

QUARTERLY ACTIVITIES REPORT

For the period ending 30 June 2012

Highlights

- Cuesta Coal Limited (CQC) listed on the ASX on the 4th of May 2012 raising \$20.065m
- Announced an 87% increase to 44.6 million tonnes for the Thorn Hill Deposit, East Wandoan Project, Surat Basin
- Drilling successfully completed at Amberley Project – New Resource Statement in progress
- Eastern Galilee Project and West Bowen Project – Moorlands Deposit exploration programs about to commence
- Mr Huaxi Zheng representing Beijing Guoli joined the Board of Cuesta Coal on the 17th July 2012
- Cash on hand \$19.253m

1. QUARTERLY OVERVIEW

The June 2012 quarter marked a significant milestone for Cuesta Coal Limited and its controlled entities ("Cuesta" or "the Company"), listing on the Australian Securities Exchange (ASX) on 4 May 2012.

Cuesta successfully completed its Initial Public Offering raising \$24.065m in what can only be described as difficult and challenging market conditions. Cornerstone, Beijing Guoli Group, invested \$15m in the IPO increasing their total investment to \$20m and demonstrating their support and commitment as a strategic partner.

The June 2012 quarter saw the Company continue towards achieving its key objective of increasing shareholder value through increasing the Coal Resource base on its Tenements and subsequent development of economic deposits identified.

Cuesta has focused its exploration activities during the quarter on its core Queensland coal projects namely, the Thorn Hill Deposit located in the Surat Basin and the Amberley Deposit located in the Clarence - Moreton Basin.

A total of 4,139m was drilled at Thorn Hill enabling an 87% increase in the resource base to 44.6 Mt (22.5 Mt inferred and 22.1 Mt indicated). 2,040m was drilled at the Amberley Deposit during the quarter and the completion of the exploration activities were completed in the subsequent weeks post the end of the quarter.

Cuesta also began preparations for the upcoming exploration activities on the Eastern Galilee project (EPC 1802) and the Moorlands Deposit (EPC 1738) located in the Western Bowen Basin. Drilling is scheduled to commence on these tenements in the September 2012 quarter continuing into the December 2012 quarter.

Cuesta initiated a desktop geological review of all its' projects, including geophysical assessments to prioritise target areas for both resource definition and future scout drilling to test potential coal targets, desktop studies commenced on West Emerald and West Bowen.

The Company engaged Balance Resource Pty Ltd to conduct a review of the infrastructure opportunities on Cuesta's priority projects.

Joint Venture discussions with various third parties are progressing to enable the funding of exploration activities in lateral greenfield opportunities currently held by Cuesta. Similarly, the Company is in active dialogue with holders of adjoining tenements to pursue collaborative agreements to develop adjoining assets/deposits to maximise future mine start-up and infrastructure efficiencies.

Project	Status
West Bowen (Moorlands Deposit)	<p>27.3 Mt of Thermal Coal (Inferred Resource in accordance with JORC code (2004) guidelines)</p> <p>20 open PCD holes and 6 cored holes scheduled for upcoming quarter</p> <p>New geological model underway incorporating >30 historic holes</p> <p>Targeting the interpreted thickest coal seams, lowest stripping ratio coal in the northern section of EPC 1738.</p>
East Wandoan (Thorn Hill Deposit)	<p>44.6 Mt of Thermal Coal (22.5 Mt Inferred Resource and 22.1 Mt Indicated Resource in accordance with JORC code (2004) guidelines)</p> <p>Open cut potential resource defined from near surface to a depth of 100m</p> <p>Calculated stripping ratio of 8.2 : 1 for the entire deposit</p> <p>Further exploration planning underway to expand resource and obtain washability data</p>
Eastern Galilee	<p>Prospective Large Scale Thermal Coal Opportunity</p> <p>17 open and 4 - 6 cored holes planned for the Upcoming Quarter</p> <p>Exploration activities designed to understand lateral extent and thicknesses of coal seams</p>
West Emerald	<p>Prospective Project for Thermal, PCI and Coking Coals</p> <p>Desktop study progressing, results pending for upcoming quarter</p> <p>Effort focusing on historic drilling data and geophysical analysis to priority target areas</p>
Amberley	<p>5.1 Mt of Thermal Coal Inferred Resource, in accordance with the JORC code (2004) guidelines</p> <p>Exploration Drilling of 14 open and 3 cored holes commenced</p> <p>Prospective for Open Cut Walloon Coal Measures</p> <p>EOI lodged through the Port of Brisbane</p>
Montrose	<p>Greenfield PCI and Coking Coal</p> <p>Preliminary desktop studies commencing to identify areas of coking coal potential for scout drilling in 2013</p>

