

QUARTERLY ACTIVITIES REPORT

For the period ending 30 September 2014

HIGHLIGHTS

MOORLANDS DEVELOPMENT ACTIVITIES

- ✓ Acquisition of adjoining Moorlands Tenement
- ✓ Mining Lease and Environmental Authority Applications submitted
- ✓ Moorlands Infill Drilling Results in line with expectations with some aspects exceeding expectations
- ✓ Definitive Feasibility Study progressing at the Moorlands Project

CORPORATE

- ✓ Settlement of \$15m Placement to major shareholder Longluck Investment (Australia)
- ✓ Full redemption of remaining convertible notes associated with the Orion Coal Project Acquisition (EPCs 775 & 776)
- ✓ Cash on hand \$8.0m at 30th September 2014

1. QUARTERLY OVERVIEW

Significant operational progress was achieved during the September 2014 quarter as the Company continued to focus on the development of its flagship Moorlands Project which remains on track for first coal production in 2016.

As announced on 8 July 2014, Cuesta acquired adjoining Moorlands Tenement EPC 2013 from FMG Resources Pty Ltd. The acquisition simplified the Mining Lease Applications for the Moorlands Project.

The applications associated with the Mining Lease and Environmental Authority were completed and submitted to the relevant departments during the quarter.

Exploration and development activities focussed on the infill drilling program at Moorlands. The infill drilling program includes geo-technical and large diameter coal quality holes.

Results from the Moorlands infill drilling activities (announced on 16 September 2014) are in-line with expectations with some aspects exceeding expectations. The work undertaken to date comprises 25 holes completed, totalling 2,538m (2,085m chip holes and 453m core holes).

This work will provide critical input into the Definitive Feasibility Study (DFS) including detailed mine and CHPP designs.

Corporately, the Company achieved some key milestones during the quarter with the settlement of a \$15m placement to its major shareholder and the full redemption of the remaining convertible notes associated with the acquisition of the Orion Coal Project (EPCs 775 & 776).

On 16 September 2014, Cuesta announced the appointment of Mr. Sunming Zhou to replace Mr. Hanping Liu as Non-Executive Director.

At the end of September 2014, Cuesta had cash and cash equivalents of \$8.0m.



Photo showing recent drilling activities 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.

