

QUARTERLY ACTIVITIES REPORT

For the period ending 30 June 2014

HIGHLIGHTS

MOORLANDS PROJECT

- ✓ Cuesta remains focussed on the development of the Moorlands Project
- ✓ Quarterly Activities focused on Mining Lease Application and Definitive Feasibility Study

OTHER PROJECTS

- ✓ Desktop planning of future exploration programs at West Emerald and Montrose commenced

CORPORATE

- ✓ \$15m Placement Agreement executed with major shareholder Longluck Investment (Australia) on 19th May 2014
- ✓ Mr Sihua Meng appointed as an Alternative Non-Executive Director to Mr Ruoshui Wang on 6th May 2014
- ✓ Cash on hand \$2.0m at 30th June 2014

1. QUARTERLY OVERVIEW

Operational activities during the June 2014 quarter continued to focus on the Company's priority 100% owned Moorlands Project in the Western Bowen Basin of Queensland.

The Mining Lease and Environmental Authority Applications for Moorlands were progressed with documentation substantially completed during the quarter.

Initial planning and preparation work, including a Cultural Heritage Survey, was completed ahead of the 2014 drilling activities scheduled to commence in July 2014 at Moorlands. Work continued on the Maiden Reserve Estimate assessment for the Moorlands Project.

The Company continued to investigate infrastructure options principally for the Moorlands Project and is targeting to execute formal agreements in the coming months.

Corporately, the primary achievement during the quarter was the execution of a \$15m Share Subscription Agreement with major shareholder Longluck Investment (Australia) Pty Ltd a wholly owned subsidiary of Beijing Guoli Energy Investment Co (Beijing Guoli). As announced by the Company on 19th May 2014, the Placement funds will be applied to advancing the Moorlands DFS and for repayment of the Company's \$5m Convertible Note Liability associated with the Orion Coal Project acquisition in 2012 (EPCs 775 and 776 in the Moorlands Project).

Subsequent to end of the quarter, Longluck received the necessary Chinese Regulatory and FIRB approvals for the above Placement. The Placement is subject to Cuesta shareholder approval which will be sought at General Meeting to be held on 8 August 2014.

On 6th May, Cuesta announced the appointment of Mr. Sihua Meng of Beijing Guoli as an Alternative Non-Executive Director for Mr. Ruoshui Wang.

At the end of June 2014, Cuesta had cash and cash equivalents of \$2.0m.



Cuesta Geologist sampling coal at the proposed South Pit at Cuesta's Moorlands Project

2. MOORLANDS PROJECT DEVELOPMENT ACTIVITY REVIEW

EPCs 775, 776 and 1738 (CQC: 100%)

The Moorlands Project is an open cut thermal coal mine development in a historically low-cost mining region and is located 14km west of the operating Clermont and historic Blair Athol Coal Mine in the Western Bowen Basin, Queensland. The project resource has a coal bearing strike length of approximately 13km. Shallow coal is present in thick seams amenable to simple truck and shovel mining.

The Mine Scoping Study (completed and announced by the Company on 25 November 2013*) confirms the potential for a robust open cut export thermal coal project which will be driven by the following attributes:

- 1.9Mtpa ROM with a 30 year mine life defined in the South Pit
- Average FOB costs of \$63/t excluding royalties
- Average 89% yield
- Average LOM strip ratio of 3.2:1
- Depth to first coal in the extreme south of the Moorlands Deposit is approximately 30-40m from surface
- Primary coal seams consist of B4 averaging 6m, B8 averaging 10m and B9 averaging 4m. Secondary coal seams consist of B5 and B7, both averaging 1.5m-2m in thickness
- Several coal seams and individual coal plies will not require washing, enhancing project economics
- Well located to existing infrastructure (see Figure 1 below)
- Aiming for first coal production in 2016

*Pursuant to Listing Rule 5.19.2, Cuesta confirms that it is not aware of any new information or data that materially affects the information in the announcement released on 25 November 2013 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.

