this Report we have compared:

- The fair market value of a Share pre-transaction on a control basis (being the value of the securities the subject of the offer per RG111.11)
- The fair market value of a Share post-transaction on a minority basis (being the offer price or consideration per RG111.11)

The basis for the above form of comparison is to ensure our analysis is in line with RG111.5 to RG111.7 which includes statements as follows:

- The main purpose of the report is to adequately deal with the concerns that could reasonably be anticipated of those persons affected by the proposed transaction
- The form of analysis an expert uses to evaluate a transaction should address the issues faced by security holders.

The Transaction will be fair if the Consideration (fair market value of a Share post-transaction on a minority basis) is equal to or greater than the securities the subject of the offer (fair market value of a Share pre-transaction on a control basis).

The result of our fairness analysis is summarised below.

Table 1: Fairness analysis

$ unless stated otherwise	Ref	Low	High
Fair market value of a Share before the Transaction on a control basis	7.2	0.148	0.271
Consideration (fair market value of a Share after the Transaction on a minority basis)	8.2	0.107	0.199

Source: BDO analysis

As the Consideration, as a whole, falls below our value range for a Share we conclude that the Transaction is not fair.

Reasonableness assessment

In accordance with RG 111 an offer is reasonable if it is fair. It might also be reasonable if, despite being not fair, the expert believes that there are sufficient reasons for Non-associated Shareholders to accept the offer in the absence of a superior offer.

In our opinion the Transaction is reasonable to the Non-associated Shareholders. We have considered the factors which the Non-associated Shareholders may consider in their assessment of the Transaction. A summary of the factors considered in our reasonableness assessment are as follows:

Table 2: Summary of factors considered in the reasonableness assessment

- ***Commercial value of the Transaction to Non-Associated Shareholders***

  Notwithstanding the fairness approach assessed pursuant to RG 111.11 above, we note that the Non-Associated Shareholders currently own a non-controlling interest in CQC and will continue to own a non-controlling interest in CQC after the Transaction. With reference to RG111.5, we have considered the purpose and outcome of the Transaction. As Non-Associated Shareholders will have a non-controlling interest in the Shares both pre and post Transaction, we have assessed the commercial value of Non-Associated Shareholders holdings on this basis as follows:

  Table 3: Commercial analysis

$ unless stated otherwise	Ref	Low	High
Fair market value of a CQC Share before the Transaction on a minority basis	7.2	0.110	0.217
Fair market value of a CQC Share after the Transaction on a minority basis	8.2	0.107	0.199
Subscription price of $0.103 per Share	1.1	0.103	0.103
Fair market value of a CQC Share after the Transaction on a minority basis	8.2	0.107	0.199
Premium/(discount) for control		(4%)	(48%)

  Source: BDO analysis

  As the range of the fair market value for a CQC Share after the Transaction falls broadly within the range of a CQC Share before the Transaction, it is our opinion that, on a commercial basis the Transaction is not unfavourable to the Non-Associated Shareholders. No one point in our valuation range is any more likely than any other point in the range. Therefore, it is more likely than not that the value of a Share post Transaction, will fall within the range of values of a Share pre Transaction.

Table 2: Summary of factors considered in the reasonableness assessment

- ***If the Transaction is not approved, CQC may not have the ability to meet its debts as and when they fall due***
  The Directors have advised that CQC requires funding for working capital expenditure, creditor and borrowing payments, salaries, transaction costs and exploration and capital expenditure. If the Transaction is not approved, CQC will eventually have a working capital deficiency and a shortage of exploration funding. Further capital management initiatives may be required.

  In addition, if the Transaction is not approved the Company will have an immediate need to seek an alternate source of funding in order to meet the Convertible Note Liability of $5.0 million to ensure the viability of the Company. As at 30 April 2014 CQC has cash and cash equivalents of approximately $2.8 million. It is likely that such funding will be on significantly less favourable terms due to the urgent nature of the requirement. Furthermore, the Company will be forced to put its current development plans for the Moorlands project on hold, resulting in a loss of momentum in the development timetable and causes a delay on the estimated production date.

- ***Beijing Guoli is a strategic financial partner***
  Beijing Guoli, the major shareholder of CQC, currently holds a 36.3% equity interest though Longluck. CQC management (Management) advise that Beijing Guoli has a strong interest in the coal industry in Australia as it is an important resource to China used for electricity generation, industrial fuel and chemical feedstocks.

  Beijing Guoli's many investments include coal mining, therefore, it has relevant experience in coal production, development and exploration activities. Its increase in ownership in CQC, experience and financial support will further align the interests of Beijing Guoli and the Shareholders to maximise Shareholders value through continuing exploration activities with a focus of transitioning from a junior explorer to coal producer.

- ***The Transaction assists to stabilise the Company's financial position***
  The completion of the Transaction will immediately provide necessary short term working capital requirements, confer greater operational flexibility and allow the Directors and senior management to concentrate on the exploration activities (primarily the Moorlands project). In particular, $5.0 million of the proceeds from the Transaction will be used to redeem the Convertible Notes, relieving the Company of part of its debt service requirements. The improved financial position of the Company will also help to alleviate any concerns of existing and prospective parties about the ability of the Company to meet its obligations going forward.

- ***The Consideration is a premium to the 30-day VWAP***
  The issue price of $0.103 per share represents a 10% premium to the 30 day volume weighted average Share price (VWAP) to 7 May 2014 (being the final trading day prior to the announcement of the Placement on 19 May 2014) and a 15% premium to the last day traded price on 7 May 2014.

- ***Dilution of existing Shareholders' interest***
  If the Transaction is approved, it allows for an immediate dilution of approximately 11% of the voting power currently held by the Non-Associated Shareholders after stage 1 and 17% after stage 2, excluding any future capital raisings. This will give Beijing Guoli a greater level of interest in the Company in comparison to other Shareholders including the capacity to block ordinary or special resolutions.

  Conversely, if the Transaction is not approved, the Convertible Notes may be converted into Shares resulting in a dilution of approximately 9% of the voting power currently held by the Non-Associated Shareholders.

- ***Debt funding not available***
  CQC is currently unable to obtain bank debt funding for its exploration activities.

- ***Transaction costs***
  Management advised that CQC will incur transaction costs for the Transaction. A large part of these costs will have been incurred before the Meeting and will be incurred regardless of whether the Transaction is approved and implemented.

- ***Known intentions of Longluck and/or Beijing Guoli***
  Management advised that Longluck and Beijing Guoli have no present intention of making any changes to the Company. They recognise the potential of CQC's tenements and have indicated that they will continue to support the growth of CQC.

Table 2: Summary of factors considered in the reasonableness assessment

- *Known intentions of Directors*

  We have been advised that the Directors have no present intentions of making any changes to the operation of the Company, or the intended use of funds if the Transaction is approved.

- *Longluck's ability to use 'creep' provision*

  We note that if the Transaction is approved and implemented, Longluck's interest in CQC would increase from 36.3% to 47.8% after Stage 1 and 54.1% after Stage 2 of the Transaction. Longluck has the ability to adopt the 'creep' exception provided under Section 611(9) of the Act by acquiring 3% of the voting Shares in CQC every six months to accumulate a greater equity interest in CQC without obtaining Shareholders' approval and paying a control premium.

- *Alternative offer/transactions*

  Management have advised that CQC has considered other funding options including rights issues, convertible note issues or a placement to professional and sophisticated investors for the same purposes as this Transaction. However, due to current market conditions and currently depressed coal prices, it is Management's and our view that CQC are unlikely to be able to attain an alternative placement that is better than the current offer. Alternatives considered may result in higher dilution of existing Non-associated Shareholder interests.

  In the event that an alternate capital raising was unsuccessful or insufficient to meet the financing and working capital requirements of the Company, the Directors also considered the divestment of non-core exploration assets for cash consideration. Again, given the current market conditions, divestment of non-core exploration assets may prove to be difficult and an unattractive funding option for the Company.

- *Risk of not approving the Transaction*

  If the Transaction is not approved, the Company would not be able to repay its Convertible Note liability of $5 million by 28 August 2014 and would be liable to continue financing the interest on the liability or be required to convert the notes, further diluting Non-associated Shareholder's interests.

  We have been advised that the Company would also be unable to proceed with its development plans for the Moorlands project without seeking an alternative source of funding which may be on less attractive terms than the Transaction to Longluck.

Source: BDO analysis

Shareholders' individual circumstances

Our analysis has been undertaken, and our conclusions are expressed, at an aggregate level. Accordingly, we have not considered the effect of the Transaction on the particular circumstances of individual Shareholders. Some individual Shareholders may place a different emphasis on various aspects of the Transaction from that adopted in this Report. Accordingly, individual Shareholders may reach different conclusions as to whether or not the Transaction is fair and reasonable in their individual circumstances. As the decision of an individual Shareholder in relation to the Transaction may be influenced by their particular circumstances (including their taxation position), Shareholders are advised to seek their own independent advice.

Approval or rejection of the Transaction is a matter for individual Shareholders based on their expectations as to the expected value and future prospects and market conditions and their particular circumstances, including risk profile, liquidity preference, portfolio strategy and tax position. Shareholders should carefully consider the Documents. Shareholders who are in doubt as to the action they should take in relation to the Transaction should consult their professional adviser.

Summary

This summary should be read in conjunction with the attached Report that sets out in full the purpose, scope, basis of evaluation, limitations, information relied upon, analysis and our findings.

Glossary

Capitalised terms used in this Report have the meanings set out in the glossary.

Sources of information

Appendix 1 identifies the information referred to, and relied upon by us during the course of preparing this Report and forming our opinion.

Financial services guide

BDO holds an Australian Financial Services Licence which authorises us to provide reports for the purposes of acting for and on behalf of clients in relation to proposed or actual mergers, acquisitions, takeovers, corporate restructures or share issues. A financial services guide is attached at the start of this Report.

Yours faithfully
BDO CORPORATE FINANCE (EAST COAST) PTY LTD

Dan Taylor
Director

David McCourt
Director

TABLE OF CONTENTS

1. OVERVIEW 1
   1.1. Transaction 1
   1.2. Convertible Notes 1
   1.3. Pro forma capital structure 3
2. SCOPE AND LIMITATIONS 4
   2.1. Section 606 and Section 611 of the Act 4
   2.2. ASX Listing Rule 7.1 4
   2.3. ASX Listing Rule 10.11 5
   2.4. Chapter 2E of the Act 5
   2.5. Scope 5
   2.6. Basis of assessment 6
   2.7. Limitations 7
   2.8. APES 225 9
   2.9. Assumptions 9
3. PROFILE OF CQC 10
   3.1. Overview 10
   3.2. Projects 10
   3.3. Corporate Structure 11
   3.4. Historical Financial Information 12
   3.5. Capital Structure and Ownership 15
   3.6. Share Price Analysis 16
4. PROFILE OF LONGLUCK AND BEIJING GUOLI 19
   4.1. Longluck 19
   4.2. Beijing Guoli 19
5. INDUSTRY OVERVIEW 20
   5.1. Coal overview 20
   5.2. Industry revenue 20
   5.3. Key external drivers 20
   5.4. Major participants 21
   5.5. Industry outlook 21
   5.6. Conclusion 22
6. VALUATION METHODOLOGY 23
   6.1. Overview 23
   6.2. Net asset methodology 23
   6.3. Selected valuation methodology 23
   6.4. Valuation cross-check 23
7. VALUATION OF CQC BEFORE THE TRANSACTION 24
   7.1. Overview 24
   7.2. Valuation Summary 24
   7.3. Net assets 24
   7.4. Book value of Exploration license applications and Exploration expenditure 24
   7.5. Fair market value of CQC tenements 25
   7.6. Convertible Notes 26
   7.7. Capitalised corporate costs 26
   7.8. Transaction costs 26
   7.9. Number of Shares 27
   7.10. Minority interest discount 27
   7.11. Valuation cross-check 27
8. VALUATION OF CQC AFTER THE TRANSACTION 28
   8.1. Overview 28
   8.2. Valuation Summary 28
   8.3. Net cash required to payout the Convertible Notes 28
   8.4. Cash proceeds from Transaction 29
   8.5. Number of Shares 29
9. EVALUATION 30
   9.1. Fairness 30
   9.2. Reasonableness 30
   9.3. Conclusion 33
10. QUALIFICATIONS AND DECLARATIONS 34
   10.1. Qualifications 34
   10.2. Independence 34
   10.3. Disclaimer 35

APPENDIX 1 : SOURCES OF INFORMATION 36

APPENDIX 2 : GLOSSARY 37

APPENDIX 3 : VALUATION METHODS 38

APPENDIX 4 : CQC TENEMENTS REPORT 39

1. OVERVIEW

1.1. Transaction

On 19 May 2014 CQC announced that it had executed a Share Subscription Agreement with Longluck under which:

- Longluck will subscribe for two parcels of Shares (Stage 1 and Stage 2) at $0.103 per Share. The Stage 1 subscription will be for 82,524,272 Shares, the Stage 2 subscription will be for 63,106,796 Shares.
- The Stage Two Subscription Shares will be issued within one month of the Meeting in accordance with ASX Listing Rule 10.13.3.
- The parties have agreed to various conditions, provided in paragraph 2.1 (for the Stage 1 Shares) and 2.5 (for the Stage 2 Shares) of the Share Subscription Agreement, being:
  - Approval of the Transaction by the Foreign Investment Review Board and receipt of all necessary Chinese regulatory consents, permits and approvals.
  - The passing of resolutions at a General Meeting allowing the Transaction to proceed under relevant requirements of the Act and ASX Listing Rules (as the case may be).
  - Various agreements with Noteholders of Convertible Notes issued under a Convertible Note Deed , primarily that the Noteholders approve the Transaction as required under the Deed, that the Noteholders agree to be paid $5 million in consideration for the repurchase and cancellation of all Notes currently outstanding and the Noteholders having no present right to convert any of the Notes as at the completion date for the Stage 1 subscription.
  - The appointment of one additional director to the board of CQC nominated by Longluck and CQC jointly.
  - Other conditions as provided in paragraph 2.1 and 2.5 of the Share Subscription Agreement.

Details of the above are set out in the Documents.

1.2. Convertible Notes

The Convertible Notes issued are not the subject of this Report. It is relevant to the Transaction by way of the use of funds indicated by Longluck under the Share Subscription Agreement as noted above. Details of the Convertible Notes are discussed below.

On 11 December 2012, CQC executed a Share Sale Agreement between CQC and two un-associated vendors (Share Sale Agreement) to acquire Hannigan & Associates Pty Limited (Hannigan) for a total consideration of $18.2 million. Hannigan owns the Orion Coal Project. Under the terms of the transaction, a $5,000,000 deposit was paid before 21 December 2012.

On 21 February 2013, the Shareholders approved the issue of up to a maximum of 10,000,000 Convertible Notes with a face value of $1.00 per Convertible Note in accordance with the terms of the Deed.

On 28 February 2013, CQC completed the acquisition of Hannigan via a cash payment of $3.2 million and the issue of 10,000,000 secured Convertible Notes to:

- Eolai Pty Limited - 5,000,000 Convertible Notes for $5,000,000
- Ian Macleod-Carey & Associates Pty Limited - 5,000,000 Convertible Notes for $5,000,000.

The above are collectively known as the Noteholders.

The key terms of the Convertible Notes are as follows:

Table 4: Convertible Notes

Item	Terms
Transaction	Subscription for $10,000,000 principal of secured Convertible Notes, convertible into fully paid-up ordinary shares in CQC.
Rank	The Convertible Notes constitute a secured obligation of CQC to the extent of the amount outstanding. Each Share issued upon the conversion ranks equally in all respects with all ordinary shares at the conversion date.
Number of Equity Securities	10,000,000 Convertible Notes.
Issue Price	No cash is payable by the Noteholders for their subscription for the Convertible Notes. The Convertible Notes are allotted and issued to the Noteholders in part satisfaction of the consideration payable by CQC under the Share sale Agreement to acquire Hannigan.
Maturity Date	28 August 2014
Face Value	Each Convertible Note has a face value of $1.00.
Interest	9% per annum in the first 12 months after the issue date and 10% per annum thereafter.
Conversion	The Noteholder may convert the Convertible Notes into Shares as follows: • In the 30 day period prior to 27 November 2013, 50% of the Noteholders Convertible Notes. • In the 30 day period prior to the Maturity Date, all of the Noteholders Convertible Notes. • All of the Noteholders Convertible Notes upon occurrence of a Trigger Event (takeover, change in control, insolvency or an event of default).
Conversion Price	The number of shares to be issued on conversion is the face value of the Convertible Notes as a proportion of 90% of the volume weighted average trading price of the Company's shares over the 10 business days ending on the business day preceding the conversion date.
Redemption	CQC may by notice in writing to the Noteholder redeem any of the Convertible Notes at any time and from time to time after the issue date provided the face value of the Convertible Notes being redeemed is no less than $1,000,000. If any Convertible Notes have not been converted prior to the Maturity Date, CQC will redeem those Convertible Notes in cleared funds on the Maturity Date.
Security	The Convertible Notes are currently secured by way of a specific charge over the issued capital of Hannigan granted by West Bowen Coal Pty Ltd, and a general security deed (GSD) granting a charge over all of the assets of the Company (Cuesta GSD), both in favour of the Noteholders. A condition the Deeds are that the Convertible Notes are ultimately to be secured by way of a general security deed granting a charge over all of the assets of Hannigan (Hannigan GSD). Under the terms of the proposed Hannigan GSD, Hannigan will grant, to the extent permitted by law, a general security interest over all its present and after-acquired property in favour of the Noteholders, as security for the performance of all obligations, and the payment of all monies that may become payable, in connection with the Deeds. The Hannigan GSD contains representations, undertakings and negative covenants to be given by Hannigan in favour of the Noteholders. The Cuesta GSD provides that, upon the granting of the Hannigan GSD, the Cuesta GSD will be discharged automatically

Source: Convertible Note Deed

Subsequent to the granting of the Convertible Notes, the Hannigan GSD has now been approved and the Cuesta GSD has been discharged.

On 24 July 2013, 5 million Convertible Notes were redeemed by CQC, leaving 5 million Convertible Notes outstanding as at the date of this IER.

Pro forma capital structure

If the Transaction is approved, CQC's pro forma capital structure post Transaction will be as set out below:

Table 5: Pro forma shareholding after the completion of the Transaction

Shareholder	Current shareholding	%	Post Transaction stage 1	%	Post Transaction stage 2	%
Non-associated Shareholders	239,622,713	63.7%	239,622,713	52.2%	239,622,713	45.9%
Longluck	136,666,667	36.3%	219,190,939	47.8%	282,297,735	54.1%
Total	**376,289,380**	**100.00%**	**458,813,652**	**100.00%**	521,920,448	**100.00%**

Source: Management

We note that if the Transaction is approved and implemented, Longluck's interest in CQC would increase from 36.3% to 47.8% after a successful Stage 1 Subscription and then 54.1% after a successful completion of the Stage 2 Subscription. The above pro forma capital structure does not assume the exercise of CQC's options, performance shares and conversion of Convertible Notes held by Non-associated Shareholders or any further capital raising initiatives.

2. SCOPE AND LIMITATIONS

The Independent Directors have engaged us to prepare a Report in relation to the Transaction to satisfy the requirements of the following:

- Section 606 and item 7 of Section 611 of the Act
- ASX Listing Rule 7.1
- ASX Listing Rule 10.11
- Chapter 2E of the Act.

2.1. Section 606 and Section 611 of the Act

Section 606 of the Act expressly prohibits transactions that result in a person or entity that, with their associates, increase their voting shares in a company from:

- 20% or below to more than 20%; or
- A point that is above 20% to below 90%,

without making a full takeover offer.

Section 611 provides an exemption to Section 606 if the acquisition is approved by a resolution of the shareholders at a general meeting called for that purpose. Section 611 requires shareholders to be given all relevant information known to the person making the acquisition, their associates or the company, which is material to the acquisition, prior to general meeting taking place.

Longluck currently has a beneficial interest in 136,666,667 (36.3%) Shares. As illustrated in Section 1 above, if the Transaction takes place, Longluck's interest in CQC would increase from 36.3% to 47.8% after completion of the Stage 1 subscription and 54.1% after completion of the Stage 2 subscription in the absence of any other Shares issues in this timeframe.

Therefore, the approval by Non-associated Shareholders of the Transaction would result in Longluck increasing its voting power from a point that is above 20% below 90%.

ASIC Regulatory Guide 74 *Acquisitions approved by members* (RG 74) issued by ASIC sets out the obligation of the directors of CQC (Directors) to supply shareholders with all information that is material by either:

- The Directors undertaking a detailed examination of the proposal themselves, if they consider that they have sufficient expertise; or
- By commissioning an independent expert's report.

In compliance with the above the Independent Directors have decided to commission an independent expert's report regarding the 'fairness and reasonableness' of the Transaction to the Non-associated Shareholders.

2.2. ASX Listing Rule 7.1

ASX Listing Rule 7.1 prohibits an entity from issuing new equity securities within a 12 month period exceeding 15% of the issued securities on issue by an entity at the start of the 12 month period, without shareholder approval.

The issue of approximately 145.6 million Shares comprises approximately 38.7% of the current issued capital in CQC.

While there is no express requirement for an independent expert's report under ASX listing rule 7.1, the Directors have commissioned this Report to assist in satisfying their disclosure requirements to Shareholders under ASX Listing Rule 7.3 which requires the Directors to provide various details to Shareholders to assist them in assessing whether or not to approve the issue of Shares under ASX Listing Rule 7.1.

2.3. ASX Listing Rule 10.11

ASX Listing Rule 10.11 requires the approval of an entity's security holders where it proposes to issue equity securities to any of the following persons:

- A related party
- A person whose relationship with the entity or a related party is in the ASX's opinion, such that approval should be obtained

The purpose of ASX Listing Rule 10.11 is to avoid any inappropriate transfer of value from a listed entity in the circumstances of related party transactions. We have been advised that whilst Longluck is not considered a related party, the ASX has requested that CQC obtain approval of Non-associated Shareholders under ASX Listing Rule 10.11.

Whilst an independent expert's report is not technically required under the ASX Listing Rule 10.11 approval process, the Directors have decided to commission this Report to provide an opinion to Non-associated Shareholders as to the fairness and reasonableness of the Transaction.

2.4. Chapter 2E of the Act

The Directors are seeking Shareholders' approval for the giving of a financial benefit to a related party of the Company under Chapter 2E. The Directors have determined to seek Shareholders' approval given the relationship between the Company and Longluck. The issue of approximately 145 million Shares to Longluck may constitute as giving of a financial benefit to a related party of the Company under Section 229(3)(e) of the Act.

Section 219(1)(e) of the Act provides that the explanatory statement lodged under Section 218 of the Act must be in writing and set out all other information that is reasonably required by members in order to decide whether or not it is in the company's interests to pass the proposed resolution and is known to the company or to any of its directors.

ASIC Regulatory Guide 76 *Related Party transactions* (RG 76) issued by ASIC sets out the obligation of the Directors to supply shareholders with all information that is material including a valuation from an independent expert where:

- The financial benefit is difficult to value;
- The transaction is significant from the point of view of the entity; or
- The non-associated directors do not have the expertise or resources to provide independent advice to members about the value of the financial benefit.

There is no requirement in Chapter 2E for an independent expert's report, however, the Independent Directors have decided to commission an independent expert's report as to whether the giving of the financial benefits is in the best interests of the Non-associated Shareholders.

2.5. Scope

The procedures we have undertaken have been limited to those procedures that we believe were required in order to form our opinion. Our procedures in the preparation of the Report do not include verification work nor constitute an audit in accordance with Australian Auditing Standards, nor do they constitute a review in accordance with Auditing Standards applicable to review engagements.

The assessment of whether the Transaction is fair and reasonable necessarily involves determining the 'fair market value' of various securities, assets and interests.

For the purposes of our opinion, the term 'fair market value' is defined as:

> *"The price that would be negotiated in an open and unrestricted market between a knowledgeable, willing, but not anxious purchaser and a knowledgeable, willing, but not anxious vendor, acting at arm's length."*

2.6. Basis of assessment

In determining whether the Transaction is fair and reasonable to Shareholders, we have had regard to the following ASIC guidelines:

- RG 111 *Content of expert reports*
- Regulatory Guide 112 *Independence of experts* (RG 112).

In particular, RG 111 establishes guidelines in respect of independent expert reports under the Act.

RG 111 establishes two distinct criteria for an expert analysing a control transaction. The tests are:

- Is it 'fair'; and
- Is it 'reasonable'?

That is, the terms fair and reasonable are regarded as separate elements and are not regarded as a compound phrase.

Fair

If the Transaction proceeds, Longluck's interest in CQC would increase from 36.3% to 47.8% after completion of the Stage 1 subscription and 54.1% after completion of the Stage 2 subscription in the absence of any other Share issues in this timeframe. Post Transaction, Longluck with its level of ownership above 54%, may be able to exercise a greater level of influence over CQC from what it currently has. Therefore, the Transaction is considered a control transaction and is assessed under RG 111.24 and analysed as if it was a takeover bid.

RG 111.11 indicates that an offer is 'fair' if the value of the offer price or consideration is equal to or greater than the value of the securities the subject of the offer. The comparison must be made assuming:

- A knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length.
- 100% ownership of the target company, irrespective of the percentage holding of the bidder or its associates in the target company.

For the purposes of this Report we have compared

- The fair market value of a Company share pre-transaction on a control basis (being the value of the securities the subject of the offer per RG111.11)
- The fair market value of a Company share post-transaction on a minority basis (being the offer price or consideration per RG111.11)

The Transaction will be fair if the fair market value of a Share post-transaction on a minority basis (Consideration) is equal to or greater than the securities the subject of the offer (fair market value of a CQC Share pre-transaction on a control basis.

If the expert uses the market price of securities as a measure of the value of the offered consideration, the expert should consider and comment on:

- The depth of the market for those securities
- The volatility of the market price
- Whether or not the market value is likely to represent the value if the takeover bid is successful.

Reasonable

RG 111.12 indicates that an offer is 'reasonable' if it is 'fair'. It might also be 'reasonable' if, despite being 'not fair', the expert believes that there are sufficient reasons for security holders to vote for the proposal.

RG 111.13 sets out some of the factors that an expert might consider in assessing the reasonableness of an offer, including:

- The bidder's pre-existing voting power in securities in the target

- Other significant security holding blocks in the target
- The liquidity of the market in the target's securities
- Taxation losses, cash flow or other benefits through achieving 100% ownership of the target
- Any special value of the target to the bidder, such as particular technology, the potential to write off outstanding loans from the target, etc
- The likely market price if the offer is unsuccessful
- The value to an alternative bidder and likelihood of an alternative offer being made.

RG 111.26 provides that an issue of shares for cash may have other benefits that should be considered in deciding whether the transaction is reasonable. These benefits may include:

- The provision of new capital to exploit business opportunities
- A reduction in debt and interest payments
- A needed injection of working capital.

In addition to the above, we have also considered the outcome of the Transaction as guided under RG 111.5:

In deciding on the appropriate form of analysis for a report, an expert should bear in mind that the main purpose of the report is to adequately deal with the concerns that could reasonably be anticipated of those persons affected by the proposed transaction. An expert should focus on the purpose and outcome of the transaction, that is, the substance of the transaction, rather than the legal mechanism used to effect the transaction.

Best interests

Section 219(2) of the Act provides some examples of information referred to in Section 219(1)(e) of the Act from an economic and commercial point of view, what are the true potential costs and detriments of, or resulting from, giving financial benefits as permitted by the proposed resolution, including (without limitation):

- Opportunity costs
- Taxation consequences (such as liability to fringe benefits tax)
- Benefits forgone by whoever would give the benefits.

There is no legal definition of "in the best interests". RG 111 provides guidance on the interpretation of "in the best interests".

RG 111.19 states "*When an expert report is required in a scheme of arrangement involving a change of control, the expert is expected to apply the analysis and provide an opinion as to whether the proposal is 'fair and reasonable' as set out in RG 111.10 - RG 111.17*".

RG 111.20 to RG 111.22 provides that if an expert would conclude that a proposal is 'fair and reasonable' if it was in the form of a takeover bid, they should conclude that the proposal is 'in the best interests' of shareholders if it is in the form of a scheme of arrangement. If the expert would conclude that a proposal is 'not fair and not reasonable' they should conclude that the proposal is 'not in the best interest' of shareholders. If an expert would conclude that a proposal is 'not fair, but reasonable' it is open to the expert to conclude that the scheme is either 'in the best interests' or 'not in the best interests' of shareholders.

2.7. Limitations

General

In preparing the Report, ASIC requires the independent expert when deciding on the form of analysis for a report, to bear in mind that the main purpose of the report is to adequately deal with the concerns that could reasonably be anticipated of those persons affected by the Transaction. In preparing the Report we considered the necessary legal requirements and guidance of the Act, ASIC Regulatory Guides and commercial practice.

The Report also includes the following information and disclosures:

- Particulars of any relationship, pecuniary or otherwise, whether existing presently or at any time within the last two years, between BDO East Coast Partnership or BDO (or antecedent firms) and any of the parties to the Transaction.
- The nature of any fee or pecuniary interest or benefit, whether direct or indirect, that we have received or will or may receive for or in connection with the preparation of the Report.
- We have been appointed as independent expert for the purposes of providing a Report in relation to the Transaction.
- That we have relied on information provided by the Directors and management of CQC and that we have not carried out any form of audit or independent verification of the information provided.
- That we have received representations from the Directors in relation to the completeness and accuracy of the information provided to us for the purpose of our Report.

Prior to accepting this engagement, we considered our independence in regard to CQC with reference to RG 112.

BDO and BDO East Coast Partnership have provided a range of services to CQC including acting as the independent external auditor, acting as the investigating accountant for the initial public listing (IPO) of CQC and acting as the independent expert for the assessment of the Share Sale Agreement. In addition, BDO East Coast Partnership's tax business unit was engaged to undertake income and payroll tax compliance work as well as advice on the likely tax consequences of undertaking the Transaction. The advice provided did not give any recommendations in relation to the Transaction and is not considered to be strategic of operational planning work in relation to RG 112.

It is our opinion that the above mentioned existing and historical relationships do not impact on our ability to provide an independent and unbiased report in the context of the Transaction. In our opinion we are independent of CQC.

Current market conditions

Our opinion is based on economic, market and other conditions prevailing at the date of this Report.
Such conditions can change significantly over relatively short periods of time. Changes in those conditions may result in any opinion becoming quickly out dated and in need of revision. We reserve the right to revise any opinion, in the light of material information existing at the Report date that subsequently become known to us.

Reliance on information

This Report is based upon financial and other information provided by CQC, the Directors and management of CQC. We have considered and relied upon this information. We believe the information provided to be reliable, complete and not misleading, and we have no reason to believe that any material facts have been withheld.

Our procedures in the preparation of the Report involved an analysis of financial information and accounting records. This did not include verification work nor constitute an audit or review in accordance with Australian Auditing and Assurance Standards and consequently does not enable us to become aware of all significant matters that might be identified in an audit or review. Accordingly we do not express an audit or review opinion.

It was not our role to undertake, and we have not undertaken, any commercial, technical, financial, legal, taxation or other due diligence, other similar investigative activities or valuations in respect of the Transaction. We understand that the Directors have been advised by legal, accounting and other appropriate advisors in relation to such matters, as necessary. We do not provide any warranty or guarantee as to the existence, extent, adequacy, effectiveness and/or completeness of any due diligence or other similar investigative activities by the Directors and/or their advisors.

We do not provide any warranty or guarantee that our inquiries have identified or verified all of the matters which an audit, extensive examination or 'due diligence' investigation might disclose. An opinion as to whether a corporate transaction is 'fair and reasonable' is in the nature of an overall opinion, rather than an audit or detailed investigation and it is in this context that we advise that we are not in a position, nor is it practical for us, to undertake such an extensive verification exercise.

It is understood that except where noted, the accounting information provided to us was prepared in accordance with generally accepted accounting principles (including adoption of Australian Equivalents to International Financial Reporting Standards) and prepared in a manner consistent with the method of accounting used by CQC in previous accounting periods.

2.8. APES 225

This engagement has been conducted in accordance with professional standard APES 225 Valuation Services, as issued by the Australian Professional and Ethical Standards Board.

2.9. Assumptions

In forming our opinion, we have made certain assumptions as outlined below:

- Assumptions addressed in the valuation section
- We have had full access to CQC management to obtain information as required
- Matters such as compliance with laws and regulations and contracts in place are in good standing, and will remain so
- There are no material legal proceedings, other than as publicly disclosed
- Information in relation to the Transaction that is distributed to Shareholders, or any information issued by a statutory body is complete, accurate and fairly presented in all material respects
- Any publicly available information relied on by us is accurate, up to date and not misleading
- If the Transaction is implemented, it will be implemented in accordance with the publicly stated terms
- The legal mechanisms to implement the Transaction are valid and effective
- There are no undue changes to the terms and conditions of the Transaction or complex issues unknown to us from the date of issue of this Report.

3. PROFILE OF CQC

3.1. Overview

CQC was incorporated in September 2011 and subsequently listed on the ASX on 2 May 2012 as a coal exploration company. CQC holds a portfolio of 28 Exploration Permits for Coal (EPCs), which consists of both granted tenure and applications (EPCA). CQC's projects are located across the West Bowen, Surat, Clarence/Moreton and Galilee Basins of Queensland.

3.2. Projects

Set out below is a brief description of CQC's key projects:

Table 6: Current projects

Mine Site	Description
Moorlands	• The Moorlands project is CQC's flagship development project. The project is a consolidation of two deposits creating a large thermal coal open cut mine development opportunity for the Company. This will be CQC's main focus for development with first coal production expected in 2016. • The project was formed by consolidating the Company's Moorlands Deposit with the Orion Coal Project which was acquired on 12 December 2012 from Hannigan. • The Moorlands Project comprises EPCs 775, 776, 1738, 1891 and EPCA 2008, is located 30km to the west of Clermont in the Western Bowen Basin and has a combined JORC (Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves) indicated coal resources of 281.1Mt.
East Wandoan	• The East Wandoan project stretches over an area of 825km^2 situated approximately 15km due east of the township of Wandoan, Queensland. It comprises three granted permit EPCs 1955, 1987, and 2237. • 44.6 Mt JORC Indicated and Inferred (Thorn Hill Deposit).
Eastern Galilee	• The Eastern Galilee project covers a total area of approximately 4,000km^2 extending in a south-easterly direction from the township of Pentland, located midway between Charters Towers and Hughenden, Queensland. • CQC holds eight tenements in total consisting of EPCs 1802, 1983, 1957, 2079, 2080, 2688 and EPCAs 2689, and 2347. • Two of the tenements (EPC 2079 and 2080) are under a Farm-In and Joint Venture agreement with QCI (Galilee) Pty Ltd (QCI).
Amberley	• The Amberley deposit (EPC 2127) comprises 12 sub-blocks covering an area of 36.5km^2 within the mining district of South Brisbane, located 5km South of Amberley RAAF Base near Ipswich, Queensland. • 54.7 Mt Inferred Resource.
West Emerald	• The West Emerald Coal Project is located 25km west and northwest of the town of Emerald covering an area of approximately 462km^2. • It consists of EPCs 1821, 1977, 2323,1825,1826,1868, and 2093.
Montrose	• The Montrose project covers a total area of approximately 947 km^2 extending in an elongated northerly direction due west of the township of Marlborough. CQC holds one tenement being EPC 2128 and provides an opportunity to explore a Greenfield coking coal site.
Bauple, East Acland and Callide	• Cuesta Coal has a number of other tenements which are currently being explored. • The Bauple Project is contained within EPC 2181 which is an application area comprising 30 sub blocks covering 93km^2. The area is located 25km south of Maryborough and 3km to the east of the township Tiaro. • The East Acland project consists of EPC 1979 in the Clarence-Moreton basin. • The Callide Project is based around EPC 1809. The application comprises 18 sub-blocks covering an area of 56.4km^2.

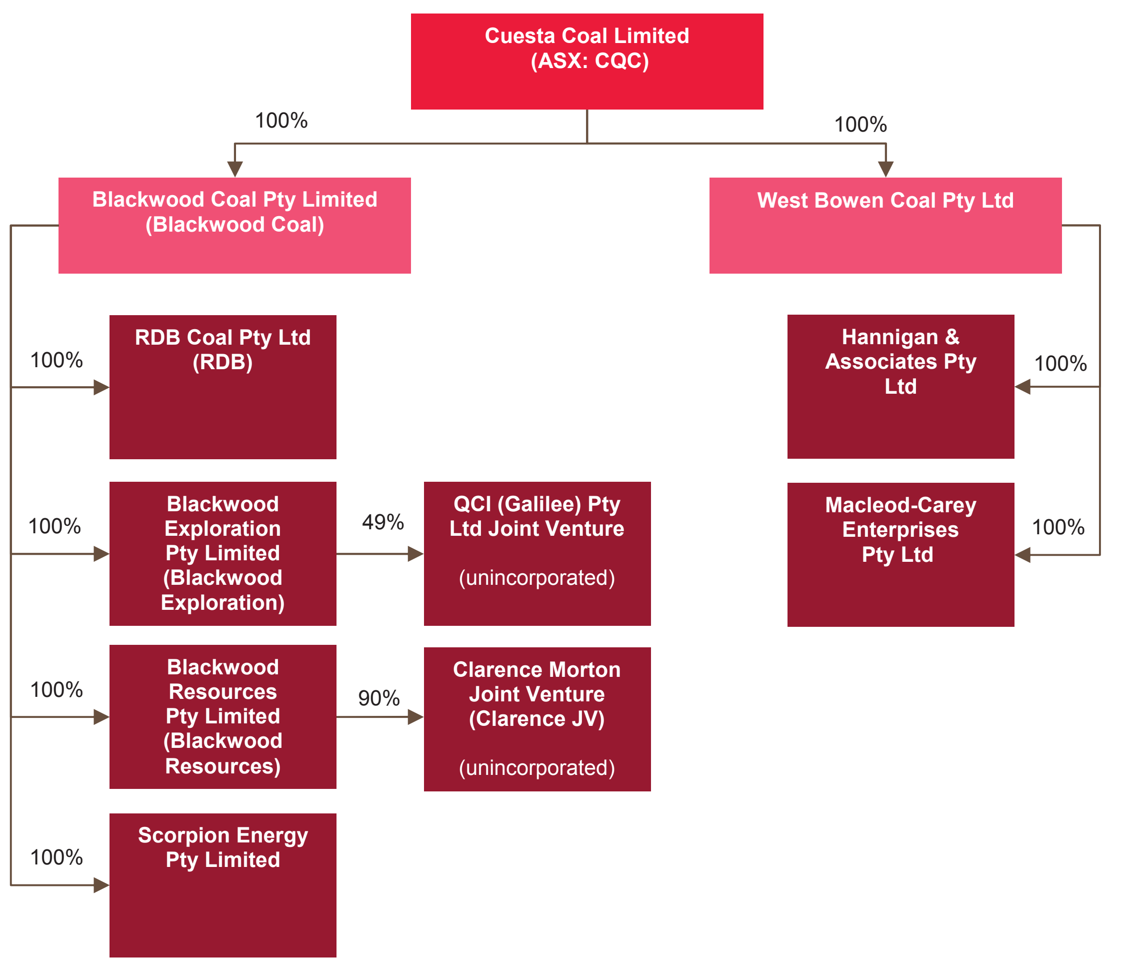
Source: CQC Quarterly activities report for the period ending 31 March 2014

3.3. Corporate Structure

The corporate structure of CQC is set out below:

Figure 1

Corporate Structure



Source: CQC management

Set out below are further details of CQC's joint ventures:

- Clarence JV - Blackwood Resources has a 90% interest in the Clarence JV. This is a joint venture between Australian Pacific Coal Limited (AQC) and CQC's subsidiary, Blackwood Resources, in April 2010. Under the terms of the joint venture agreement, AQC Group joint venture out four EPCs to Blackwood Resources. In return, AQC retains a 10% free carried interest up to feasibility study stage and Blackwood Resources pays AQC $0.125 million upon grant of each EPC and is required to expend at least the minimum exploration commitment with the aim to prove up a coal resource and complete a feasibility study for the projects. Blackwood Resources can withdraw at any time and offer the projects back to AQC at no cost.

- QCI - On 8 August 2012, CQC's subsidiary Blackwood Exploration executed a farm in and joint venture agreement with QCI, a wholly owned subsidiary of Hancock Prospecting Pty Limited. Under the terms of the agreement, QCI has the right to earn a 51% interest in two coal tenement applications EPC 2079 and EPC 2080 through the expenditure of $3 million on exploration at the tenements in two stages (Snake Creek Project).

3.4. Historical Financial Information

Financial performance

The statements of comprehensive income of the CQC for the year ended 30 June 2012 (FY2012), year ended 30 June 2013 (FY2013) and the ten months ended 30 April 2014 are set out below:

Table 7: Consolidated Statements of Comprehensive Income

$'000	FY2012	FY2013	Ten month period ended 30 April 2014
	(Audited)	(Audited)	(Unaudited)
Other income	188	984	419
Expenses			
Accountancy fees	(300)	(59)	(75)
Auditors' remuneration	(126)	(68)	(31)
Occupancy expenses	(86)	(94)	(78)
Corporate development expenses	(399)	(219)	(161)
Depreciation and amortisation expense	(40)	(47)	(43)
Directors' fees	(271)	(568)	(459)
Share based payments	(2,060)	(1,371)	-
Employee expenses	(293)	(904)	(570)
Finance costs	(740)	(6)	(35)
Cost incurred for abandoned equity transaction	(232)	-	-
Acquisition write-off	-	-	(1,136)
Insurance	-	(69)	(52)
Investor relations	-	(142)	(27)
Loss on modification of share based payment	-	-	(1,664)
Travel	(121)	(146)	(97)
Other expenses	(391)	(291)	(453)
Loss before income tax	**(4,871)**	**(3,000)**	**(4,462)**
Income tax expense/benefit	205	369	-
Loss after income tax expense for the year	**(4,666)**	**(2,631)**	**(4,462)**
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year attributable to owners of CQC	**(4,666)**	**(2,631)**	**(4,462)**

Source: CQC Annual Report 2013, Management reports for the ten month period ended 30 April 2014.