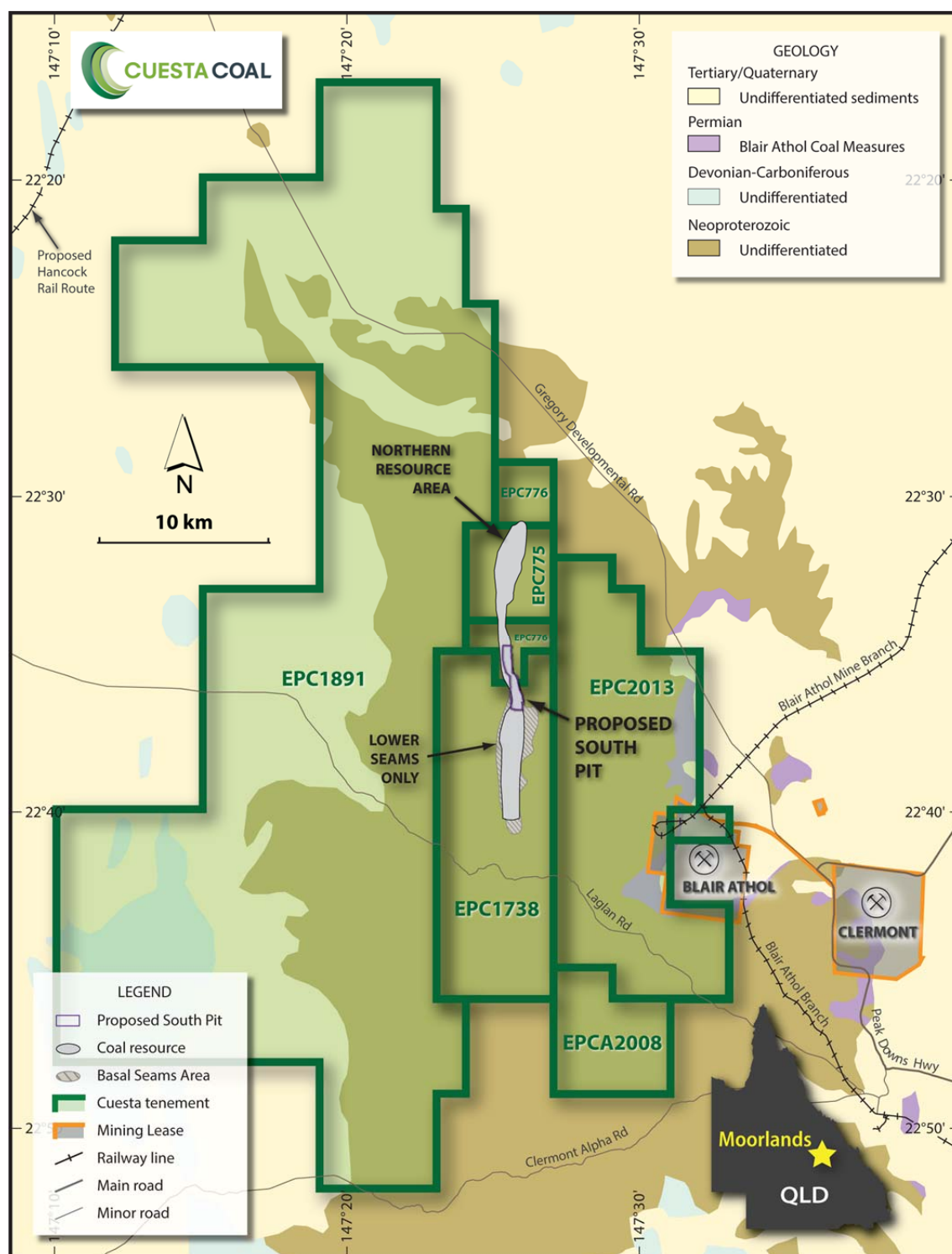


Figure 1: Map of the Moorlands Project in relation to the producing Clermont Coal mine and recently closed Blair Athol Coal Mine and associated rail lines

Quarterly Activities

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

- Infill drilling activities at the Moorlands Project
- Completion of the Mining Lease and Environment Authority applications
- Definitive Feasibility Study (DFS)
- EA amendments for the 2014 drilling activities

Cuesta continued to progress its ~6,500m of drilling at the Moorlands Project including geotechnical holes, large diameter coring and infill drilling as a key input to the DFS, CHPP and detailed mine design. The work undertaken during this period included:

- 16 chip holes (2,085m drilled)
- 9 core holes (453m drilled)

Figure 2 represents the drilling activities completed during the quarter at the proposed south pit. The area where the work has been completed covers the first 10 years of mine life. An additional 26 holes out of the 2014 program will be completed along with a ~8km seismic program.