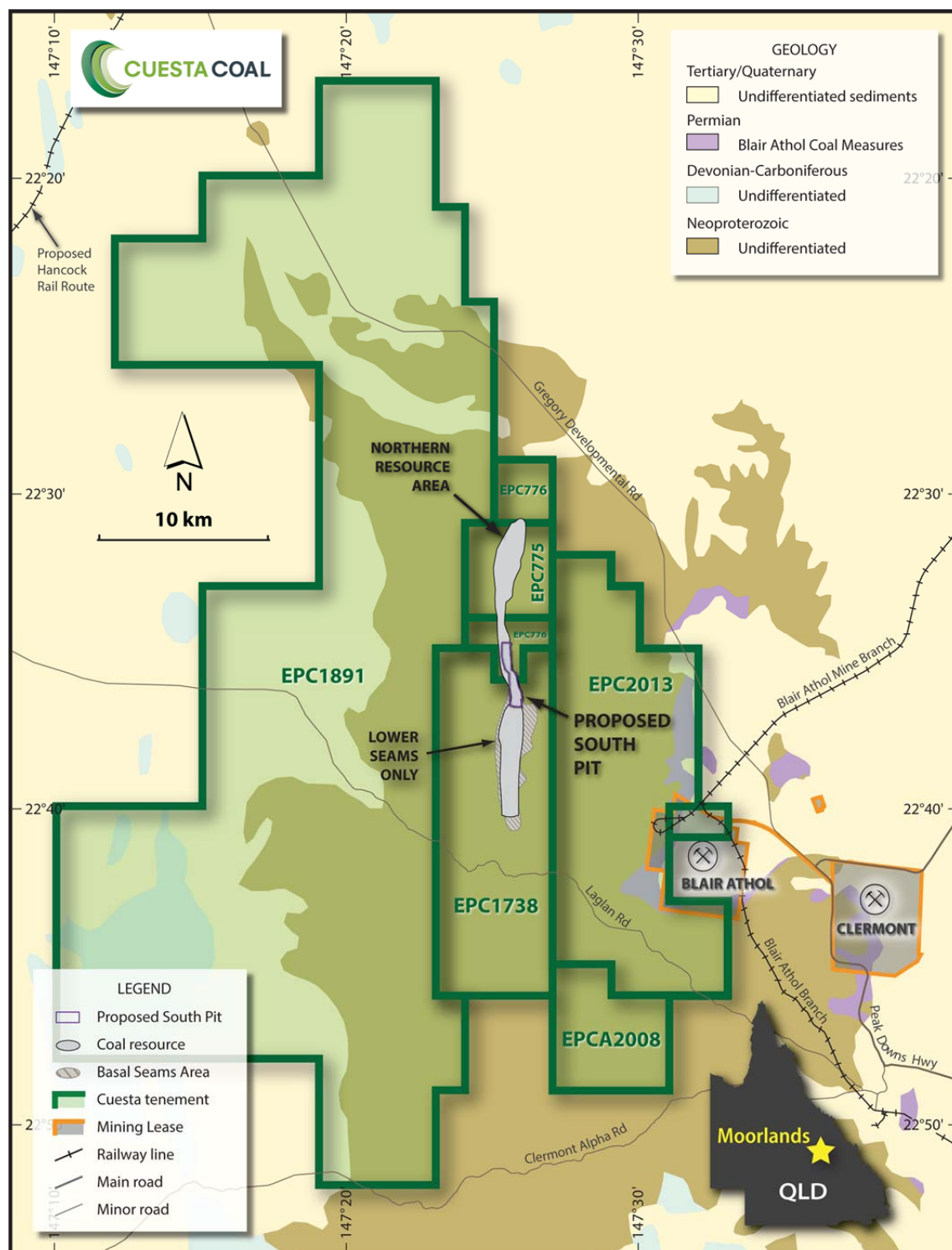


Figure 1: Map of the Moorlands Project in relation to the producing Clermont Coal mine and recently closed Blair Athol Coal Mine and associated rail lines

Quarterly Activities

During the quarter, the operational activities of the Company focussed on the following:

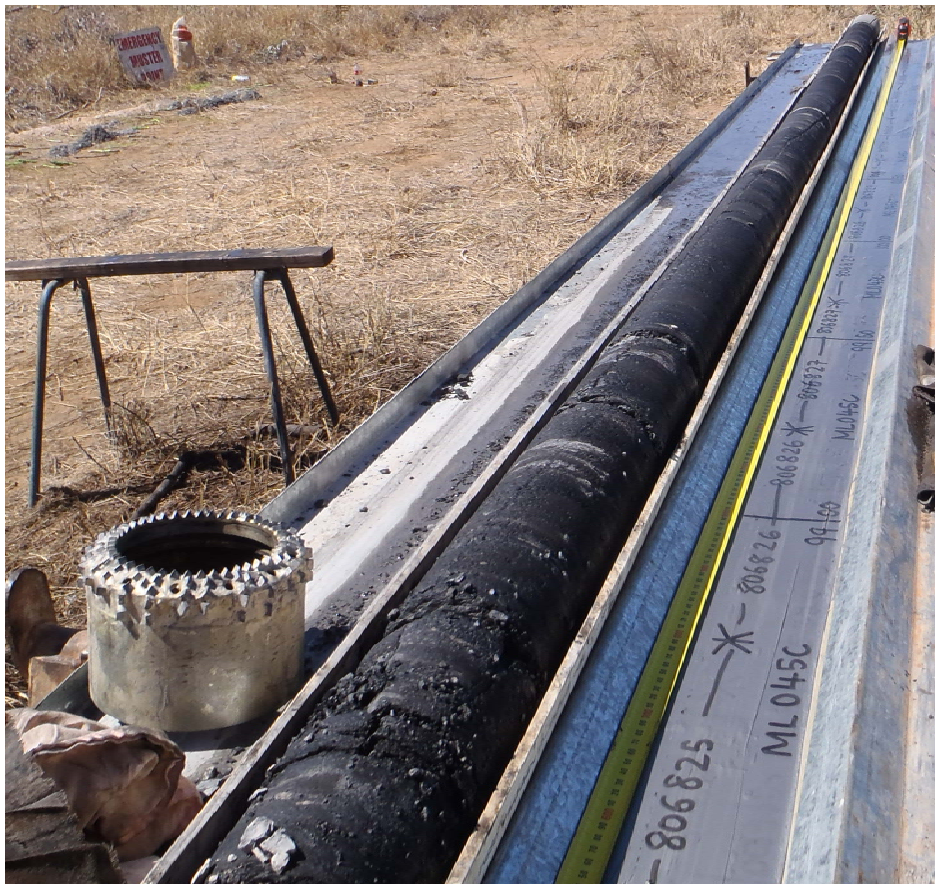
- Mining Lease and Environment Authority Applications
- Definitive Feasibility Study (DFS)
- Cultural Heritage Survey
- EA Amendments for the 2014 drilling activities

As announced on the 31 July 2014, Cuesta is planning to conduct ~6,500m of drilling at its Moorlands Project including geotechnical holes, large diameter coring and infill drilling as a key input to the detailed mine design and DFS.

In the lead up to commencing the drilling activities, a Cultural Heritage Survey was successfully completed with the Wangan & Jagalingou People. Additionally, EA amendments were lodged to enable drilling activities to occur on selected sites in the current quarter.

The information gathered from the drilling activities will be a key component in the successful delivery of the Moorlands DFS and will be the priority activities undertaken by the Company in the upcoming quarter. Activities to date in relation to the DFS have focussed on detailing the scope, key deliverables and critical path activities.

During the quarter Cuesta implemented a number of cost saving initiatives including the development and implementation of its own Tenure Management System and the appointment of an experienced Resource Geologist for internal management of Cuesta's robust 3D geological models and future reporting of JORC Resources and Reserves.



Moorlands: ML045C - located in the proposed south pit showing a section of the B8 seam

3. PIPELINE PROJECTS

Quarterly Activities

Cuesta focussed its activities associated with the pipeline projects on its West Emerald and Montrose Projects, both of these tenements could yield metallurgical coal through minimal expenditure.

The Company's activities during the quarter focussed on finalising the desktop study and selecting the drill sites for both of these projects. The selected drill sites were announced on 31 July 2014.

West Emerald

Cuesta has developed a small exploration program totalling 8 holes to determine a maiden resource for this project.

As part of the 8 hole exploration program, the Company will conduct 4 open holes, which will be utilised to further define and hopefully extend the known coal limits in the area. Importantly, 4 cored (4C) holes will be used to obtain coal quality information for a future resource calculation.