We note the following:

- Other income relates to fair value gain on embedded derivative and interest received from cash and cash equivalents.
- The acquisition write off amount of $1.136 million incurred during the ten month period ending 30 April 2014 relates to the relinquishment of granted tenure and costs associated with failed acquisition bids. CQC was notified that a competing application for an EPC had been granted to the other applicant and as such the acquisition costs allocated to the application were written off.

- On 18 October 2013, CQC executed a deed of variation to the tenement sale agreement in relation to the acquisition of EPC 1802. The variation deed changes the repayment term which was originally a share-based payment to a cash payment. As a result CQC has recognised a loss of $1.66 million for the ten month period ended 30 April 2014.

Financial position

The statements of financial position of CQC as at 30 June 2012, 30 June 2013 and 30 April 2014 are set out below:

Table 8: Consolidated Statements of Financial Position

$'000	As at 30 June 2012 (Audited)	As at 30 June 2013 (Audited)	As at 30 April 2014 (Unaudited)
Current assets			
Cash and cash equivalents	19,253	3,073	2,776
Trade and other receivables	937	726	488
Other current assets	6,956	2,908	96
Total current assets	**27,146**	**6,707**	**3,360**
Non current assets			
Plant and equipment	126	201	224
Exploration and evaluation expenditure	12,882	45,033	55,257
Total non current assets	**13,008**	**45,234**	**55,481**
Total assets	**40,154**	**51,941**	**58,841**
Current liabilities			
Trade and other payables	2,655	3,968	576
Derivatives	-	793	-
Borrowings	-	4,243	5,394
Total current liabilities	**2,655**	**9,004**	**5,970**
Non current liabilities			
Derivatives	-	794	-
Borrowings	-	4,243	-
Total non current liabilities	**-**	**5,037**	**-**
Total liabilities	**2,655**	**14,041**	**5,970**
Net assets	**37,499**	**37,900**	**52,871**
Equity			
Issued capital	38,606	41,964	63,483
Reserves	5,534	5,208	3,070
Accumulated losses	(6,641)	(9,272)	(13,682)
Total equity	**37,499**	**37,900**	**52,871**

Source: CQC Annual Report 2013, Management accounts as at 30 April 2014

We note the following:

- The reduction in cash and cash equivalents by $16.2 million as at 30 June 2013 from 30 June 2012 was mainly due to a cash outflow for payments made for exploration and evaluation expenditure and exploration licence applications.
- Other current assets relate to deposits for exploration licence applications. As at 30 April 2014, Management has advised that $41,000 relate to exploration license applications.
- Plant and equipment comprises leasehold improvements, computer equipment, furniture and office equipment.
- Exploration and evaluation expenditure is recorded at cost and the recoverability of the carrying amount of the exploration and evaluation expenditure is dependent on successful development and commercial exploration, or alternatively, sale of the respective areas of interest.
- As at 30 June 2013, a significant portion of trade and other payables was made up of deferred consideration (vendor payments) which relate to acquisition of applications for exploration licences. The deferred consideration has since been settled upon receipt of the exploration licences from the Queensland Government.
- The conversion element of the Convertible Notes as at 30 June 2013 has been accounted for as a derivative financial instrument liability on the basis the conversion is calculated at 90% of the volume weight average trading price of CQC's shares over the 10 business days preceding the conversion date. The assessed fair value of the derivative was calculated using the term of the Convertible Notes and the risk free rate at the reporting date.
- The borrowings (current and non-current) as at 30 June 2013 are in relation to the Convertible notes with a total face value of $10 million.
- As at 30 April 2014, the Convertible Notes and conversion element of the Convertibles Notes have been accounted for as borrowings (current assets).
- The movements in capital is set out below:

Table 9: Movements in ordinary share capital

Date	No. of Securities on Issue	Details
30 June 2012	191,622,713	Opening balance as at 1 July 2012
31 January 2013	28,000,000	Series One and Two Shares issued under the Executive Share and Option Plan as announced on 20 June 2012 and 10 December 2012
29 October 2013	66,666,667	Issue of Shares at $0.18 each to Longluck
29 October 2013	14,000,000	Series three Shares issued under the Executive Share and Option Plan as announced on 29 October 2013
1 November 2013	50,000,000	Tranche One placement at $0.11 each to Hanford Holdings Limited as announced 4 November 2013
20 December 2013	25,000,000	Tranche Two placement at $0.116 to Hanford Holdings Limited as announced 23 December 2013
11 April 2014	1,000,000	The exercise of vested performance rights issued to Chairman pursuant to the performance rights plans approved by Shareholders at the general meeting on 29 November 2013
5 May 2014	376,289,380	Closing balance

Source: Annual Report 2013, Appendix 3B

3.5. Capital Structure and Ownership

As at 5 May 2014 CQC had the following securities on issue:

Table 10: CQC Securities on Issue

	No. of Securities on Issue	Details
Ordinary shares on issue	376,289,380	
Director Performance rights	4,000,000	Performance rights issued to Director pursuant to CQC's performance rights plan approved by Shareholders at general meeting on 29 November 2013. Performance rights were issued for free at $nil exercise price subject to the following vesting conditions: • 1,000,000 of the rights will vest if Mr Johnson remains as Chairman or Director of the Company on a continuous basis until 12 March 2015, being the second anniversary of his appointment as Chairman • 1,000,000 of the rights will vest if Mr Johnson remains as Chairman or Director of the Company on a continuous basis until 12 March 2016, being the third anniversary of his appointment as Chairman • 2,000,000 of the rights will vest if a bankable feasibility study for the Moorlands project is successfully completed by 12 March 2015, or such revised date approved by the Board of Directors.
Convertible Notes	5,000,000	Refer to Section 1.2 for further details
Unlisted options	98,065,622	Various lots of options with exercise prices ranging from $0.08 to $0.25 each expiring at various dates between 29 Oct 2015 and 18 October 2017

Source: Management, Appendix 3B dated 5 May 2014

The top 10 shareholders and their shareholding (adjusted for beneficial ownership) as at 31 May 2014 are summarised in the table below:

Table 11: Top 10 Shareholders before the Transaction

Shareholder	Number of Ordinary Shares held	Percentage of Total Ordinary Shares held
Longluck	136,666,667	36.32%
Hanford Holdings Limited	75,000,000	19.93%
Mr Matthew Crawford	24,955,711	6.63%
Mr Keith McKnight	24,217,508	6.44%
Argonaut Resources NL	16,734,667	4.45%
New Mangrove Resources Pty Ltd	12,052,406	3.20%
Waytop Investments	6,764,644	1.80%
Anycall Py Ltd	5,713,232	1.52%
ACN Mining Pty Limited	5,400,000	1.44%
Mr Brice Mutton	5,134,488	1.36%
Top 10 Shareholders	**312,639,323**	**83.08%**
Other Shareholders	63,650,057	16.92%
Total	**376,289,380**	**100.00%**

Source: Management, CQC Shareholding Report dated 31 May 2014

3.6. Share Price Analysis

We have considered the trading activity and the ASX market price for CQC in the period leading up to 7 May 2014 (being the trading day prior to the date of announcement of the Transaction). The table below summarises trades over the period up to 7 May 2014:

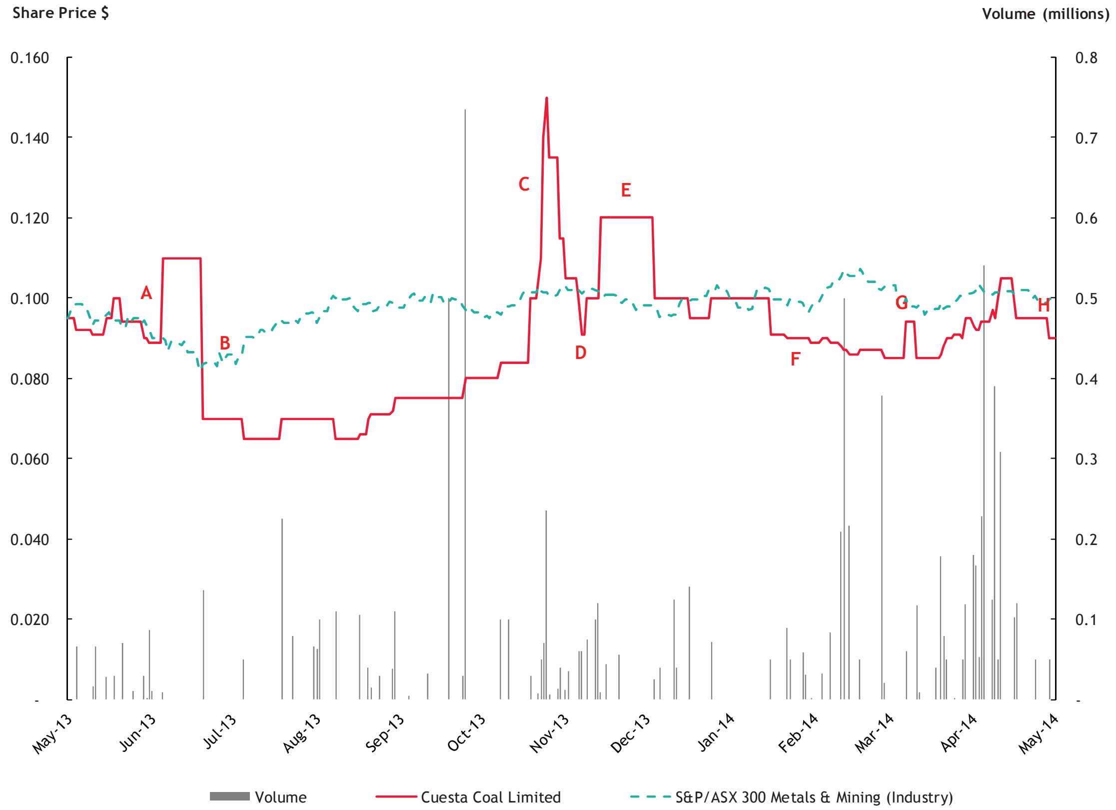
Table 12: Volume Weighted Average Share Price of Daily Trades

	High ($)	Low ($)	VWAP ($)	Total Volume Traded ('000s)	Annualised Turnover (%)	Average Bid/Ask Spread (%)
As at 7 May 2014	n/a	n/a	n/a	n/a	n/a	n/a
1 month to 7 May 2014	0.11	0.09	0.10	2,185	9.5%	3.2%
3 months to 7 May 2014	0.11	0.08	0.09	4,564	6.9%	2.3%
6 months to 7 May 2014	0.12	0.08	0.09	5,846	4.4%	2.7%
7 May 2013 to 7 May 2014	0.15	0.07	0.09	9,411	4.7%	6.5%

Sources: *Capital IQ, BDO analysis*
Legend: VWAP denotes volume weighted average share price.

Provided below is a graph showing the volume of CQC Shares traded daily from 7 May 2013 up to 7 May 2014 and a comparison of the CQC Share price to the ASX 300 Metals & Mining Index.

Figure 1: Daily Closing Share Prices and Volumes from 4 May 2012 to 18 May 2014



Source: Capital IQ, BDO analysis

Factors which may have had an impact on trading in Shares and options are detailed below:

Table 13: CQC ASX Announcements

Note	Date	Announcement Details	Closing Share Price (1 day prior to announcement) (cents)	Closing Share Price (1 day after announcement) (cents)	Volume of shares traded (over 2 days) ('000s)	% Movement
A	05-Jun-13	CQC announced that it has received Chinese Regulatory approval for the $12 million share placement to Longluck.	9.00	8.90	88.91	(1.11%)
B	26-Jun-13	CQC announced the detailed coal quality results for the Moorlands Project with results indicating coal quality similar to neighbouring Blair Athol and Clermont Coal Mines.	11.00	7.00	136.47	(36.36%)
C	30-Oct-13	From the period 23-Oct-13 to 31- Oct-13, CQC made a series of price sensitive announcements. CQC announced updates to the Yellow Jacket Project confirming that it is a strategic project for CQC's future growth with maiden inferred resource of 364Mt of thermal coal. CQC also announced that it executed a share subscriptions agreement with Hanford Holdings Limited to fund the Moorlands Project.	11.00	15.00	305.00	36.36%
D	12-Nov-13	CQC announced an update to its development activities at the Moorlands Project with 85% of field exploration activities completed, and baseline environmental and geotechnical work significantly advanced.	10.50	9.10	119.86	(13.33%)
E	25-Nov-13	CQC announced the completion of the scoping study for the Moorlands Project.	12.00	12.00	0.00[1]	0.00%
F	22-Jan-14	CQC announced the successful completion of its 2013 field exploration and development activities at the Moorlands Project.	10.00	9.10	50.00	(9.00%)
G	11-Mar-14	CQC announced the grant of EPC 2079, which is part of the Snake Creek joint venture tenement with QCI.	8.50	8.50	0.00[1]	0.00%
H	7-May-14	One trading day prior to the announced transaction.	9.00	8.50	128.98	(5.56%)

Source: Capital IQ, ASX

Note 1: No trading on those days. Closing prices are based on last close price prior to the announcements

We note the following with respect to the share trading of CQC over the trading period:

- The last closing price in the above trading period was $0.09 per Share on 7 May 2014.
- The Shares traded between $0.07 per Share and $0.15 per Share in the period from 7 May 2013 and 7 May 2014.

- The annualised traded volume of Shares was approximately 4.7% of the total weighted average number of Shares on issue. This indicates a low level of trading volume when compared to the ASX 200 and the materials constituents from ASX 200 which generally have an annualised traded volume of greater than 80%.
- The average bid-ask spread over each period ranged from 2.3% to 6.5%. This indicates a low level of liquidity when compared to the ASX 200 and the materials constituents from ASX 200 which generally have average bid-ask spreads of less than 2%.
- Over the period analysed, there were 94 days of trading activity out of a total of 254 trading days indicating that CQC's Shares were thinly traded.

4. PROFILE OF LONGLUCK AND BEIJING GUOLI

4.1. Longluck

Longluck's sole shareholder is Rongda Guoji Investment (Hong Kong) Company Limited, which is a wholly owned subsidiary of Beijing Guoli (through interposed entities). Longluck was incorporated on 16 December 2011 to serve as an Australian corporate vehicle for Beijing Guoli's Australian investments and accordingly it holds Beijing Guoli's interest in CQC.

4.2. Beijing Guoli

Beijing Guoli is a limited liability company registered with The Beijing Administration of Industry and Commerce in 1993 and is based in Beijing China. Beijing Guoli is equally owned between various Chinese private and state-owned enterprises led by SDIC Assets Management Company, Beijing Capital Assets Management Co. Ltd and Zhangjiagang Jincheng Investment & Development Co. Ltd.

Its investments include electrical generation, coal mining, financial investment, chemicals and real estate development.

Beijing Guoli currently has three representatives on the board of CQC. On 17 July 2012, CQC announced the appointment of Mr Huaixi Zheng as a Non-Executive Director of CQC. Mr Zheng is currently responsible for Beijing Guoli's investments in Australian coal projects. On 13 September 2012, CQC announced the appointment of Mr Ruoshui Wang as a Non-Executive Director of CQC. Mr Wang is a senior executive with Beijing Guoli and has over 15 years experience managing overseas investments in coal, real estate and agricultural projects. On 19 July 2013, CQC announced the appointment of Mr Hanping Liu as Non-Executive Director of CQC. Mr Liu has a master of Law and has been systematically trained in accounting and auditing. He currently holds the position of Associate General Manager of Beijing Guoli.

Further details of Beijing Guoli are set out in the Documents.

5. INDUSTRY OVERVIEW

5.1. Coal overview

Coal is a combustible sedimentary rock formed over a considerable time period. Coal is broadly categorised into two types:

- **Black coal** – High energy content, harder than brown coal and suitable for export. Black coal can be further divided into:
  - **Thermal (steaming) coal**. A type of black coal that is used to generate electricity in power stations where it is pulverised and burnt to heat steam generating boilers. The major producers are Australia, China, South Africa, Colombia, Russia, the United States of America and Indonesia.
  - **Metallurgical (coking) coal**. Relatively scarce and tends to attract a higher price than thermal coals. A type of black coal is used for making coke, which is then used in the production of pig iron. The major producers are Australia, Canada and the United States of America.
  - According to IBISWorld, coking coal is expected to account for 42.6% of Australia's coal output by volume and steaming coal accounts for 57.4% of output in 2013-14.
- **Brown coal** – Low in energy and contains high ash content. Not suitable for export and is used to generate electricity in power stations located at or near the mines.

Depending on the geology of the deposit, coal is mined using surface/opencut or underground mining techniques. Approximately 80% of Australian coal is produced from opencut mines. Opencut mines tend to have lower mining costs and generally recover a higher proportion of the coal deposit than underground mining.

5.2. Industry revenue

According to the IBISWorld industry report published in Febraury 2014, the black coal mining industry (Industry) in Australia is expected to generate revenue of approximately $54.4 billion in 2014. Performance over the past years has been particularly volatile, with revenue contracting at an annual rate of 5.1% for the five years to 2014. This was due to pressure on coal prices arising from an increase in supply and a decrease in demand. This was particularly the case in the 2013 year when there was a strong drop in world coal prices. Domestically, the Industry faced extreme weather events, industrial action and increased taxation resulting in difficult Australian market conditions.

5.3. Key external drivers

Set out below are the key external drivers of the Industry:

- World price of coal – This has a direct effect on Industry revenue. The Australian export price of high quality metallurgical coal represents the world price as Australia accounts for approximately 60.0% of the world's coal exports.
- Demand from electricity generation – Demand for thermal coal is affected by trends in the level of electricity production and in the development of black coal fired power plants.
- Days lost to industrial disputes – Disputes lead to lost output and reduced productivity which has a negative effect on the industry performance.
- Demand from iron and steel manufacturing – Demand for coking coal in Australia depends on trends in steel production.
- Exchange rate – Coal prices are set in US dollars. Fluctuations in the AUD/USD exchange rate affect the Australian dollar return available to Australian producers.
- Borrowing costs – Interest rates are important given then highly capital intensive nature of the Industry.

5.4. Major participants

Major participants in the Industry along with their expected market share in 2014 are as follows:

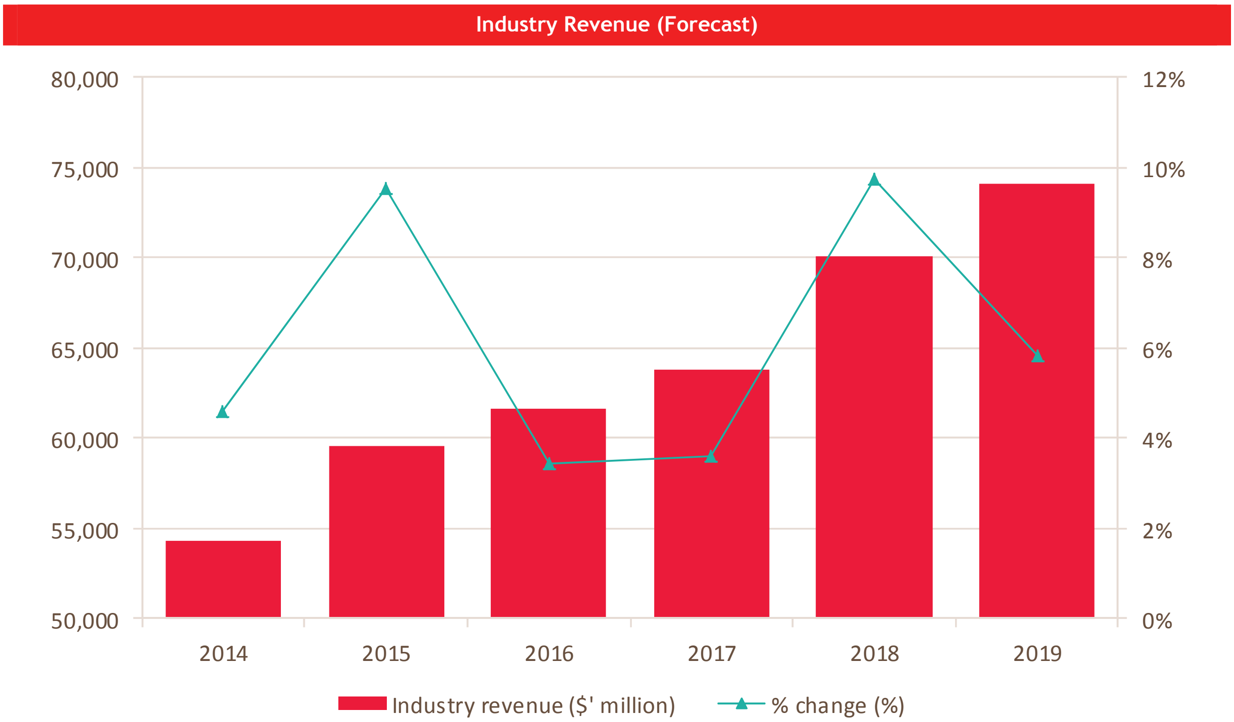
- BHP Billiton Limited (14.0%)
- Rio Tinto Limited (9.6%)
- Glencore Coal Investment Australia Pty Limited (8.6%)
- Mitsubishi Development Pty Ltd (7.2%)
- Anglo American Australia Limited (5.5%)
- Peabody Energy Australia Pty Ltd (<5.0%)
- Yancoal Australia Limited (<3%)
- Centennial Coal Company Limited (<2.0%)

5.5. Industry outlook

In February 2014, IBISWorld expected participants in the Industry to focus on increasing production from existing assets in the next five years to achieve economies of scale in the context of weaker global prices. The general outlook of the Industry in Australia is as follows:

- Industry revenue is forecasted to grow in the 2013-14 year at 9.5% and over the next 5 years at 6.4% to reach approximately $74.1 billion in 2019. This is driven by the overall improvements in global economic conditions.
- Export markets are expected to drive the Industry in the next five years. Demand for steaming and coking coal is forecast to strengthen, however Australia will face increased competition from other suppliers as coal output and export capacity strengthens in other coal producing countries. Exports of steaming coal to key markets in the Asian region are expected to expand over the next few years as new coal-fired power stations develop. Demand from major markets like Japan and China is forecast to remain strong, while India also becomes more attractive. World steel production is expected to expand demand for Australian coking coal. China's economic growth of 7.0% per annum, although more subdued than previous expectations, will underpin demand for, and production, of steel.
- Coal prices are forecasted to remain subdued in view of growing coal supplies (due to new mines and mine expansions undertaken by Industry participants). Price forecasts for steaming coal are considerably more subdued than for coking coal. Despite the slow price growth, Australian producers are expected to remain competitive in the global market as the local currency weakens against the US dollar.
- Profitability is expected to grow at a lower rate than revenue due to subdued coal prices and the uncertainty regarding the impact of the carbon tax and minerals resource rent tax.

Set out below an illustration of the Industry forecast revenue over the next 5 years.



Source: IBISWorld, Black Coal Mining in Australia

5.6. Conclusion

Based on the above analysis of the Industry, there did not appear to be a significant risk of general adverse Industry specific conditions that may lead to a material adverse impact on the operations of participants in the Industry in the foreseeable future.

6. VALUATION METHODOLOGY

6.1. Overview

In assessing the fairness of the Transaction, we have determined the value of CQC. We have considered the following valuation methods:

- Capitalisation of earnings
- Discounted cash flow (DCF)
- Asset-based valuations
- The most recent quoted market price of listed securities (share market trading method).

Appendix 3 provides a summary description of the valuation methodologies we have considered.

Set out below is a discussion of the valuation method we consider appropriate for the purposes of undertaking our valuation assessment of CQC.

6.2. Net asset methodology

CQC consists predominantly of mining tenements and accordingly the net realisable value of assets on a going concern basis is considered the most appropriate methodology.

CQC is still in exploration stage and has not commence production, therefore income-based approaches which require reliable earnings and/or forecast of future cash flows would not be appropriate for the purposes of assessing the fair market value of CQC.

6.3. Selected valuation methodology

The fair market value of net assets is based on a sum-of-parts of the assets and liabilities set out in CQC's unaudited balance sheet as at 30 April 2014.

The following assets and liabilities have been assessed independently and aggregated to arrive at the equity value of CQC prior to the Transaction:

- The fair market value of the tenements of CQC as assessed in the independent valuation report by Xstract Mining Consultants Pty Ltd (Xstract) dated 30 May 2014 (CQC Tenements Report). CQC engaged Xstract to prepare a valuation of the tenements of CQC in accordance with the VALMIN Code. A copy of the CQC Tenements Report is provided in Appendix 4.
- The fair market value of other assets and liabilities of CQC.
- Capitalised overheads and costs associated with the Transaction.

In order to assess the value of CQC after the Transaction, we have also considered the following:

- Cash proceeds from the Transaction.
- Dilutive effects of the Transaction.
- Minority interest discount to determine the minority interest value of CQC after the Transaction.

6.4. Valuation cross-check

The quoted prices are often used as a cross-check of the assessment of fair market value determined using a primary valuation approach. However, we consider the historical share price analysis not suitable for the purposes of assessing the fair market value of CQC as our analysis in section 3.6 indicates a low level of liquidity. Although we do not consider the Share price as an appropriate cross-check, we have compared the Share prices observed against the fair market value determined using the primary valuation approach.

7. VALUATION OF CQC BEFORE THE TRANSACTION

7.1. Overview

To determine the fair market value of CQC on a control basis before the Transaction, we have considered the following:

- CQC will remain a going concern and will be able to organise an equity raising to repay the Convertible Notes and fund any required working capital.
- No material contingent liabilities exist as at the time of drafting this Report.

7.2. Valuation Summary

Our assessment of the fair market value of CQC is set out below:

Table 14: Valuation summary of the fair market value of CQC Shares prior to the Transaction

$'000s unless stated otherwise	Ref	Low	High
Net assets	**7.3**	**52,871**	**52,871**
Add/(less):			
Less: Exploration licence applications	7.4	(41)	(41)
Less: Exploration expenditure	7.4	(55,257)	(55,257)
Add: Fair market value of CQC's tenements	7.5	75,400	133,300
Add: Book value of Convertible Notes	7.6	5,478	5,478
Less: Capitalised overheads	7.7	(6,936)	(5,780)
Less: Transaction costs	7.8	(120)	(120)
Equity value of CQC (control)		**71,395**	**130,451**
Number of Shares ('000s)	7.6 and 7.9	481,886	481,886
Equity value of CQC per Share (control) ($)		**0.148**	**0.271**
Minority interest discount (%)	7.10	(26%)	(20%)
Minority interest discount ($)		(0.038)	(0.054)
Equity value of CQC per Share (minority) ($)		**0.110**	**0.217**

Source: BDO analysis

Based on the above, we have estimated the fair market value of a Share on a controlling interest basis before the Transaction to range between $0.148 to $0.271.

7.3. Net assets

We have relied on the book value of the net assets of CQC as at 30 April 2014 as our starting point for the valuation (refer Section 3.4).

7.4. Book value of Exploration license applications and Exploration expenditure

We have included the fair market values of the tenements set out in the CQC Tenements Report as part of our valuation. Accordingly, we have deducted the book value of exploration license applications and exploration expenditure from the net assets of CQC.

7.4.1. Snake Creek Project

The Company through its subsidiary, Blackwood Exploration had granted an option to QCI to farm-in and acquire up to 51% interest in the Snake Creek Project. The initial earn-in period commences at the earlier of:

- The date where all conditions are fulfilled which include the grant of the exploration permits to Blackwood Exploration, or
- QCI exercises initial earn-in option.

We note that EPCs 2080 and 2079 have been granted. The fair market values of EPCs 2080 and 2079 have been included in the valuation of the Eastern Galilee Project. We have not adjusted the valuation for the farm-in effects due to the uncertainty as to the probability and timing of QCI exercising the option to acquire up to 51% interest in Snake Creek Project.

Although QCI and CQC have indicated that they will commence planning of exploration in 2014, there are no definite plans in place.

7.5. Fair market value of CQC tenements

CQC has engaged Xstract to prepare the CQC Tenements Report in accordance with the VALMIN Code for the purpose of this Report. Xstract has a history of preparing similar reports for various listed entities on the ASX. We have reviewed the CQC Tenements Report and are satisfied that the methodologies adopted are in accordance with industry practices.

Xstract has assessed the fair market values of the following tenements:

Table 15: Valuation summary of CQC's tenements determined by Xstract

$'million unless stated otherwise	Low	High	Preferred	Valuation methods adopted
Moorlands	**65.70**	**108.20**	**85.90**	
- Measured and Indicated Resources	43.50	74.50	58.00	DCF
- Inferred Resource	22.10	33.20	27.70	Comparable market transactions method
- Exploration	0.10	0.60	0.30	Geoscientific rating method and Comparable market transactions method
East Galilee	**5.50**	**17.10**	**11.30**	
- Resources	5.20	16.10	10.70	Market based
- Exploration	0.20	0.90	0.60	Geoscientific and Comparable market transactions method
East Wandoan	**1.90**	**3.40**	**2.60**	
- Resources	1.80	3.10	2.50	Market based
- Exploration	0.10	0.30	0.20	Geoscientific and Comparable market transactions method
West Emerald	**0.10**	**0.20**	**0.10**	Geoscientific and Comparable market transactions method
Amberley	**2.20**	**3.80**	**3.00**	
- Resources	2.20	3.80	3.00	Comparable market transactions method
Other	**0.10**	**0.50**	**0.20**	Geoscientific and Comparable market transactions method
- Exploration	0.10	0.50	0.20	Geoscientific and Comparable market transactions method
Total (rounded)	**75.4**	**133.3**	**103.2**	

Source: CQC Tenements Report

Based on the above, Xstract has assessed the fair market value of the tenements on a 100% equity interest basis ranging from $75.4 to 133.3 million.

7.6. Convertible Notes

In assessing the fair market value of CQC on a control basis before the Transaction, we have considered the current position of the Shareholders without the Transaction occurring and assuming there is no other available capital raising opportunities to repay the Convertible Notes. Without any capital raising exercise, it is unlikely that CQC will be able to repay the Noteholders (due to its current cash position being less than the value of Convertible Notes required to be repaid).

We understand that the Noteholders have the right to convert all of the Convertible Notes into Shares in the 30 day period prior to 28 August 2014, being the maturity date. The Convertible Notes are currently recorded as a liability in the accounts of CQC. On the assumption that the Notes are converted to Shares by the Noteholders, we have reduced the liability in the accounts of CQC to reflect the movement of Convertible Notes from a liability to equity. We have also calculated the number of Shares that would be issued on the conversion of the Convertible Notes to determine our value of a Share prior to the Transaction.

In addition, we note that the Noteholders have the option to seek repayment on the Convertible Notes or convert to Shares at 90% of the 10-day VWAP of the Shares. The 10-day VWAP prior to the announcement of the Transaction of $0.09 per Share and above assessed range of equity values of CQC per Share (on a minority basis) are notionally higher than the conversion price. Therefore, a rationale investor would convert the Convertible Notes into Shares to realise a higher value for the loan outstanding.

7.7. Capitalised corporate costs

The corporate costs of CQC are not included in the fair market value of the Company's tenements. In assessing the value of CQC on a going concern basis, an appropriate capitalised allowance for corporate overheads needs to be considered. These costs include, but are not limited to:

- Compliance costs such as reporting and taxation costs
- Professional and consultant fees
- Insurance
- Salaries and wages of administration staff
- Directors' fees.

Based on our review of the income statement and discussions with CQC management, we have assessed required ongoing corporate overheads to be approximately $1.567 million on an annualised basis (pre-tax).

We have assessed a multiple of 5.0x to 6.0x to be appropriate in capitalising the corporate costs. On this basis, we have included in the valuation of CQC capitalised corporate costs of between $5.8 million to $6.9 million.

7.8. Transaction costs

CQC management have advised that the Company will incur costs associated with the Transaction approximately $0.12 million (including GST). These costs relate to capital raising fees, legal fees, consultancy fees, geologist's valuation fees and fees associated with the preparation of this Report.

These costs will be incurred by CQC regardless of whether the Transaction proceeds. As such, we have considered an adjustment for the amount of $0.12 million (including GST) to reflect these costs.

7.9. Number of Shares

The number of Shares is determined as follows:

Table 16: CQC Securities on Issue

	Ref	No. of Shares ('000s)
Ordinary shares on issue	3.5	376,289
Director Performance Rights	(i)	2,250
Unlisted options	(ii)	40,113
Convertible Notes	(iii)	63,234
Total		**481,886**

Source: BDO analysis
Note: The above may not add due to rounding

(i) We note that the Director Performance Rights are issued to Mr Johnson and based on the probabilities provided by the management on the achievability of the vesting conditions, we have adjusted the total number of Shares to be issued accordingly.

(ii) We have considered the total number of unlisted options and have probability adjusted the unlisted options likely to be exercised taking into consideration whether the Share price will be higher than the exercise price by the end of the expiry date.

(iii) The Convertible Notes are convertible into Shares at a conversion price which is calculated as 90% of the VWAP of the Shares over 10 business days ending on the business day preceding the conversion date. Assuming the call to convert falls on 28 August 2014, being the maturity date, the total amount payable will be $5.12 million, being the face value of $5.0 million plus three months interest from 1 July 2014 to 28 August 2014. To calculate the conversion price we have assumed that the VWAP for the 10 days prior to 28 August 2014 will be the same as the VWAP 10 days prior to the announcement of the Transaction, being 9 cents. The $5.12 million is divided by 9 cents discounted by 10% to determine the total number of Shares to be issued on conversion.

7.10. Minority interest discount

There is no direct market evidence to support the selection of a minority interest discount. Instead, such a discount can be imputed from control premiums.

We have reviewed the control premia paid for Australian public listed mining companies in last two years. This review indicates premiums for control paid within the range of 25% to 35%. Taking the inverse results of this range of premiums for control, we have applied a minority interest discount of between 20% to 26%.

7.11. Valuation cross-check

As noted in Section 6.4 above, the share trading observations indicate a low level of liquidity and as CQC was listed on 2 May 2012, there is insufficient trading data to provide a meaningful analysis of the fair market value of the Shares. Therefore, the historical share price analysis is not suitable for the purposes of assessing the fair market value of CQC.

We note that the Shares last closed at $0.09 on 7 May 2014, being the last date of observed trading activity prior to the issue of this Report. This represents a discount ranging from 39% to 49% to our assessed range of fair market values. In our view, the reason for the significant difference relates to minority interest discount, illiquidity in the stock and limited trading period since the announcement.

As such, we do not consider the Share price analysis as an appropriate cross-check.

8. VALUATION OF CQC AFTER THE TRANSACTION

8.1. Overview

To determine the fair market value of CQC on a minority basis after the Transaction, we have considered the following:

- CQC will remain a going concern and will be able to organise further equity raisings to fund any required working capital subsequent to the completion of the Transaction.
- CQC will utilise the cash proceeds in the manner as stipulated in the Documents.
- No material contingent liabilities exist as at the time of drafting this Report.

8.2. Valuation Summary

Our assessment of the fair market value of CQC is set out below:

Table 17: Valuation summary of the fair market value of CQC Shares after the Transaction

$'000s unless stated otherwise	Ref	Low	High
Net assets	**7.3**	52,871	52,871
Add/(less):			
Less: Exploration licence applications	7.4	(41)	(41)
Less: Exploration expenditure	7.4	(55,257)	(55,257)
Add: Fair market value of CQC's tenements	7.5	75,400	133,300
Add: Book value of Convertible Notes	7.6	5,478	5,478
Less: Net cash required to payout Convertible Notes	8.3	(122)	(122)
Less: Capitalised overheads	7.7	(6,936)	(5,780)
Less: Transaction costs	7.8	(120)	(120)
Add: Cash proceeds from Transaction	8.4	10,000	10,000
Equity value of CQC (control)		**81,273**	**140,329**
Number of Shares ('000s)	8.5	562,930	562,930
Equity value of CQC per Share (control) ($)		**0.144**	**0.249**
Minority interest discount (%)	7.10	(26%)	(20%)
Minority interest discount ($)		(0.037)	(0.050)
Equity value of CQC per Share (minority) ($)		**0.107**	**0.199**

Source: BDO analysis

Based on the above, we have estimated the fair market value of a CQC Share on a minority basis after the Transaction to range between $0.107 to $0.199.

8.3. Net cash required to payout the Convertible Notes

Resolution 1 of the Documents indicates that $5.0 million of the funds raised from the Transaction will be used to redeem the face value of the Convertible Notes on 28 August 2014, being the maturity date. However, CQC is still liable for the three months interest from 1 July 2014 to 28 August 2014.

8.4. Cash proceeds from Transaction

Resolution 1 of the Documents indicates that $5.0 million of the funds raised from the Transaction will be used to redeem the Convertible Notes and the balance of $10.0 million will be used to accelerate the development of the Moorlands project and to meet the working capital requirement of the Company. As such, we have included the amount of $10.0 million funds raised in our valuation of the fair market value of CQC after the Transaction.

8.5. Number of Shares

The fully diluted shares outstanding after Stage 1 and Stage 2 of the Transaction are determined as follows:

Table 18: CQC Securities on Issue

	Ref	No. of Shares ('000s)
Ordinary shares on issue	7.9	376,289
Director Performance Rights	7.9	2,250
Unlisted options	7.9	38,759
Shares to be issued to Longluck	1.1	145,631
Total		**562,930**

Source: BDO analysis

9. EVALUATION

9.1. Fairness

In order to determine whether the Transaction is "fair", we compared the Consideration (minority interest value of Shares post transaction) with our assessed pre-transaction value of a CQC Share (on a control basis).

The result of our fairness analysis is summarised below.

Table 19: Fairness analysis

$ unless stated otherwise	Ref	Low	High
Fair market value of a CQC Share before the Transaction on a control basis	7.2	0.148	0.271
Consideration (fair market value of a CQC Share after the Transaction on a minority basis)	8.2	0.107	0.199

Source: BDO analysis

From the above, the Consideration falls below the range of the fair market value for a CQC Share before the transaction, inclusive of a premium for control. Accordingly, the Transaction is considered to be not fair to the Non-associated Shareholders.

9.2. Reasonableness

For the purposes of RG 111, an offer is considered to be reasonable, if it is fair. However, even if it is not fair it may be reasonable if there are sufficient reasons for the shareholders to accept the offer.

The factors that we have considered are set out below:

Commercial value of the Transaction to Non-Associated Shareholders

In assessing the Transaction under RG 111.11, The Transaction is analysed as a control transaction similar to a takeover bid. On this basis, it is construed that the Non-Associated Shareholders disposed of all their Shares as a whole and that the interest being notionally disposed of reflects a controlling interest.

Notwithstanding the fairness approach assessed pursuant to RG 111.11 above, we note that the Non-Associated Shareholders currently own a non-controlling interest in CQC and will continue to own a non-controlling interest in CQC after the Transaction. With reference to RG 111.5, we have considered the purpose and outcome of the Transaction and have further analysed the Transaction as follows:

- We have compared the fair market value of a CQC Share before the Transaction on a minority basis against the fair market value of a CQC Share after the Transaction on a minority basis in line with the commercial value of a Share to Non-Associated Shareholders at both points in time.
- Assessed the implied premium for control under the Transaction to provide additional support.

The result of our commercial analysis is summarised below.

Table 20: Commercial analysis

$ unless stated otherwise	Ref	Low	High
Fair market value of a CQC Share before the Transaction on a minority basis	7.2	0.110	0.217
Fair market value of a CQC Share after the Transaction on a minority basis	8.2	0.107	0.199
Subscription price of $0.103 per Share	1.1	0.103	0.103
Fair market value of a CQC Share after the Transaction on a minority basis	8.2	0.107	0.199
Premium/discount for control		**(4%)**	**(48%)**

Source: BDO analysis

As the range of the fair market value for a CQC Share after the Transaction falls broadly within the range of a CQC Share before the Transaction, it is our opinion that, on a commercial basis the Transaction is not unfavourable to the Non-Associated Shareholders. No one point in our valuation range is any more likely than any other point in the range. Therefore, it is more likely than not that the value of a Share post Transaction, will fall within the range of values of a Share pre Transaction.

If the Transaction is not approved, CQC may not have the ability to meet its debts as and when they fall due

The Directors have advised that CQC requires funding for working capital expenditure, creditor and borrowing (Convertible Note) payments, salaries, transaction costs and exploration and capital expenditure. If the Transaction is not approved, CQC will eventually have a working capital deficiency and a shortage of exploration funding. Further capital management initiatives may be required.

In addition, if the Transaction is not approved the Company will have an immediate need to seek an alternate source of funding in order to meet the Convertible Note Liability of $5.0 million to ensure the viability of the Company. As at 30 April 2014 CQC has cash and cash equivalents of approximately $2.8 million which is insufficient to meet the Convertible Note Liability. It is likely that further funding will be on significantly less favourable terms due to the urgent nature of the requirement. Furthermore, the Company will be forced to put its current development plans for the Moorlands project on hold, resulting in a loss of momentum in the development timetable and causes a delay on the estimated production date.