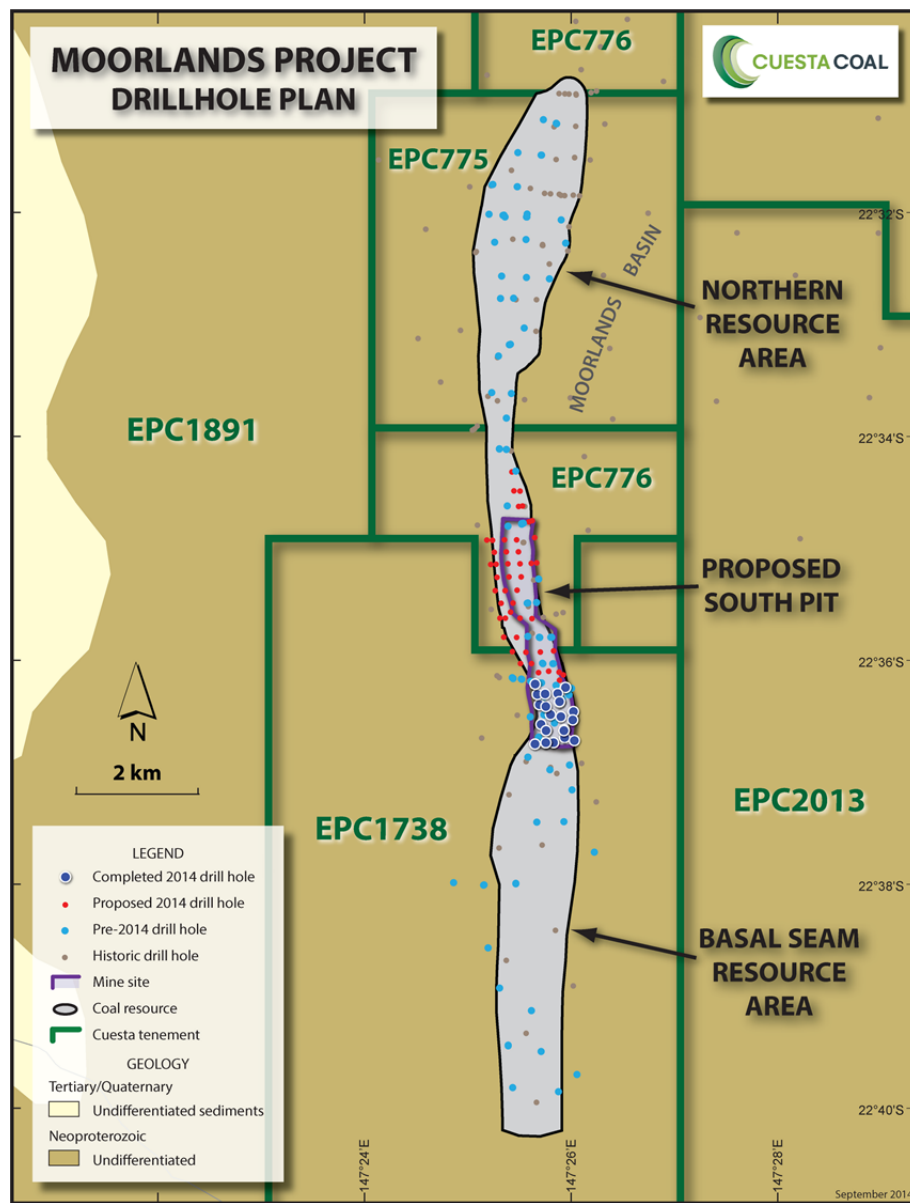


Figure 2: Map showing completed and planned drill holes for the 2014 Exploration Programme at Moorlands

The Moorlands Project has good drill hole coverage with the majority of the Resource in the proposed south pit in the Measured Resource and Indicated Resource categories in accordance with the JORC Code 2012.

Data from the 2014 drilling program will provide key input to the detailed mine design and DFS, most notably the detailed coal quality and geo-technical information.

The Moorlands DFS is based on the following key parameters:

- 1.9Mtpa ROM open cut truck and shovel operation
- Identification of optimum revenue & margin proposition for mining
- Beneficiation of higher ash coals, by-pass of low ash coals to target optimum coal product specification for customer power station requirements
- Trucking product coal to a dedicated balloon loop off the Blair Athol spur
- Railing of product to Dalrymple Bay Coal Terminal for export.

The Company also advanced negotiations to achieve an infrastructure solution for Moorlands which is critical for completion of the DFS.

Ultimately the DFS will provide detailed capital and operating cost estimates for the project on which a final investment decision can be based. The DFS is a critical step for obtaining project finance to fund the construction of the Moorlands South Pit.

The Company is targeting completion of a draft of the DFS by the end of this year. The DFS will be presented in both English and Mandarin versions, for the primary purpose of providing flexibility in obtaining project finance under the best commercial terms for the Company.



Photo of recent drilling activities conducted at Cuesta's Moorlands Project (MLW001)

3. PIPELINE PROJECTS

Montrose Project

The Company's activities during the quarter focussed on finalising the desktop study, selecting the drill sites and obtaining land access for the scout drilling program. The selected drill sites were announced on 31 July 2014.

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, 6 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.

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

4. 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.

5. 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	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%

Tenement	Project	Location	Interest Owned
EPC 2080	Eastern Galilee	Galilee Basin – QLD	100%
EPC 2688	Eastern Galilee	Galilee Basin – QLD	100%
EPCA 2689	Eastern Galilee	Galilee Basin – QLD	100%
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%

6. CORPORATE

6.1 Longluck Placement

On 19 May 2014, Cuesta Coal Limited announced that it had executed a Share Subscription Agreement (SSA) 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 \$15,000,000.

Settlement of the placement took place during the quarter in two stages as follows;

- Stage 1 Placement- \$8,500,000 via the issue of approximately 82,524,272 new ordinary shares to Longluck on 15 August 2014;
- Stage 2 Placement- \$6,500,000 via the issue of approximately 63,106,796 new ordinary shares to Longluck on 08 September 2014.