Coal analysis will include relevant coking coal tests to ascertain the coking properties of the coal present in the target area.

Montrose Project

A wide-spaced scout drilling program has been developed by the Cuesta technical team to target Styx Coal Measures in the north and the Back Creek Group Coal Measures in the south of the Montrose tenement (EPC 2128). This Prospect is greenfield in nature and therefore the exploration activities are relatively high-risk.

In total, 13 open PCD holes will be drilled to an average depth of 150m with two deeper holes to gain a better understanding of the stratigraphy in the project area. Five holes will target the Back Creek Group and the remainder will target the Styx Coal Measures.

If substantial coal is intersected, the Company will evaluate conducting cored holes to gain a better understanding of coal quality.

Other Projects

In the upcoming quarter Cuesta will continue its desktop review of its other pipeline projects including Callide and other Eastern Galilee tenure, excluding Yellow Jacket.

Tenement Relinquishment

During the quarter, Cuesta relinquished some large tenure holdings, primarily in the Eromanga Basin that were non-prospective for economic coal and had large annual expenditure and rental commitments.

As part of its ongoing assessment of its exploration tenure, Cuesta will relinquish non-prospective projects and continue to investigate better exploration / development opportunities for the Company and its shareholders.

4. JOINT VENTURES

The Snake Creek Joint Venture with QCI (Galilee) Pty Limited (QCI) has been activated following the grant of both EPCs 2079 and 2080. The Joint Venture is located in the Eastern Galilee Basin, consists of 321 sub-blocks and covers an area of 1028km².

QCI and Cuesta have commenced planning of a scout drilling program in late 2014 and Cuesta looks forward to updating its Shareholders of progress.

5. HEALTH & SAFETY

Cuesta is pleased to report that it continues to maintain its strong commitment to health and safety. There were no LTIs or incidents in the quarter.

Cuesta maintains a policy of continuous improvement for its Health & Safety Management System and has reviewed and improved a number of its safety management plans and procedures.

Additionally, during the last quarter a number of Cuesta staff members attended various training courses associated with Health & Safety. This included Certificate IV Trainer and Assessor, Senior First Aid and Senior First Aid Refresher Courses.

6. SUMMARY OF TENEMENTS

In accordance with ASX Listing Rule 5.3.3, below are the current tenements held within Cuesta Coal Limited:

Tenement	Project	Location	Interest Owned
EPC 775	Moorlands	Bowen Basin – QLD	100%
EPC 776	Moorlands	Bowen Basin – QLD	100%
EPC 1738	Moorlands	Bowen Basin – QLD	100%
EPC 1891	Moorlands	Bowen Basin – QLD	100%
EPCA 2008	Moorlands	Bowen Basin – QLD	100%
EPC 2013 (<i>acquired subsequent to end of Q4 on 7 July 2014</i>)	Moorlands	Bowen Basin – QLD	100%
EPC 1955	East Wandoan	Surat Basin – QLD	90%
EPC 2237	East Wandoan	Surat Basin – QLD	100%
EPC 1987	East Wandoan	Surat Basin – QLD	90%
EPC 1802	Eastern Galilee	Galilee Basin – QLD	100%
EPC 1983	Eastern Galilee	Galilee Basin – QLD	100%
EPC 1957	Eastern Galilee	Galilee Basin – QLD	90%
EPC 2079	Eastern Galilee	Galilee Basin – QLD	100%
EPC 2080	Eastern Galilee	Galilee Basin – QLD	100%
EPC 2688	Eastern Galilee	Galilee Basin – QLD	100%
EPCA 2689	Eastern Galilee	Galilee Basin – QLD	100%