Beijing Guoli is a strategic financial partner

Beijing Guoli, the major shareholder of CQC, currently holds 36.3% equity interest though Longluck in CQC. CQC management advised that Beijing Guoli has a strong interest in the coal industry as it is an important resource to China used for electricity generation, industrial fuel and chemical feedstocks.

Beijing Guoli's many investments include coal mining, therefore, it has relevant experience in coal production, development and exploration activities. Its increase in ownership in CQC, experience and financial support will further align the interests of Beijing Guoli and the Shareholders to maximise Shareholders value through continuing exploration activities with a focus of transitioning from a junior explorer to coal producer.

The Transaction assists to stabilise the Company's financial position

The completion of the Transaction will immediately provide necessary short term working capital requirements, confer greater operational flexibility and allow the Directors and senior management to concentrate on the exploration activities (primarily the Moorlands project). In particular, $5.0 million of the proceeds from the Transaction will be used to redeem the Convertible Notes, relieving the Company of part of its debt service requirements. The improved financial position of the Company will also help to alleviate any concerns of existing and prospective parties about the ability of the Company to meet its obligations going forward.

The Consideration is a premium to the 30 day VWAP

The issue price of $0.103 per share represents a 10% premium to the 30 day VWAP to 7 May 2014 (being the final trading day prior to the announcement of the Placement on 19 May 2014) and a 15% premium to the last day traded price on 7 May 2014.

Dilution of existing Shareholders' interest

If the Transaction is approved, it allows for an immediate dilution of approximately 11% of the voting power currently held by the Non-Associated Shareholders after stage 1 and 17% after stage 2, excluding any future capital raisings. This will give Beijing Guoli a greater level of interest in the Company in comparison to other Shareholders including the capacity to block ordinary or special resolutions.

Conversely, if the Transaction is not approved, the Convertible Notes may be converted into Shares resulting in a dilution of approximately 9% of the voting power currently held by the Non-Associated Shareholders.

Debt funding not available

CQC is currently unable to obtain bank debt funding for its exploration activities.

Transaction costs

Management has advised that CQC will incur transaction costs for the Transaction of approximately $120,000. These costs comprise fees paid to BDO, CQC's lawyers, and the Technical Expert who prepared the technical report contained in this Report, as well as ancillary printing and mailing costs. A large part of these costs will have been incurred before the Meeting and will be incurred regardless of whether the Transaction is approved and implemented.

Known intentions of Longluck and/or Beijing Guoli

Management advised that Longluck and Beijing Guoli each have no present intention regarding changes to the Company. Particularly they have no present intention to

- Inject further capital into the Company, (other than pursuant to the Transaction) prior to final investment decision of the Moorlands Project
- Affect or substantially change the continued or future employment of the current employees of CQC
- Transfer property between CQC and Longluck or any person associated with them
- Redeploy fixed asses of the Company
- Significantly change the financial or dividend policies of the Company

These present intentions may change as new information becomes available, as circumstances change or in the light of all material information, facts and circumstances necessary to assess the operational, commercial, taxation and financial implications of those decisions at the relevant time.

Known intentions of Directors

The Directors have advised that if the Transaction proceeds, the funds will be applied to advancing the Definitive Feasibility Study for CQC's flagship development project, Moorlands, and towards the full repayment of the $5 million Convertible Note liability associated with the acquisition of the Orion Coal Project.

Under the Share Subscription Agreement, CQC has the ability to raise up to a further $10 million prior to 31 December 2014, over and above the Transaction, at a price not less than $0.103 per share. The purpose of this additional funding will be to facilitate a final investment decision and secure project finance for the development of Moorlands. If CQC is able to secure and additional funding, Longluck's shareholding and voting power in Cuesta would be limited to 45.61% after Stage 2 of the Transaction.

We have been advised that the Directors have no present intentions of making any changes to the operation of the Company, or the intended use of funds if the Transaction is approved.

Longluck's ability to use 'creep' provision

We note that if the Transaction is approved and implemented, Longluck's interest in CQC would increase from 36.3% to 47.8% after Stage 1 and 54.1% after Stage 2.

Longluck has the ability to adopt the 'creep' exception provided under Section 611(9) of the Act by acquiring 3% of the voting Shares in CQC every six months to accumulate a greater equity interest in CQC without obtaining Shareholders' approval and paying a control premium.

If CQC is able to secure and additional funding, and Longluck did not participate in this additional fundraising, Longluck's shareholding and voting power in Cuesta would be limited to 45.61% after Stage 2 of the Transaction.

Alternative offer/transactions

Management have that advised CQC also considered other funding options including a rights issues, convertible notes or a placement to professional and sophisticated investors for the same purposes as this Transaction. Due to current market conditions and currently depressed coal prices, it is considered that CQC is unlikely to attain an alternative placement that is better than the current offer. Further, alternatives considered may result in higher dilution of existing shareholder interest.

In the event that an alternate capital raising was unsuccessful or insufficient to meet the working capital requirements of the Company, the Directors also considered the divestment of non-core exploration assets for cash consideration. Again given the current market conditions, divestment of non-core exploration assets may prove to be difficult and an unattractive funding option for the Company.

Risk of not approving the Transaction

If the Transaction is not approved, the Company would not be able to repay its Convertible Note liability of $5 million by 28 August 2014 and would be liable to continue financing the interest on the liability or be required to convert the notes further diluting Non-associated Shareholder's interests.

We have been advised that the Company would also be unable to proceed with its development plans for the Moorlands project without seeking an alternative source of funding which may be on less attractive terms than the Transaction to Longluck.

9.3. Conclusion

Based on the above, we conclude that the Transaction is not fair but reasonable to the Non-associated Shareholders. In our opinion, the issue of Shares to Longluck constituting the giving of a financial benefit to a related party as dealt with by Chapter 2E is in the best interests of Non-associated Shareholders.

10. QUALIFICATIONS AND DECLARATIONS

10.1. Qualifications

BDO has extensive experience in the provision of corporate finance advice, particularly in respect of takeovers, mergers and acquisitions. BDO holds an Australian Financial Services Licence, issued by ASIC, for giving expert reports pursuant to the Listing Rules of the ASX and the Act.

Dan Taylor has a B.Com from the University of Adelaide, is a fellow of the Institute of Chartered Accountants in Australia and a fellow of the Financial Services Institute of Australia. Mr Taylor is a director of BDO. Mr Taylor is also a partner of BDO East Coast Partnership. Mr Taylor is the director responsible for the preparation of this Report.

Mr Taylor has over 19 years experience in the chartered accountancy profession and has undertaken numerous corporate finance assignments involving acquisitions, divestments, valuations, independent expert reports and financial due diligence. Accordingly, Mr Taylor is considered to have the appropriate experience and professional qualifications to provide the advice offered.

Mr David McCourt, BBus, CA, is a director of BDO. Mr McCourt is also a partner of BDO East Coast Partnership. Mr McCourt is the director responsible for the review of this Report.

Mr McCourt has over 15 years experience in a number of specialist corporate advisory activities including company valuations, financial modelling, preparation and review of business feasibility studies, accounting, advising on mergers and acquisitions and advising on independent expert reports. Accordingly, Mr McCourt is considered to have the appropriate experience and professional qualifications to provide the advice offered.

10.2. Independence

We are not aware of any matter or circumstance that would preclude us from preparing this Report on the grounds of independence either under regulatory or professional requirements. In particular, we have had regard to the provisions of applicable pronouncements and other guidance statements relating to professional independence issued by Australian professional accounting bodies and ASIC.

Prior to accepting this engagement, we considered our independence in regard to CQC with reference to RG 112.

BDO and BDO East Coast Partnership have provided a range of services to CQC including acting as the independent external auditor, acting as the investigating accountant for the initial public listing (IPO) of CQC and acting as the independent expert for the assessment of the Share Sale Agreement. In addition, BDO East Coast Partnership's tax business unit was engaged to undertake income and payroll tax compliance work as well as advice on the likely tax consequences of undertaking the Transaction. The advice provided did not give any recommendations in relation to the Transaction and is not considered to be strategic of operational planning work in relation to RG 112.

We were not involved in advising on, negotiating, setting, or otherwise acting in any capacity for CQC in relation to the Transaction, other than the preparation of this Report. Further, we have not held and, at the date of this Report, do not hold any shareholding in, or other relationship with CQC that could be regarded as capable of affecting our ability to provide an unbiased opinion in relation to the Transaction.

It is our opinion that the above mentioned existing and historical relationships do not impact on our ability to provide an independent and unbiased report in the context of the Transaction. In our opinion we consider ourselves to be independent in terms of RG 112, issued by ASIC.

We will receive a fee based on the time spent in the preparation of this Report in the range of approximately $30,000 to $35,000 (plus GST and disbursements). We will not receive any fee contingent upon the outcome of the Transaction, and accordingly, we do not have any pecuniary or other interests that could reasonably be regarded as being capable of affecting our ability to give an unbiased opinion in relation to the Transaction.

Two drafts of this Report were provided to the Directors for review of factual accuracy. Certain changes were made to the Report as a result of the circulation of the draft Reports. However, no changes were made to the methodology, conclusions or recommendations made to the Non-associated Shareholders.

10.3. Disclaimer

This Report has been prepared at the request of the Directors and was not prepared for any purpose other than that stated in this Report. This Report has been prepared for the sole benefit of the Directors and Non-associated Shareholders. Accordingly, this Report and the information contained herein may not be relied upon by anyone other than the Directors and Non-associated Shareholders without our written consent. We accept no responsibility to any person other than the Directors, and Non-associated Shareholders in relation to this Report. The statements and opinions contained in this Report are given in good faith and are based upon our consideration and assessment of information provided by the Directors, executives and management of CQC.

APPENDIX 1 : SOURCES OF INFORMATION

In preparing this Report, we have had access to and relied upon the following principal sources of information:

- CQC final draft Documents
- Share Subscription Agreement dated 17 May 2014
- CQC Tenements Report prepared by Xstract dated 30 May 2014
- CQC Annual Report 2013 and interim financial report for the six months ended 31 December 2013
- CQC management accounts for the ten months ended 30 April 2014
- CQC ASX announcements
- CQC website, http://www.cuestacoal.com.au/
- Discussions with CQC management
- Industry data from publicly available resources
- Information and research sourced from Bloomberg and Capital IQ
- Information generally available and provided by major Australian economic forecasting bodies

APPENDIX 2 : GLOSSARY

AASB	Australian Accounting Standards Board
AQC	Australian Pacific Coal Limited
Act	Corporations Act 2001 (Cth)
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
Beijing Guoli	Beijing Guoli Energy Investment Co. Ltd
BDO, we, us or our	BDO Corporate Finance (East Coast) Pty Ltd
Blackwood Coal	Blackwood Coal Pty Limited
Blackwood Exploration	Blackwood Exploration Pty Limited
Blackwood Resources	Blackwood Resources Pty Limited
Clarence JV	Clarence Morton joint venture between CQC's subsidiary Blackwood Coal and AQC
Consideration	Fair market value of a Share post-transaction on a minority basis
Convertible Notes	Up to a maximum of 10,000,000 convertible notes with a face value of $1.00 per convertible note
Convertible Note Deed	Convertible Note Deed between CQC, Tevor Bruce Hannigan and Ian Macleod-Carey & Associates Pty Limited
CQC or the Company	Cuesta Coal Limited
CQC Tenements Report	The fair market value of the tenements of CQC as assessed in the independent valuation report by Xstract dated 30 May 2014
Cuesta GSD	The Convertible Notes are currently secured by way of a general security deed granting a charge over all of the assets of the Company
DCF	Discounted cash flow
Directors	Directors of CQC
Documents	Notice of Meeting and accompanying Explanatory Memorandum that are to be provided by the Directors in relation to the Transaction
EPC	Exploration permit for coal
EPCA	Exploration permit for coal application
FOS	Financial Ombudsman Service Limited
FSG	Financial Services Guide
FY20XX	Financial year ended/ing 30 June 20XX
JORC	The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves
GSD	General security deed
Hannigan	Hannigan & Associates Pty Limited
Hannigan GSD	A condition of the Convertible Note Deeds is that the Convertible Notes are ultimately to be secured by way of a general security deed granting a charge over all of the assets of Hannigan
Independent Directors	Independent directors of CQC
Industry	Black coal mining industry
IPO	Initial public listing
Longluck	Longluck Investment (Australia) Pty Ltd
Licence	Australian Financial Services Licence (License No: 247420)
Management	CQC management
Meeting	General meeting to be convened
Non-associated Shareholders	Shareholders other than those directly involved in the Transaction or associated with such persons
Noteholders	Eolai Pty Limited and Ian Macleod-Carey & Associates Pty Limited
QCI	QCI (Galilee) Pty Ltd
Transaction	Issue of two parcels of shares totalling approximately 145.6 million fully paid ordinary shares in CQC to Longluck
Report or IER	This independent expert's report
RG 74	ASIC Regulatory Guide 74 *Acquisitions approved by members*
RG 76	ASIC Regulatory Guide 76 *Related party transactions*
RG 111	ASIC Regulatory Guide 111 *Content of expert reports*
RG 112	ASIC Regulatory Guide 112 *Independence of experts*
Shares	Fully paid ordinary shares in CQC
Shareholders	Shareholders of CQC
Share Sale Agreement	Share Sale Agreement dated 11 December 2012 between CQC and 2 unassociated vendors to acquire Hannigan
Snake Creek Project	On 8 August 2012, CQC's subsidiary Blackwood Exploration executed a Farm In and Joint Venture Agreement with QCI, a wholly owned subsidiary of Hancock Prospecting Pty Limited giving QCI the right to earn a 51% interest in 2 coal tenement applications EPCA 2079 and EPCA 2080 through $3 million of expenditure in 2 stages
Share Subscription Agreement	Share subscription agreement dated 17 May 2014 between CQC and Longluck
VWAP	Volume weighted average trading prices
Xstract	Xstract Mining Consultants Pty Ltd

APPENDIX 3 : VALUATION METHODS

In conducting our assessment of the fair market valuation, the following commonly used business valuation methods have been considered:

Discounted cash flow

The DCF method is based on the premise that the value of a business or any asset is represented by the present value of its future cash flows. It requires two essential elements:

- The forecast of future cash flows of the business or asset for a number of years (usually five to ten years)
- The discount rate that reflects the riskiness of those cash flows used to discount the forecast cash flows back to net present value

DCF is appropriate where:

- The businesses' earnings are capable of being forecast for a reasonable period (preferably five to ten years) with reasonable accuracy
- Earnings or cash flows are expected to fluctuate significantly from year to year
- The business or asset has a finite life
- The business is in a 'start up' or in the early stages of development
- The business has irregular capital expenditure requirements
- The business involves infrastructure projects with major capital expenditure requirements
- The business is currently making losses but is expected to recover

Capitalisation of earnings

This method involves the capitalisation of estimated normalised earnings by an appropriate multiple. Normalised earnings are the assessed sustainable earnings that can be derived by the business and excludes any one off profits or losses. An appropriate earnings multiple is assessed by reference to market evidence as to the earnings multiples of comparable companies or transactions.

This method is suitable for the valuation of businesses with indefinite trading lives and where earnings are relatively stable or a reliable trend in earnings is evident.

Net realisable value of assets

Asset based valuations involve the determination of the value of a business based on the net realisable value of the assets used in the business.

The net realisable value of assets involves:

- Separating the business or entity into components which can be readily sold, such as individual business units or collections of individual items of plant and equipment and other assets
- Ascribing a value to each based on the net amount that could be obtained for this asset if sold

Share market trading history

The application of the price that a company's shares trade on the ASX is an appropriate basis for valuation where:

- The shares trade in an efficient market place where 'willing' buyers and sellers readily trade the company's shares
- The market for the company's shares is active and liquid

Constant growth dividend discount model

The dividend discount model works best for:

- Firms with stable growth rates
- Firms that pay out dividends that approximate free cash flow to equity
- Firms with stable leverage
- Firms where there are significant or unusual limitations on the rights of shareholders

APPENDIX 4 : CQC TENEMENTS REPORT

Cuesta Coal Limited

Technical Specialist Report

Prepared for:

Cuesta Coal Limited

Effective Date: 30 May 2014

Project Manager:

Shaun Barry
BSc (Hons), MSc (Mineral Economics)
MAusIMM
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Contents

1 Executive summary 1

2 Introduction 2

2.1 Background 3

2.2 Scope 3

2.3 Reporting standard 3

2.4 Data sources 4

2.5 Reliance on other experts 4

2.6 Competent Person 4

3 Moorlands Project 5

3.1 Location and access 5

3.2 Ownership, status and agreements 6

3.3 Infrastructure 7

3.4 History 9

3.5 Geological setting 9

3.6 Coal Resources 12

3.7 Mine scoping study 13

3.8 Exploration potential 16

4 Eastern Galilee Project 17

4.1 Location access and infrastructure 17

4.2 Ownership, status and agreements 18

4.3 Geology 18

4.4 Exploration history 18

4.5 Coal geology and potential 19

4.6 QCI Snake Creek JV 20

5 West Emerald Project 21

5.1 Location access and infrastructure 21

5.2 Ownership, status and agreements 22

5.3 Geology 22

5.4 History 22

5.5 Coal geology and potential 23

6 East Wandoan Project 24

6.1 Location access and infrastructure 24

6.2 Ownership, status and agreements 25

6.3 Geology 25

6.4 History 25

6.5 Coal geology and potential 26
7 Other Projects 27
7.1 Amberley Project 27
7.2 Montrose Project 29
7.3 East Acland 30
7.4 Bauple Project 33
7.5 Callide 34
8 Other relevant data and information 37
8.1 Environmental and social considerations 37
8.2 Market conditions 37
9 Key risks and opportunities 39
9.1 Risks 39
9.2 Opportunities 39
10 Valuation 40
10.1 Moorlands Resources 40
10.2 Early-stage exploration assets 46
10.3 Moorlands exploration 49
10.4 East Galilee 50
10.5 West Emerald 52
10.6 East Wandoan 54
10.7 Amberley 55
10.8 Other exploration 56
11 Valuation summary 59
12 Declaration 60
12.1 Independence, disclaimer and warranty 60
13 References 62

Tables

Table 1.1: Cuesta's Coal Resources as at 30 June 2013, unless otherwise stated 1
Table 1.2: Valuation summary of Cuesta's coal assets 1
Table 3.1: Status of the Moorlands permits 6
Table 3.2: Moorlands Project Coal Resources 13
Table 3.3: Raw coal quality at Moorlands (adb) 13
Table 3.4: South Pit financial options summary (from Scoping Study) 14
Table 4.1: Status of Cuesta’s East Galilee tenements 18
Table 4.2: Yellow Jacket coal resources (to max depth of 150 m) 20
Table 4.3: Yellow Jacket raw coal quality (adb) 20

Table 5.1: Status of Cuesta's West Emerald tenements 22

Table 6.1: Status of Cuesta's East Wandoan tenements 25

Table 6.2: Raw Coal quality for East Wandoan 26

Table 7.1: Amberley Project raw coal quality (adb) 29

Table 7.2: East Acland tenements 31

Table 10.1: Inflation and exchange rate assumptions 41

Table 10.2: Coal price forecast for Moorlands coal vs Newcastle thermal benchmark prices 41

Table 10.3: Average real cash costs 42

Table 10.4: Capital Cost Estimate 42

Table 10.5: Summary of discounted cash flow valuation ranges for Moorlands 43

Table 10.6: Valuation Summary of a 100% interest in the Moorlands Resource 46

Table 10.7: Valuation estimate using Geoscientific rating method for Moorlands exploration 49

Table 10.8: Summary of Moorlands comparable market valuation 49

Table 10.9: Valuation summary of a 100% interest in the exploration potential associated with the Moorlands Project 50

Table 10.10: Market Value of a 100% interest in the Coal Resources within EPC1802 50

Table 10.11: Valuation estimate using Geoscientific rating method for East Galilee exploration 51

Table 10.12: Summary of the FMV of a 100% interest in the East Galilee permits using the comparable market method 52

Table 10.13: Valuation summary of a 100% interest in the East Galilee project 52

Table 10.14: FMV estimate of a 100% interest in the West Emerald project - Geoscientific rating method 53

Table 10.15: FMV estimate of a 100% interest in the West Emerald project – comparable transactions 53

Table 10.16: Valuation summary of West Emerald 54

Table 10.17: FMV estimate of a 100% interest in the East Wandoan project - Geoscientific rating method 54

Table 10.18: FMV estimate of a 100% interest in the West Emerald project – Comparable transaction method 55

Table 10.19: Valuation summary of the East Wandoan Project 55

Table 10.20: FMV estimate of a 100% interest in the Amberley Inferred Resource 56

Table 10.21: Valuation estimate using Geoscientific rating method for Cuesta's Other coal tenements 57

Table 10.22: FMV estimate for a 100% interest in Cuesta's other assets - comparable market method 58

Table 10.23: Summary valuation of Other exploration assets 58

Table 11.1: Summary of valuation estimates for Cuesta coal assets 59

Figures

Figure 2.1: Cuesta's coal assets 2

Figure 3.1: Location of Moorlands Project 5

Figure 3.2: Moorlands Project tenement plan 7

Figure 3.3: Moorlands Project Infrastructure 8
Figure 3.4: Gravity map of the Moorlands Project (Bendemeer and Moorlands) 10
Figure 3.5: Coal seam stratigraphy and indicative coal quality 11
Figure 3.6: Moorlands proposed South Pit location and long sections 14
Figure 3.7: South Pit base case mining schedule (2 Mtpa for 30 years) 15
Figure 4.1: Location of East Galilee tenements 17
Figure 4.2: Yellow Jacket Coal Resource area 19
Figure 5.1: West Emerald exploration tenements 21
Figure 6.1: East Wandoan exploration tenements 24
Figure 7.1: Amberley Exploration Tenement 27
Figure 7.2: Montrose exploration permit 29
Figure 7.3: East Acland tenement 31
Figure 7.4: Bauple tenement location 33
Figure 7.5: Callide tenement location 35
Figure 8.1: Australian thermal coal price (USD/t, FOB, 6,700 kcal) 38
Figure 10.1: Moorlands Measured and Indicated Resource valuation at various discount rates 44
Figure 10.2: Sensitivity analysis for Moorlands 44
Figure 10.3: Comparable market transactions of coal assets in Australia 45
Figure 10.4: Comparable coal tenement market transactions 47
Figure 10.5: Early-stage exploration comparable market transactions 48

Appendices

Appendix A: Valuation approaches and methods
Appendix B: Cash flow summary of Moorlands
Appendix C: Comparable market transaction
Appendix D: Geoscientific rating valuation of Cuesta tenements

Key abbreviations

%	Percent
ADB	Air dry basis
AIG	Australian Institute of Geoscientists
AQC	Allied Queensland Coalfields Ltd
AusIMM	Australasian Institute of Mining and Metallurgy
ASL	Above sea level
ASPs	Alternative State Provisions
ASX	Australian Securities Exchange

AUD	Australian dollar(s)
BAC	Base acquisition cost
bcm	Bank cubic metre(s)
BDO	BDO (East Coast) Pty Ltd
BHC	Base holding cost
Blackwood	Blackwood Coal Pty Limited
Bt	Billion tonne(s)
CIMVAL	Canadian 2003 Edition of the Standards and Guidelines for Valuation of Mineral Properties
Company	Cuesta Coal Limited
Cuesta	Cuesta Coal Limited
CHPP	Coal handling and preparation plant
CRA	CRA Exploration
DAF	Dry, Ash Free
DB	Dry basis
DCF	Discounted cash flow
EPC	Exploration Permit for Coal
EPCA	Exploration Permit for Coal Application
ETS	Cap and trade mechanism
FMV	Fair Market Value
GAR	Gross as received
ha	Hectare(s)
Hannigan	Hannigan and Associates Pty Ltd
IP	Intellectual property
JORC Code	2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves
k	Thousand(s)
Kcal/kg	Kilocalories per kilogram
km	Kilometre(s)
km^2	Square kilometre(s)
LOM	Life of Mine
M	Million(s)
m	Metre(s)
Mbcm	Million bank cubic metre(s)
MJ/kg	Mega joules per kilogram
mm	Millimetre(s)
MRA	Mineral Resources Act 1989
MRRT	Mining Resources and Rent tax
Mt	Million tonne(s)
Mtpa	Million tonnes per annum
NPV	Net present value

NTA	Commonwealth Native Title Act 1993
Orion	Orion Coal Pty Ltd
ROM	Run of Mine
SAMVAL	South African Code for the Reporting of Mineral Asset Valuation
t	Tonne(s)
USD	United States of America dollar(s)
VALMIN Code	2005 edition of the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports
Xstract	Xstract Mining Consultants Pty Ltd

1 Executive summary

Xstract Mining Consultants Pty Ltd ("Xstract") was requested by Cuesta Coal Limited ("Cuesta" or the Company) to prepare a Technical Specialist Report outlining our valuation opinion of certain coal assets located in the Bowen, Surat, Galilee, Styx and Maryborough Basins of Queensland, Australia. Xstract understands that its report is to be used by BDO (East Coast) Pty Ltd ("BDO") as part of an Independent Experts Report relating to a proposed transaction in Cuesta shares.

Cuesta's coal assets are contained within 29 permits, which range in terms of project development status from early to advanced exploration as defined in the 2005 VALMIN Code. The most advanced asset is the Moorlands Project, which hosts Measured, Indicated and Inferred Coal Resources totalling 281.1 Mt. Cuesta's stated Coal Resource totals 744.5 Mt and is summarised in Table 1.1.

Table 1.1: Cuesta's Coal Resources as at 30 June 2013, unless otherwise stated

	Coal Resources (Mt)			
Deposit	**Measured**	**Indicated**	**Inferred**	**Total**
Moorlands[1]	118.5	52.7	109.9	**281.1**
East Wandoan		22.1	22.5	**44.6**
Amberley			54.7	**54.7**
East Galilee[2]			364.1	**364.1**
Total	**118.5**	**74.8**	**551.2**	**744.5**

[1] as at 4 March 2014

[2] as at 29 October 2013

Xstract has adopted various valuation methods to estimate the current market value of Cuesta's coal assets. Using these methods, Xstract estimates the market value of Cuesta's coal assets resides between AUD75.4 M and AUD133.3 M, with a preferred value of AUD103.2 M, as summarised in Table 1.2. The wide range in value reflects current uncertainty in the coal market as well as uncertainty in technical assumptions.

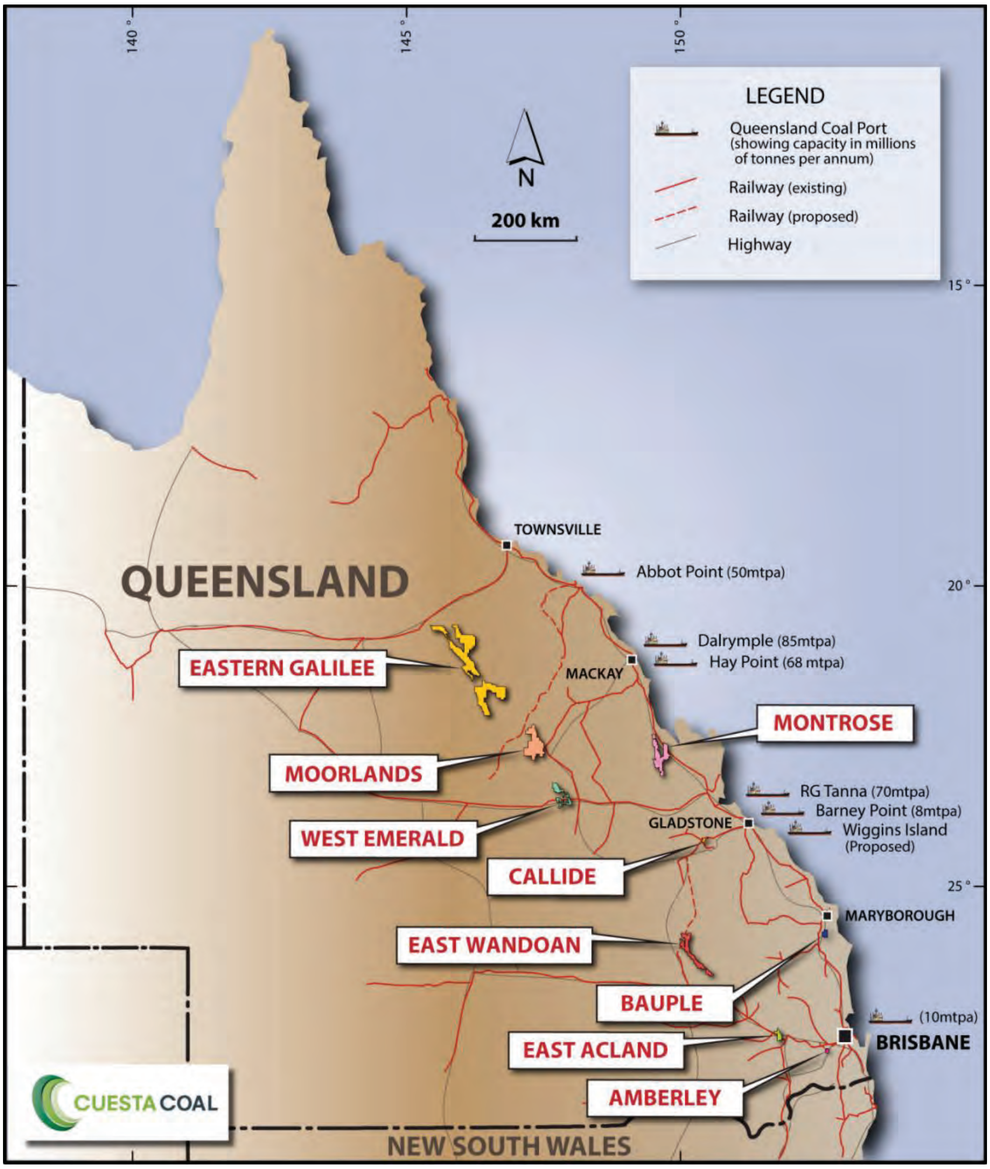
Table 1.2: Valuation summary of Cuesta's coal assets

Project		**Low (AUD M)**	**High (AUD M)**	**Preferred (AUD M)**
Moorlands		**65.7**	**108.2**	**85.9**
	Measured and Indicated Resources	43.5	74.5	58.0
	Inferred Resource	22.1	33.2	27.7
	Exploration	0.1	0.6	0.3
East Galilee		**5.5**	**17.1**	**11.3**
	Resources	5.2	16.1	10.7
	Exploration	0.2	0.9	0.6
East Wandoan		**1.9**	**3.4**	**2.6**
	Resources	1.8	3.1	2.5
	Exploration	0.1	0.3	0.2
West Emerald		**0.1**	**0.2**	**0.1**
Amberley	Resources	**2.2**	**3.8**	**3.0**
Other	Exploration	**0.1**	**0.5**	**0.2**
TOTAL		**75.4**	**133.3**	**103.2**

2 Introduction

At Cuesta's request, Xstract has prepared a Technical Specialist report relating to the Company's coal assets located in the major coal-bearing basins of Queensland. This report is designed to assist BDO (East Coast) Pty Ltd's ("BDO") evaluation of a proposed transaction involving the issue of shares in Cuesta to Longluck Investment (Australia) Pty Ltd, a wholly owned subsidiary of Beijing Guoli Energy Investment. Xstract understands that its Technical Specialist report will be included as an appendix to BDO's Independent Expert's Report to assess the merits of this transaction.

Figure 2.1: Cuesta's coal assets



Source: Cuesta

Cuesta's assets comprise 29 Exploration Permits for Coal ("EPC"), which consists of both granted tenure and applications ("EPCA"), and are considered by the Company to be prospective primarily for thermal coals. The Moorlands Project is the most advanced project within Cuesta's coal portfolio.

Xstract has independently reviewed Cuesta's coal assets and the results are incorporated into this report. This report considers the fair market value of Cuesta's coal assets on an equity attributable basis. Xstract has not provided an opinion on the fairness or reasonableness of the proposed transaction.

2.1 Background

Cuesta was formed in September 2011 to acquire all the securities in Blackwood Coal Pty Limited ("Blackwood"), a privately held, Queensland-focused coal exploration company, prior to a public listing on the Australian Securities Exchange ("ASX") in May 2012. Blackwood was established in November 2009 with a portfolio of EPCs/EPCAs in Queensland's Bowen, Surat/Clarence Moreton and Galilee coal basins and a pipeline of early stage to advanced exploration stage projects.

In December 2012, Cuesta acquired the Bendemeer coal deposit (then known as the Orion Coal Project) for a cash payment of AUD 18.2 M from Hannigan & Associates to complement its Moorlands deposit immediately along strike to the south.

During 2013, Cuesta placed shares with Beijing Guoli Energy Investment Company and Hanford Holdings Limited in order to raise funds to progress it priority Moorlands Project.

2.2 Scope

The purpose of Xstract's report is to provide an independent summary and assessment of the technical attributes and value that might reasonably be expected to be applied by the market for the company's entire suite of (predominantly thermal) coal assets.

Xstract's valuation encompasses the following:

- Location, access and supporting infrastructure
- Geological setting, structure and stratigraphy
- Exploration status and recommendations
- Coal Resources
- Conceptual mine plans
- Coal processing and transport infrastructure
- Environmental and social constraints
- Key risks and opportunities
- Valuation using appropriate methods in line with the current techno-economic status of the asset.

The conclusions expressed in this valuation report have an effective date of 30 May 2014. The valuation is only appropriate for this date and may change in time in response to variations in economic, market, legal, or political factors, in addition to ongoing exploration results. All monetary values outlined in this report are expressed in Australian dollars ("AUD") unless otherwise stated.

2.3 Reporting standard

This report has been prepared in line with the following codes:

- The 2005 edition of the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports ("VALMIN Code")
- The 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ("JORC Code").

For the purposes of this report, value is defined as fair market value ("FMV"), being the amount for which a mineral asset should change hands between a willing buyer and a willing seller in an arm's length transaction where each party is assumed to have acted knowledgeably, prudently and without compulsion.

2.4 Data sources

In developing our assumptions for this report, Xstract has relied upon information provided by Cuesta, information available in the public domain and technical information made available from Xstract's Brisbane office. Key sources are outlined in this report and all data included in the preparation of this report has been detailed in the references section.

In the execution of its mandate, Xstract reviewed all relevant pertinent technical and corporate information made available by the management of Cuesta, which has been accepted in good faith as being true, accurate and complete, after having made due enquiry. Specifically, Xstract has reviewed the prospectus, annual reports and JORC Code resource estimates provided by Cuesta.

2.5 Reliance on other experts

Xstract has not relied on any third party opinion in compiling this report. The technical personnel responsible for compiling this report are based entirely in Xstract's Brisbane office.

For the technical assessment outlined in this report, none of the Xstract personnel involved in the valuation undertook a site visit to the projects subject to this valuation. However, as Xstract has previously undertaken extensive technical evaluation work of coal assets in the Galilee, Bowen, Surat, Clarence Morton, and Tarong Basins and other coal basins in Queensland, it has a good understanding of the assets and has no reason to question the validity of the technical information supplied. Furthermore, the coal projects are at a relatively early stage of assessment and little perceived benefit was anticipated from an inspection.

2.6 Competent Person

Xstract's consultants involved in the preparation of this report are Independent Experts as defined by the VALMIN Code. They are also members of either the Australasian Institute of Mining and Metallurgy ("AusIMM") or the Australian Institute of Geoscientists ("AIG"), for which compliance with the JORC and VALMIN Codes is mandatory. Xstract's Competent Persons involved in the preparation of this report are members in good standing with one or more of these professional institutions and have the required qualifications and experience as defined in the JORC and VALMIN Codes to conduct this technical assessment and valuation.

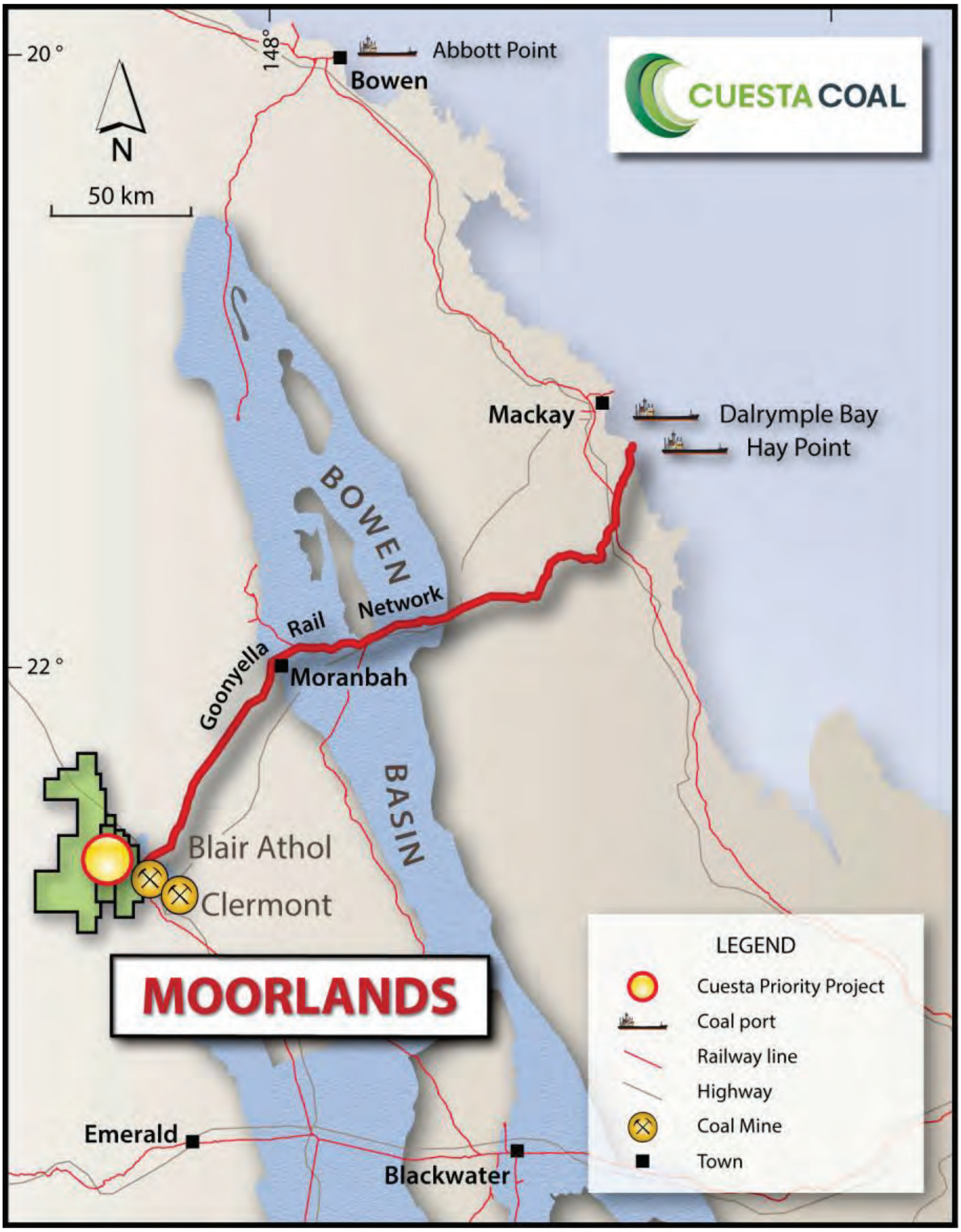
Xstract is an independent advisory company. Its consultants have extensive experience in preparing competent persons, mineral specialist, independent geologist and valuation reports for mineral exploration and production companies. The authors of this report are qualified to express their professional opinions on the values of the mineral assets described.

3 Moorlands Project

3.1 Location and access

Cuesta's Moorlands Project lies along a northwestern extension to the Bowen Basin in the Parish of Barcombe, Belyando Shire, Queensland. It is situated 38 km northwest of the town of Clermont and 20 km northwest of Blair Athol and Clermont thermal coal mining operations (Figure 3.1).

Figure 3.1: Location of Moorlands Project



Source: Cuesta Coal

Access to the property is gained along the Gregory Developmental Road, a bitumen road connecting Georgetown to Springsure in central Queensland. The Project is traversed by numerous private station tracks providing access for exploration activity.

3.2 Ownership, status and agreements

The Moorlands Project comprises four granted EPCs and one EPCA, which cover 373 sub-blocks for a combined area of approximately 1,177 km^2. The Moorlands Basin hosts the Moorlands coal deposit, and the recently acquired Bendemeer deposit (Orion Coal Project), now all known collectively as the Moorlands Project. The Bendemeer permits, EPC775 and EPC776, were acquired by Cuesta in December 2012 from Hannigan and Associates, and are due for renewal on 21 November 2018.

Table 3.1 summarises the status of Cuesta's Moorlands Project.