Placement funds were partially applied towards the redemption of the remaining 5,000,000 Convertible Notes associated with the acquisition of the Orion Coal Project (EPCs 775 and 776) and towards advancing the Definitive Feasibility Study (DFS) for the Moorlands Project.

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.

6.2 Non-Executive Director Appointment/ Resignation

On 16 September 2014, Cuesta announced the appointment of Mr. Sunming Zhou as Non-Executive Director. Mr Zhou has replaced Mr Hanping Liu who resigned as a Non-Executive Director due to his work commitments.

Mr. Zhou is currently the Chief Auditor of Beijing Guoli Energy Investment Co., Ltd and has held a number of senior management positions within the Beijing Guoli Group over the past 19 years.

Mr. Zhou holds a Bachelor Degree in Economics from Shijiazhuang University, a Masters Degree in Business Administration from Macu University and has completed an Executive Development Program at Beijing University, Guanghua School of Management.

6.3 Financials

At the end of the September 2014 quarter Cuesta had a strong cash position of \$8.0m following settlement of the \$15m placement to its major shareholder and the redemption of the remaining convertible notes associated with the Orion Coal Project acquisition (EPCs 775 & 776).

Pleasingly, the Company was successful in its 2013 Research and Development claim receiving a cash refund during the quarter of \$427k. A BAS refund of \$191k was also received during the quarter.

The Company paid \$2.6m for development and exploration activities undertaken and paid \$0.8m in administrative expenses in the September quarter.

7. CONTACTS

For further information, please contact:

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Operations Director
07 3327 8100

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8. 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.

9. 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 and oil and gas 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, 01/05/2013

Name of entity

Cuesta Coal Limited

ABN

36 153 354 991

Quarter ended ("current quarter")

September 2014

Consolidated statement of cash flows

		Current quarter \$A'000	Year to date (3 months) \$A'000
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration & evaluation	(2,612)	(2,612)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(809)	(809)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	20	20
1.5	Interest and other costs of finance paid	(135)	(135)
1.6	Income taxes paid	-	-
1.7	GST Refund	191	191
	R & D Tax Refund	427	427
		(2,918)	(2,918)
Net Operating Cash Flows			
Cash flows related to investing activities			
1.8	Payment for purchases of: (a) prospects	(641)	(641)
	(b) equity investments	-	-
	(c) other fixed assets	(11)	(11)
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)	-	-
		(652)	(652)
Net investing cash flows			
1.13	Total operating and investing cash flows (carried forward)	(3,570)	(3,570)

+ See chapter 19 for defined terms.

Appendix 5B**Mining exploration entity and oil and gas exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(3,570)	(3,570)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	15,000	15,000
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	(5,000)	(5,000)
1.18	Dividends paid	-	-
1.19	Other- Share issue costs	(413)	(413)
	Net financing cash flows	9,587	9,587
	Net increase (decrease) in cash held	6,017	6,017
1.20	Cash at beginning of quarter/year to date	2,022	2,022
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	8,039	8,039

Payments to directors of the entity, associates of the directors, 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	282
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

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

- 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

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	1,646
4.2 Development	-
4.3 Production	-
4.4 Administration	584
Total	2,230

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	7,539	1,522
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)	8,039	2,022

+ See chapter 19 for defined terms.

Changes in interests in mining tenements and petroleum tenements

	Tenement reference and location	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements and petroleum tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements and petroleum tenements acquired or increased	EPC 2013 Exploration Permit for Coal ("EPC") Interest in mining tenement acquired	0%	100%

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	521,920,448	521,920,448		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	145,631,068	145,631,068		
7.5 *Convertible debt securities (description)	-	-		

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	-5,000,000			
7.7	Options (description and conversion factor)	8,035,718		<i>Exercise price</i>	<i>Expiry date</i>
		64,429,904		\$0.20 per Option	31 December 2015
		600,000		\$0.25 per Option	31 December 2015
		25,000,000		\$0.25 per Option	29 October 2015
				\$0.08 per Option	18 October 2017
7.8	Issued during quarter	-	-		
7.9	Exercised during quarter	-	-		
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 /does not* (*delete one*) give a true and fair view of the matters disclosed.



Sign here:

(CFO/Company secretary)

Date: 31 October 2014

Print name: Megan McPherson

+ See chapter 19 for defined terms.

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 and petroleum 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 or petroleum 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.

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