Tenement	Project	Location	Interest Owned
EPCA 2347	Eastern Galilee	Galilee Basin – QLD	100%
EPC 1821	West Emerald	Bowen Basin - QLD	100%
EPC 1977	West Emerald	Bowen Basin – QLD	100%
EPC 2323	West Emerald	Bowen Basin – QLD	100%
EPC 1825	West Emerald	Bowen Basin – QLD	100%
EPC 1826	West Emerald	Bowen Basin – QLD	100%
EPC 1826	West Emerald	Bowen Basin – QLD	100%
EPC 1868	West Emerald	Bowen Basin – QLD	100%
EPC 2093	West Emerald	Bowen Basin – QLD	100%
EPC 2127	Amberley	Clarence-Moreton Basin – QLD	100%
EPC 2128	Montrose	Styx / Bowen Basin - QLD	100%
EPC 1979	East Acland	Clarence-Moreton Basin – QLD	90%
EPC 2356	East Acland	Clarence-Moreton Basin – QLD	100%
EPC 2181	Bauple	Maryborough Basin – QLD	100%
EPC 1809	Callide	Callide Basin – QLD	100%

Notes: EPCs 2167 and 2168 (Eromanga Project) were surrendered on 2nd May 2014

EPC 2613 (East Acland Project) was surrendered on 24th June 2014

EPC 2013 (Moorlands Project) was acquired subsequent to end of the quarter on 8 July 2014

7. CORPORATE

7.1 Longluck Placement

On 19th May 2014 Cuesta announced that it had executed a Share Subscription Agreement with the Company's major shareholder, Longluck Investment (Australia) Pty Ltd (Longluck), a wholly owned subsidiary of Beijing Guoli Energy Investment Co (Beijing Guoli), to raise \$15 million.

The issue price for the Placement is 10.3 cents per share, which represents a 10% premium to the 30 day VWAP and a 15% premium to the last traded price. Placement funds will be applied to advancing the Definitive Feasibility Study (DFS) for the Moorlands Project and repayment of the \$5 million Convertible Note liability associated with the acquisition of the Orion Coal Project (EPCs 775 and 776 in the Moorlands Project).

Terms of the Share Subscription Agreement

The following are key terms and conditions of the Share Subscription Agreement with Longluck:

- Stage 1 Placement of \$8.5 million via the issue of approximately 82.5 million new ordinary shares to Longluck, with settlement to occur within 30 days of obtaining Shareholder approval at General Meeting
- Stage 2 Placement of \$6.5 million via the issue of approximately 63.1 million new ordinary shares to Longluck, with settlement to occur within 30 days of obtaining Shareholder approval at General Meeting
- Issue price of 10.3 cents per share, a 10% premium to the 30 day VWAP and a 15% premium to the last traded price.

Under the Share Subscription Agreement with Longluck, Cuesta has the ability to raise up to an additional \$10m prior to 31st December 2014, over and above the Placement to Longluck, at a price not less than 10.3 cents 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.

Following settlement of the Stage 1 Placement, Beijing Guoli's interest in Cuesta will increase from 36.4% to 47.8%. Following settlement of the Stage 2 Placement, Beijing Guoli's interest in Cuesta will increase to 54.1% (in the absence of any further equity issues).

Subsequent to the quarter end on 7th July 2014, Cuesta announced that the Placement had received Chinese Regulatory approval and approval from the Foreign Investment Review Board (FIRB). The Placement is subject to receiving Cuesta shareholder approval, which will be sought at the General Meeting to be held on 8th August 2014.

7.2 Alternative Non-Executive Director

On 6th May, Cuesta announced the appointment of Mr. Sihua Meng as an alternate Non-Executive Director for Mr Ruoshui Wang.

Mr. Meng is a senior executive within the Beijing Guoli group and he has experience in project management, coal investments, contract management and strategy planning.

Mr. Meng holds a Bachelor Degree in Computer Science and Engineering from Xiangtan University in China and a Masters Degree in Management Information Systems from Surry University in the United Kingdom.

7.3 Financials

At the end of the June 2014 quarter Cuesta had cash and cash equivalents of \$2.0m.

During the quarter, the Company paid the third and final tranche payment to the Vendors of the Yellow Jacket Project in the amount of \$650,000 plus GST, paid on 17 April 2014.

The Company paid \$0.5m in administrative expenses and \$1.4m for exploration activities undertaken in the June 2014 quarter. A BAS refund of \$0.25m was received during the period.

8. CONTACTS

For further information, please contact:

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Operations Director
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9. COMPETENT PERSONS STATEMENT

Information relating to EPC's 1738, 775 & 776 (collectively known as the Moorlands Project) was prepared and first disclosed under the JORC Code 2012 on 4 March 2014 in the Company's ASX announcement titled '92% Resource Upgrade at Moorlands Project to 281Mt'. The Company confirms that it is not aware of any new information or data that materially affects the information included in that announcement and that all the material assumptions and technical parameters underpinning the estimates continue to apply and have not materially changed.