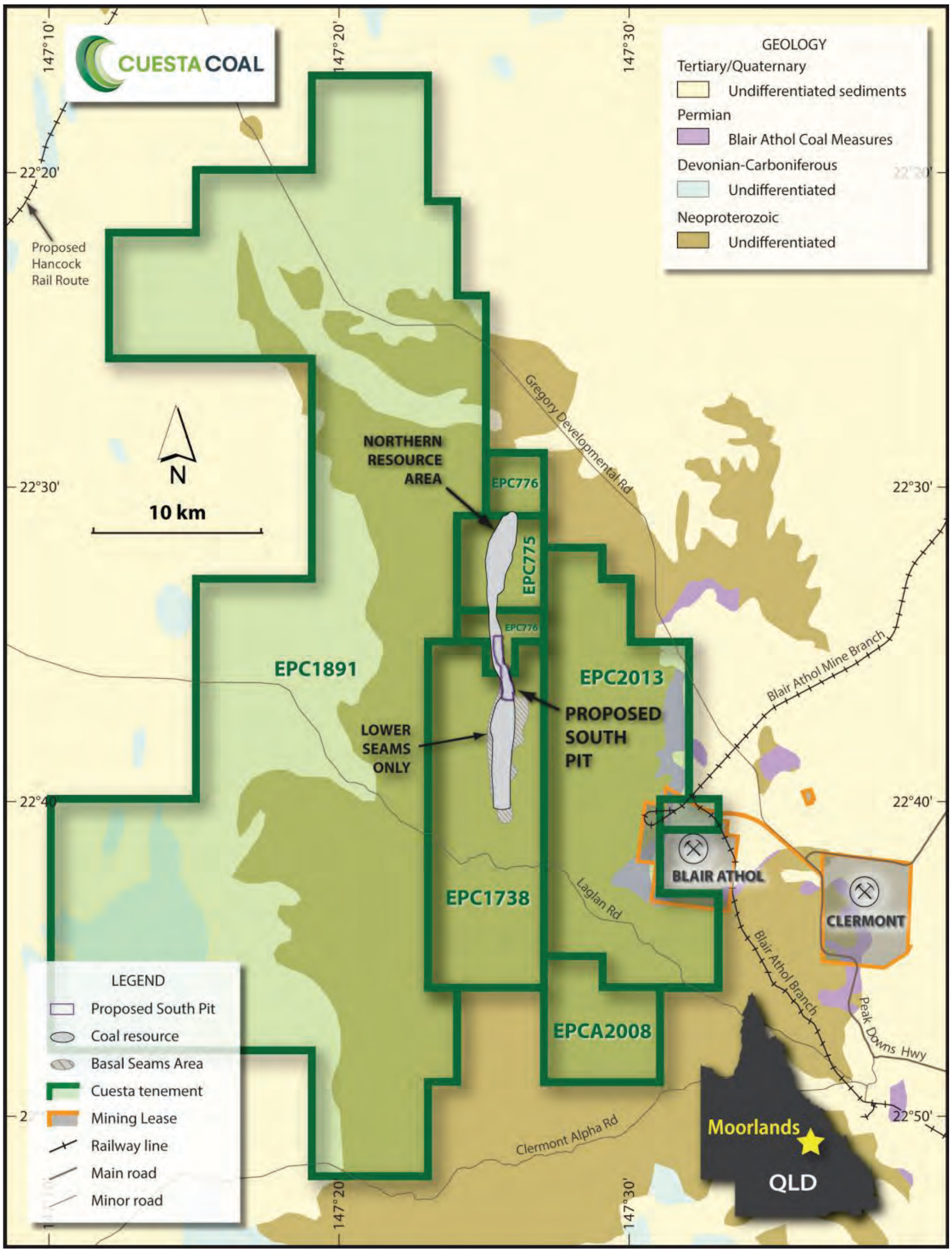
Table 3.1: Status of the Moorlands permits

Type	Number	Status	Expiry	Sub-blocks	Area (km^2)
EPC	775	Granted	21 Nov 2018	9	28
EPC	776	Granted	21 Nov 2018	8	25
EPC	1738	Granted	27 Mar 2019	42	132
EPC	1891	Granted	19 Aug 2015	300	948
EPCA	2008	Application		14	44
			Total	**373**	**1,177**

Source: GSQ Interactive resource and tenure maps 2012

Cuesta is currently in advanced negotiations with Fortescue Metals Group to acquire EPC2013, which has been shown as a Cuesta tenement on Figure 3.2. However, as at the date of this report, Cuesta did not hold an equity interest in EPC2013.

Figure 3.2: Moorlands Project tenement plan



Source: Cuesta

3.3 Infrastructure

Water, electricity and rail access infrastructure are all in close proximity to the Moorlands Project area.

3.3.1 Power and water

The closest water supply is Fairbairn Dam, located 25 km southwest of the town of Emerald. The Fairbairn Dam has a surface area of approximately 15,000 ha when full and holds 1.3 million megalitres of water. Localised water alternatives include harvesting water during flood periods and dewatering the open pit.

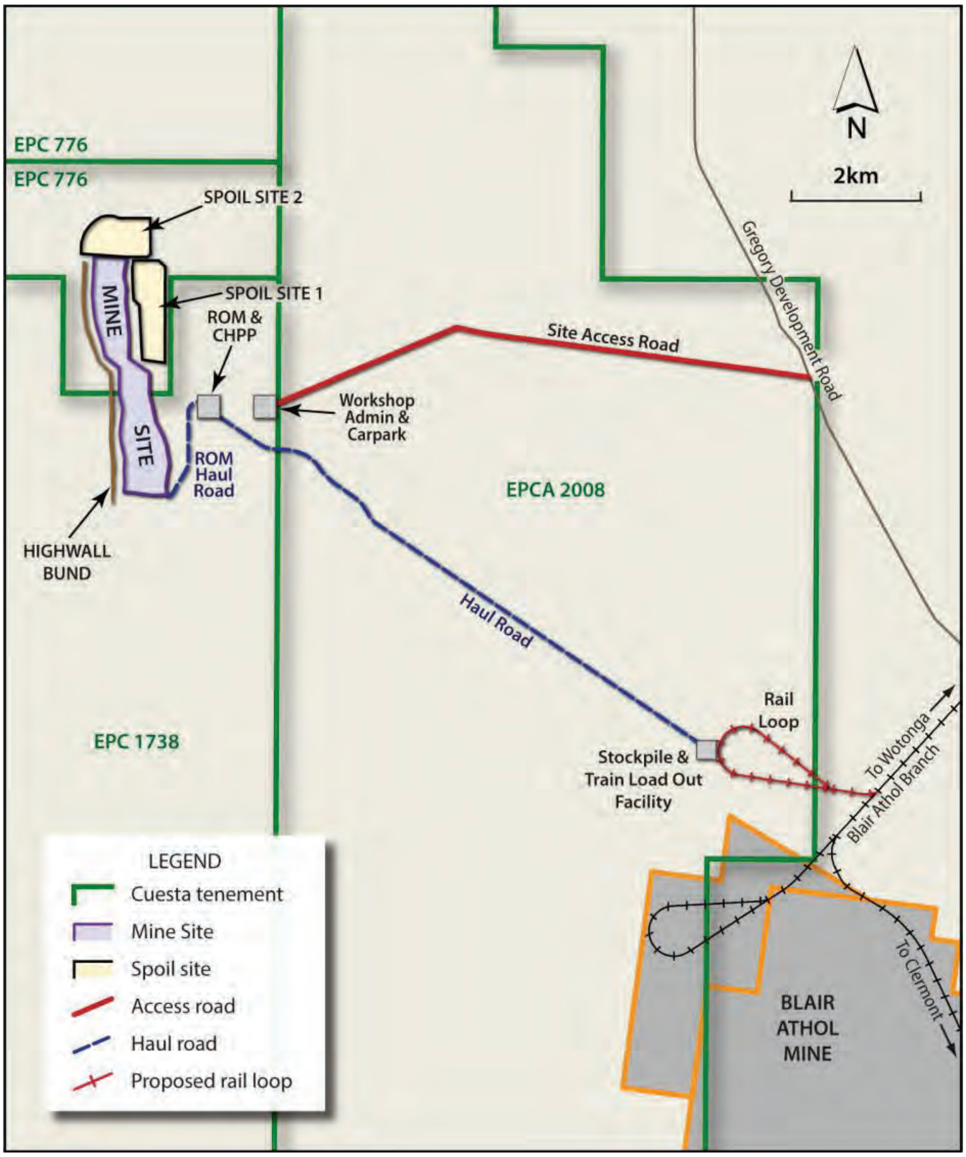
Powerlink supplies electricity locally, a state government corporation that owns, operates and maintains Queensland's transmission network. Proposed large-scale coal mine developments in the Galilee Basin in close proximity to the Moorlands Project are expected to result in a substantial increase in regional electricity demand over time. To meet this emerging growth, Powerlink plans to extend its existing network into the region that can also supply the Moorlands Project.

3.3.2 Rail

Any future coal production from Moorlands has the option of being exported through ports at Dalrymple Bay, Abbot Point or Hay Point. The existing Blair Athol rail loop lies 20 km to the southeast (Figure 3.3).

It is currently proposed to haul the coal product some 11 km along a dedicated haul road to a train-load out facility at a rail loop and spur connected to Wotonga-Blair Athol Branch, which provides the project with access to the Goonyella rail system.

Figure 3.3: Moorlands Project Infrastructure



Source: Cuesta

The Goonyella rail system currently services more than 30 coal mines and is the shortest and preferred route to port. It serviced Blair Athol (to the east of Cuesta's project area) until recently, the Gregory Branch junction to the south, Hay Point to the east and the North Goonyella mine to the north. Its nominal rail capacity is 132 million tonnes per annum ("Mtpa"), with a current utilisation of 112 Mtpa.

Aurizon is currently investing AUD185 M in track duplication to lift coal haulage capacity on the Goonyella System to 140 Mtpa.

3.3.3 Port

As the Goonyella System is the preferred rail option, Dalrymple Bay or Abbott Point are the preferred ports for exporting Moorlands coal. Currently, Cuesta is in negotiations to secure long-term (5 to 10 years) port allocation from existing user at Dalrymple Bay. The Company is also evaluating port allocation options beyond 10 years.

3.4 History

A total of 144 rotary air blast ("RAB") and diamond drillholes have been drilled over a number of campaigns on the Moorlands Project to define the Coal Resources. All exploration boreholes completed to date in the area were drilled vertically and many were geophysically logged.

3.4.1 Orion Resources (early 1990s)

In 1993, Orion Resources completed two scout holes during its gold-focussed exploration program in the central northern part of Cuesta's current project area. No anomalous gold values were returned, however coal was encountered at shallow depths in both holes. The data generated from these holes has not been used for modelling or resource estimation purposes, as they were not accurately located or logged.

3.4.2 Rio Tinto (mid to late 1990s)

In the mid-1990s, Rio Tinto completed approximately 50 holes (predominantly 120 mm diameter RAB holes with water injection) in and around the northern part of the Moorlands Project.

At the same time, four diamond core (generally 63 to 100 mm in diameter) holes were completed, two to the northern part of the current project and two to the south.

3.4.3 Hannigan and Associates (from 2002)

Since 2002, Hannigan and Associates drilled 31 RAB holes with water injection and two partially cored holes (in the north and centre of the project). Core logging, both geological and geophysical, was adequate as a basis for further work.

3.4.4 Cuesta (from 2011)

Since 2011, Cuesta has drilled an additional 85 open holes and 22 cored/partially-cored holes at the Moorlands Project, comprising a total of 16,714 m of drilling.

3.5 Geological setting

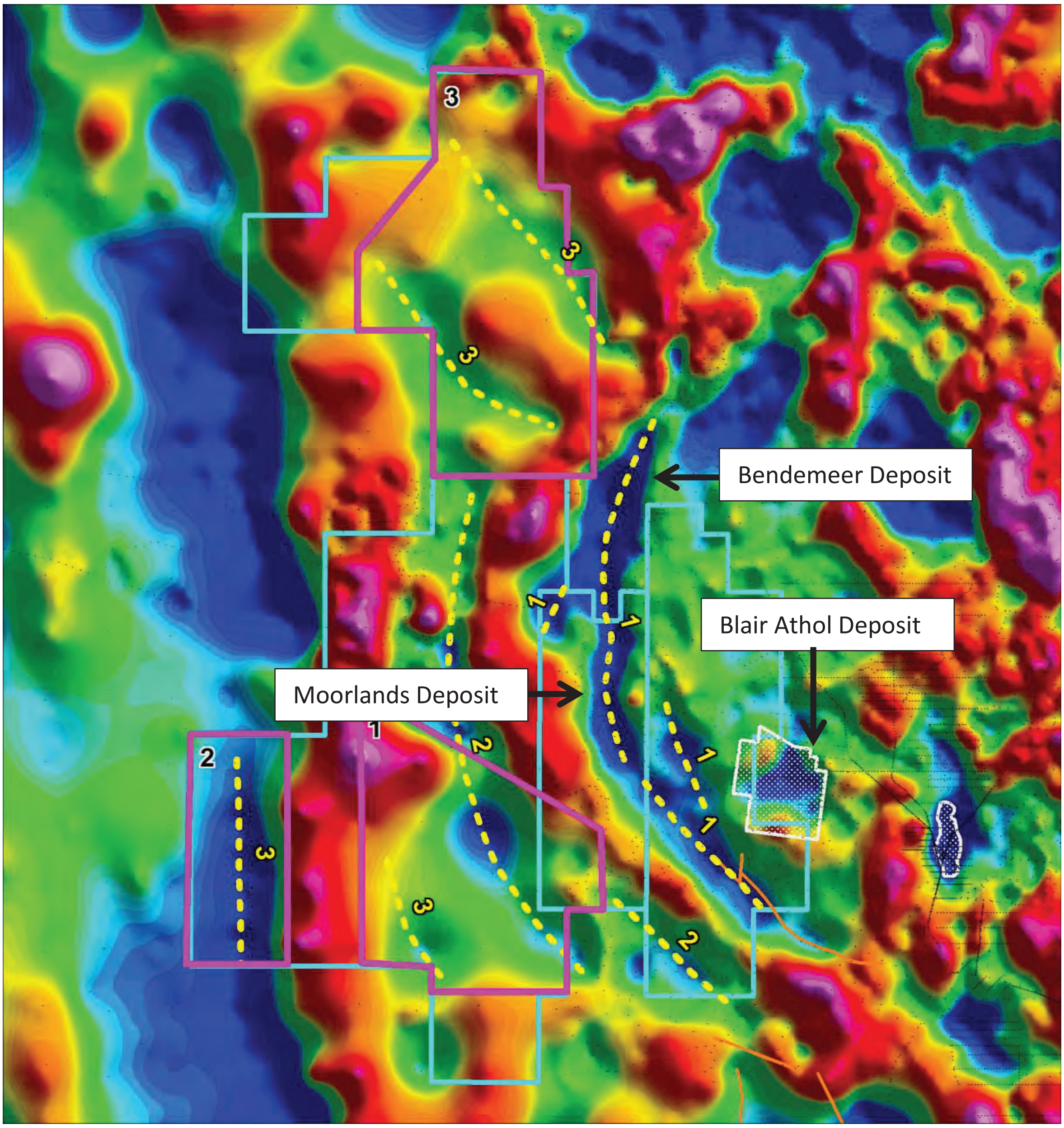
3.5.1 Regional geology

The coal deposits of the Moorlands area lie within an early-Permian aged sedimentary sub-basin representing an outlier to the Bowen Basin, hosted by the older Anakie Metamorphic

Group. The basin comprises an elongate, north-south trending, fault-bounded graben structure filled with up to 350 m of coal-bearing sedimentary units of the Birimgin Formation (equivalent to the Blair Athol Coal Measures). The basin is referred to as the Moorlands Basin and extends over approximately 20 km in length by up to 3 km wide.

The Moorlands Basin is located approximately 25 km northwest of the former Blair Athol coal mining operation. The Bendemeer deposit lies in the northern part of the basin and the contiguous Moorlands deposit lies in the southern part of the basin, as illustrated in the gravity map in Figure 3.4. Both deposits are now known collectively as the Moorlands Project.

Figure 3.4: Gravity map of the Moorlands Project (Bendemeer and Moorlands)



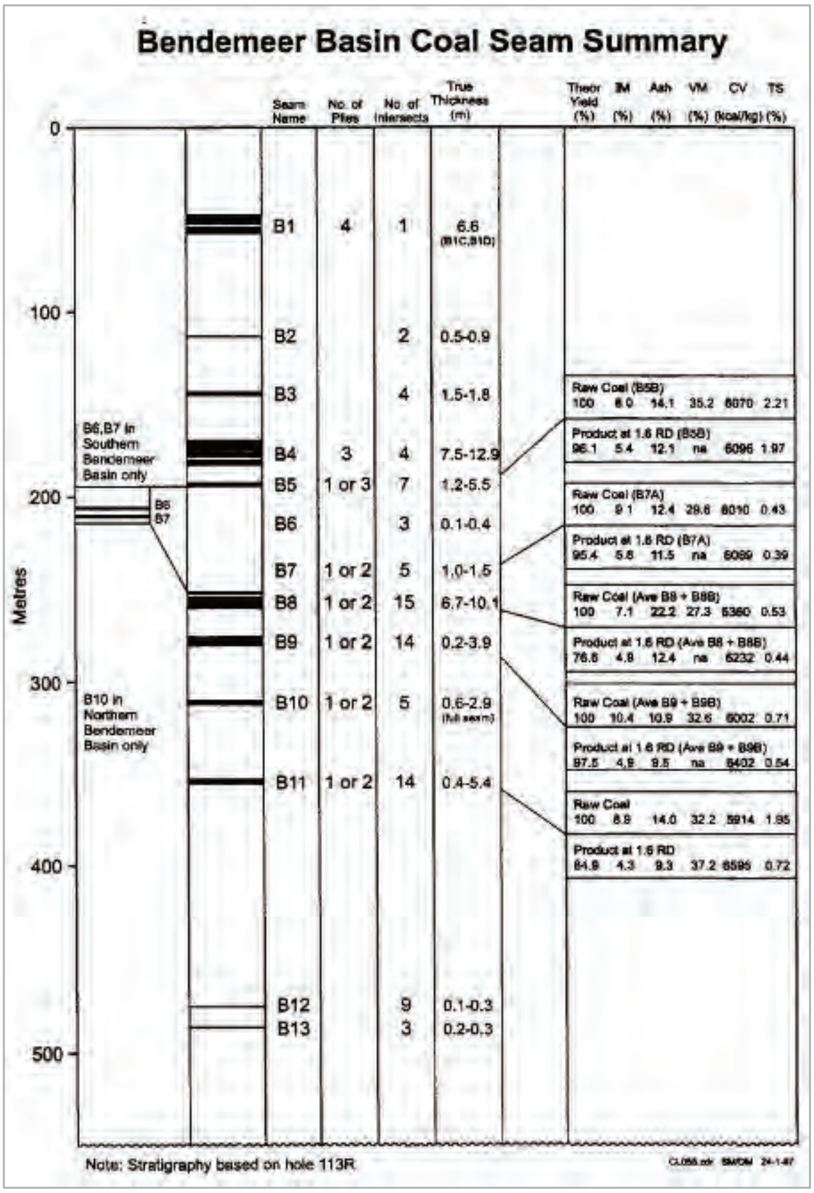
Source: Cuesta Coal Limited

The Birimgin Formation comprises sandstone, mudstone and conglomerates units, which host up to 13 coal seams considered suitable for a thermal coal product. These sediments unconformably overlie phyllites and schists of the Anakie Metamorphic Group. The structural margins of the basin are fault-controlled such that the sequence is structurally complex and dips steeply at the margins. The Birimgin Formation is unconformably overlain by Cenozoic conglomerate, silcrete, basalt and various recent semi-consolidated sedimentary units, which are up to 60 m thick.

3.5.2 Local geology

Up to 13 coal seams have been identified at the Cuesta's Moorlands Project (shown in Figure 3.5), designated in descending sequence B1 to B13, with seams often comprising more than one ply. Seams B11, B12 and B13 are equivalent to the Monteagle, Kalbar1 and Kalbar2 seams respectively. These lower seams are better developed at Moorlands to the south. The seams of key economic interest include B4, B8, B9 and B11.

Figure 3.5: Coal seam stratigraphy and indicative coal quality



The upper part of the coal measures contains predominantly mudstone and fine- to medium-grained sandstone, generally upwards fining. Most of the coal seams (B4 to B8) are found within this sequence.

The lower part of the coal measures, below Seam B8, is dominated by coarser sandstone units. The substantial seams B9 and B11 are present towards the top of this coarser-grained sequence. There is some evidence that seams lower in the sequence, such as B12 and B13, have thickened and are possibly of mineable interest at the southern end of the basin.

The coal measures lie unconformably on an eroded surface of older slates, phyllites and schists, which belong to the Anakie Metamorphic Group. These metamorphic rocks also sub-crop beneath the Cenozoic cover to the north, west and southeast of the Bendemeer deposit.

The Cenozoic sediments consist of mudstone-dominated Tertiary rocks with interbedded sandstones and conglomerates and, near the main modern drainage channels, sands and coarser materials of Quaternary age. The thickness of the Cenozoic sediments above the coal measures varies from 15 to 30 m in the northeast and south of the basin, to 40 to 60 m in the centre. The depth of weathering, including palaeo-weathering of the top part of the Permian strata, is also thicker along the central axis of the basin, reaching a maximum of up to 75 m in some locations. In the northeast and southwest ends of the basin the minimum weathered thicknesses are in the range 40 m to 50 m.

The current interpretation of the geological structure is that the Permian sediments have been folded about a northeasterly trending synclinal axis, which is overridden in parts of the west by a low angle thrust fault trending northwest. Close to the thrust the Permian sediments are considerably disturbed, often steeply dipping, and in places possibly overturned.

The basin extends well to the east of the limit of coal of interest into an area where the coal seams have been eroded and only basal sandstones remain.

In the central part of the Moorlands Basin, only a narrow band of coal is present to the east of the bounding thrust fault and structures within the coal measures are known to be complex.

Currently available data indicates dips along the northeastern margin of the deposit to be approximately 15° to 17° to the west, with the dip shallowing towards the central synclinal axis.

Along the western margin of the deposit the dips are dominantly eastward dipping, and are steep (>70°) and the vertical thicknesses of coal seams intersected are correspondingly large.

At the southern end of the basin, two significant coal seams are recognised, the Monteagle seam (equivalent to B11) and the Kalbar seams, which occurs approximately 120 m lower in the stratigraphic sequence (equivalent to B12 and B13).

The Monteagle seam reaches a maximum recorded thickness of 4.3 m and averages 3 m. Raw ash content averages 12 to 13 % with total sulphur averaging 0.70%.

The Kalbar 1 seam (B12) averages 0.5 m in thickness and consists of mainly dull coal.

The Kalbar 2 seam (B13) occurs 10 m below the Kalbar 1 seam and averages 2.5 m in thickness, with intersections up to 4.4 m thick. Raw ash content averages 14 to 15 % with total sulphur averaging 1.14%.

3.6 Coal Resources

Coal Resources, estimated in accordance with the JORC Code (2012), for the Moorlands Project (inclusive of the Bendemeer and Moorlands deposits) were last updated by Encompass in March 2014 (refer Table 3.2).

Table 3.2: Moorlands Project Coal Resources

	Coal Resources (Mt)			
Deposit	**Measured**	**Indicated**	**Inferred**	**Total**
Moorlands	118.5	52.7	109.9	281.1
Total	**118.5**	**52.7**	**109.9**	**281.1**

Source: Coal Resource update by Encompass Mining – February 2014

Raw coal quality reported by seam is presented in Table 3.3.

Table 3.3: Raw coal quality at Moorlands (adb)

Seam	Moisture (%)	Ash (%)	Volatiles (%)	Carbon (%)	Energy (MJ/kg)	Sulphur (%)	Relative Density
B4	10.4	20.3	29.2	40.1	21.76	0.64	1.52
B5	10.4	15.6	31.8	42.2	23.71	1.20	1.46
B7	9.7	24.3	26.3	39.7	20.66	0.53	1.56
B8	8.5	19.6	27.2	44.7	22.63	0.49	1.52
B9	9.6	16.4	31.1	42.8	23.37	0.68	1.47
ME	11.0	13.7	31.1	44.2	23.91	1.32	1.40
K2	8.2	14.1	34.3	43.5	25.29	1.13	1.48

Source: Coal Resource update by Encompass Mining – February 2014

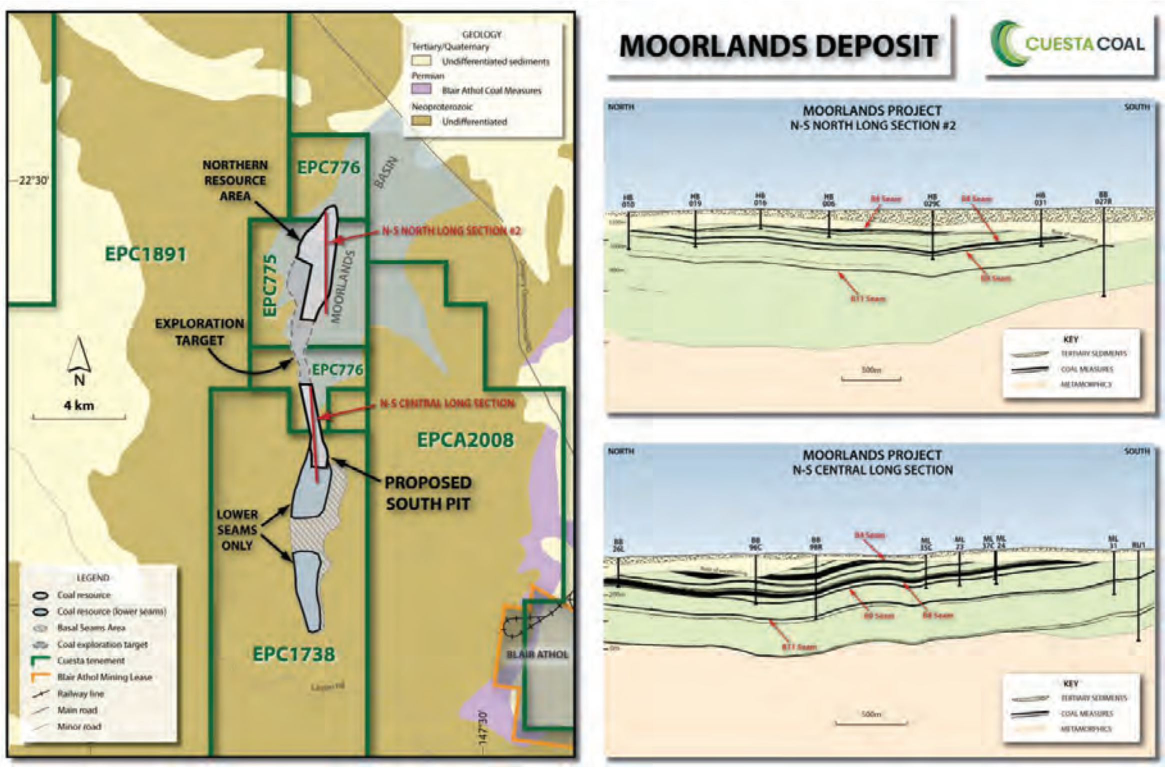
3.7 Mine scoping study

3.7.1 Mine plan

Xenith Consulting completed a Scoping Study on the Moorlands Project in November 2013 assuming a base case, contractor mining, 2.0 Mtpa run-of-mine ("ROM") open cut mining for 30 years in the South Pit area containing approximately 60 Mt of in-situ coal to the base of the B9 seam. The South Pit area was prioritised for development based on favourable strip ratios of 2 to 4 bcm/t. The larger coal resource developed at the northern end of the basin indicates higher strip ratios between 4 and 8 bcm/tonne. This resulted in the South Pit being selected as the focus for a scoping level mine plan using trucks and excavators.

The location of the proposed South Pit mine shown in Figure 3.6 and the base case period schedule is shown in Figure 3.7.

Figure 3.6: Moorlands proposed South Pit location and long sections



The scoping study also considered alternate cases of owner and contractor operation at increased production rates, ramping up to 5 Mtpa over six years, to produce 60 Mt ROM over a 15 years life of mine. The production and financial options considered in the Scoping Study are summarised in Table 3.4.

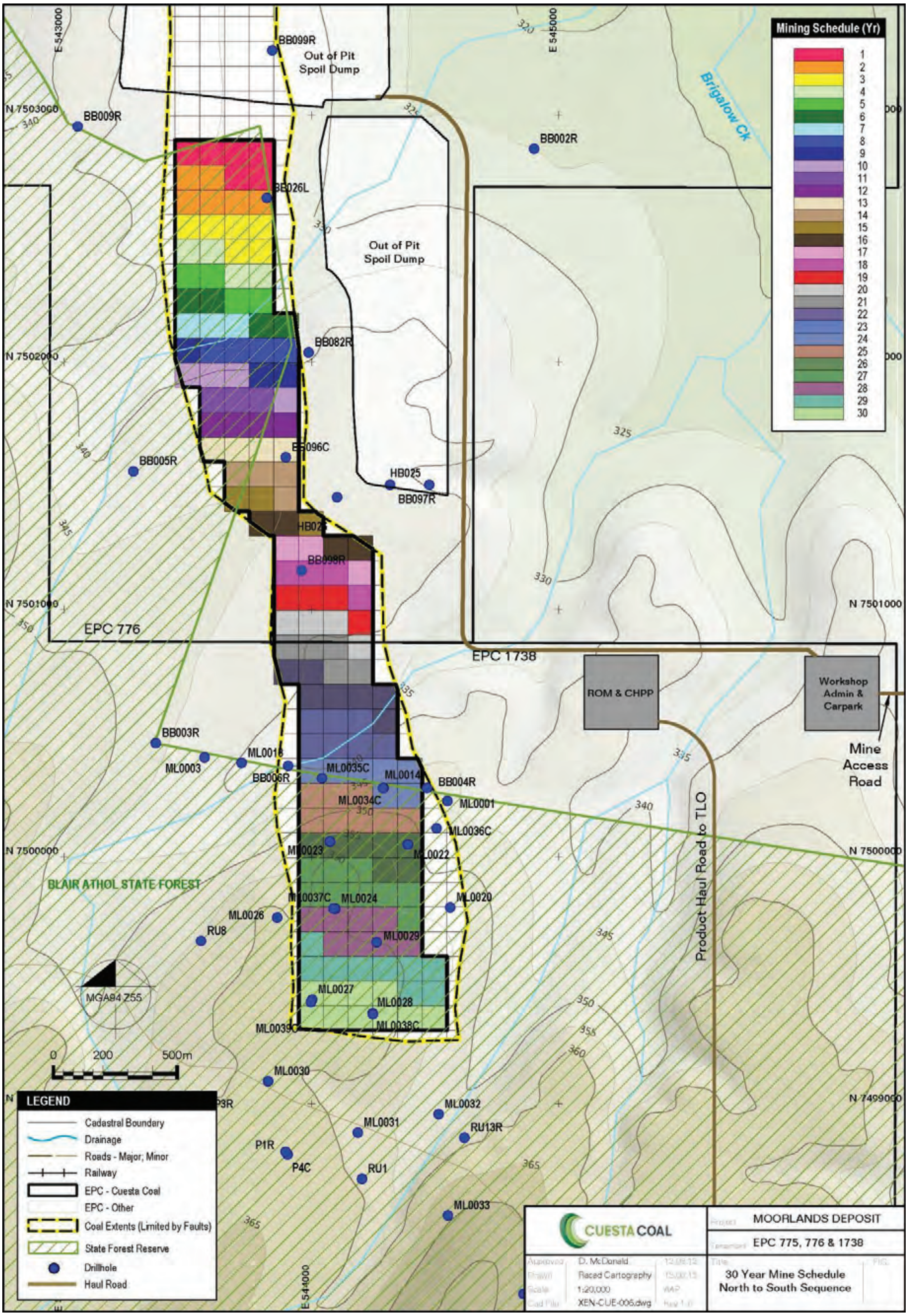
Table 3.4: South Pit financial options summary (from Scoping Study)

Item	Units	Base Case	Alternate Case 1	Alternate Case 2
Operator		Contractor	Contractor	Owner
Life of Mine	years	30	15	15
Scheduled ROM	Mt	60	60	60
Tonnage Profile	Mtpa	2	Ramp up to 5 Mtpa over 6 years	
FOB Cost (excl Royalty)	AUD/Prod t	62.80	50.70	52.10
$NPV_{10\%}$	AUD M	138	289	314
Owner's Capital	AUD M	167	167	259
Owner's Capital & Sustaining Capital	AUD M	257	246	443

Assumptions:

- Long term coal price USD83.60/t
- Exchange Rate 0.85 USD/AUD
- Royalty cost of AUD5-7/t expected
- 26% of ROM bypassed, overall recovery 89%
- Product Quality ~5,600 kcal/kg GAR

Figure 3.7: South Pit base case mining schedule (2 Mtpa for 30 years)



Source: Cuesta

3.8 Exploration potential

The potential to extend the aerial extent of the currently defined resource base is limited by the boundaries of the Moorlands Basin, however the gravity map shown previously in Figure 3.4 highlights areas of additional potential outside the Moorlands Project which may be prospective for undocumented coal occurrences. To date, no work has been conducted by Cuesta (or previous explorers) to assess the potential for coal measure development outside of the current limits of the established Moorlands Basin.

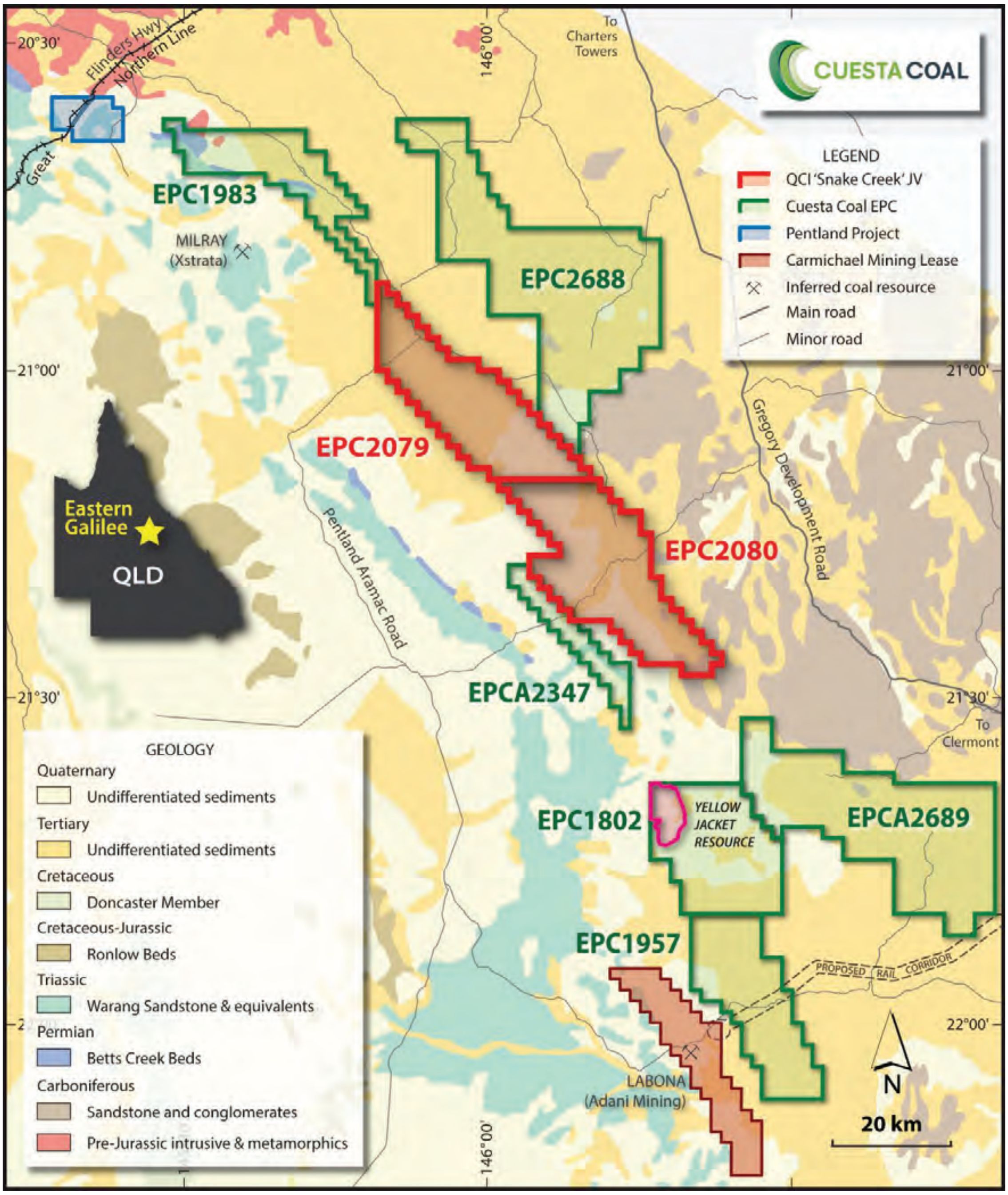
4 Eastern Galilee Project

4.1 Location access and infrastructure

The northern part of Cuesta's Eastern Galilee Project area is located south of Pentland, which is 200 km west of Townsville in a relatively remote region. The permits extent in a southeasterly direction from the township of Pentland, located midway between Charters Towers and Hughenden. The terrain has flat topography that occasionally undulations.

The Gregory Development Road lies east of the project area and runs north-south. There are numerous access tracks in the area and it is generally possible to travel cross country.

Figure 4.1: Location of East Galilee tenements



Source: Cuesta

4.2 Ownership, status and agreements

Cuesta's Eastern Galilee Project comprises eight separate permit areas (Table 4.1) distributed in three discreet areas. In total, the permits cover an area of almost 4,000 km^2 and extend along the basin margin for a distance of 200 km.

Two of the tenements (EPC 2079 and EPC 2080) are under a Farm-In and Joint Venture agreement with QCI (Galilee) Pty Ltd ("QCI"). Under the terms of the agreement announced on 13 February 2014, QCI is able to earn up to a 51% interest in the two tenements (EPC 2080 and EPCA 2079) through the expenditure of AUD3 M on exploration at the tenements in two stages. QCI can earn 25% interest through the staged development and expenditure of AUD1.5 M and a further 26% through the expenditure of an additionalAUD1.5 M.

Table 4.1: Status of Cuesta's East Galilee tenements

Type	Number	Status	Expiry	Sub-blocks	Area (km^2)
EPC	1802	Granted	28 Oct 2014	130	415
EPC	1983	Granted	30 Oct 2018	93	299
EPC	1957	Granted	7 Feb 2017	120	382
EPC	2079	Granted	2 Mar 2019	147	471
EPC	2080	Granted	10 Feb 2018	174	557
EPC	2688	Granted	30 Apr 2019	300	963
EPCA	2689	Application		244	779
EPCA	2347	Application		39	125
			Total	**1,247**	**3,991**

4.3 Geology

The Eastern Galilee EPCs are located along the eastern edge of the Galilee Basin and cover basement strata consisting of folded and faulted rocks of Devonian and Carboniferous age. Outcrop is largely obscured by a blanket of Cainozoic semi-consolidated sediments. These cover units are of variable thickness ranging from near zero up to 100 m in places.

The principal coal-bearing unit in the central and northern Galilee Basin is the Betts Creek Beds of Late Permian age. There is a disconformably between the Betts Creek Beds and the underlying Aramac Coal Measures. It is doubtful whether the Aramac Coal Measures are developed in this area.

4.4 Exploration history

This area was previously explored for coal by Vale under EPC907. Several thin coal intercepts were recorded from drilling, but it was believed the main coal-bearing interval occurs further to the west and consequently the portion of EPC907 covered by EPC1983 was relinquished.

Regional exploration has indicated that the main sub-crop of the Betts Creek Beds lies to the west of the areas covered by these permits. Consequently, there has been no previous systematic exploration. However, water bore data has shown that coal or coaly sediments have been intersected in the area.

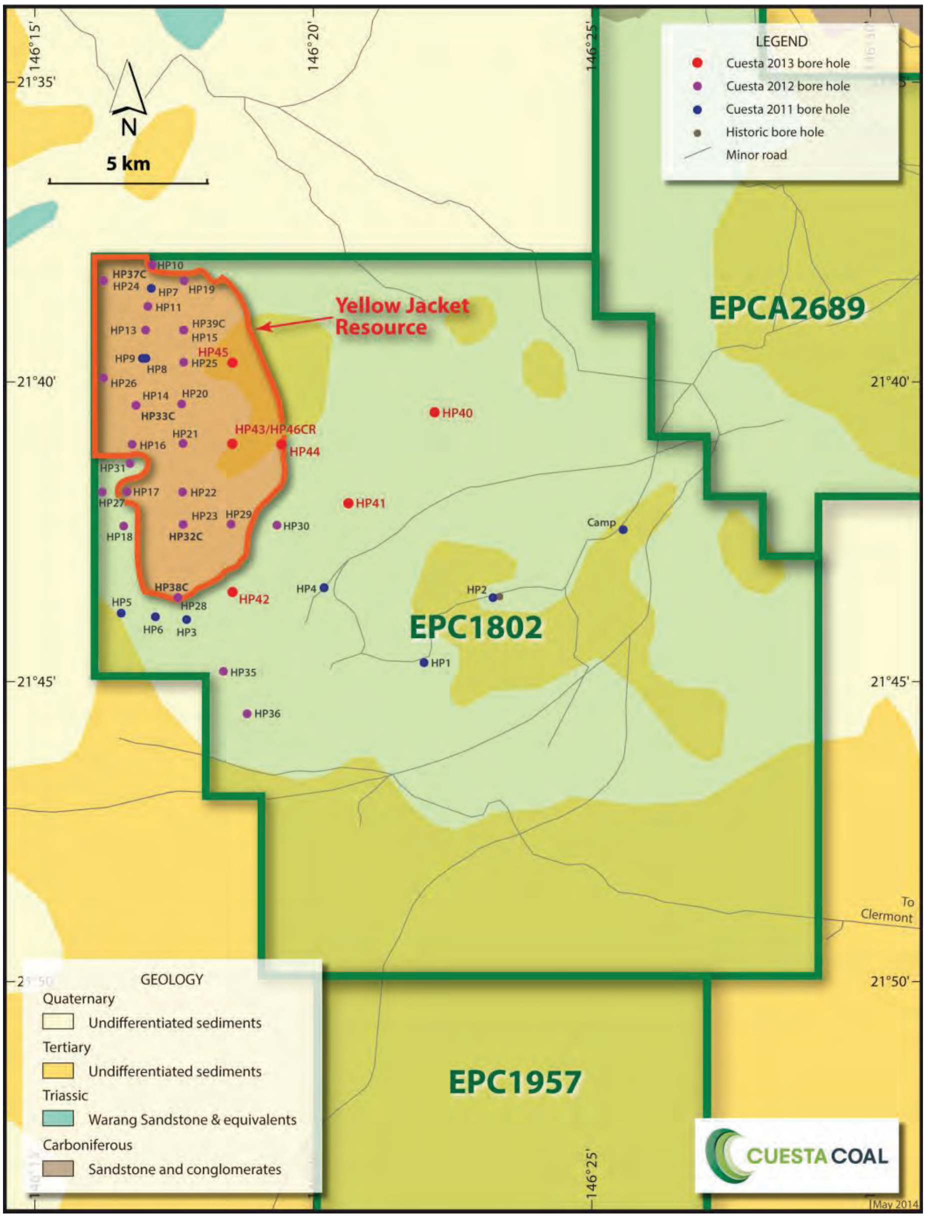
Cuesta has carried out several drilling campaigns on EPC1802 to investigate the historical records of coal occurrences in water bores and test the concept of infolded Betts Creek Beds extending to the east of the traditionally recognised sub-crop line.

The drilling has shown that there is a substantial thickness of Cainozoic cover and that the Permian sediments below this are extensively weathered. Nonetheless, continuous coal bearing strata was intersected over a significant area in the north west of EPC1802.

4.5 Coal geology and potential

Exploration by Cuesta confirms the contention that the coal-bearing Betts Creek Beds are more widely developed than previously thought (i.e. occur further to the east than the traditionally established line of sub-crop). To date, Cuesta has completed a total of 38 open holes and nine cored holes at its Yellow Jacket Project, shown in Figure 4.2.

Figure 4.2: Yellow Jacket Coal Resource area



Source: Cuesta

Encompass Mining reported an Inferred Coal Resource estimate totalling 364.1 Mt for the Yellow Jacket Project in October 2013 as summarised in Table 4.2 and Table 4.3.

Table 4.2: Yellow Jacket coal resources (to max depth of 150 m)

Coal Resources (Mt)					
Seam	**Depth (m)**	**Measured**	**Indicated**	**Inferred**	**Total (cumulative)**
C	50-100			75.9	75.9
D	50-100			3.0	78.9
C	100-150			206.3	285.2
D	100-150			78.9	364.1
Total				**364.1**	

Table 4.3: Yellow Jacket raw coal quality (adb)

Seam	Moisture (%)	Ash (%)	Volatiles (%)	Carbon (%)	Energy (MJ/kg)	Sulphur (%)	Relative Density
C	8.9	20.6	23.4	47.2	21.90	0.35	1.57
D	7.7	26.5	26.6	39.2	20.70	0.48	1.58

4.6 QCI Snake Creek JV

In February 2014, Cuesta announced a Joint Venture with QCI in respect of two tenements, namely EPC2079 and EPC2080 (see Figure 4.1). Exploration commenced following the granting in March 2014 of EPC2079 by the Queensland government.

Exploration will target anomalies similar to those identified at the Yellow Jacket Project.

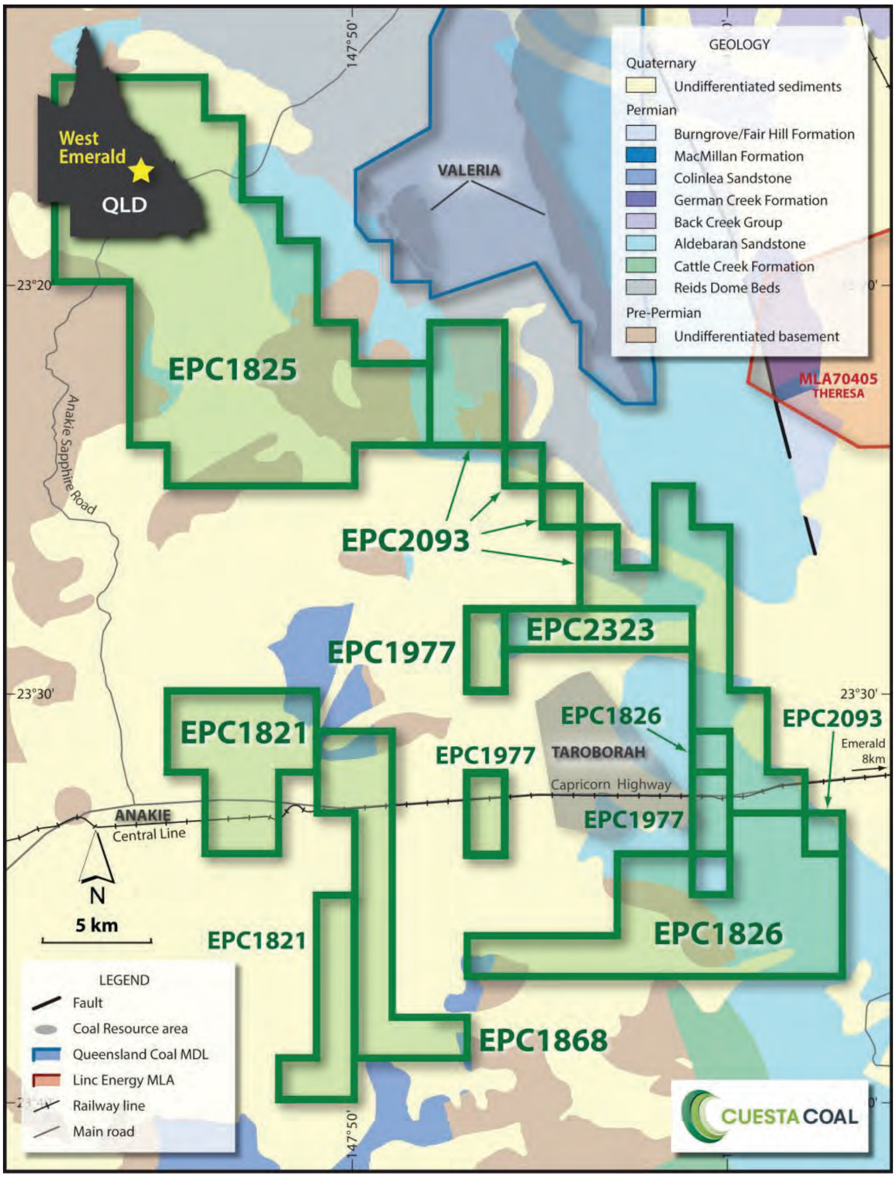
5 West Emerald Project

5.1 Location access and infrastructure

The West Emerald project is located west of Emerald in Central Queensland and 360 km from the port of Gladstone. Access to the area is by regularly serviced road, rail and/or air transport. Emerald is a regional centre for the beef cattle and agricultural cropping industries.

The topography of the West Emerald area is characterised by a mature, gently undulating landscape that varies in elevation from 220 m above mean sea level to nearly 300 m. Low ridges are commonly capped by iron-stained Tertiary sands and gravels, whilst the main creeks occupy alluvial flats comprising a veneer of sand, silt, and an overlying clayey black-soil profile. Significant tracts of land have been cleared for pastoral activities, although grain crops are grown in isolated patches. Stands of mainly dry schlerophyll scrub are largely restricted to State Forest areas.

Figure 5.1: West Emerald exploration tenements



Source: Cuesta

5.2 Ownership, status and agreements

Cuesta owns seven exploration permits covering approximately 462 km^2 comprising 147 sub-blocks as listed in Table 5.1.

Table 5.1: Status of Cuesta's West Emerald tenements

Type	Number	Status	Expiry	Sub-blocks	Area (km^2)
EPC	1821	Granted	14 Apr 2015	18	57
EPC	1977	Granted	18 Apr 2016	6	19
EPC	2323	Granted	26 Jun 2016	4	13
EPC	1825	Granted	20 May 2018	59	185
EPC	1826	Granted	30 Jul 2017	24	75
EPC	1868	Granted	18 Jun 2018	12	38
EPC	2093	Granted	22 Jun 2018	24	75
			Total	**147**	**462**

5.3 Geology

The area is located in the structural element of the Bowen Basin known as the Denison Trough. The Denison Trough is a geologically complicated region in comparison with the more benign central Bowen Basin sequences.

The permits are located on the western flank of the Permo-Triassic Bowen Basin, at the northern end of the Denison Trough where a series of north-south trending graben and half-graben structures developed during the initial extensional phase of Bowen Basin formation. The Denison Trough is flanked on its western side by the Springsure Shelf, and the pre-Permian metamorphic and igneous basement complex of the Anakie Inlier, and on its eastern side by the Comet Ridge.

The stratigraphy of the northern Denison Trough comprises granitic and metasediment basement rocks of the Devonian Retreat Granite and Cambro-Ordivician Anakie Inlier respectively, unconformably overlain by Early Permian non-marine sediments of the Reids Dome Beds, the partially marine Cattle Creek Formation, and Aldaberan Sandstone. These are in turn blanketed by widespread, commonly lateritised, alluvial deposits and minor basalt of Cainozoic age.

Controls on the deposition of prospective Permian sediments are predominantly in a structurally north west orientation. Subsequent deformation has reactivated these structures and deformed the enclosing stratigraphy. This is demonstrated by rapid depositional changes, which characterise the development of the nearby Blair Athol, Rugby, Clermont, Taroborah and Cullin a Ringo coal deposits. These deposits exhibit rapid changes laterally in seam thickness and quality in the order of tens of metres.

The oldest sedimentary unit in the Denison Trough and the principal coal bearing sequence is the Reids Dome Beds of Early Permian age. Also targeted are the Mid Permian coal measures of the Aldebaran Sandstone.

5.4 History

Exploration for coal in the northern Denison Trough was first undertaken in 1969 by Blair Athol Coal Pty Ltd (a subsidiary of CRA, now Rio Tinto) and comprised systematic, regional drilling. A combination of open and cored holes were drilled along northeast orientated lines to provide a grid coverage of the tenement at two-mile centres. The majority of these holes were completed between 1969 and 1974, targeting open pittable coal measures with variable hole depths (but usually within 100 m from surface) and ultimately resulted in the discovery of the undeveloped Valeria deposit, which is still owned by Rio Tinto, to the north.

Historic coal quality data from West Emerald suggest that the majority of the seams produce an export thermal/PCI Coal product, however the Capella and Anakie seams of the nearby Valeria deposit have developed coking coal properties.

5.5 Coal geology and potential

The West Emerald permits cover prospective stratigraphy and structure that host significant known deposits such as Valeria, Taroborah, Cullin-la-Ringo Athena and Minerva. The principal coal target sequence in the permit areas is the Aldebaran Sandstone, with the possibility of Reids Dome Beds also being developed.

Although there is evidence that thin Aldebaran Standstone strata are developed in Blocks 1 and 2, drilling has indicated that part of each area consists entirely of basement or Tertiary sediments on basement, indicating it is unlikely that extensive laterally developed seams will be defined. Thick, locally developed seams such as those at Blair Athol, however, may occur in localised depressions and the potential exists for these to be identified.

Drilling in Block 3 has established that the Aldebran Sandstone is well developed in the north and eastern areas as potential lateral extensions of the Taraborah deposit. No significant coal seams have yet been identified, however drilling terminated in a number of areas without testing for the deeper coal bearing Reids Dome Beds beneath the Aldebran Sandstone.

Cuesta completed 7 scout open holes in 2013 for a total of 876 m of drilling.

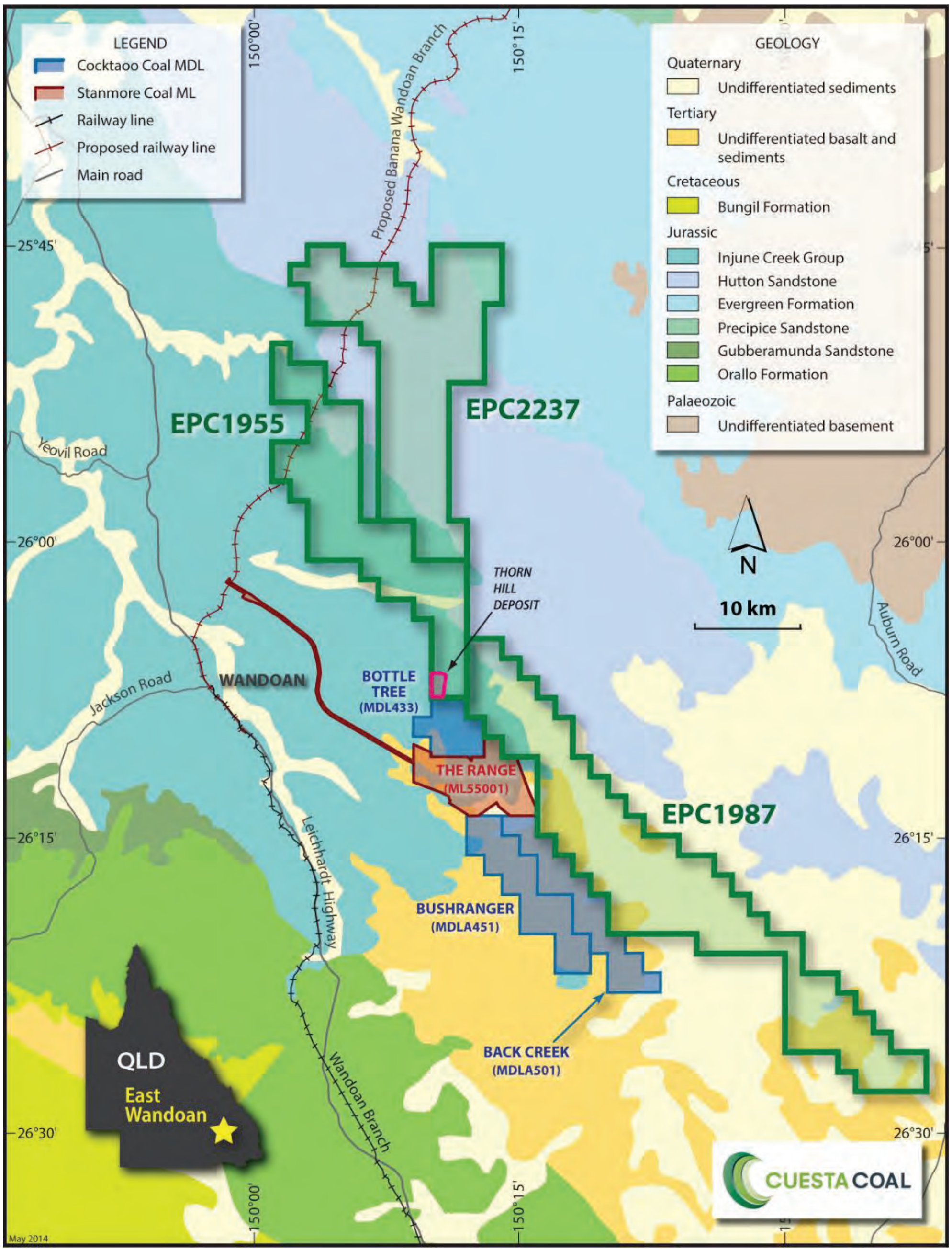
6 East Wandoan Project

6.1 Location access and infrastructure

Cuesta's East Wandoan Project is located in the Western Downs region in Queensland, 25 km northeast of Wandoan and 400 km northwest of Brisbane. The proposed route for the "Southern Missing Link" railway runs through the middle of the project area, which is 25 km northeast of Xstrata's Wandoan project and within 10 km of Stanmore Coal Ltd's "The Range" project.

The area is gently undulating and largely open with some remnant patches of native vegetation. A few shire roads cross the area, which are readily accessed by 4WD vehicle.

Figure 6.1: East Wandoan exploration tenements



Source: Cuesta

6.2 Ownership, status and agreements

The East Wandoan Project comprises three granted permits. The permits cover a combined area of approximately 825 km^2.

Table 6.1: Status of Cuesta's East Wandoan tenements

Type	Number	Status	Expiry	Sub-blocks	Area (km^2)
EPC	1955	Granted	29 Mar 2015	64	197
EPC	2237	Granted	27 Mar 2016	89	274
EPC	1987	Granted	27 Sep 2016	115	354
			Total	**268**	**825**

6.3 Geology

The East Wandoan Project lies within the Surat Basin, a large intra-cratonic basin formed during the Early Jurassic to Early Cretaceous. The Surat Basin developed in a back arc tectonic setting behind an active convergent plate margin. It extends 300,000 km^2 across southeast Queensland into northern New South Wales, forming cover deposits that unconformably overlie the Permian–Triassic Bowen and Gunnedah Basins.

Sediment deposition took place in predominately fluvio-lacustrine environments during the Late Triassic to Early Jurassic, and shallow marine and coastal plain environments in the Cretaceous. In the mid-Cretaceous, a major compressional event caused uplift and erosion of the Surat and Bowen Basins, terminating deposition in the Surat. This event eroded up to 1.5 km of Cretaceous and Jurassic rocks from the southern Taroom Trough. Regional uplift and southward tilting during the Late Cretaceous caused further exhumation of Permo-Triassic rocks and established the present-day northern limit of the Surat Basin as a southward-retreating scarp.

The formations of interest belong to the Taroom Coal Measures, which form the lower part of the Jurassic-aged Walloon Subgroup, which in turn comprises the early coal-bearing sequences of the Injune Creek Group.

There are more than 30 individual coal plies identified within the Walloon Subgroup. Individual plies attain a maximum thickness of 3 to 4 m and a cumulative thickness of up to 50 m. The majority of plies are thin, discontinuous and difficult to correlate over large distances. Volcanic debris and montmorillonite-rich claystone bands present in the coal measures of the Walloon Subgroup indicate that there was continued volcanism associated with a subducting-plate margin to the east during the Mid–Late Jurassic.

6.4 History

Exploration of the Surat Basin commenced in the late 1960s by majors including Exoil Limited, Shell, Griffin Coal and MIM/Xstrata Coal. Detailed exploration of the Walloon Coal Measures has occurred in two main phases, from the late 1960s to the early 1980s, and since the late 1990s.

Previous exploration work identified the Wandoan Coal Deposit (>1 Bt) currently owned by Glencore and the Collingwood Deposit (229 Mt) recently acquired from Anglo American by Cockatoo Coal Limited. A combination of poor historical coal prices and lack of infrastructure in the region previously hindered the development of these coal deposits.

Since 2011, Cuesta has drilled a total of 53 open holes and 7 cored holes, for a total of 6,026 m of drilling, in the southern part of EPC1955 immediately to the north of the Bottle Tree Deposit (35 Mt resource) held by Cockatoo Coal. All open holes were geophysically logged and the cored holes were logged and sampled for laboratory analysis.

The holes were located in an area where regional projections indicated a likely sub-crop development of the Pelham Seam. Coal intersections are believed to belong to the Taroom Coal Measures, with several holes intersecting multiple coal intervals, with the most significant coal interval being 11.69 m of total coal. The holes were nominally 500 m apart, over a strike length of 4.5 km and a width of 2 km. This area is named the Thorn Hill Project.

6.5 Coal geology and potential

The East Wandoan Project contains coal seams from the Middle Jurassic aged Walloon Subgroup. The seams dip gently from west to south. Up to five locally named coal seam groups have been identified in the coal measures – A, B, C, D and E. The identified seams/plies are assumed to correlate with the Condamine seam in the Taroom Coal Measures.

A resource estimate by Encompass Mining in accordance with the JORC Code (2012), dated October 2012, reported a total coal resource of 44.6 Mt of potential domestic and export quality thermal coal, classified as 22.1 Mt Indicated and 22.5 Mt Inferred. Depths vary between 12 and 150 m.

A summary of the raw coal quality (adb) is presented in Table 6.2.

Table 6.2: Raw Coal quality for East Wandoan

Coal Quality by Seam (adb)								
Seam	**No. of holes**	**Moisture (%)**	**Ash (%)**	**Volatiles (%)**	**Carbon (%)**	**Energy (MJ/kg)**	**Sulphur (%)**	**Relative Density**
A	3	7.8	20.0	39.8	32.5	23.26	0.45	1.44
B	8	7.6	18.7	39.3	34.5	23.81	0.44	1.44
C	7	7.4	20.0	37.8	34.8	23.42	0.45	1.46
D	4	6.7	18.1	38.9	36.3	24.55	0.46	1.43
E	1	5.4	19.7	38.8	36.1	24.62	0.50	1.44

Faulting in the eastern part of the Thorn Hill Project is evidenced by seam displacements across the deposit. Two main faults have been identified, a larger central fault with an estimated throw of up to 80 m and a smaller fault to the east with an estimated throw up to 15 m.

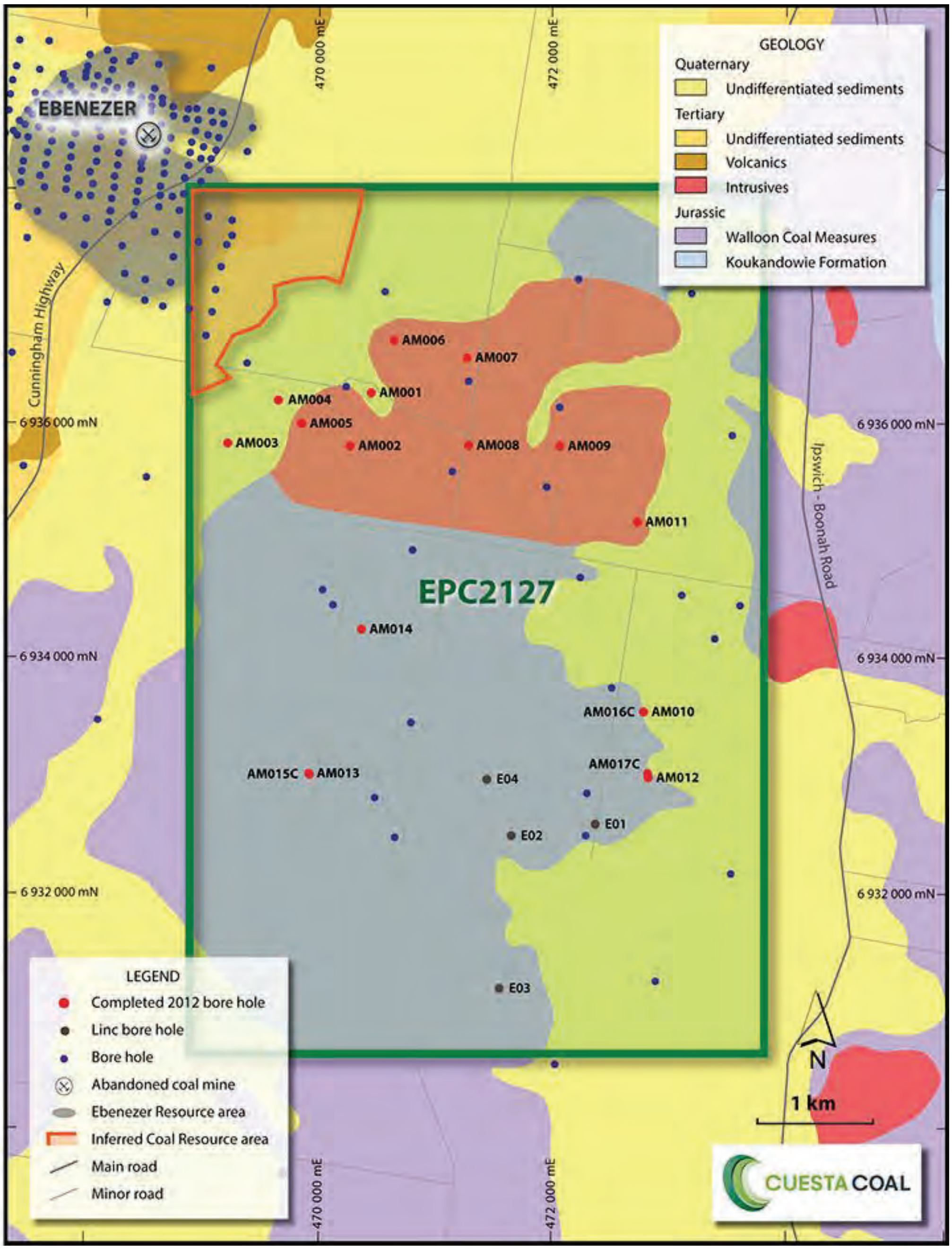
7 Other Projects

7.1 Amberley Project

7.1.1 Location, access, infrastructure and ownership

Cuesta's Amberley Project EPC2127 encompasses 36 km^2 and expires on 11 October 2015. It is located 10 km southwest of Ipswich and 40 km southwest of Brisbane in flat, rural terrain. The Cunningham Highway passes to the west of the permit and access is via sealed and unsealed roads that service the rural holdings.

Figure 7.1: Amberley Exploration Tenement



Source: Cuesta

7.1.2 Geology

The Amberley Project lies within the Clarence-Moreton Basin, a Mesozoic sedimentary basin on the easternmost part of the Australian continent. The Basin covers approximately 26,000 km^2 of southern Queensland and northeast New South Wales and is contiguous with the Surat Basin.

The lowermost unit represented in the area is the Marburg Subgroup, which is predominantly a medium to course grained quartzo-feldspathic sandstone with minor amounts of siltstone and shale. Conformably overlying the Marburg Subgroup is the Walloon Coal Measures of Middle Jurassic Age.

The Walloon Coal Measures are the main coal-bearing formation in the area hosting both the Ebenezer and Mount Mort coal sequences. The Walloon Coal Measures can be divided into four main stratigraphic zones; the Lower Barren Zone, the Lower Coal Zone, the Upper Barren Zone and the Upper Coal Zone. The Coal Zones contain fluviatile sediments, interbedded with coal seams up to seven metres thick (inclusive of stone bands), but commonly only one metre or less thick. The thickest known coal seams occur in the Lower Coal Zone.

7.1.3 History

The current permit was held by Idemitsu during the 1980s and before that by Esso Exploration Australia Ltd during the 1970s. Esso was granted the permit in 1973 with the objective of delineating metallurgical coal and drilled 20 holes, two of which were core and the remainder open. The cored holes intersected the Lower Coal Zone where Esso identified seams A and B 60 m below surface, however the absence of Tertiary intrusive bodies precluded the formation of higher ranked coals. On this basis, Esso concluded that there was no potential for a shallow open-cut coking coal deposit.

Houston Oil and Minerals Australia Inc. were subsequently granted a permit encompassing an area to the south, centred near Boonah. That permit was subsequently reduced and transferred to Tenneco Oil & Minerals of Australia, who in 1984 farmed out to Allied Queensland Coalfields Ltd ("AQC"). In 1988, AQC signed a Joint Venture Agreement with Idemitsu of Japan and in 1993, ISQC purchased the remaining 51% equity in the permit and the nearby Ebenezer deposit. Linc Energy was subsequently granted a permit with the aim of establishing a coal resource for underground coal gasification technology.

Cuesta then acquired the property and drilled 17 open holes and three core holes in 2012 aimed at delineating a thermal coal resource.

7.1.4 Coal geology and potential

The Amberley Project has intersected seams from the Ebenezer coal sequence. The seams dip gently to the southwest. Up to 53 locally named coal seams have been identified in the upper part of the coal measures contained within seven seam groups, namely: UN0-21, A1- A8, B1- B11, C1-C8, D1- D11, E1- E8 & F1- F8. The lower four seam groups (C, D, E & F – approximately 31 seam plies) were mined previously by the Ebenezer Mining Company on the neighbouring tenement. Each ply has an average seam thickness of approximately 0.2 metres.

An Inferred Coal Resource of 54.7 Mt, to a depth cut-off of 150 m, was estimated and reported by Encompass Mining in November 2012. Indicative raw coal quality is summarised in Table 7.1.

Table 7.1: Amberley Project raw coal quality (adb)

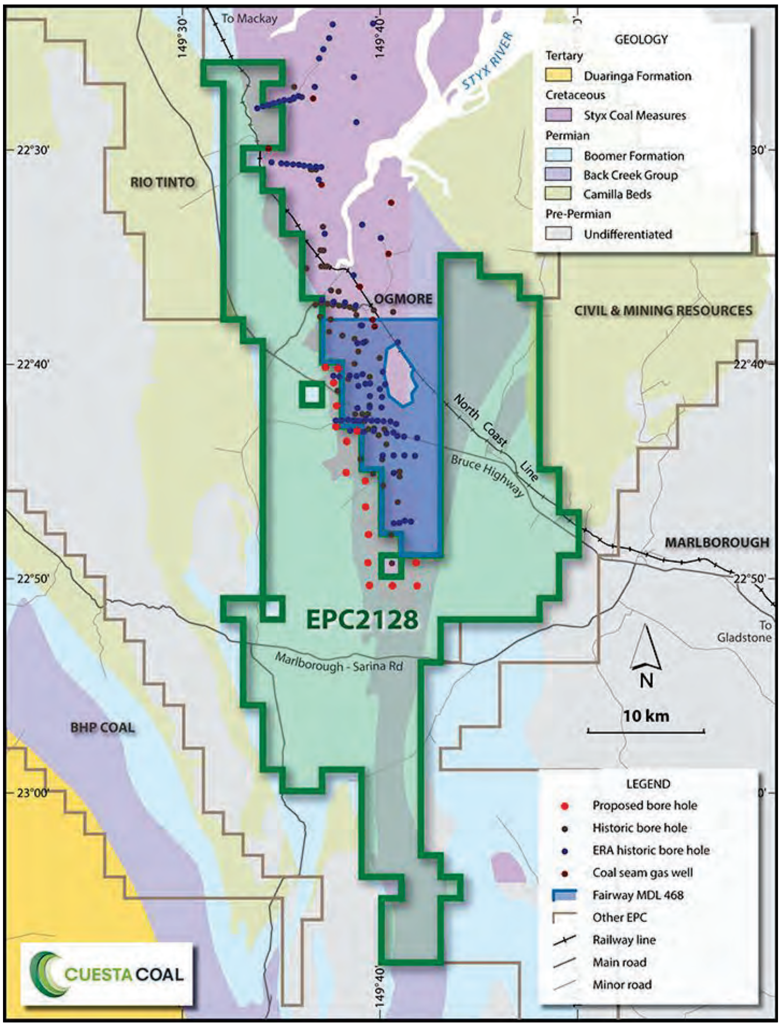
Seam	Moisture (%)	Ash (%)	Volatiles (%)	Carbon (%)	Energy (MJ/kg)	Sulphur (%)	Relative Density
UNA	7.2	42.7	26.8	23.3	16.14	0.34	1.69
UNB	5.4	26.0	34.4	34.2	22.92	0.33	1.51
A	5.4	28.6	34.1	31.9	21.94	0.38	1.52
B	5.6	27.2	33.9	33.3	22.30	0.38	1.52
C	5.0	31.2	34.1	29.8	20.92	0.48	1.57
D	2.2	39.7	30.2	27.9	18.83	0.44	1.64

7.2 Montrose Project

7.2.1 Location, access infrastructure and ownership

Cuesta's Montrose Project comprises EPC2128, which expires on 4 February 2018. It consists of 299 sub-blocks covering an area of approximately 947 km^2 over an elongated north-south trend.

Figure 7.2: Montrose exploration permit



Source: Cuesta

Largely comprising agricultural and grazing properties, the area is undulating to flat. It is traversed by the Bruce Highway and the main northern railway line which pass through the settlements of Styx, Ogmore, Bowman and Strathmuir. There are numerous minor access roads.

7.2.2 Geology

The principal coal-bearing sequence in the area is the Styx Coal Measures of Lower Cretaceous age, comprising up to 350 m of mainly fine-grained sandstones and siltstones. The strata occur in a half-graben structure up to 5 km wide, which plunges gently to the north extending into the Coral Sea. The half graben maintains a regional dip to the east, except on the eastern edge against the bounding fault where it is steeply dipping to the west.

The Styx Coal Measures rest unconformably on, and are faulted out against, folded sediments of the Back Creek Group of Lower Permian age. A veneer of unconsolidated Quaternary sediments obscures much of the underlying strata.

7.2.3 History

Small-scale underground mining commenced in the basin in 1865 and several mines operated in the area between Styx and Ogmore. The last colliery closed in 1983. Systematic exploration commenced in 1948 when the Queensland Department of Mines drilled sixteen holes south of Ogmore over the period 1948 to 1952. Brigalow Mines held ATP 83C over the basin until 1973 and drilled a number of holes, including some core holes locating only thin discontinuous seams.

Pacific Copper held the similar area in 1980/81 as did New Hope Collieries from 1996/97, both of whom conducted a series of open-hole drilling programmes with some coring with similar results to Brigalow.

7.2.4 Coal geology and potential

Seven or more coal intervals may occur in the sequence but most are generally <0.5 m in thickness but may increase up to 3 m. The seams are characteristically lenticular and of limited lateral development, although they are generally characterised by moderate to low in ash content and are of bituminous rank. The sulphur content was usually <0.6%.

The area covers the fringes of the Styx Basin and the underlying Back Creek Group Sediments. Exploration to date in the Styx basin has discounted the possibility of significant coal resources being identified in the sequence, however the Back Creek Group Sediments have yet to be explored for Permian coal.

7.3 East Acland

7.3.1 Location, access, infrastructure and ownership

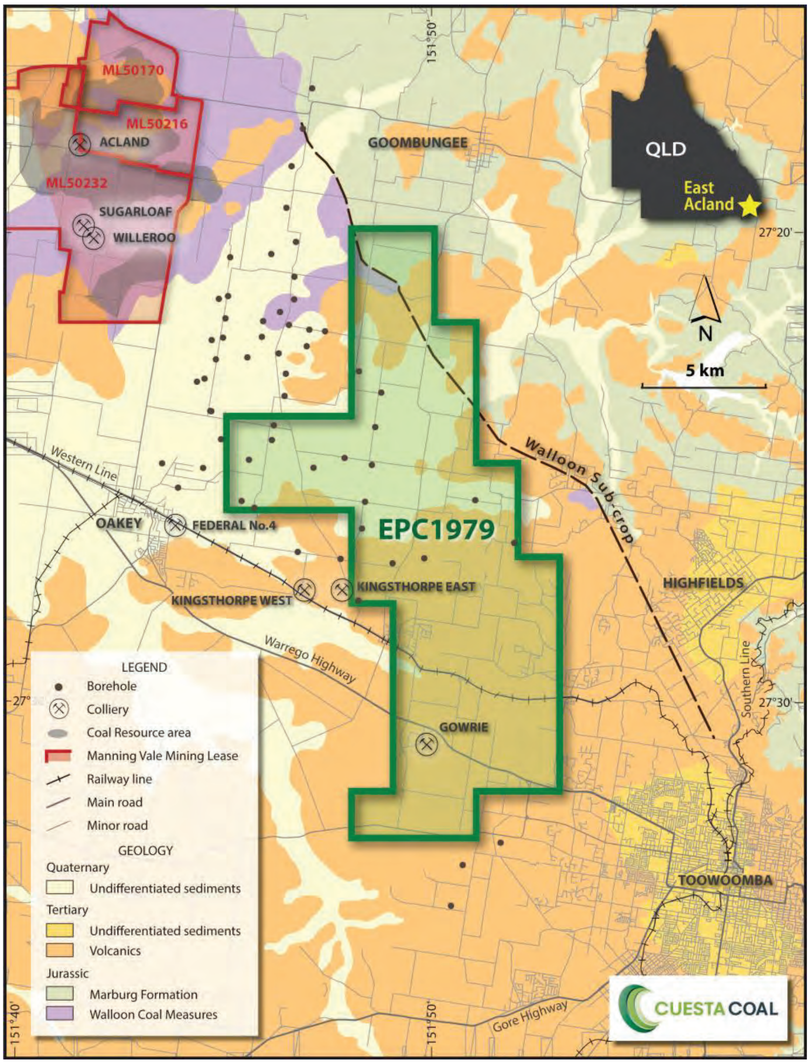
The East Acland project is in the Darling Downs area, some 120 km west of Brisbane and to the west and northwest of Toowoomba. The Warrego Highway and several other major roads traverse the general area along with Western and Millmerran Railways. There are numerous other shire roads and farm access tracks. Most of the area is cleared of native vegetation and subject to intensive cultivation and grazing.

The Project area comprises on granted permit comprising 51 sub-blocks covering a total area of approximately 155 km^2.

Table 7.2: East Acland tenements

Type	Number	Status	Expiry	Sub-blocks	Area (km^2)
EPC	1979	Granted	11 Oct 2015	51	155

Figure 7.3: East Acland tenement



Source: Cuesta

7.3.2 Geology

The principal coal sequence at East Acland is the Walloon Coal Measures. Situated on the Kumbarilla Ridge on the eastern edge of the Surat Basin, the basin strata is essentially flat lying or gently dipping to the south west with an extensive cover of younger sediments and basalt. To the west, at New Acland Mine, coal is mined from the Taroom Coal Measures, which is projected to extend to the south east toward EPC. It is likely the coal measures pass through the southwestern corner of EPC1979.

The coal-bearing sequence is up to 150 m thick, however outcrops are obscured by a veneer of tertiary basalts and younger sedimentary deposits, which may be up to 90 m thick. Exploration of the Acland area has indicated the occurrence of a number of northwesterly trending normal faults with displacements between 40 m and 80 m downthrown to the southwest.

7.3.3 Exploration History

A number of small underground mines extracted coal from the Taroom Coal Measures in the Toowoomba – Acland area primarily to provide coal to the railways but also for small local power stations.

One of the oldest mines is the Gowrie colliery, which opened in 1885 and operated until 1916. The colliery was located on the railway in the southern part of EPC1979 and a single 1.5 m seam was mined from a depth of 16 m. The last mine to operate in the area was Acland No. 1, which closed in 1984.

Systematic exploration of the area began in 1967 as follows:

- **Sugarloaf Colliery AP30C** – The permit covered an area of less than 1 km near the old Gowrie Colliery in what is now the southern part of EPC1979 directly south of EPC1979. In 1967 Sugarloaf colliery drilled nine non-cored boreholes. The two holes closest to EPC1979, encountered only basalt to depths of about 90 m.
- **Sugarloaf Colliery AP54C** – Sugarloaf Colliery also held a small area approximately 1 km to the north of EP 30C in the southern part of ATP 1979. Three non-cored holes terminated in basalt at depths of up to 55 m. The fourth hole, in which was cored intersected three thin bands (<0.35 m) of carbonaceous material at depths of between 21.2 and 23.9 m.
- **Exoil AP39C 1967-68** – Exoil and partners undertook an extensive programme of widely spaced scout holes to investigate the Walloon Coal Measures between Oakey and Wandoan. A line of holes was drilled in south east near EPC1979 but no significant intersections were recorded. The locations of the holes have not been established.
- **EPC129 Shell Acland 1982-1986** – This permit extended from northwest of Acland southeastwards to near Kingsthorpe and covered part of what is now EPE 1979. The Acland coal deposit was initially defined during this exploration.

  Five percussion holes were drilled in the EPC1979 area and most terminated in basalt at <25 m. One hole, AC319, was drilled to 102 m intersecting Jurassic sediments beneath basalt at 42 m. The sequence consisted mainly of sandstone with some mudstone and minor carbonaceous intervals. AC322 was drilled to 152 m and passed into a similar sequence of Jurassic sediments at 38 m. It is believed that the sequences intersected in these holes were possibly basal Taroom Coal Measures or possibly portion of the underlying Precipice sandstone.

- **Millmerran AP198C** – Referred to as the Wellcamp area, AP 198C covered an area immediately to the south of AP129C and largely south of the Warrego Highway. The abandoned Gowrie Colliery was located in the northeastern corner. Exploration, carried out in 1976, was focussed on sub cropping Wandoan Coal Measures and did not investigate the underlying Taroom coal Measures sequence.
- **New Hope AP242C** – In 1983, New Hope held an area extending from near Kingaroy southwards toward Toowoomba but after some drilling four shallow percussion holes in the south this portion of the area was relinquished.
- **New Hope EPC762 -** In 2006, New Hope investigated a broad area to the northwest and west of Toowoomba for possible Walloon Coal Measures exploration targets using a range of geophysical tools. The area investigated included what is now EPC1979 and one target area – W3 – identified in the southern part of this permit based on possibly thin basalt cover. No follow-up drilling was carried out.

7.3.4 Coal geology and potential

Coal seams in the Taroom Coal Measures are characteristically lenticular in nature and rather than occurring as discrete widely developed individual seams are recognised as a series of coal intervals interbedded with sandstone, shale and claystone. Three such intervals are recognised in the Oakey Dalby area to the northwest and referred to as the Balgowan, Acland/Sabine and Waipanna Intervals.

The most significant of the three intervals in terms of coal development is the Acland/Sabine Interval, which is the interval mined at Acland. The interval has been divided into a number of seam groups and individual seams. Exploration in the Acland area has shown that individual seams and seam groups vary in thickness and development over the area of the deposit. Individual seams may be up to several metres in thickness locally but may be barely recognisable elsewhere.