10. ABOUT CUESTA COAL LIMITED (ASX CODE: CQC)

Cuesta Coal Limited ("Cuesta") is an ASX listed coal exploration and development company with a pipeline of coal projects. The Company is supported by a strong shareholder base and is targeting coal production from its Moorlands Project in a 3 year timeframe.

The Moorlands Project is an open cut thermal coal project located close to existing coal infrastructure and has a JORC Resource of 281Mt (as announced by the Company on 4 March 2014). The Company confirms that it is not aware of any new information or data that materially affects the information included in that announcement and that all the material assumptions and technical parameters underpinning the estimates continue to apply and have not materially changed.

Cuesta Coal's Board and Senior Management have extensive experience in the coal industry. It has proven technical and management ability in large bulk commodity development projects, which is demonstrated by senior roles with major companies.

Appendix 5B

Mining exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10

Name of entity

Cuesta Coal Limited

ABN

36 153 351 994

Quarter ended ("current quarter")

June 2014

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (12 months) \$A'000
1.1	Receipts from product sales and related debtors	2	22
1.2	Payments for (a) exploration & evaluation	(1,409)	(9,065)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(475)	(2,621)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	19	159
1.5	Interest and other costs of finance paid	(126)	(761)
1.6	Income taxes paid	-	-
1.7	GST Refund	250	991
	R & D Tax Refund	-	369
	Net Operating Cash Flows	(1,739)	(10,906)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a) prospects	(659)	(4,774)
	(b) equity investments	-	-
	(c) other fixed assets	(5)	(61)
1.9	Proceeds from sale of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	-	-
		(664)	(4,835)
	Net investing cash flows		
1.13	Total operating and investing cash flows (carried forward)	(2,403)	(15,741)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(2,403)	(15,741)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	20,400
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	(5,000)
1.18	Dividends paid	-	-
1.19	Other- Share issue costs	-	(710)
	Net financing cash flows	-	14,690
	Net increase (decrease) in cash held	(2,403)	(1,051)
1.20	Cash at beginning of quarter/year to date	4,425	3,073
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	2,022	2,022

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

	Current quarter \$A'000
1.23 Aggregate amount of payments to the parties included in item 1.2	255
1.24 Aggregate amount of loans to the parties included in item 1.10	-
1.25 Explanation necessary for an understanding of the transactions	
Payment of Directors' Fees, Executive Directors salaries and consultancy fees payable to Directors' related entities.	

Non-cash financing and investing activities

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

n/a

- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

n/a

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	1,715
4.2 Development	-
4.3 Production	-
4.4 Administration	597
Total	2,312

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	1,522	3,925
5.2 Deposits at call	500	500
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	2,022	4,425

+ See chapter 19 for defined terms.

Changes in interests in mining tenements

		Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	EPC 2167 EPC 2168 EPC 2613	Exploration Permit for Coal ("EPC")	100% 100% 100%	0% 0% 0%
6.2	Interests in mining tenements acquired or increased	EPC 2688	Exploration Permit for Coal ("EPC") Application granted during the period	0%	100%

+ See chapter 19 for defined terms.

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	Preference +securities (description)	Nil	Nil		
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	+Ordinary securities	376,289,380	376,289,380		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	1,000,000	1,000,000		
7.5	+Convertible debt securities (description)	5,000,000	-		
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	Options (description and conversion factor)	8,035,718 64,429,904 600,000 25,000,000		Exercise price \$0.20 per Option \$0.25 per Option \$0.25 per Option \$0.08 per Option	Expiry date 31 December 2015 31 December 2015 29 October 2015 18 October 2017
7.8	Issued during quarter	-			
7.9	Exercised during quarter	-	-		

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity quarterly report

7.10	Expired during quarter	-	-		
7.11	Debentures (totals only)	-	-		
7.12	Unsecured notes (totals only)	-			

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:



Date: 31 July 2014

Print name: (CFO/ Company Secretary)
Megan McPherson

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

+ See chapter 19 for defined terms.