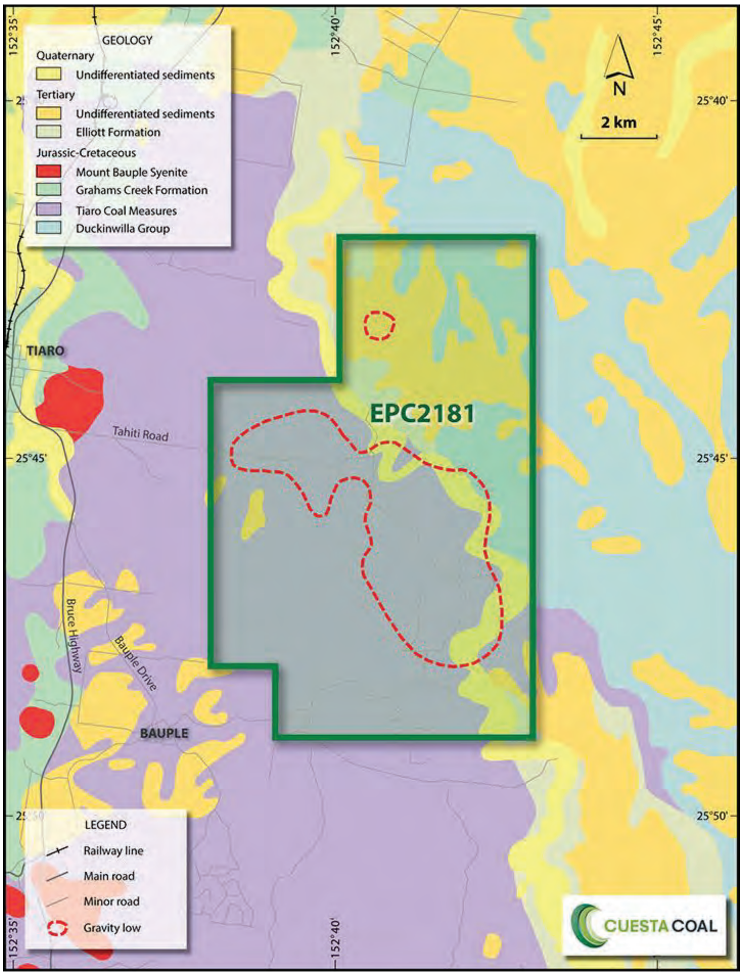
Coal within EPC1979 is likely to be similar in quality to Acland. Though characterised by the occurrence of many non-coal bands, and whilst a ROM product will contain a high level of dilution, the quality is greatly improved by washing. The coal is high volatile with a vitrinite reflectance of approximately 0.5% and moderate in inherent moisture. The coal is characteristically hard with a HGI of around 44.

7.4 Bauple Project

7.4.1 Location, access infrastructure and ownership

The Bauple Project is contained within EPC2181 that comprises of 30 sub-blocks covering 93 km^2. The permit expires on 21 October 2017.

Figure 7.4: Bauple tenement location



Source: Cuesta

The gently undulating and forested area is located 190 km north of Brisbane and covered in part by State Forest. Access is by means of cleared tracks and the Bruce Highway and Northern Railway pass to the west.

7.4.2 Geology

The permit overlies a portion of the Maryborough Basin, which formed during the Late Triassic and contains sediments from Late Triassic to Early Cretaceous in age. There are two coal-bearing sequences, namely the Tiaro Coal Measures of Early Jurassic age, and the Burrum Coal Measures of Early Cretaceous age.

The Tiaro Coal Measures comprise the principal target sequence within the permit, occupying the southwestern portion of the area. This unit is up to 800 m in thickness and comprises sandstone, siltstone, mudstone and coal. Exploration has largely focussed on an area to the west of Tiaro, where a number of boreholes have been drilled by the Queensland Geological Survey. Correlation between holes is uncertain but it would appear that in this area there may be several coal horizons with thicknesses of up to 3 m.

The strata in EPC2181 generally maintain a regional northwesterly strike and dips to the northeast. Some folding is superimposed on the regional trend and consequently the structure may be variable locally.

The sequence is locally affected by the intrusion of andesitic dykes, plugs and sills of probable Late Jurassic age, which appear to affect the strata to the west of the Bruce Highway.

7.4.3 History

A number of investigations have been conducted on the Tiaro Coal Measures. Thiess-Peabody held ATP 258C over a broad area of the Maryborough Basin in 1980/81 and a number of widely spaced holes were subsequently drilled. AQC (1982/84) followed up this work, initially with further mapping. Coal Core (Qld) Pty Ltd held the area in 2009/10 and drilled one cored hole within the current permit area. No significant coal intersections have been identified in the drilling to date.

7.5 Callide

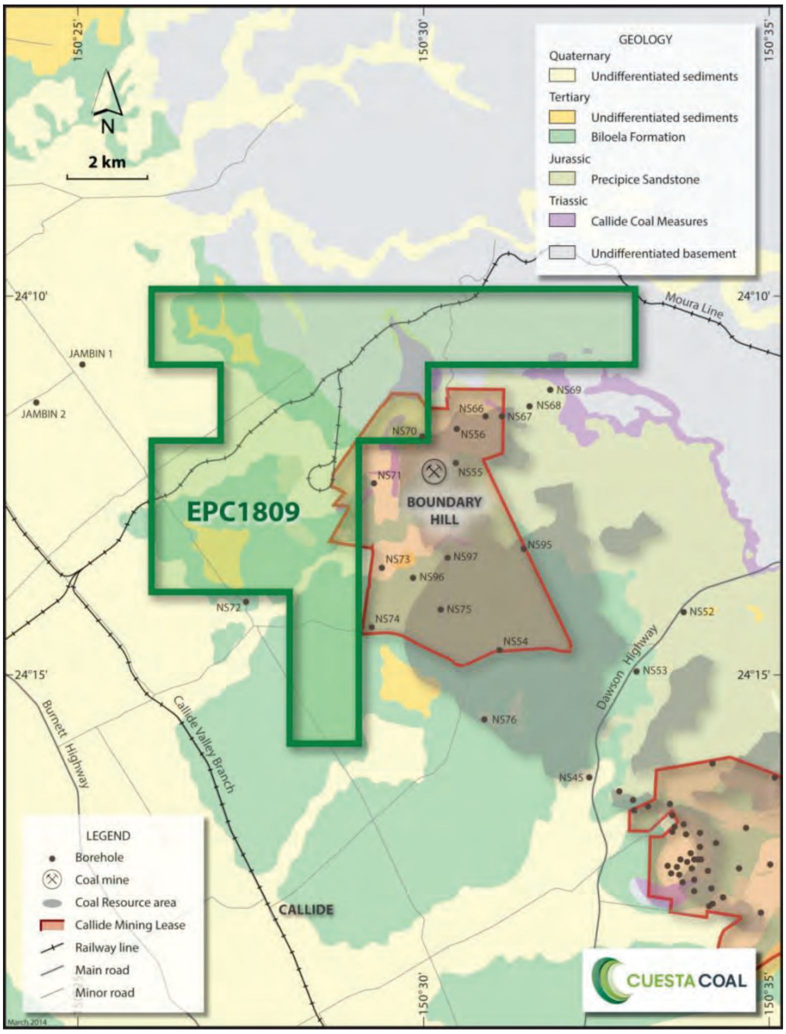
7.5.1 Location, access and infrastructure

The Callide Project is based around EPC1809, which was granted to ACN Mining Pty Ltd, a subsidiary of Cuesta on 21 October 2013. The permit comprising 18 sub-blocks covers an area of 56 km^2. This exploration permit expires on 20 October 2018.

The permit is located immediately to the west of the Boundary Hill Mine, one of the three mines owned and operated by Anglo American on the Callide Coalfield, which produces 10 Mtpa and supplies the local Callide Power station.

The main railway between Moura and Gladstone runs through the area and Gladstone is located 90 km to the east. In general, the topography is flat, open grazing country although there are some local steep sided mesas with retained native vegetation.

Figure 7.5: Callide tenement location



Source: Cuesta

7.5.2 Geology

The main coal-bearing formation is the Callide Coal Measures of Late Triassic age, which are up to 140 m thick. The sediments rest in part on a deformed basement comprising sediments of Carboniferous and Lower Permian age and in part on volcanic units of Early Triassic age.

A number of gentle folds with associated normal and thrust faults with displacements of up to 15 m have affected the Callide Coal Measures.

7.5.3 History

The Callide coal mine has been operating commercially since 1945 and become solely owned by Thiess in 1950. It was subsequently acquired by Anglo American. Systematic exploration of the Callide Basin began in the 1980s, when Thiess effectively covered the entire known extent of the Callide Coal Measures. Following its acquisition by Anglo American, a number of sub-blocks have been relinquished. Six of these relinquished now form part of EPC1809.

Five open holes were drilled by Thiess. These holes passed through up to 45 m of Tertiary sediments before intersecting granitic basement. The disappearance of the Callide Coal

Measures immediately west of the mine suggests that the northwestern edge of the Callide Basin is terminated by a normal fault with 100 m or more of vertical displacement.

The only other drilling in the area comprised two stratigraphic holes completed by Nortex up to 4 km west of EPC1809 in 1962. These holes penetrated up to 76 m of Tertiary sediments prior to intersecting volcanic units of Lower Permian age.

7.5.4 Coal geology and potential

The four principal seams in the Callide Coal Measures are referred to as Seams D to A. The A or Callide Seam is the thickest and most persistent seam in the basin and may be up to 23 m thick. It is predominantly a dull sub-bituminous coal, with thin interbedded claystone and siderite bands. It is relatively low in sulphur (0.33%) and low in ash content (13%) with a Specific Energy of 22 MJ/kg.

The Callide Coal Measures are interpreted to extend into EPC1809 from the Boundary Hill mine area that lies immediately to the east, however only limited exploration has been conducted to date. Under this interpretation, the Callide Coal Measures may occur in down faulted blocks beneath the Tertiary cover. In Xstract's opinion, EPC1809 offers limited potential for shallow and laterally continuous coal seams

8 Other relevant data and information

8.1 Environmental and social considerations

8.1.1 Native Title

The Commonwealth Native Title Act 1993 ("NTA") provides a legislative regime for negotiating with native title parties before the State can grant any mining or exploration tenures. The NTA also allows for each State or Territory to develop procedures for negotiating with native title holders in respect of mining and exploration.

While this is outside the scope of this report, in Xstract's knowledge, there are no native title issues that will restrict mining and exploration on Cuesta's exploration assets.

8.1.2 Environmental considerations

Exploration activities are being undertaken under the provisions of Environmental Authorities M7149 (EPC775) and M7169 (EPC776). The Aspley State Forrest covers part of the Moorlands Project area. While Xstract expects that special permission would be required for mining and exploration in this area, it does not expect that this will totally restrict development.

Under the Strategic Cropping Land Act 2011, strategic cropping land ("SCL") legislative and planning framework is designed to protect SCL from developments that lead to permanent impacts or diminished productivity. While this does not totally preclude mining in the area, it does require conditions with which to comply before mining can commence.

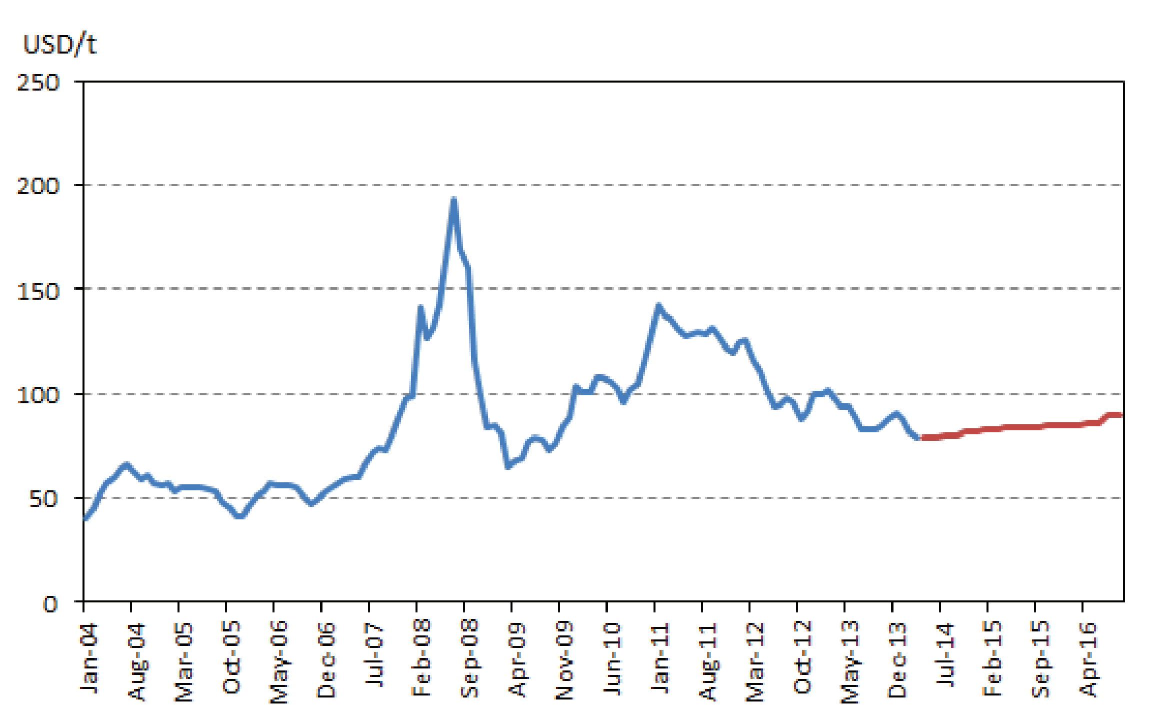
To Xstract's knowledge, there are no strategic cropping issues that will restrict mining and exploration on Cuesta's exploration assets.

8.2 Market conditions

The thermal coal market has seen the price fall from its most recent peak of USD140/t in January 2011, to below USD80/t (Figure 8.1). Mining companies have been struggling to keep their Australian coal operations profitable amid deteriorating prices, surging costs and a high Australian dollar. Companies that include BHP Billiton, Rio Tinto, Glencore, Vale and Peabody Energy have cut about 12,000 jobs from the sector over the past two years amid a string of mine closures and delays to projects. While miners remain confident in the long-term outlook, they predict a tough period ahead for the industry as prices remain under intense pressure.

A market consensus forecast of 16 analysts for the Australian thermal benchmark coal price increases marginally to USD89/t in September 2016, from an average price of US78/t in March 2014. The market forecast the real long-term average beyond 2019 at USD88/t or USD100/t in nominal terms. The standard deviation for the forecast real coal price predicted by the analysts is USD6.12/t with a range of between USD82.00/t and USD97.92/t.

Figure 8.1: Australian thermal coal price (USD/t, FOB, 6,700 kcal)



Source: www.indexmundi.com, Consensus Economics

9 Key risks and opportunities

9.1 Risks

Project evaluation studies pertaining to Cuesta's coal assets have been carried out at a high level to date, and as such, there are numerous aspects that have not been fully investigated.

Key project risks at this stage include:

- Unforeseen structural complexity, which has the potential to alter the estimated Mineral Resource and complicate mine design
- The achievable product yields and coal specifications are still to be determined at Moorlands
- Securing access to rail and coal processing infrastructure remains key for Moorlands.
- Project is very sensitive to the thermal coal price.
- Infrastructure development for the East Galilee and East Wandoan projects.

9.2 Opportunities

Opportunities where Cuesta is likely to source additional value include:

- The potential to upgrade the Inferred Resources into the conceptual mine plan
- Targeting the development of coal measures outside the traditionally recognised Moorlands Project area
- Exploration Targets within the B8 and B9 seams in the northern part of Moorlands.

10 Valuation

In estimating the current value of Cuesta's coal assets, Xstract has considered various valuation methods within the context of the 2005 VALMIN Code. When valuing an exploration project, the valuator is attempting to determine a value that reflects the potential of the project to yield an Ore Reserve from which a future income stream may ultimately be derived. At the same time, the valuator must also be cognisant of what the project is deemed to be worth by the market and actual transactions taking place, to ensure that the value estimates are realistic. Arriving at the value estimate is somewhat complex as there is no single mineral asset valuation method appropriate for all circumstances.

Cuesta's coal assets range in status from early to advanced exploration. The valuation method applied depends on the relative maturity of the exploration for each asset, with three main approaches (income, market, and cost) used, details of which are provided in Appendix A.

Cuesta's most advanced asset is at Moorlands and contains Measured, Indicated and Inferred Resources. As such, the Moorlands Project is considered by Xstract to represent an advanced stage exploration project. The income based or Discounted Cash Flow approach is considered to be an appropriate method for valuing the conceptual mine plan that has scheduled 60 Mt of in-situ Resource in the South Pit. For the remaining 86 Mt of Measured, Indicated and Inferred Coal Resources that lays outside the conceptual mine plan, Xstract deems a market-based approach to be the most appropriate in assessing the likely value.

The comparable transaction method on a dollar per Resource tonne basis (market-based approach) has been applied to estimate the value of Cuesta's Coal Resources, at not only Moorlands but also the East Galilee, East Wandoan and Amberley projects.

For the remaining exploration assets, Xstract has applied two commonly accepted methods to appraise the estimated value also outlined in Appendix A, namely the:

- Geoscientific rating, and
- Comparable Market Transaction methods (dollar per km^2 basis).

Whilst each permit differs in its underlying characteristics, these may be subjectively assessed by experienced practitioners to determine a likely valuation range and associated preferred value.

The effective date for the valuation is 30 May 2014.

10.1 Moorlands Resources

10.1.1 Discounted cash flow method

Key assumptions

Xstract's key discounted cash flow assumptions include:

- Scoping Study base case standalone operation using contractor mining
- Cash Flow allocated to the Life of Mine ("LOM") JORC Code compliant Measured and Indicated Resource of 60 Mt of which 53 Mt is considered saleable with a 89% plant recovery
- First production of 2 Mtpa ROM in 2016
- Cash flow is discounted to 30 June 2014 on a 100% ungeared basis
- It is assumed all coal is mined and sold in the same year

- No provision for carbon costs have been applied
- Rehabilitation has been allowed for in the operating costs
- No Mineral Resource Rent Tax ("MRRT") has been applied
- Any residual value of plant and equipment is not considered to be material.

Inflation and exchange rate

A 2.4% cost escalation in US dollars has been assumed over the operating life of the project. The Reserve Bank of Australia has a target range for underlying inflation of between 2% to 3%. Xstract has taken the view that, in the long-term, cost escalations should remain within the Reserve Bank's target range and come in line with that of the US from 2017.

Table 10.1 shows Xstract's USD:AUD exchange rate assumptions, forecast to average 0.90 in 2014 and then depreciate at the inflation differential of the Australian and US cost escalations, assuming the theory of purchase power parity applies. After 2017, the exchange rate is kept constant as the Australian inflation rate reduces to that of the US (2.4% per annum).

Table 10.1: Inflation and exchange rate assumptions

Factor	2013	2014	2015	2016	2017	2018
US escalation	1.0%	1.0%	1.3%	2.4%	2.4%	2.4%
Australian escalation	2.4%	2.7%	2.6%	2.4%	2.4%	2.4%
AUD:USD rate	0.90	0.88	0.85	0.81	0.85	0.85

Revenue

Coal from Moorlands is inferior to the Newcastle export thermal coal benchmark of 6,322 kcal/kg (GAR). Xstract has assumed two export product types from Moorlands, a bypass product of 5,624 kcal/kg (GAR) and a washed product of 5,860 kcal/kg (GAR), attracting discounts to the Newcastle benchmark price of 17% and 10% respectively.

Xstract has used the consensus forecast long-term average benchmark thermal coal price USD88/t, and applied the relevant discount prices assumed for Moorlands (Table 10.2).

Table 10.2: Coal price forecast for Moorlands coal vs Newcastle thermal benchmark prices

Coal Product	Real Forecast Prices (USD/t)
Newcastle Benchmark (6,322 kcal/kg GAR)	88.00
Washed Moorlands (5,860 kcal/kg GAR)	78.55
Bypass Moorlands (5,624 kcal/kg GAR)	71.95

Source: Consensus Economics, April 2014

Operating costs

Xstract's has used estimated costs for the Moorlands project based on Xenith's scoping study completed in September 2013. A summary of the real average LOM operating cost assumptions are shown in Table 10.3.

Waste removal and coal mining will take place using a contractor. Consequently, the coal mining cost is inclusive of a capital recover charge.

Xstract has assumed that ROM coal will be processed on site at a dedicated build-own-operated plant. Product coal will be truck-hauled 11 km to a dedicated Blair Athol rail facility at an estimated cost of AUD0.18/tkm.

The scoping study assumed Moorlands product will be exported through Dalrymple Bay coal terminal. Xstract has adopted Xenith's costing's in this report.

Table 10.3: Average real cash costs

	AUD/Prod t
Waste removal	15.45
Coal Mining	10.67
Processing	5.06
Transport	14.98
Port	6.46
Marketing	0.87
Administration and overheads	8.14
Royalty	6.75
Total	**68.38**

Excluding the Royalty component, the average real cash cost free-on-board is estimated at AUD61.64/t.

Capital costs

A total capital cost of AUD168 M is estimated in Xenith's scoping study.

It is assumed the Moorlands Project will use a contractor mining fleet for coal mining and overburden removal to minimise up front capital expenditure and contract truck haulage from the wash plant on site to a dedicated load-out facility and rail loop close to the Blair Athol coal mine approximately 11 km to the southeast.

Pre-strip and box-cut is assumed at AUD15 M.

The construction of a standalone Coal handling and preparation plant ("CHPP") and associated infrastructure is estimated at AUD116 M.

Land purchase of AUD8 M has been provided.

Indirect costs including contingency are estimated at AUD28 M.

Table 10.4: Capital Cost Estimate

	AUD/Prod t
Pre-strip	15
CHPP	86
Infrastructure	30
Other	8
Indirect costs and Contingency	28
Total	**168**

A sustaining capital cost of AUD90 M has been estimated at 2.6% of CHPP and infrastructure capital per annum.

Taxes and royalties

Xstract has applied a corporate tax of 30% to mining profits.

The state of Queensland has a three-tiered coal royalty structure of: i) 7% for a coal price up to AUD100/t; ii) 12.5% for a coal price between AUD100/t and AUD150/t and; iii) 15% for coal price above AUD150/t.

No carbon tax has been applied to the cash flow model as it is assumed that the tax will be abolished by 2016, when Cuesta's first coal is scheduled for production. Xstract has assumed that this would also be applicable for the MRRT.

Closure liability

Xstract has not applied a closure cost to its valuation model, as Moorlands has a significant Coal Inventory that, in our opinion, is likely to extend beyond the currently forecast operating 15-year LOM.

Net present value

Xstract has used the discount cash flow method to assess the value of a conceptual mine scheduled Resource of 60 Mt at Moorlands, assuming 2 Mtpa ROM production over 30 year LOM commencing in 2016.

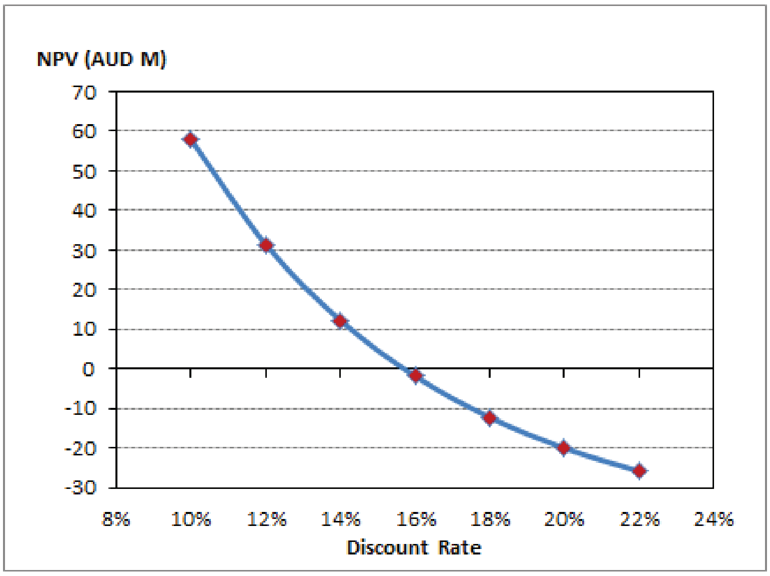
Outcomes under various (real) discount rates are presented in Table 10.5. Xstract has assumed a real discount rate of 10% for its preferred valuation for Moorlands conceptual mine plan Resources of **AUD58 M**, within a range AUD43 M and AUD75 M.

Table 10.5: Summary of discounted cash flow valuation ranges for Moorlands

Production parameters	**Units**	
ROM production	Mtpa	2
Mine plan inventory	Mt	60
Average strip ratio over LOM	bcm/ROM t	3.2:1
Coal price long-term real	USD/t	77.12
Operating costs (incl. Royalty)	AUD/product t	68.38
Capital cost (LOM real)	AUD M	168
Net present value (post-tax)	**Units**	
8% real discount rate	AUD M	95
9% real discount rate	AUD M	75
10% real discount rate	**AUD M**	**58**
11% real discount rate	AUD M	43
12% real discount rate	AUD M	31
Internal rate of return	**%**	16

A real after-tax internal rate of return of 16% is demonstrated in Figure 10.1, which plots the valuation range for various discount rates.

Figure 10.1: Moorlands Measured and Indicated Resource valuation at various discount rates



Sensitivity analysis

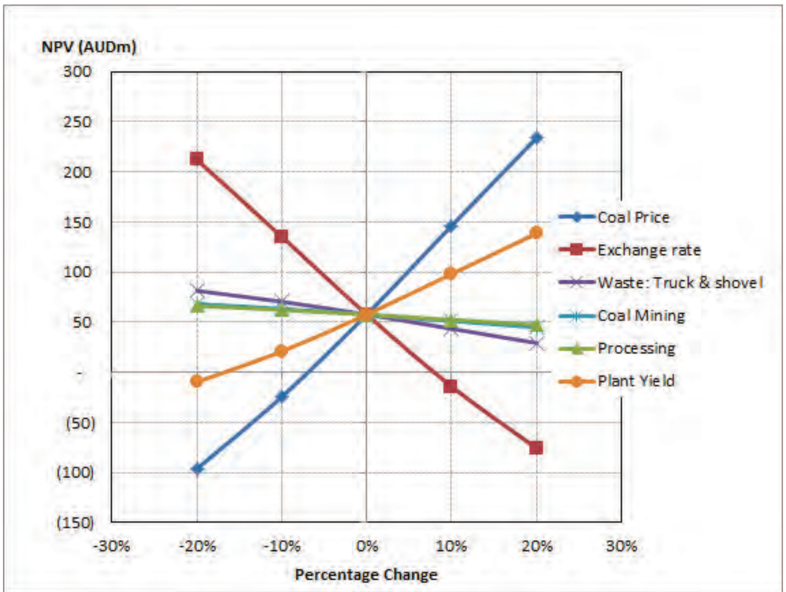
Coal price is the key risk parameter for the Moorlands Project. Historically, export coal prices have been highly variable, driven by infrastructure constraints, weather conditions and relatively inelastic demand.

The cash flow value is equally sensitive to fluctuations in the USD exchange rate. Figure10.2 illustrates the sensitivity of Moorlands to variability in the coal price and exchange rate.

Plant yield also has a significant impact on value but less so than for coal price and exchange rate.

The derived value is far less sensitive to changes in truck and shovel waste removal, coal mining and processing costs as seen by the slope of the curves in Figure 10.2 relative to the slope of the coal price, exchange rate and plant yield.

Figure 10.2: Sensitivity analysis for Moorlands

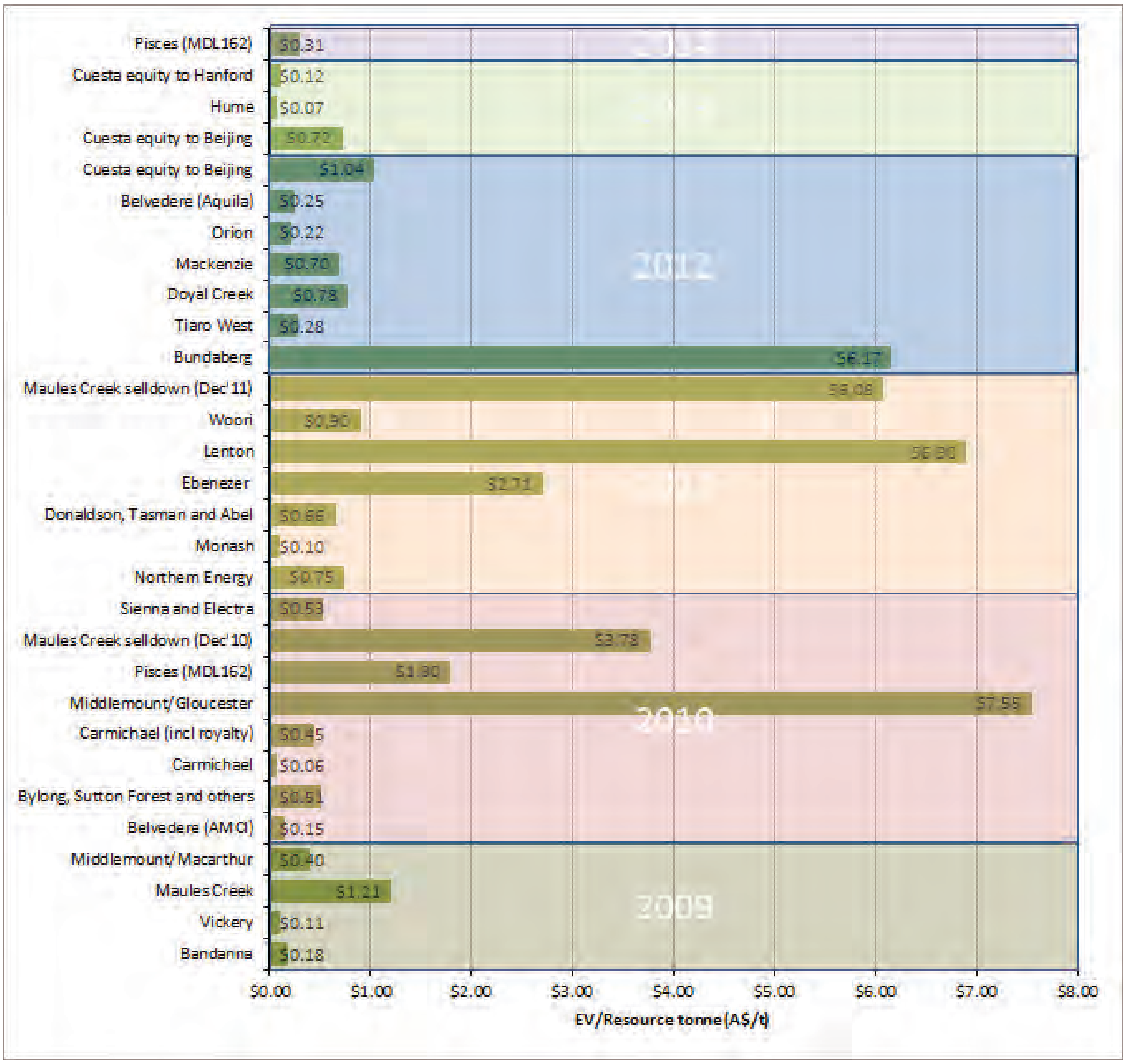


10.1.2 Comparable transaction method for Resources

In addition to the schedule in the conceptual mine plan, the Moorlands project contains an additional Coal Resource of 221.2 Mt (281.1 Mt less 59.9 Mt). In valuing the this Resource, Xstract has conducted an analysis of recent comparable market transactions and joint venture terms involving eastern Australian coal resource projects to establish recent multiples paid within the market for in-situ coal tonnages (Figure 10.3).

Between 2009 and 2014, the implied value per resource tonne ranged from AUD0.06/t to AUD7.55/t with a median of AUD0.59/t and includes properties with coals of various qualities and at varying stages of development.

Figure 10.3: Comparable market transactions of coal assets in Australia



In assessing these transactions, Xstract notes that none is directly comparable to the Moorlands Project given that some:

- involve assets in Queensland's Galilee Basin with significant infrastructure development requirements;
- contain higher priced hard coking coals; and
- have other strategic considerations.

Furthermore, not all transactions were completed.

In Xstract's view, advanced exploration projects and strategically located coal assets typically exceed AUD1.00/t. Given Xstract's view of the current status of the Coal Resources at Moorlands Project, we do not consider the current market would pay more than AUD1.00/t, as projects with a large proportion of Inferred Resource or infrastructure constrained are typically valued around AUD0.10/t.

In considering the value likely to be attributed by the market to the Resource outside the Moorlands Project conceptual mine plan, Xstract notes the following:

- The 221.2 Mt Resource outside the conceptual mine plan comprises 79% of the total Resource base, which lies in a structurally complex geological setting.
- Unlike the projects in the Galilee Basin, the Moorlands Project is not infrastructure constrained over the medium term. This should afford the Moorlands Project relatively low infrastructure costs when benchmarked against other coal producers and developers in the Galilee Basin.
- The current coal market outlook is depressed.
- In December 2012, Cuesta executed a share sale agreement to acquire Hannigan & Associates Pty Ltd for AUD18.2 M. Hannigan was the holder of EPC775 and EPC776, collectively known as the Orion Project for AUD18.2 M, which implies value of AUD0.22/t Resource.

Consequently, Xstract considers the current market would pay between AUD0.10/t and AUD0.15/t for the Inferred Resource at Moorlands, generating a range of AUD22.1 M and AUD33.2 M, with a preferred value of AUD28 M.

10.1.3 Valuation summary of Moorlands Project

Table 10.6 summaries Xstract's opinion regarding the current market value of Cuesta's interests in the Moorlands Project. In Xstract's opinion, this value resides in the range AUD65.6 M to AUD107.8 M with a preferred value of AUD86 M.

Table 10.6: Valuation Summary of a 100% interest in the Moorlands Resource

Resource	Low (AUD M)	High (AUD M)	Preferred (AUD M)
Moorlands	43.5	74.6	58
Outside mine plan	22.1	33.2	28
Total	**65.6**	**107.8**	**86**

10.2 Early-stage exploration assets

Using the geoscientific rating method, a Technical Value was estimated from Xstract's base holding acquisition cost ("BHC") for Queensland of AUD450/km2 and application of off property, on property, coal quality, other anomalies and infrastructure multiplier factors as shown in Appendix C for each of the tenements. In addition, Xstract has applied a 20% valuation discount to permits under application suffixed with a capital "A" to reflect the ownership status.

For the Market Value, Xstract notes that coal market fundamentals have weakened more recently and it has therefore elected to apply a market discount of 40% to its derived technical value of the exploration potential.

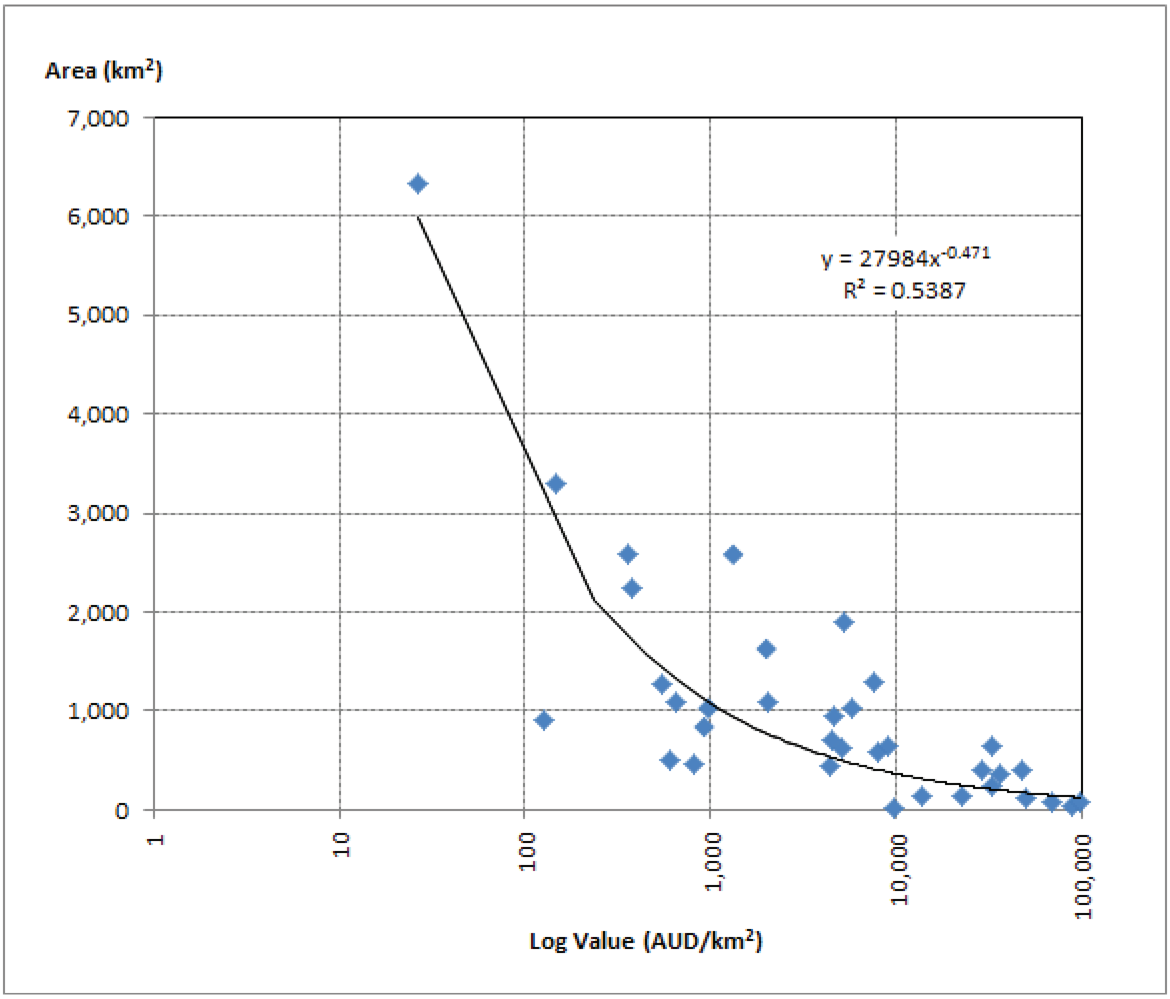
To verify its opinion of the FMV of Cuesta's exploration assets using the geoscientific rating method, Xstract has also considered the recent market for coal properties in Australia.

Xstract notes that Cuesta's February 2013 acquisition of the Bendemeer Project for AUD31.4 M in cash and convertible notes provides a relevant and recent benchmark for those coal assets, as does the farm out of 51% of Eastern Galilee to QCI for AUD3 M in exploration expenditure.

Since 2009, there have been numerous mergers, takeovers, acquisitions and joint ventures involving coal companies and/or the underlying coal assets. Between 2009 and 2012, these transactions occurred at historically high levels. More recently, the majority of transactions have involved projects containing defined Mineral Resources and/or Ore Reserves, with only a limited number of transactions involving early to advanced stage exploration project without defined resources.

Xstract's review of market transactions between 2009 to 2013 identified 35 coal assets considered to be broadly comparable to Cuesta's exploration assets. A relationship between area and value traded per area exists with a 54% correlation (Figure 10.4). In general, Xstract's review found that large exploration projects have relatively small value per unit area while the reverse is true for small exploration landholdings.

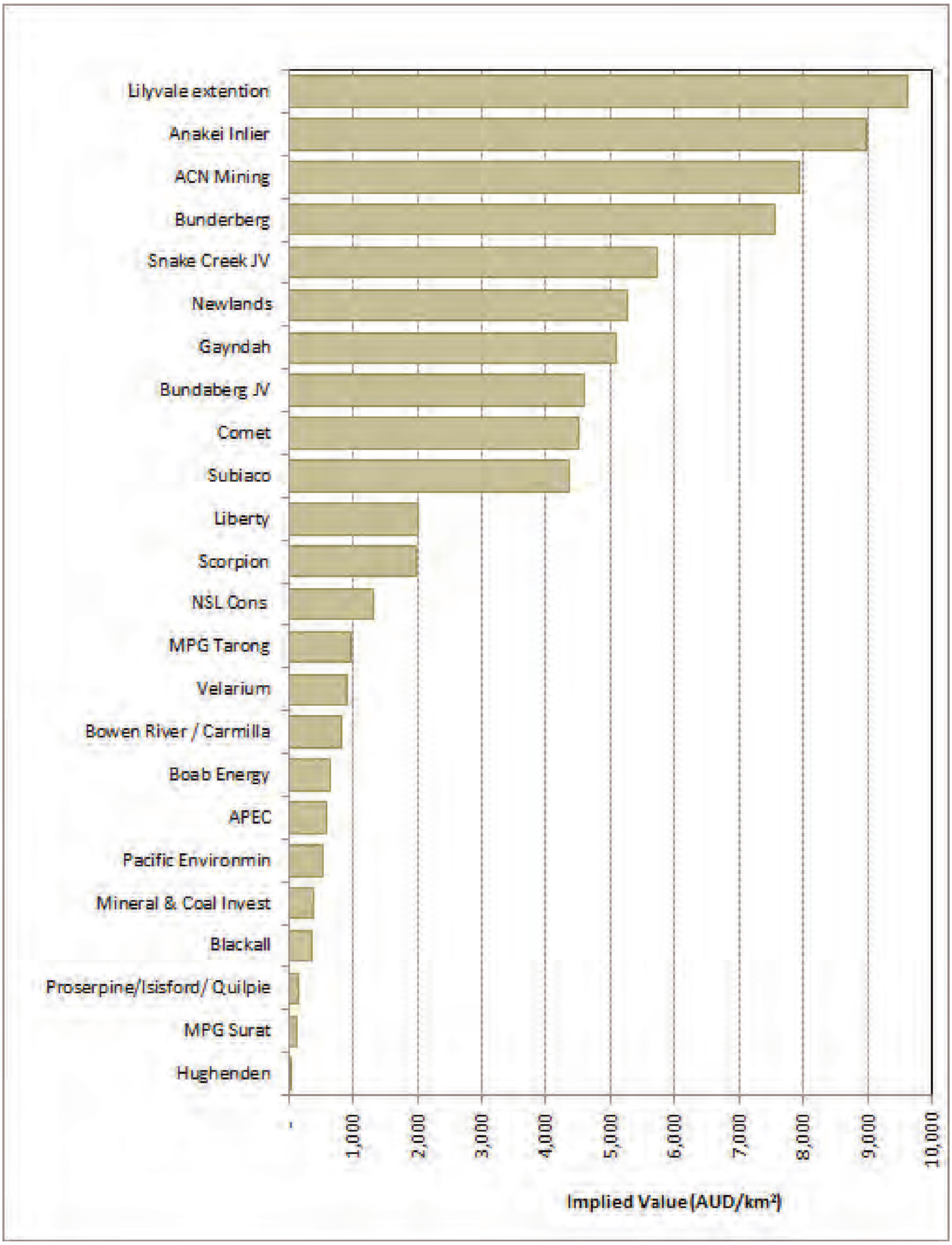
Figure 10.4: Comparable coal tenement market transactions



Coal market transactions and JV agreements involving assets with an implied value of more than AUD10,000/km^2 frequently contain Exploration Targets reported in accordance to the JORC Code, are strategically located or at an advanced stage of exploration. Transactions involving assets with an implied value of less than AUD10,000/km^2 typically include tenements in application or tenements where only limited or early stage exploration activity has taken place.

Figure 10.5 shows comparable coal market transactions that have taken place in Australia between January 2009 and May 2014 with a value of less than AUD10,000/km^2. These transactions are summarised in Appendix C.

Figure 10.5: Early-stage exploration comparable market transactions



10.3 Moorlands exploration

Outside the permits containing identified Resources at Moorlands, Cuesta owns two adjacent tenements, EPCA2008 and EPC1891 which cover areas of 44 km^2 and 948 km^2 respectively and have been valued using the Geoscientific and Market transaction methods.

10.3.1 Geoscientific rating method

Xstract's Geoscientific valuation for Moorlands exploration assets is summarised in Table 10.7. Xstract's preferred market value is AUD0.28 M within the range AUD0.10 M to AUD0.61 M.

Table 10.7: Valuation estimate using Geoscientific rating method for Moorlands exploration

Geoscientific rating	EPC1891			EPCA2008		
	Low	High	Preferred	Low	High	Preferred
BHC (AUD/km^2)	450	450	450	450	450	450
Off Property Factors	1.5	2.5	2.0	1.5	2.5	2.0
On Property Factors	0.8	1.0	0.9	1.0	1.5	1.2
Quality Factors	0.8	1.0	0.9	0.8	1.0	0.8
Anomaly Factors	0.7	0.9	0.8	0.7	0.9	0.8
Geological Factors	0.7	1.0	0.9	0.7	1.0	0.9
Local Factors	0.7	1.0	0.9	0.7	1.0	0.9
Technical Value (AUD/km^2)	148	1,013	472	185	1,519	560
Area of permits (km^2)	948	948	948	44	44	44
Technical Value (AUD '000)	**140**	**960**	**448**	**8**	**67**	**25**
Application	1.0	1.0	1.0	0.8	0.8	0.8
Market	0.6	0.6	0.6	0.6	0.6	0.6
Fair Market Value (AUD '000)	**84**	**576**	**269**	**4**	**32**	**12**

10.3.2 Comparable transaction method

Table 10.8 summaries the comparable market value of Moorlands exploration assets Xstract considers the exploration tenements (EPCA1891 and EPCA2008) are likely to trade in a range of AUD0.10 M to AUD0.50 M with a preferred value of AUD0.30 M. This is an implied value range of AUD100/km^2 to AUD500/km^2, which is broadly consistent with the values implied by the Geoscientific Rating method.

Table 10.8: Summary of Moorlands comparable market valuation

		EPCA1891	EPCA2008	Total
Low	AUD/km^2	100	100	100
High	AUD/km^2	500	500	500
Preferred	**AUD/km^2**	**300**	**300**	**300**
Area	km^2	948	44	992
Low	AUD ('000)	95	4	99
High	AUD ('000)	474	22	496
Preferred Value	AUD ('000)	**284**	**13**	**298**

Xstract's preferred value implies a total unit value of AUD300/km^2, which is considered reasonable given the potentially complex geological setting and current thermal coal market. Additional drilling and associated improvement in geological knowledge is likely to increase this value, particularly if geological continuity can be established within the Moorlands project.

Previous valuations

In November 2011, Liberty Resources sold its EPC1738 and EPCA1891 to Blackwood Coal Pty Ltd for AUD3 M, comprising AUD1 M cash plus AUD2 M worth of shares in Blackwood, generating an implied value of AUD2,019/km^2. This is almost seven times the estimate generated using the Geoscientific rating method and the comparable market value. Xstract notes that this transaction occurred at a time when the coal price was significantly higher than the effective valuation date and the outlook for coal was positive (refer to Figure 8.1).

Valuation summary of Moorlands exploration

Table 10.9 summaries the FMV range for a 100% interest in the exploration potential associated with the Moorlands project. In Xstract's opinion, the FMV resides between AUD0.1 M and AUD0.6 M, with a preferred value of AUD0.3 M.

Table 10.9: Valuation summary of a 100% interest in the exploration potential associated with the Moorlands Project

Tenements	Low (AUD '000)	High (AUD '000)	Preferred (AUD '000)
Geoscientific Rating	88	608	281
Comparable Market Transaction	99	496	298
Preferred Value	**94**	**552**	**289**

10.4 East Galilee

10.4.1 East Galilee Resources

EPC1802 is at an advanced stage of assessment with an Inferred Resource of 364 Mt. Approximately 75% of this Resource lies 100 m below surface. Xstract has used comparable transactions to estimate an AUD per Resource tonne to value EPC1802. Using this method, Xstract's preferred value is AUD10.7 M, as summarised in Table 10.10.

Table 10.10: Market Value of a 100% interest in the Coal Resources within EPC1802

EPC1802		50 - 100 m	100 – 150 m	Total
Low	AUD/t	0.03	0.01	0.01
High	AUD/t	0.06	0.04	0.04
Preferred	**AUD/t**	**0.05**	**0.03**	**0.03**
Inferred Resources	Mt	79	285	364
Low	AUD M	2.37	2.85	5.22
High	AUD M	4.73	11.41	16.14
Preferred Value	**AUD M**	**3.55**	**7.13**	**10.68**

10.4.2 East Galilee Exploration Potential

Geoscientific valuation method

Xstract's Geoscientific rating valuation summary for the exploration potential associated with the East Galilee permits is summarised in Table 10.11, with details attached in Appendix D. After applying a 40% market discount and 20% discount to permits in application, Xstract's preferred FMV for a 100% interest in the exploration potential is AUD0.13 M within the range of AUD0.06 M to AUD0.29 M.

This value is inclusive of the Snake Valley JV permits (EPC2079 and EPC2080) on a 100% attributable basis, as stage one of the JV agreement has not yet been completed (initial 25% interest remains to be earned by QIC).

Table 10.11: Valuation estimate using Geoscientific rating method for East Galilee exploration

Geoscientific rating		Low	High	Preferred
EPC 1983	**AUD ('000)**	7.2	40.7	18.3
EPC1957	**AUD ('000)**	32.7	134.8	69.3
EPC2079	**AUD ('000)**	8.5	51.3	22.4
EPC2080	**AUD ('000)**	10.1	60.6	26.5
EPC2688	**AUD ('000)**	19.1	110.1	48.9
EPCA2689	**AUD ('000)**	15.5	89.0	39.6
EPCA2347	**AUD ('000)**	1.5	9.7	4.1
Technical Value	**(AUD/km^2)**	26.5	138.8	64.1
Area of Permit	**(km^2)**	3,576	3,576	3,576
Technical Value	**AUD ('000)**	**94.7**	**496.2**	**229.2**
Fair Market Value	**AUD ('000)**	**54.8**	**285.9**	**132.3**

Comparable market transactions method

Using the comparable transaction method, Xstract considers the market would currently pay between AUD0.4 M and AUD1.6 M, with a preferred total value of AUD1.0 M for a 100% interest in the exploration potential associated with the East Galilee permits.

Xstract has discounted EPCA2688 and EPCA2347 to reflect the uncertainty associated with the timing and any imposed conditions associated with the grant of these applications.

The surface geology (Figure 4.1) on EPC2688 suggests this permit lies outside the limits of the Galilee Basin. Hence, it has been further discounted relative the other permits.

Table 10.12: Summary of the FMV of a 100% interest in the East Galilee permits using the comparable market method

		EPC 1983	EPC 1957	EPC 2079	EPC 2080	EPC 2688	EPCA 2689	EPCA 2347	Total
Low	AUD/km^2	150	150	150	150	100	100	100	124
High	AUD/km^2	500	500	500	500	400	400	400	448
Preferred	**AUD/km^2**	**325**	**325**	**325**	**325**	**250**	**250**	**250**	**286**
Area	km^2	299	382	471	557	963	779	125	3,576
Low	AUD ('000)	45	57	71	84	96	78	13	443
High	AUD ('000)	150	191	236	279	385	312	50	1,601
Preferred	**AUD ('000)**	**97**	**124**	**153**	**181**	**241**	**195**	**31**	**1,022**

10.4.3 Summary of East Galilee value

Xstract has applied an equal weighting to both the Geoscientific Rating and Comparable Market Transaction methods to assess the FMV of a 100% interest in the exploration potential associated with the East Galilee permits. Including the value attributed to the Resource, Xstract expects the market would pay between AUD5.5 M and AUD17.1 M, with a preferred value of AUD11.2 M for the East Galilee project (Table 10.13).

Table 10.13: Valuation summary of a 100% interest in the East Galilee project

Tenements	Low (AUD M)	High (AUD M)	Preferred (AUD M)
Geoscientific Rating	0.05	0.29	0.13
Comparable Market Transaction	0.44	1.60	1.02
Early Exploration permits Value	**0.25**	**0.94**	**0.58**
Resource	5.22	16.14	10.68
Total Value	5.47	17.09	11.26

10.5 West Emerald

10.5.1 Geoscientific rating method

Xstract's estimate of the FMV of a 100% interest in the West Emerald Project using the Geoscientific rating method is summarised in Table 10.14 with the detailed ratings attached in Appendix D. Xstract's preferred market value is AUD0.09 M within the range of AUD0.04 M to AUD0.18 M.

Table 10.14: FMV estimate of a 100% interest in the West Emerald project - Geoscientific rating method

Geoscientific rating		Low	High	Preferred
EPC 1821	**AUD ('000)**	6.9	31.0	15.4
EPC1977	**AUD ('000)**	2.3	10.3	5.1
EPC2323	**AUD ('000)**	1.1	5.7	2.7
EPC1825	**AUD ('000)**	25.6	116.7	57.4
EPC 1826	**AUD ('000)**	6.8	34.2	16.2
EPC1868	**AUD ('000)**	4.8	22.0	10.8
EPC2093	**AUD ('000)**	21.1	82.1	43.3
Technical Value	**(AUD/km^2)**	148.8	654.3	326.7
Area of Permit	**(km^2)**	461.6	461.6	461.6
Technical Value	**AUD ('000)**	**68.7**	**302.0**	**150.8**
Application		1.0	1.0	1.0
Market		0.6	0.6	0.6
Fair Market Value	**AUD ('000)**	**41.2**	**181.2**	**90.5**

10.5.2 Comparable transactions method

In Xstract's view, the West Emerald tenements have a high level of risk as the presence of coal remains to be demonstrated within the confines of the permit area. In addition, given the poor market outlook, Xstract has discounted values accordingly.

Table 10.15: FMV estimate of a 100% interest in the West Emerald project – comparable transactions

	Tenement	1821	1977	2323	1825	1826	1868	2093	Total
Low	AUD/km^2	100	100	100	150	100	100	150	128
High	AUD/km^2	500	500	500	600	500	500	850	597
Preferred	**AUD/km^2**	**200**	**200**	**200**	**250**	**200**	**200**	**500**	**269**
Area	km^2	57	19	13	185	75	38	75	462
Low	AUD ('000)	6	2	1	28	8	4	11	59
High	AUD ('000)	28	9	6	111	38	19	64	276
Preferred	**AUD M**	11	4	3	46	15	8	38	124

Using the comparable market transaction method, Xstract considers the current market is likely to pay in the range of AUD0.06 M and AUD0.28 M, with a preferred total value of AUD0.12 M.

10.5.3 Summary of West Emerald value

Xstract has applied an equal weighting to both valuation methods. In summary, Xstract considers the market is likely to pay between AUD0.05 M and AUD0.24 M, with a preferred value of AUD0.11 M for a 100% interest in the exploration potential associated with the West Emerald project.

Table 10.16: Valuation summary of West Emerald

Tenements	High (AUD M)	Low (AUD M)	Preferred (AUD M)
Geoscientific Rating	0.04	0.18	0.09
Comparable Market Transaction	0.06	0.28	0.12
Preferred Value	0.05	0.24	0.11

10.6 East Wandoan

10.6.1 Resources

EPC1955 has a stated Indicated and Inferred Resource totalling 44.6 Mt at a depth of less than 100 m below surface. Xstract has elected to assess this Resource using recent transactions to determine an AUD per Resource tonne metric. On this basis, Xstract is of the opinion that the current market is likely to pay between AUD0.04/t and AUD0.07/t for a 100% interest in the defined Coal Resource at East Wandoan. This implies a value of between AUD1.8 M and AUD3.1 M, with a preferred value of AUD2.5 M.

10.6.2 East Wandoan early stage exploration

Geoscientific rating method

Xstract's estimate of the FMV of a 100% interest in the exploration potential associated with the East Wandoan using the geoscientific rating method is summarised in Table 10.17. Xstract's preferred value is AUD0.14 M, within the range of AUD0.08 M to AUD0.28 M.

Table 10.17: FMV estimate of a 100% interest in the East Wandoan project - Geoscientific rating method

Geoscientific rating	EPC2237			EPC1987		
	Low	**High**	**Preferred**	**Low**	**High**	**Preferred**
BHC (AUD/km^2)	450	450	450	450	450	450
Off Property Factors	1.8	2.2	2.0	1.9	2.1	2.0
On Property Factors	0.9	0.8	0.7	0.8	1.1	0.9
Quality Factors	0.6	0.8	0.7	0.7	0.9	0.8
Anomaly Factors	0.4	0.6	0.5	0.7	0.9	0.8
Geological Factors	0.7	0.9	0.8	0.9	1.1	1.0
Local Factors	0.9	1.1	1.0	0.9	1.1	1.0
Technical Value (AUD/km^2)	110	376	176	271	1,019	518
Area of permit (km^2)	274	274	274	354	354	354
Technical Value (AUD '000)	**30**	**103**	**48**	**96**	**361**	**184**
Application	1.0	1.0	1.0	1.0	1.0	1.0
Market	0.6	0.6	0.6	0.6	0.6	0.6
Fair Market Value (AUD '000)	**18**	**62**	**29**	**58**	**216**	**110**

Comparable transaction method

Surface geology outcrop exposed on EPC2237 suggests that these permits lie stratigraphically below the Walloon Coal Measures and in Xstract's view, are less prospective than EPC1955 and EPC1987.

EPC1987 lies along strike of EPC1955 and offers potential for equivalent coal measures. Consequently, Xstract considers EPC1987 to have a higher value than EPC2237.

Xstract expects the current market would pay between AUD0.09 M and AUD0.14 M, with a preferred value of AUD0.23 M for a 100% interest in the exploration potential of the East Wandoan permits without a stated Resource, as summarised in Table 10.18.

Table 10.18: FMV estimate of a 100% interest in the West Emerald project – Comparable transaction method

		EPC2237	EPC1987	Total
Low	AUD/km^2	150	200	178
High	AUD/km^2	500	600	556
Preferred	**AUD/km^2**	**325**	**400**	**367**
Area	km^2	274	354	628
Low	AUD ('000)	41	71	112
High	AUD ('000)	137	212	349
Preferred Value	**AUD ('000)**	**89**	**142**	**231**

10.6.3 Summary of East Wandoan value

Xstract has applied an equal weighting to both valuation methods to assess the value of the exploration potential at East Wandoan and added this to its derived value for the contained Resources as summarised in Table 10.20. In Xstract's opinion, the current market is likely to pay between AUD1.9 M and AUD3.4 M, with a preferred value of AUD2.6 M for a 100% interest in the East Wandoan project.

Table 10.19: Valuation summary of the East Wandoan Project

Tenements	Low (AUD M)	High (AUD M)	Preferred (AUD M)
Geoscientific Rating	0.08	0.28	0.14
Comparable Market Transaction	0.11	0.35	0.23
Early Exploration permits Value	**0.09**	**0.31**	**0.18**
EPC1955 Resources	1.78	3.12	2.45
Total Value	**1.88**	**3.44**	**2.64**

10.7 Amberley

10.7.1 Resources

The Amberley project contains an Inferred Resource of 54.7 Mt. Xstract has valued the Amberley tenement using comparable transactions to determine an AUD per Resource tonne metric.

In Xstract's opinion, the Amberley project is less prospective than the Company's Moorlands Project. On this basis, Xstract considers the current market would pay between AUD0.04/t and AUD0.07/t for the Inferred Resource at Amberley. Application of this metric to the defined coal tonnages implies the value of the Amberley Inferred Resource lies in the range of AUD2.2 M and AUD3.8 M, with a preferred value of AUD3.0 M.

Table 10.20: FMV estimate of a 100% interest in the Amberley Inferred Resource

EPC2127		
Low	AUD/t	0.04
High	AUD/t	0.07
Preferred	**AUD/t**	**0.06**
Inferred Resources	Mt	55
Low	AUD M	2.19
High	AUD M	3.83
Preferred Value	**AUD M**	**3.01**

10.8 Other exploration

Xstract has valued Cuesta's other coal exploration areas which lie outside the main Project areas separately. These include the East Acland, Montrose, Bauple and Callide projects.

10.8.1 Geoscientific rating method

Xstract's estimate for Cuesta's 100% equity interest in "other" exploration areas using the Geoscientific rating method is summarised in Table 10.21. Xstract's preferred value is AUD0.20 M within the range of AUD0.10 M to AUD0.37 M.

Table 10.21: Valuation estimate using Geoscientific rating method for Cuesta's Other coal tenements

Geoscientific rating	East Acland 1979			Montrose 2128			Bauple 2081			Callide 1809		
	Low	High	Preferred	Low	High	Preferred	Low	High	Preferred	Low	High	Preferred
BHC (AUD/km^2)	450	450	450	450	450	450	450	450	450	450	450	450
Off Property Factors	0.9	1.1	1.0	0.9	1.1	1	0.7	0.9	0.8	1.9	2.1	2.0
On Property Factors	0.9	1.1	1.0	0.8	1.0	0.9	0.7	0.9	0.8	0.5	0.7	0.6
Quality Factors	0.7	0.9	0.8	1.4	1.6	1.5	0.7	0.9	0.8	0.6	0.8	0.7
Anomaly Factors	0.7	0.9	0.8	0.5	0.7	0.6	0.5	0.7	0.6	0.5	0.7	0.6
Geological Factors	0.8	1.0	0.9	0.7	0.9	0.8	0.6	0.8	0.7	0.6	0.8	0.7
Local Factors	0.8	1.0	0.9	0.9	1.1	1	0.9	1.1	1	0.9	1.1	1
Technical Value (AUD/km^2)	114	441	233	143	549	292	42	202	97	69	326	159
Area of permit (km^2)	155	155	155	945	945	945	93	93	93	56	56	56
Technical Value (AUD '000)	**18**	**68**	**36**	**135**	**519**	**276**	**4**	**19**	**9**	**4**	**18**	**9**
Application	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Market	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Fair Market Value (AUD '000)	**11**	**41**	**22**	**81**	**311**	**165**	**2**	**11**	**5**	**2**	**11**	**5**
									Total AUD ('000)	**96**	**374**	**198**

10.8.2 Comparable transactions method

The presence of coal remains to be demonstrated within the confines of these permits. Xstract has taken this into account and given the poor market outlook, discounted these accordingly.

In Xstract's opinion, the current market is likely to pay in the range AUD0.13 M to AUD0.62 M, with a preferred total value of AUD0.25 M for these permits.

Table 10.22: FMV estimate for a 100% interest in Cuesta's other assets - comparable market method

		E Acland	Montrose	Bauple	Callide	
		EPC1979	**EPC2128**	**EPC2181**	**EPC1809**	**Total**
Low	AUD/km^2	100	100	100	100	100
High	AUD/km^2	500	500	500	500	500
Preferred	**AUD/km^2**	200	200	200	200	**200**
Area	km^2	155	944.8	93	56	1249
Low	AUD '000	16	94	9	6	125
High	AUD '000	77.5	472.4	46.5	28	624
Preferred	**AUD '000**	**31**	**189**	**19**	**11**	**250**

10.8.3 Summary value of the Other permits

Xstract has applied an equal weighting to both valuation methods and considers the market would likely to pay in the range AUD0.1 M to AUD0.5 M, with a preferred value of AUD0.2 M for a 100% interest in the exploration potential associated with Cuesta's Other permits.

Table 10.23: Summary valuation of Other exploration assets

Tenements	High (AUD M)	Low (AUD M)	Preferred (AUD M)
Geoscientific Rating	0.10	0.37	0.20
Comparable Market Transaction	0.12	0.62	0.25
Preferred Value	**0.11**	**0.50**	**0.22**

11 Valuation summary

A summary of Cuesta's Queensland coal assets value is presented in Table 11.1. In Xstract's opinion, the current market is likely to pay between AUD75 M and AUD133 M, with a preferred value of AUD103 for a 100% interest in Cuesta's coal assets. This implies a value AUD0.14 per Resource tonne, given a stated JORC Code compliant Resource of 744.5 Mt.

The Moorlands Project comprises the bulk of Xstract's estimated value, and ranges from AUD66 M to AUD108 M, with a preferred value of AUD86 M. The wide range in value reflects the sensitivity to fluctuating coal price, exchange rate and technical parameters.

Of Xstract's total preferred value of AUD103 M, Resources account for almost AUD102 M while the exploration assets have a value of approximately AUD1 M.

Table 11.1: Summary of valuation estimates for Cuesta coal assets

Project		Low (AUD M)	High (AUD M)	Preferred (AUD M)
Moorlands		**65.7**	**108.2**	**85.9**
	Measured & Indicated Resources	43.5	74.5	58.0
	Inferred Resource	22.1	33.2	27.7
	Exploration	0.1	0.6	0.3
East Galilee		**5.5**	**17.1**	**11.3**
	Resources	5.2	16.1	10.7
	Exploration	0.2	0.9	0.6
East Wandoan		**1.9**	**3.4**	**2.6**
	Resources	1.8	3.1	2.5
	Exploration	0.1	0.3	0.2
West Emerald		**0.1**	**0.2**	**0.1**
Amberley	Resources	**2.2**	**3.8**	**3.0**
Other	Exploration	**0.1**	**0.5**	**0.2**
TOTAL		**75.4**	**133.3**	**103.2**

12 Declaration

12.1 Independence, disclaimer and warranty

Xstract is an independent mining consultancy and has been commissioned by Cuesta on a fee-for-service basis according to Xstract's standard schedule of rates. Xstract's fee is not contingent on the outcome of its valuation or the success or failure for the transaction for which the report was prepared. None of Xstract's consultants or their immediate families involved in the preparation of this valuation report have (or had) a pecuniary or beneficial interest in Cuesta or the projects which are the subject of this report prior to or during the preparation of this report.

Xstract has made due enquiries to the Queensland Government Department of Mining and Safety in order to validate information provided by Cuesta. However, Xstract is not qualified to express legal opinion and has not sought any independent legal opinion on the ownership rights and obligations relating to the respective mineral assets under licence or any other fiscal or legal agreements that Cuesta may have with any third party in relation to the Project.

A draft version of this report was provided to the directors of Cuesta for comment in respect of omissions and factual accuracy. Cuesta has represented in writing to Xstract that full disclosure has been made of all material information and that to the best of its knowledge and understanding, such information is complete, accurate and true.

The conclusions expressed in this valuation report are appropriate as at 30 May 2014. The valuation is only appropriate for this date and may change in time in response to variations in economic, market, legal or political factors, in addition to ongoing exploration results. All monetary values outlined in this report are expressed in Australian dollars unless otherwise stated.

Shaun Barry | Associate Consultant | Corporate Advisory

Shaun has a commercial and geological background with over 22 years of experience in sales, marketing, commodity analysis, equity analysis, strategy development, and geology gained in platinum group metals, gold, coal, base metals, bauxite, and alumina. As a corporate consultant, he specialises in mineral asset valuations, market reviews of mineral commodities, and country reviews. Shaun also specialises in corporate strategy development that supports the preparation of Mineral Expert Reports for equity transactions and Independent Technical Reports for project finance and mineral asset valuations.

Shaun holds a Master of Science in Mineral Economics, a Bachelor of Science with Honours in Geology and a Diploma in Investment Management. He is a Member of the AusIMM.

Commodities

Alumina, bauxite, chrome, coal, cobalt, copper, gold, nickel, platinum group metals

Ian de Klerk | Principal Consultant | Geology

Since graduating in 1985, Ian has worked on mining operations across southern Africa and has consulted in a number of boutique consultancies. In these roles, Ian has been responsible for a range of activities across multiple commodities. His specialties include coal due diligence and technical reviews, coal quality and product interpretations, coal exploration advice and planning, geological modelling, and documentation of coal resources in accordance with the JORC Code.

Ian holds a Master of Science in Exploration Geology, a Graduate Diploma of Engineering specialising in Mining, and is a Member of the AusIMM.

Commodities

Coal, coal bed methane, uranium, gold, base metals

Jeames McKibben | General Manager & Principal Consultant | Corporate Advisory

During more than 20 years in the mining industry, Jeames has served in a diverse range of roles including corporate consultant, project manager, geologist and analyst. As a corporate consultant, he specialises in valuations and Mineral Expert Reports for equity transactions and Independent Technical Reports in support of project finance. Other mandates include technical due diligence in support of information memoranda, divestments, acquisitions and mergers, pre-feasibility studies and independent Competent Persons' Reports.

Jeames holds a Master of Business Administration and a Bachelor of Science with First Class Honours, is a Member of the Australian Institute of Geoscientists and a Chartered Professional Member of the AusIMM. Jeames is a current member of the VALMIN Code Review Committee.

Commodities

Coal, copper, cobalt, lead, zinc, diamonds, sulphide and laterite nickel, kaolin, mineral sands, bauxite, iron, iron sands, mineral sands, PGE, gold, uranium

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Appendix A: Valuation approaches and methods

Valuation considerations

This valuation has been prepared in accordance with the VALMIN code, in order to ensure compliance with the Australian Stock Exchange's listing rules and Australian Corporations Law. The VALMIN Code classifies mineral assets according to their maturity. The term *mineral asset* refers to all property held for the purpose of near term or eventual mineral extraction, including but not limited to:

- real property
- intellectual property
- tenements, plant, equipment and associated infrastructure

Most mineral assets can be classified as outlined in the table below.

Mineral asset classification

Project development stage	Criterion
Exploration areas	Mineralisation may or may not have been defined, but where a Mineral Resource has not been identified.
Advanced exploration areas	Considerable exploration has been undertaken and specific targets identified. Sufficient work has been completed on at least one prospect to provide a good geological understanding and encouragement that further work is likely to result in the determination of a Mineral Resource.
Pre-development/ resource	Mineral Resources and/or Ore Reserves have been identified estimated. A positive development decision has not been made. This includes properties where a development decision has been negative and properties are either on care and maintenance or held on retention titles.
Development	Committed to production but not yet commissioned or not initially operating at design levels.
Operating	Mineral properties, in particular mines and processing plants, which have been fully commissioned and are in production.

Source: (VALMIN 2005)

The VALMIN Code defines *value* as the FMV of a mineral asset (2005). FMV is the amount of money or the cash equivalent that a willing buyer and seller would exchange on the valuation date in an arm's length transaction (VALMIN 2005). Each party is assumed to have acted knowledgeably, and without compulsion. In essence, FMV is comprised of:

- **Underlying or 'technical value',** which is an assessment of a mineral asset's future economic benefit under a set of assumptions, excluding any premium or discount for market, strategic, or other considerations
- **Market component,** which is a premium relating to market, strategic or other considerations, which can be either positive, negative, or zero.

The market value should include all material information to the asset. For projects with extensive technical detail, the valuer determines materiality of information based on whether its inclusion would result in the valuation reaching a different conclusion.

Mineral assets are generally valued based on approaches that assess income, cost, and the open market. As the VALMIN Code is not prescriptive in this regard, the 2008 Edition of The South African Code for the Reporting of Mineral Asset Valuation ("SAMVAL") and the Canadian 2003 Edition of the Standards and Guidelines for Valuation of Mineral Properties ("CIMVAL") provide insight into applicable approaches, as shown in the table below.

Valuation approaches for different types of mineral assets

Approach	Project development stage			
	Exploration	Resource	Development	Operating
Income	No	Rarely	Yes	Yes
Cost	Yes	Rarely	No	No
Market	Yes	Yes	Yes	Yes

Source: (CIMVAL 2003)

Income-based approach

The income-based approach assumes that a valuer can model the future economic returns of a mineral asset based on the information available at the valuation date (SAMVAL 2008). The income-based approach is best suited for the valuation of individual assets for which a large amount of technical data has already been collected or can be estimated. This approach generally involves the construction of a discounted cash flow ("DCF") model based on a project development concept and may include sophisticated risk analysis and simulation.

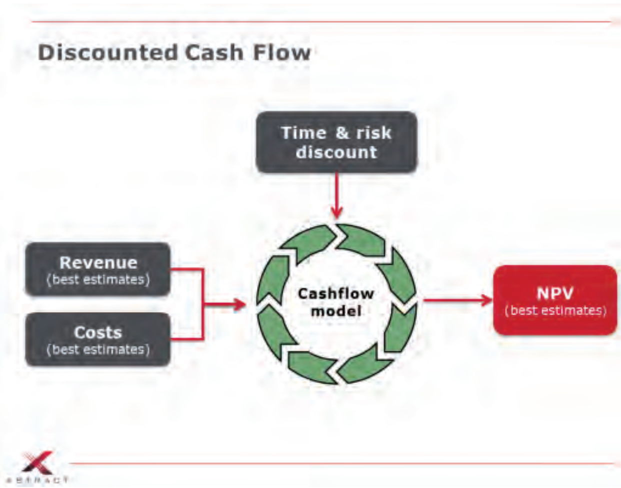
Despite its sophistication, the income-based approach has limitations in that it:

- may not fully reflect the market value
- relies on a number of subjective inputs (e.g. the appropriate discount rate)
- excludes assets without considerable technical detail, such as in scoping and pre-feasibility studies.

Discounted cash flow analysis

A DCF analysis estimates the value of a project as if it were being developed under the prevailing economic conditions.

Once a Mineral Resource has been assessed for its mining potential by considering revenues and operating costs, the economically viable component of the resource becomes the Ore Reserve. When this is scheduled for mining, and the capital costs and tax regime are considered, the net present value ("NPV") of the project is established by discounting future annual cash flows at an appropriate rate. The resulting "classical" NPV has several deficiencies based on the method's assumption that once commissioned, the course of action is irreversible, and that the prevailing economic conditions will eventuate as predicted.



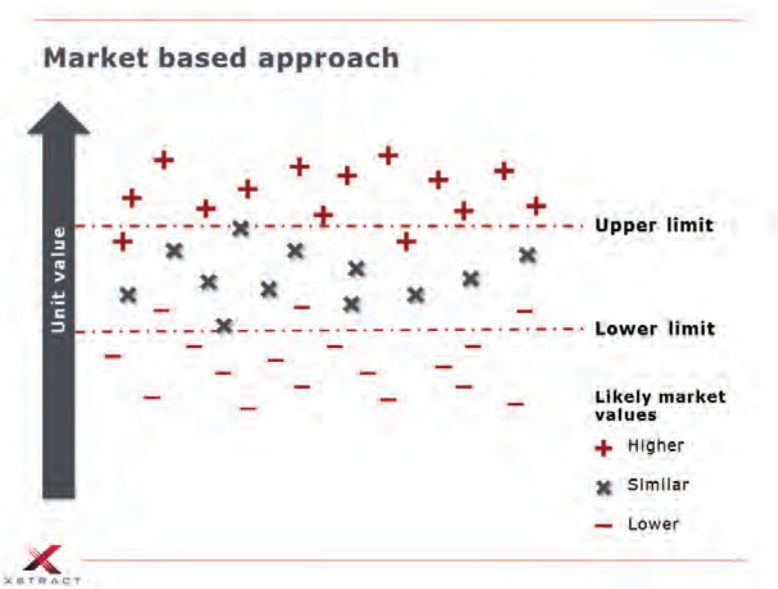
Monte Carlo simulation

While a DCF model is initially deterministic, a Monte Carlo simulation dynamically extends the DCF model by modifying key variable assumptions through numerous iterations (Weaver and Michelson 2003). These assumptions are typically varied within a discrete range, such as ± 20%. The resultant simulation presents a normal distribution of possible NPV outcomes for the variable ranges selected turning the analysis into a probabilistic analysis. A Monte Carlo simulation is a more realistic representation of the potential value of a project. However, given the uncertainties associated with key variables, the method's accuracy is limited to the validity of the input variable ranges (such as changes in commodity prices, CapEx and OpEx).

Market-based approach

The market-based approach uses the transaction prices of projects in similar geographical, geopolitical, and geological environments to derive a market value using a process similar to that in the real estate industry (CIMVAL 2003). The market-based approach may use the assumption either of joint venture terms or outright acquisitions, and can be presented in range of unitised values including on a dollar per ounce or tonne of contained metal/mineral, dollar per square kilometre, or as a percentage of the prevailing commodity price.

In Xstract's opinion, a market-based approach is well suited to establishing a likely value for coal deposits and exploration projects, as it inherently takes into account all value drivers.



By undertaking a qualitative analysis of comparable transactions, it is possible to develop a "gut feel" for likely market price responses to varying levels of equity interest. Further its simplicity provides an in-built "reality check", which helps to ensure that the science of the methodology does not dominate the assessment (O'Connor and McMahon 1994).

Notwithstanding this, the market-based approach relies on a number of assumptions and often lack true comparability with the assets being valued. Indeed, the intuitive approach is limited by the variability of values obtained across a range of investments, which makes it difficult to consistently decipher the value of control premia or any other aspect that contributes to the value of a project. Furthermore, these approaches are often weakened by their reliance on heuristics – the "gut feel" mental short-cuts that a valuer undertakes during qualitative analysis of incomplete datasets (Tversky and Kahneman 1974). Heuristics can introduce serious bias. However, in despite its well-documented shortcomings, there is significant merit in using market-based benchmarks for valuations (Grant 1994).

Comparable transactions method

The comparable market value approach is an adaptation of the common real estate method to valuation. For the purposes of mineral asset valuation, a valuer compiles and analyses 100% equity acquisitions of projects of similar nature, time and circumstance with a view to establishing a range of values that the market is likely to pay for a project. The comparable transactions method:

- implies a market premium or discount for the prevailing sovereign risk
- captures market sentiment for specific commodities or locations
- accounts for intangible aspects of a transaction (i.e. intellectual property ("IP"))

The transactions deemed to be analogous to the mineral asset being valued are used to determine a unit price (e.g. $/km^2 or $/t coal) for the asset being valued.

While this method is used widely in the minerals industry, it contains a number of weaknesses that may undermine the accuracy of this method. Firstly, there is an intricate value dynamic between the quantity (size) and quality (grade or prospectivity) of deposits that may result in the exclusion of a large number of comparable transactions. Further, the disclosed price of an asset may not necessarily equate to the value of the tenement, as the calculated value may have been influenced by factors such as the arrangement of debt financing, marketing rights, contingent payments and future royalties. Finally, this method is largely retrospective and may not take into account anticipated or recent commodity or other variable value drivers.

Joint venture terms method

The joint venture terms method, a variation of the comparable market value method, attempts to account for the ownership premium attributed by the market. This technique involves transactions where only partial ownership of a project is acquired. It is widely recognised that the market will attribute a sliding-scale premium in accordance with the level of ownership acquired. For example, a joint venture agreement for a 51% interest in a project may attract a market value significantly above that for an identical project in which a 49% interest is acquired. The joint venture terms method provides the valuer with a larger acquisitions dataset than the comparable market value method, and consequently these approaches are often used simultaneously in mineral asset valuations.

Yardstick method

The yardstick method typically entails expressing the unitised sales price as a percentage of the prevailing commodity price (e.g. coal price/$/t coal). Proponents of the yardstick method believe that it is a better reflection of the market dynamics, which are assumed to be reflected entirely by the commodity price. Xstract consider that the use of a commodity price as a reference point implies it is a principal value driver, which is not necessarily true. This position is taken as gold is often used as a store of value when the markets are risk averse, and like exploration projects, a high-risk gold project may have a price behaviour disproportionate to the rest of the market. Furthermore, commodity prices are highly volatile and therefore the yardstick method does not reflect the notion that deposit values change over time.

Cost-based approach

Geoscientific rating

The geoscientific rating or Kilburn method, is an attempt by the valuer to quantify the various technical aspects of a property through applying multipliers to a base or intrinsic value (Goulevitch and Eupene 1994) (Kilburn 1990). This intrinsic value is known as the base holding cost ("BHC"), which represents "the average cost to identify, apply for, and retain a base unit of area of title."

To arrive at a value for each property, the valuer considers four key attributes, which either enhance or downgrade the BHC of each property. The technical factors considered are the:

- **Off-property factor** – nearby properties containing physical indications of favourable mining conditions such as old workings and/or mines
- **On-property factor** – the property hosts favourable mining indications such as historic workings or mines. Importantly any mineralisation capable of supporting a Mineral Resource estimate, compliant according to the guidelines of the JORC Code, will be assessed using other valuation methods
- **Quality factor** – assesses the potential coal type over the property
- **Anomaly factor** – assesses the degree of exploration completed over the property and the number of resultant mineralised targets identified
- **the Geological factor** – assesses the area covered by and degree of exposure of favourable rock types and/or structures (if this is related to the mineralisation style being assessed) within the property
- **Local/infrastructure** – the property is located in close proximity to required infrastructure.

These attributes are given incremental, fractional, or integer ratings to arrive at a series of multiplier factors. These multipliers are then applied sequentially to the BHC to estimate the technical value of the mineral property. This is adjusted for local market conditions to determine the FMV of the project as at the effective valuation date. Xstract's multipliers or ratings and the criteria for rating selection are summarised in the table below.

The strength of the geoscientific method is that it makes an attempt to implement a systematic system. While it does require a subjective assessment of the various multipliers, it also demands a degree of detached rigor to account for the key factors that can be reasonably considered to impact on the exploration potential of a property.

Geoscience rating criteria for coal assets

Rating	Off-property factor	On-property factor	Quality factor	Anomaly factor	Geological factors	Local/ Infrastructure Factors
0.1				No seams identified		
0.5					Unfavourable stratigraphy	Unable to access market
0.7			Lignite		Generally favourable stratigraphy on 25% of lease or significant igneous / structural complexity	Located at distance to market but supporting infrastructure in development
0.9			Thermal coal with impurities	Few thin seams (at shallow depths)	Generally favourable stratigraphy on 50% of lease or minor igneous / structural complexity	
1.0	No known mineralisation in district	No known mineralisation on lease	PCI coal with impurities or thermal coal without major impurities	Coal seam identified	Generally favourable stratigraphy (70% lease)	Located at distance to market but supporting infrastructure in place
1.5	Minor workings	Minor workings	Soft coking coal with impurities or PCI coal without major impurities	Single consistent thick (>2m) seam or multiple seams	Generally favourable stratigraphy and simple igneous / structural features	In proximity to market with appropriate infrastructure in place to access
2.0	Several old workings	Several old workings	Hard coking with impurities or soft coking without major impurities	Favourable aggregate seam thickness	Generally favourable stratigraphy and simple igneous / structural features	
2.5	Abundant workings with significant previous production	Mine or abundant workings with significant previous production	Hard coking coal without major impurities	Two or more consistently thick (>2m) seams	Favourable stratigraphy without igneous or structural features	
3.0	Along strike from mine	Mine or abundant workings with significant previous production			Favourable stratigraphy without igneous or structural features	
3.5	Along strike of world class mine	Major mine with significant historical production		Numerous thick seams		
4.0	World class mine				World class mine	

Discussion on Xstract's valuation range

In assigning its valuation range and preferred value, Xstract is mindful that the valuation range is also indicative of the uncertainty associated with exploration assets.

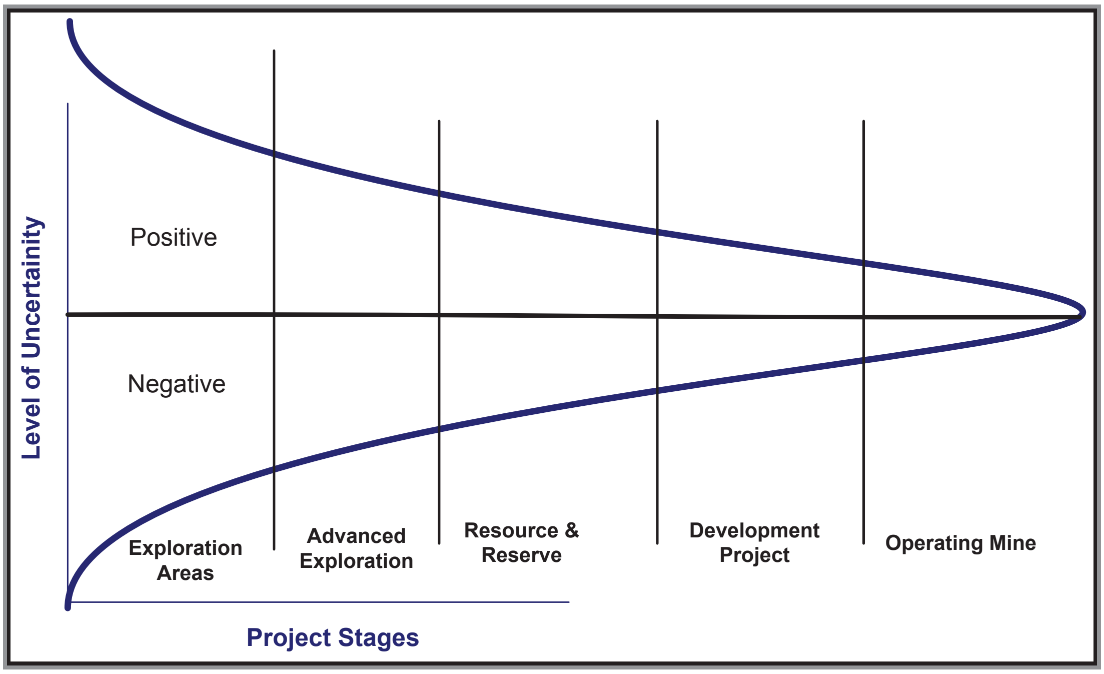
The wide range in value is driven by the confidence limits placed around the size and quality of the coal occurrences assumed to occur within each project area. Typically, this means that as exploration progresses and a prospect moves from an early to advanced stage prospect, through Inferred, Indicated or Measured Resource categories to Reserve status, there is greater confidence around the likely size and quality of the contained coal and its potential to be extracted profitably.

This level of uncertainty with advancing project stages can be seen in the figure below.

Estimated confidence of plus or minus 60% to 100% or more are not uncommon for exploration areas and are within acceptable bounds given the level of uncertainty associated with early to advanced stage exploration assets. By applying narrower confidence ranges, one is actually implying a greater degree of certainty regarding these assets than may be the case in reality.

Cuesta's tenements are exploration assets in the early to advance stages of assessment. Therefore, there are significant uncertainties around their attributes. This results in a wide valuation range. Where possible, Xstract has endeavoured to narrow its valuation range. In recognising this wide range, Xstract has also indicated a preferred value for each tenement.

Uncertainty by advancing exploration stage



Valuation risks

Regardless of the project status, other factors which may have a significant impact on the value attributable to mining projects or properties include, but are not limited to:

- Technical issues – may be restricted to a particular area or deposit and include geotechnical or hydrological conditions, or metallurgical difficulties that could affect a project's economic viability.
- Infrastructure risks – the availability of appropriate infrastructure may impact on project values. Recent examples include third party access to the Pilbara rail access, Newcastle port access, Midwest rail network, etc.
- Environmental risks – which result in a project being subject to extensive opposition, delays and possibly refusal of development approvals.
- Indigenous peoples/land rights issues – projects in areas subject to claims from indigenous peoples can experience prolonged delays, extended negotiations or veto.
- Sovereign/political/country issues – the geographical and jurisdictional location of a project can significantly impact on the cost of development and operating costs and has a major impact on perceived risk.
- Financing risk – may be related to the ability to access the necessary funds to finance the exploration, development or ongoing mining and processing at a project.
- Management risk – relates to the ability and expertise of management to adequately and effectively manage the various technical, logistical, operational and regulatory aspects of a project. This is of particular importance in joint ventures where a junior company may have management control of the project.

Appendix B:
Cash flow summary of Moorlands

Year ending Valuation Date	31-Dec-14 30-Jun-14	Units	Totals /Averages	2014 0.5	2015 1.5	2016 2.5	2017 3.5	2018 4.5	2019 5.5	2020 6.5	2021 7.5	2022 8.5
Cash Flow (Real)												
Gross Revenue		A$m	**4,666**	-	-	155.5	155.5	155.5	155.5	155.5	155.5	155.5
Operating Costs		A$m	**3,648**	-	-	127.4	126.6	125.7	122.4	118.3	117.5	115.1
Waste Drill and Blast		A$m	153	-	-	6.6	6.4	6.2	5.6	4.8	4.6	4.2
Waste removal truck&shovel		A$m	671	-	-	28.7	28.0	27.3	24.5	21.0	20.3	18.2
OP Coal mining		A$m	336	-	-	11.2	11.2	11.2	11.2	11.2	11.2	11.2
Capital Charge		A$m	233	-	-	7.8	7.8	7.8	7.8	7.8	7.8	7.8
0		A$m	-	-	-	-	-	-	-	-	-	-
CHPP washing (variable costs)		A$m	270	-	-	9.0	9.0	9.0	9.0	9.0	9.0	9.0
CHP (variable costs)		A$m	-	-	-	-	-	-	-	-	-	-
Site Admin (fixed costs)		A$m	420	-	-	14.0	14.0	14.0	14.0	14.0	14.0	14.0
Contractor admin (fixed costs)		A$m	-	-	-	-	-	-	-	-	-	-
Rail and road haulage		A$m	799	-	-	26.6	26.6	26.6	26.6	26.6	26.6	26.6
Port		A$m	320	-	-	10.7	10.7	10.7	10.7	10.7	10.7	10.7
Demurrage		A$m	25	-	-	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Marketing		A$m	47	-	-	1.6	1.6	1.6	1.6	1.6	1.6	1.6
Levies		A$m	14	-	-	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Royalty deductions		A$m	360	-	-	10.1	10.1	10.1	10.2	10.3	10.5	10.6
Carbon tax		A$m	-	-	-	-	-	-	-	-	-	-
EBITDA		**A$m**	**1,018**	-	-	**28**	**29**	**30**	**33**	**37**	**38**	**40**
CapEx			168	-	-	167.9	-	-	-	-	-	-
Sustaining CapEx		A$m	90	-	-	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Total Capex						**167.9**	-	-	-	-	-	-
Total Explor & Closure costs		A$m	-	-	-	-	-	-	-	-	-	-
Before Tax Cash flow		**A$m**	**761**	-	-	**(143)**	**26**	**27**	**30**	**34**	**35**	**37**
Tax		A$m	**246**	-	-	8	5	6	7	8	8	9
After Tax Cash flow		**A$m**	**515**	-	-	**(151)**	**21**	**21**	**23**	**26**	**27**	**28**
Discounted Cash Flow	**Disc. Rate**		**NPV**									
Before Tax Discounted Cash flow	**10.0%**	A$m	**123**	-	-	(112.5)	18.6	17.5	17.8	18.5	17.1	16.7
After Tax Discounted Cash flow	**10.0%**	A$m	**58**	-	-	(119.2)	14.9	13.8	13.9	14.1	13.0	12.5

Year ending Valuation Date	2023 9.5	2024 10.5	2025 11.5	2026 12.5	2027 13.5	2028 14.5	2029 15.5	2030 16.5	2031 17.5	2032 18.5	2033 19.5	2034 20.5
Cash Flow (Real)												
Gross Revenue	155.5	155.5	155.5	155.5	155.5	155.5	155.5	155.5	155.5	155.5	155.5	155.5
Operating Costs	110.1	115.4	119.0	119.2	119.4	126.4	125.7	119.8	123.4	116.7	116.8	116.1
Waste Drill and Blast	3.2	4.2	4.8	4.8	4.8	6.1	5.9	4.8	5.4	4.2	4.2	4.0
Waste removal truck&shovel	14.0	18.2	21.0	21.0	21.0	26.6	25.9	21.0	23.8	18.2	18.2	17.5
OP Coal mining	11.2	11.2	11.2	11.2	11.2	11.2	11.2	11.2	11.2	11.2	11.2	11.2
Capital Charge	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8
0	-	-	-	-	-	-	-	-	-	-	-	-
CHPP washing (variable costs)	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0
CHP (variable costs)	-	-	-	-	-	-	-	-	-	-	-	-
Site Admin (fixed costs)	14.0	14.0	14.0	14.0	14.0	14.0	14.0	14.0	14.0	14.0	14.0	14.0
Contractor admin (fixed costs)	-	-	-	-	-	-	-	-	-	-	-	-
Rail and road haulage	26.6	26.6	26.6	26.6	26.6	26.6	26.6	26.6	26.6	26.6	26.6	26.6
Port	10.7	10.7	10.7	10.7	10.7	10.7	10.7	10.7	10.7	10.7	10.7	10.7
Demurrage	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Marketing	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6
Levies	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Royalty deductions	10.8	11.0	11.1	11.3	11.4	11.6	11.7	11.9	12.0	12.2	12.3	12.4
Carbon tax	-	-	-	-	-	-	-	-	-	-	-	-
EBITDA	**45**	**40**	**36**	**36**	**36**	**29**	**30**	**36**	**32**	**39**	**39**	**39**
CapEx	-	-	-	-	-	-	-	-	-	-	-	-
Sustaining CapEx	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Total Capex	-	-	-	-	-	-	-	-	-	-	-	-
Total Explor & Closure costs	-	-	-	-	-	-	-	-	-	-	-	-
Before Tax Cash flow	**42**	**37**	**33**	**33**	**33**	**26**	**27**	**33**	**29**	**36**	**36**	**36**
Tax	11	10	9	9	9	7	7	9	8	10	10	10
After Tax Cash flow	**31**	**28**	**25**	**25**	**24**	**19**	**20**	**24**	**21**	**26**	**26**	**26**
Discounted Cash Flow												
Before Tax Discounted Cash flow	17.2	13.6	11.2	10.1	9.2	6.6	6.1	6.8	5.5	6.2	5.6	5.2
After Tax Discounted Cash flow	12.7	10.1	8.3	7.5	6.7	4.9	4.5	4.9	4.0	4.4	4.0	3.7

Year ending Valuation Date	2035 21.5	2036 22.5	2037 23.5	2038 24.5	2039 25.5	2040 26.5	2041 27.5	2042 28.5	2043 29.5	2044 30.5	2045 31.5
Cash Flow (Real)											
Gross Revenue	155.5	155.5	155.5	155.5	155.5	155.5	155.5	155.5	155.5	155.5	155.5
Operating Costs	116.2	116.4	129.5	129.6	130.7	125.7	125.9	127.0	121.1	126.5	118.0
Waste Drill and Blast	4.0	4.0	6.4	6.4	6.6	5.6	5.6	5.8	4.6	5.6	4.0
Waste removal truck&shovel	17.5	17.5	28.0	28.0	28.7	24.5	24.5	25.2	20.3	24.5	17.5
OP Coal mining	11.2	11.2	11.2	11.2	11.2	11.2	11.2	11.2	11.2	11.2	11.2
Capital Charge	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8
0	-	-	-	-	-	-	-	-	-	-	-
CHPP washing (variable costs)	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0
CHP (variable costs)	-	-	-	-	-	-	-	-	-	-	-
Site Admin (fixed costs)	14.0	14.0	14.0	14.0	14.0	14.0	14.0	14.0	14.0	14.0	14.0
Contractor admin (fixed costs)	-	-	-	-	-	-	-	-	-	-	-
Rail and road haulage	26.6	26.6	26.6	26.6	26.6	26.6	26.6	26.6	26.6	26.6	26.6
Port	10.7	10.7	10.7	10.7	10.7	10.7	10.7	10.7	10.7	10.7	10.7
Demurrage	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Marketing	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6
Levies	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Royalty deductions	12.6	12.8	12.9	13.1	13.3	13.5	13.7	13.9	14.0	14.2	14.4
Carbon tax	-	-	-	-	-	-	-	-	-	-	-
EBITDA	**39**	**39**	**26**	**26**	**25**	**30**	**30**	**29**	**34**	**29**	**38**
CapEx	-	-	-	-	-	-	-	-	-	-	-
Sustaining CapEx	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Total Capex	-	-	-	-	-	-	-	-	-	-	-
Total Explor & Closure costs	-	-	-	-	-	-	-	-	-	-	-
Before Tax Cash flow	**36**	**36**	**23**	**23**	**22**	**27**	**27**	**26**	**31**	**26**	**35**
Tax	10	10	6	6	6	8	8	7	9	8	7
After Tax Cash flow	**26**	**26**	**17**	**16**	**16**	**19**	**19**	**18**	**22**	**18**	**28**
Discounted Cash Flow											
Before Tax Discounted Cash flow	4.7	4.2	2.5	2.2	1.9	2.1	1.9	1.7	1.9	1.4	1.7
After Tax Discounted Cash flow	3.3	3.0	1.8	1.6	1.4	1.5	1.4	1.2	1.3	1.0	1.4

Appendix C:
Comparable market transaction

Comparable market transactions of early-stage exploration tenements

Date	Coal Basin	Project	Buyer	Seller	Assets Transacted
May-09	Surat/Bowen	Bundaberg JV	Tiaro Coal Ltd	Bundaberg Coal Ltd and Hudson Investment Group Ltd	The 954 km^2 Bundaberg project is located in south eastern Queensland, Australia. The project was comprised of two tenements, one in the south eastern portion of the Bowen Basin and the other in the Surat Basin. Tiaro Coal Ltd reported that the Bowen Basin tenement is prospective for PCI and potentially coking coal; and is located adjacent to Cockatoo Coal Ltd's Baralaba coal mine. It was also reported that the Surat Basin tenement is prospective for thermal coal and contained the down dip extensions of the Two Up, Taroom and Orazabah coal deposits.
Sep-09	Bowen, Surat, Moreton and Laura Basins	Mineral & Coal Invest	Gullewa Ltd	Mineral & Coal Investments Ltd	Gullewa purchased 80% of Mineral & Coal Investments Ltd for 6,849,315 Gallewa shares. The principal asset includes a 2,243 km2 tenement holding. Gullewa Ltd reported that the tenements were prospective for hosting thermal, coking and PCI coal both near surface and at depth.
Sep-09	Surat/Clarence - Moreton	Comet	Stanmore	Comet Coal and Coke	Stanmore purchase coal tenements from Comet for a consideration of AUD4.65 M either as cash or shares. AUD3.15 M, excluding contingency of defining 40 Mt Resource
Apr-10	Clarence-Moreton, Surat and Galilee Basin	Pacific Environmin	Blackwood Resources Pty Ltd	Pacific Enviromin Ltd	The ~1,290 km2 EPC1979, 1955, 1987 and 1957 tenement area is located in the Surat, Clarence-Moreton and Galilee basin of Queensland, Australia. Blackwood paid Pacific Enviromin Ltd AUD500,000 upfront and a further AUD125,000 upon the granting of the EPC's and is responsible for the minimum spend on exploration.
Jun-10	Bowen	Newlands	Newland Resources Ltd	Undisclosed vendor	The 1,900 km^2 Jack Creek, Spring Creek, Cullin La Ringo and Emerald East projects are located in the southern half of the Bowen Basin in central Queensland, Australia. Two of the projects were known to be proximal to existing coking and thermal coal mining operations.
May-11	Eromango, Galilee, Hillsborough	Proserpine/Isisford/ Quilpie	Wavenet	JD Minerals Pty Ltd	Coal tenement applications purchased included EPC2529 (Proserpine), EPC2530(Isisford), EPC2525 and EPC2526 (Quilpie).
May-11	Surat	Gayndah	Wavenet	Eastern Coal	EPC2044 is in the Gayndah district of Queensland in the Surat Basin. This acquisition increases the tenure held by Wavenet in the area by 36% to 2,091.6 k m^2. Five water boreholes drilled by the Geological Survey of Queensland intersected coal seams in the Gaydah Beds.
Jun-11	Galilee	Blackall tenements	NSL Consolidated Ltd	Undisclosed vendor	The 2,585 km2 EPCA's 2198, 2336, 2337 and 2338 project area is located about 80 km southwest of Blackall in Queensland, Australia. The project area was proximal to rail infrastructure and included an exploration target of 583.8 Mt thermal coal.
Jun-11	Eromanga	NSL Cons	NSL Consolidated Ltd	Undisclosed vendor	The 2,585 km2 EPCA's 2198, 2336, 2337 and 2338 project area is located about 80 km southwest of Blackall in Queensland, Australia. The project area was proximal to rail infrastructure and included an exploration target of 583.8 Mt thermal coal.
Jul-11	Galilee, Surat/Clarence - Moreton	Scorpion	Blackwood Coal Pty Ltd	Scorpion Energy	Blackwood Coal Pty Limited (Blackwood) acquired 100% of Queensland-based coal exploration company, Scorpion Energy Pty Limited (Scorpion). Scorpion holds 5 exploration permits for coal in Queensland covering a total of 1,630 km^2. Total consideration for the acquisition is: AUD850,000 cash, AUD850,000 worth of Blackwood Shares based at AUD0.50 per Blackwood Share, AUD1,550,000 worth of Performance Shares based on the independent reporting of a 40 Mt inferred resource in accordance with JORC Code for the Amberley Project.
Nov-11	Bowen	Liberty	Blackwood Coal Pty Ltd	Liberty Resources	Liberty Resources sold its EPC1738 and EPCA1891 to Blackwood Coal Pty Ltd for AUD2.2 M. AUD1 M cash plus AUD1.2 M worth of shares in Blackwood.
Feb-12	Surat	MPG Surat	Mining Project Group	New Coal Energy Pty Ltd	EPC1992 application was purchased for cash and shares in Mining Project Group. The Permit in sits adjacent to Coalbank Limited's Central Project which is targeting Walloon coal measures in the Western Surat Basin.
Feb-12	Tarong	MPG Tarong	Mining Project Group	Delcarmen Energy Limited	Delcarmen's applications for EPC2527 & EPC2528 are situated north and east of Kingaroy, approximately 170 km west of Brisbane. The tenements combined area covers 1,030 km2 with existing rail infrastructure running through the tenements and are prospective for thermal coal.
Apr-12	Bowen	Anakei Inlier	Queensland Coal Investments	Tiaro Coal Ltd	Queensland Coal Investments entered into a farm-in agreement with Tiaro Coal Ltd over EPC1262 located in the Anakie Inlier. The Permit occurs between the large Permian aged Bowen and Galilee Basins. The tenement is situated 30 km from Blair Athol mine.
Jun-12	Maryborough	Bunderberg	Queensland Coal Investments	International Coal Ltd	Queensland Coal Investments entered into a farm-in agreement with International Coals EPCs and applications 2194, 2195, 2196 & 2631 (418 sub-blocks or 1,297 km^2) that are highly prospective for hard coking coal. The tenements are located 45 km to the north of the proposed New Hope Energy Colton Mine.
Jun-12	Bowen	ACN Mining	RDB Coal	ACN Mining	RDB Coal entered into a sales agreement to purchase CAN Mining's exploration permits and applications. The tenements cover a total area of 583 km^2 west of Emerald in Queensland.
Aug-12	Surat	Subiaco	Legacy Iron	Subiaco Capital Pty Ltd	Legacy Iron purchased 2 tenements (EPC2303 and EPC2304) from Subiaco Capital Pty Ltd. The Permits are expected to have an Exploration Target of between 130-580 Mt.
Oct-12	Galilee, Bowen & Stax	Currawong Tenements	Fox Resources	Currawong Coal Pty Ltd	Acquired 16 coal exploration permits (3304 sub-blocks), and one EPC under application, in the Styx, Bowen, Maryborough and Galilee basins.
Dec-12	Surat	Velarium	Legacy Iron	Velarium Holding Pty Ltd	Legacy Iron purchase EPC2850 from Velarium Holdings.
Feb-13	Galilee	Snake Creek JV	Queensland Coal Investments	Cuesta Coal	Cuesta entered into an farm-in-agreement with QCI that is able to earn up to 51% interest in two stage through the expenditure of $3 M.
Mar-13	Clarence-Moreton	APEC	Omnitech Holdings Ltd	Profit Achieve Holdings Ltd	Omnitech purchased APEC from Profit Achieve Holdings via a share sale agreement for $300,000. APEC hold two exploration licenses, EPC1506 and EPC1539, in the Clarence-Moreton Basin covering a total area of 500 km2 (454 km2 and 45.5 km2 respectively).
May-13	Eromanga	Indalia Coal	East Energy Resources	Camvill Pty Ltd	EER has acquired Idalia from Camvill Pty Ltd (a wholly owned subsidiary of the Noble Group Limited) and Majicyl Pty Ltd (a company associated with the Basso-Brusa family) in consideration for $38,006,325 via the issue of fully paid ordinary shares in the capital of EER at 20 cents per EER share.
Nov-13	Bowen	CMR	AFS Group Ltd	Civil & Mining Resources Pty Ltd	AFS Group purchased 68% of Civil & Mining for AUD1.08 M
Nov-13	Bowen River/Styx	Bowen River/Carmilla	Mozambi Coal Ltd	Rio Tinto Exploration	Mozambi purchased 100% of EPC1768 and EPC2098 from Rio Tinto for AUD380 k including transaction fees.

Comparable market transactions of advance-stage exploration tenements

Date	Coal Basin	Project	Buyer	Seller	Assets Transacted
Sep-09	Bowen	Bandanna	Samtan	Bandanna	
Oct-09	Gunnedah	Vickery	Whitehaven	Coal &Allied	The 3.45 km2 Vickery project is located in the Gunnedah region of New South Wales, Australia. The project contained a Measured Resource of 100 Mt and 200 Mt of coal ranging in quality from low-ash, high energy thermal to high-volatile soft coking coals. The known coal seams may be amenable to both open-pit and underground mining methods.
Nov-09	Gunnedah	Maules Creek	Aston	Coal &Allied	The Maules Creek project is located in the Gunnedah Basin of New South Wales, Australia. The project contains a near-surface, thermal and coking Measured Resource of 56.7 Mt, Indicated Resource of 218.0 Mt and an Inferred Resource of 123.1 Mt. Little additional information was identified at the time of announcement.
Dec-09	Bowen	Middlemount/Macarthur	Macarthur	Noble	The Middlemount project is located approximately 6 km southwest of the Middlemount township in central Queensland and the Donaldson project is located about 25 km from Newcastle in New South Wales, Australia. The Middlemount low volatile PCI and semi-hard coking coal open pit mining project contained a Proven Reserve of 29.0 Mt and a Probable Reserve of 28.0 Mt contained within a Measured Resource of 30.6 Mt and an Indicated Resource of 37.8 Mt. The Middlemount project also contained an Inferred Resource of 31.7 Mt. The Donaldson underground mine contained an aggregate Proven Reserve of 95.4 Mt and a Probable Reserve of 57.1 Mt contained within a Measured Resource of 545.5 Mt and an Indicated Resource of 217.5 Mt. The Donaldson project also contained an Inferred Resource of 122.4 Mt.
Jun-10	Bowen	Belvedere (AMCI)	Vale	AMCI	
Jul-10	Hunter Valley	Bylong, Sutton Forest and others	Korea, POSCO and Cockatoo	Anglo Coal	The Bylong and Sutton Forest underground projects are located in New South Wales; and the Collingwood, Ownaview and Taroom open pit projects are located in Queensland, Australia. In the Cockatoo Coal Ltd statement it was reported that the Bylong project contained an Indicated Resource of 150 Mt and an Inferred Resource of 273 Mt; the Sutton Forest project an Indicated Resource of 115 Mt; the Collingwood project an Indicated Resource of 65 Mt and an Inferred Resource of 172 Mt; the Taroom project an Measured Resource of 36 Mt, an Indicated Resource of 89 Mt and an Inferred Resource of 73 Mt; and the Ownaview an Inferred Resource of 171 Mt. The Cockatoo Coal Ltd estimates are used in this valuation calculation.
Aug-10	Bowen	MDL162	Macarthur	MCG Resources	MDL162 is mining tenement located in the Bowen Basin near the town of Blackwater in Central QLD. It has the potential to produce semi hard coking coal and PCI from an open pit mine producing up to 6 Mtpa ROM.
Aug-10	Galilee	Carmichael	Adani Enterprises Ltd	Linc Energy Limited	The ~260 km^2 EPC1690 is located about 160 km northwest of Clermont in the Galilee Basin of Queensland, Australia. The project contained an Indicated Resource of 500 Mt and an Inferred Resource of 7,300 Mt. Of the define Resources, only about 300 Mt was within 100 m below surface. Across the deposit, raw energy values ranged from 17 Mj/Kg to 23 Mj/kg and sulphur ranged from 0.38% to 0.51%%. Linc Energy Ltd reported that if brought into full production, the project may support a 60 Mtpa operation.
Aug-10	Galilee	Carmichael (incl royalty)	Adani Enterprises Ltd	Linc Energy Limited	The ~260 km2 EPC1690 is located about 160 km northwest of Clermont in the Galilee Basin of Queensland, Australia. The project contained an Indicated Resource of 500 Mt and an Inferred Resource of 7,300 Mt. Of the define Resources, only about 300 Mt was within 100 m below surface. Across the deposit, raw energy values ranged from 17 Mj/Kg to 23 Mj/kg and sulphur ranged from 0.38% to 0.51%%. Linc Energy Ltd reported that if brought into full production, the project may support a 60 Mtpa operation.
Aug-10	Gloucester	Middlemount/Gloucester	Gloucester	Noble	The Middlemount project is located approximately 6 km southwest of the Middlemount township in central Queensland, Australia. The Middlemount low volatile PCI and semi-hard coking coal open pit mining project contained a Proven Reserve of 29.0 Mt and a Probable Reserve of 28.0 Mt contained within a Measured Resource of 30.6 Mt and an Indicated Resource of 37.8 Mt. The Middlemount project also contained an Inferred Resource of 31.7 Mt.
Dec-10	Gunnedah	Maules Creek selldown (Dec'10)	Itochu	Aston	
Dec-10	Bowen	Sienna and Electra	Boardwalk	Norton Gold	The ~96 km^2 Sienna and Electra projects are located near Middlemount in central Queensland, Australia. The open pit scoping study project contained an Inferred Resource of 57 Mt of thermal, coking and PCI coal.
Feb-11	Bowen, Surat	Northern Energy	New Hope	Northern Energy	Northern's two main prospective projects are the Maryborough coking coal project and Elimatta thermal coal project, both in Queensland, which analysts believe could require $600 M-plus of Capex against the company's $20 M-odd of cash.
May-11	Gloucester	Monash	Gloucester	Ellemby Holdings	The 22 km2 Monash project is located approximately 95 km north west of Newcastle, New South Wales Australia. The project contained an Indicated Resource of 13.0 Mt and an Inferred Resource of 273.7 Mt of 58% semisoft coking and 42% thermal coal, and is expected to be of large scale underground mining with production of up to 7 Mt per annum. The project is adjacent to Xstrata Plc's Bulga and Bentana coal mines.
May-11	Gloucester	Donaldson, Tasman and Abel	Gloucester	Noble	The Donaldson, Abel and Tasman project are located about 25 km west of Newcastle in New South Wales, Australia. The Donaldson open pit thermal coal mine contained a Proved and Probable Ore Reserve of 2.5 Mt. The Tasman underground thermal coal mine contained a Proved and Probable Reserve of 25.7 Mt within a Measured Resource of 48.9 Mt, an Indicated Resource of 20.7 Mt and an Inferred Resource of 12.0 Mt. The Tasman project also contained an extension including a Proved and Probable Reserve of 9.63 Mt within a Measured Resource of 79.8 Mt, an Indicated Resource of 56.63 Mt and an Inferred Resource of 37.6 Mt. The Abel underground thermal and semi-soft coking coal mine contained a Proved and Probable Resource of 62.2 Mt contained within a Measured Resource of 288.1 Mt, an Indicated Resource of 63.3 Mt and an Inferred Resource of 3.3 Mt. The Abel extension project contained an Proved and Probable Resource of 128.7 Mt, an Indicated Resource of 77.2 Mt and an Inferred Resource of 69.4 Mt.
May-11	Clarence-Moreton	Ebenezer	Overseas and General	Zedemar Holdings	The 98 km^2 Ebenezer project is located approximately 80 km west of Brisbane in Queensland, Australia. The historical thermal coal mining project was known to contain coal that averaged in quality 13.5 % ash, 4.5% moisture, specific energy of 6,700 kcal/kg and contains 0.48% S. The former mine operated between 1988 and 2003 during which 20.5 Mt of thermal coal was exploited for domestic and export markets.
May-11		Linton	Mai-Liao Power Corp	New Hope	
Jul-11		Woori	Mitsui	Cockatoo	Woori has MDL187, MLA50247, MLA50248 with an Resource of 84.3 Mt
Oct-11	Gunnedah	Maules Creek sell down (Dec'11)	J-Power	Aston	Aston entered into a conditional sales agreement with J-Power Australia Pty Ltd (subsidiary of Electric Power Development Co., Ltd.) for the sale of a 10% stake in the Maules Creek project.
Jun-12	Bundaberg	Bundaberg	Hancock Prospecting Pty Ltd	International Coal Ltd	Hancock acquired a 51% interest in Bundaberg Project from International Coal Ltd.
Aug-12		Tiaro West	Tiaro Coal Limited	Dynasty Metals Australia Ltd	Tiaro Coal Limited, through its subsidiary, Tiaro Energy Corporation Pty Limited, acquired Dynasty Metals Australia Ltd's remaining interest in EPCs 956 and 957
Aug-12		Doyal Creek	Mitsui Matsushima Co. Ltd.	Nucoal Resources Limited	Mitsui Matsushima International Pty Ltd. has the right to earn up to a 10% equity in the Doyle Creek Project by spending up to AUD40 M.
Dec-12	Bowen	Orion	Cuesta Coal Limited	Hannigan & Associates Pty Ltd	EPCs 775 and 776 (Orion project) is located 14 km northwest of Blair Athol adjacent to Cuesta's Moorlands project. The Orion and Moorlands projects both contain Blair Athol coal measures.

Date	Coal Basin	Project	Buyer	Seller	Assets Transacted
Dec-12	Bowen	Belvedere (Aquila)	Vale S.A.	Aquila Resources Limited	Vale S.A. has entered into agreements to complete a purchase option by which it will acquire the remaining 24.5% interest of Aquila Resources Limited in the Belvedere Project. The purchase price of AU150 M is equivalent to the fair market value recently determined by a third party expert.
Dec-12	Bowen, Surat, Galilee	Cuesta equity to Beijing	Beijing Guoli	Cuesta Coal Limited	Cuesta Coal has assembled a diversified portfolio of thermal, PCI and coking coal exploration prospects within Queensland's Bowen, Surat and Galilee coal basins covering an area of approximately 11,000 km^2. Project range from early to advance stage exploration with no defined Resource at this stage.
Feb-13	Bowen, Surat, Galilee	Cuesta equity to Beijing	Beijing Guoli	Cuesta Coal Limited	On 22 February Cuesta announced it had executed a Share Placement Agreement to raise a further $12 million by issuing 66,666,667 new ordinary shares at A$0.18 per share to Beijing Guoli. This brings Beijing Guoli share up to 45.3% from 34%
May-13	Southern Coalfield	Hume	POSCO	Cockatoo	In May 2013 - Cockatoo Coal Limited has agreed to sell its 30% interest in Hume Coal Pty Limited to POSCO Australia Pty Limited for $9.74 M of cash and the cancellation of 134.8 M Cockatoo shares held by POSCO, subject to necessary shareholder, regulatory and other approvals, as well as, a positive opinion from an independent expert. The implied sale price of $16.1 M represents over 30% of the current market capitalisation of Cockatoo. The proposed sale expected to be implemented by August 2013, subject to satisfaction of all conditions. 14/Aug/2013 - The Hume sale transaction was completed.
Nov-13	Bowen, Surat, Galilee	Cuesta equity to Hanford	Hanford Holdings	Cuesta Coal Limited	Cuesat sold 14% of the company pursuant to the Share Subscription Agreement (SSA). Tranche 1 of the placement is the issue of 50,000,000 fully paid ordinary shares at $0.11 per share to Hanford to raise $5.5 M. Settlement of Tranche 2 is expected to take place on the 30th of November 2013 or when Hanford receives FIRB approval. A further 25,000,000 fully paid ordinary share are to be issued at $0.116 to raise $2.9 M.
Jan-14	Bowen	Pisces (MDL162)	Wesfarmers	Peabody	MacAurther Coal first acquired 90% of MDL162 in 24/Aug/2010 for AUD360 M. In Jan 2014, Wesfarmers' Resources division agreed to acquire Mineral Development Licence 162 (MDL 162) from Peabody Energy Budjero Pty Lt for AUD70 million cash

Appendix D: Geoscientific rating valuation of Cuesta tenements

	Project	Properties 100% basis	BAC (AUD/km²)	Off Property Factors	On Property Factors	Quality Factors	Anomaly Factors	Geological Factors	Local Factors	Technical Value (AUD/km²)	Area of EL (km²)	Technical Value (AUD '000)	Application	Market	FMV (AUD '000)
Low	E.Galilee	EPCA1983	450	0.8	0.6	0.7	0.4	0.5	0.8	24	299.00	7	1.0	0.6	4
High			450	1.0	0.8	0.9	0.6	0.7	1.0	136	299.00	41	1.0	0.6	24
Preferred			450	0.9	0.7	0.8	0.5	0.6	0.9	61	299.00	18	1.0	0.6	11
Low		EPC1957	450	0.8	0.9	0.7	0.9	0.7	0.6	86	382.00	33	1.0	0.6	20
High			450	1.0	1.1	0.9	1.1	0.9	0.8	353	382.00	135	1.0	0.6	81
Preferred			450	0.9	1.0	0.8	1.0	0.8	0.7	181	382.00	69	1.0	0.6	42
Low		EPC2079	450	0.8	0.6	0.7	0.4	0.6	0.5	18	471.00	9	1.0	0.6	5
High			450	1.0	0.8	0.9	0.6	0.8	0.7	109	471.00	51	1.0	0.6	31
Preferred			450	0.9	0.7	0.8	0.5	0.7	0.6	48	471.00	22	1.0	0.6	13
Low		EPC2080	450	0.8	0.6	0.7	0.4	0.6	0.5	18	557.00	10	1.0	0.6	6
High			450	1.0	0.8	0.9	0.6	0.8	0.7	109	557.00	61	1.0	0.6	36
Preferred			450	0.9	0.7	0.8	0.5	0.7	0.6	48	557.00	27	1.0	0.6	16
Low		EPC2688	450	0.7	0.6	0.7	0.5	0.5	0.6	20	963.00	19	1.0	0.6	11
High			450	0.9	0.8	0.9	0.7	0.7	0.8	114	963.00	110	1.0	0.6	66
Preferred			450	0.8	0.7	0.8	0.6	0.6	0.7	51	963.00	49	1.0	0.6	29
Low		EPCA2689	450	0.7	0.6	0.7	0.5	0.5	0.6	20	779.00	15	0.8	0.6	7
High			450	0.9	0.8	0.9	0.7	0.7	0.8	114	779.00	89	0.8	0.6	43
Preferred			450	0.8	0.7	0.8	0.6	0.6	0.7	51	779.00	40	0.8	0.6	19
Low		EPCA2347	450	0.6	0.5	0.7	0.5	0.5	0.5	12	125.00	1	0.8	0.6	1
High			450	0.8	0.7	0.9	0.7	0.7	0.7	78	125.00	10	0.8	0.6	5
Preferred			450	0.7	0.6	0.8	0.6	0.6	0.6	33	125.00	4	0.8	0.6	2
Low	W Emerald	EPC1821	450	1.8	0.7	0.9	0.6	0.5	0.8	122	56.52	7	1.0	0.6	4
High			450	2.2	0.9	1.1	0.8	0.7	1.0	549	56.52	31	1.0	0.6	19
Preferred			450	2.0	0.8	1.0	0.7	0.6	0.9	272	56.52	15	1.0	0.6	9
Low		EPC1977	450	1.8	0.7	0.9	0.6	0.5	0.8	122	18.84	2	1.0	0.6	1
High			450	2.2	0.9	1.1	0.8	0.7	1.0	549	18.84	10	1.0	0.6	6
Preferred			450	2.0	0.8	1.0	0.7	0.6	0.9	272	18.84	5	1.0	0.6	3
Low		EPC2323	450	1.5	0.7	0.8	0.6	0.5	0.8	91	12.56	1	1.0	0.6	1
High			450	2.0	0.9	1.0	0.8	0.7	1.0	454	12.56	6	1.0	0.6	3
Preferred			450	1.8	0.8	0.9	0.7	0.6	0.9	214	12.56	3	1.0	0.6	2
Low		EPC1825	450	1.5	0.8	0.8	0.8	0.5	0.8	138	185.26	26	1.0	0.6	15
High			450	2.0	1.0	1.0	1.0	0.7	1.0	630	185.26	117	1.0	0.6	70
Preferred			450	1.8	0.9	0.9	0.9	0.6	0.9	310	185.26	57	1.0	0.6	34
Low		EPC1826	450	1.5	0.7	0.8	0.6	0.5	0.8	91	75.36	7	1.0	0.6	4
High			450	2.0	0.9	1.0	0.8	0.7	1.0	454	75.36	34	1.0	0.6	21
Preferred			450	1.8	0.8	0.9	0.7	0.6	0.9	214	75.36	16	1.0	0.6	10
Low		EPC1868	450	1.5	0.7	0.8	0.6	0.7	0.8	127	37.68	5	1.0	0.6	3
High			450	2.0	0.9	1.0	0.8	0.9	1.0	583	37.68	22	1.0	0.6	13
Preferred			450	1.8	0.8	0.9	0.7	0.8	0.9	286	37.68	11	1.0	0.6	6

Project	Properties 100% basis	BAC (AUD/km^2)	Off Property Factors	On Property Factors	Quality Factors	Anomaly Factors	Geological Factors	Local Factors	Technical Value (AUD/km^2)	Area of EL (km^2)	Technical Value (AUD '000)	Application	Market	FMV (AUD '000)
Low	EPC2093	450	1.5	0.9	0.8	0.9	0.8	0.8	280	75.36	21	1.0	0.6	13
High		450	2.0	1.1	1.0	1.1	1.0	1.0	1,089	75.36	82	1.0	0.6	49
Preferred		450	1.8	1.0	0.9	1.0	0.9	0.9	574	75.36	43	1.0	0.6	26

ANNEXURE B

PRO-FORMA FINANCIAL STATEMENTS
showing impact of the Placement on the Company

$'000	As at 30 April 2014 (Unaudited)	Capital Raised	Convertible Notes	Transaction Costs	Proforma Balance Sheet
Current assets					
Cash and cash equivalents	2,776	15,000	(5,122)	(120)	12,534
Trade and other receivables	488	-			488
Other current assets	96	-			96
Total current assets	3,360	15,000	(5,122)	(120)	13,118
Non current assets					
Plant and equipment	224	-	-	-	224
Exploration and evaluation expenditure	55,257	-	345	-	55,602
Total non current assets	55,480	-	345	-	55,826
Total assets	58,840	15,000	(4,777)	(120)	68,944
Current liabilities					
Trade and other payables	576				576
Borrowings	5,394		(5,394)		-
Total current liabilities	5,970	-	(5,394)	-	576
Total liabilities	5,970	-	(5,394)	-	576
Net assets	52,870	15,000	617	(120)	68,368
Equity					
Issued capital	63,483	15,000	-	(120)	78,363
Reserves	3,121	-	-	-	3,121
Accumulated losses	(13,734)	-	617	-	(13,117)
Total equity	52,870	15,000	617	(120)	68,367

Source: Management Accounts for the 10 months ended 30 April 2014

Cuesta Coal Limited
ACN 153 351 994

Lodge your vote:

By Mail:
Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:
(within Australia) 1300 850 505
(outside Australia) +61 3 9415 4000

Voting Form

For your vote to be effective it must be received by 11:00am Wednesday 6 August 2014

How to Vote on Items of Business
All your securities will be voted in accordance with your directions.

Vote Directly
Voting 100% of your holding: Mark either the For, Against or Abstain box opposite each item of business. Your vote will be invalid on an item if you do not mark any box OR you mark more than one box for that item.
Voting a portion of your holding: Indicate a portion of your voting rights by inserting the number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement.

Appoint a Proxy to Vote on Your Behalf
Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote as they choose. If you mark more than one box on an item your vote will be invalid on that item.
Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.
Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions
Individual: Where the holding is in one name, the securityholder must sign.
Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.
Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.
Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting
Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate “Certificate of Appointment of Corporate Representative” prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

Turn over to complete the form →

View your securityholder information, 24 hours a day, 7 days a week:

www.investorcentre.com

☑ **Review your securityholding**

☑ **Update your securityholding**

Your secure access information is:

SRN/HIN:

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.

Proxy Form

Please mark [X] to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

I/We being a member/s of Cuesta Coal Limited hereby appoint

the Chairman of the meeting **OR**

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the General Meeting of Cuesta Coal Limited to be held at the offices of Thomson Geer, Level 25, 1 O'Connell Street, Sydney NSW on Friday, 8 August 2014 at 11.00am (AEST), and at any adjournment of that meeting.

STEP 2 Items of Business

PLEASE NOTE: If you mark the **Abstain** box for the item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

		For	Against	Abstain
1	Approval of the Issue of Ordinary Shares			
2	Approval of the giving of a financial benefit			
3	Approval of the Issue of Ordinary Shares			

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1	Securityholder 2	Securityholder 3
Sole Director and Sole Company Secretary	Director	Director/Company Secretary

Contact Name ______________________ **Contact Daytime Telephone** ______________________ **Date** / /