2. PRIORITY PROJECTS ACTIVITY REVIEW

2.1 West Bowen Project

Moorlands Deposit EPC 1738 (CQC: 100%)

During the quarter, activities on the Moorlands Deposit focussed on preparatory works for the 2012 exploration campaign. The drilling activities are expected to commence in the first quarter of financial year 2012 / 2013 and run for approximately 6 weeks. A total of twenty open holes and six cored holes will be completed in the program.

The focus of the exploration activities will be in the north of the deposit where Cuesta has interpreted the area of the thickest coal seams and being closest to the surface. Drilling during 2011 encountered significant coal intersections in the northern portion of the deposit. Two holes ML 002 and ML 0014 intersected a cumulative coal thickness of approximately 24m of coal.

The objective of the exploration program is to fully drill out the northern target area and undertake updated resource estimates leading towards scoping studies to be conducted later in 2012. Drill hole locations for the for Moorlands Deposit are shown in Figure 1.

Cuesta is targeting to define a low stripping ratio open cut coal resource in this region, initial modelling from last year's drilling is providing encouraging results.

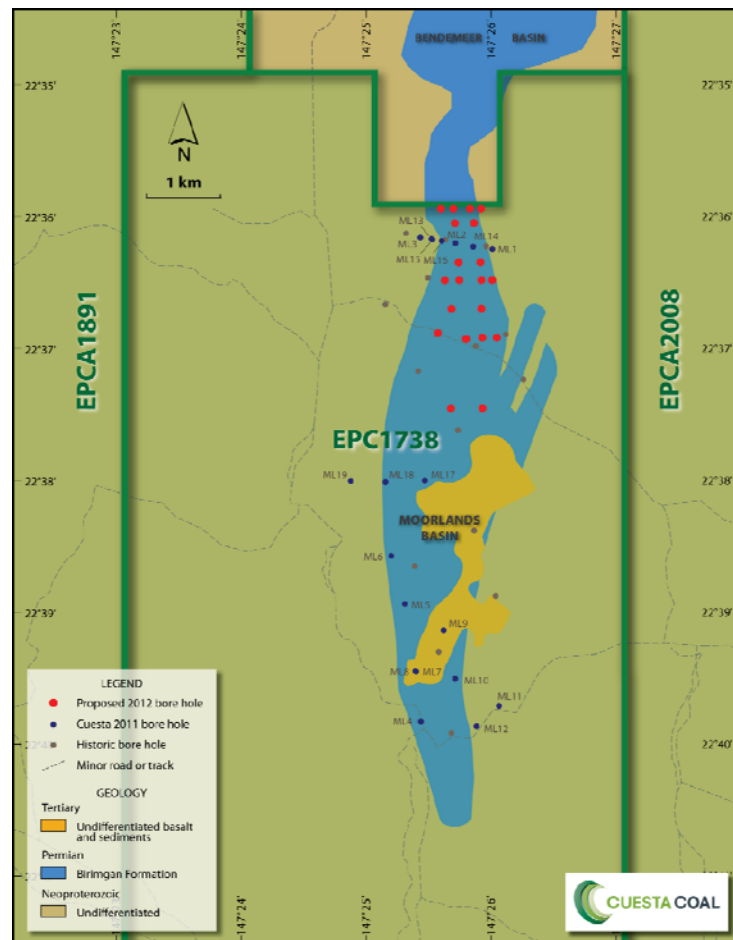


Figure 1: Drill Hole Location for EPC 1738 in the Moorlands Deposit

The Moorlands deposit has had 39 exploration holes, 15 of which were fully cored and analysed for coal quality. Cuesta has engaged a Brisbane based consultant group to develop a 3D geological and deposit model utilising the historic and Cuesta drilling data.

The Moorlands deposit is located 14km due west of the Rio Tinto Blair Athol Coal Mine as indicated in Figure 2.

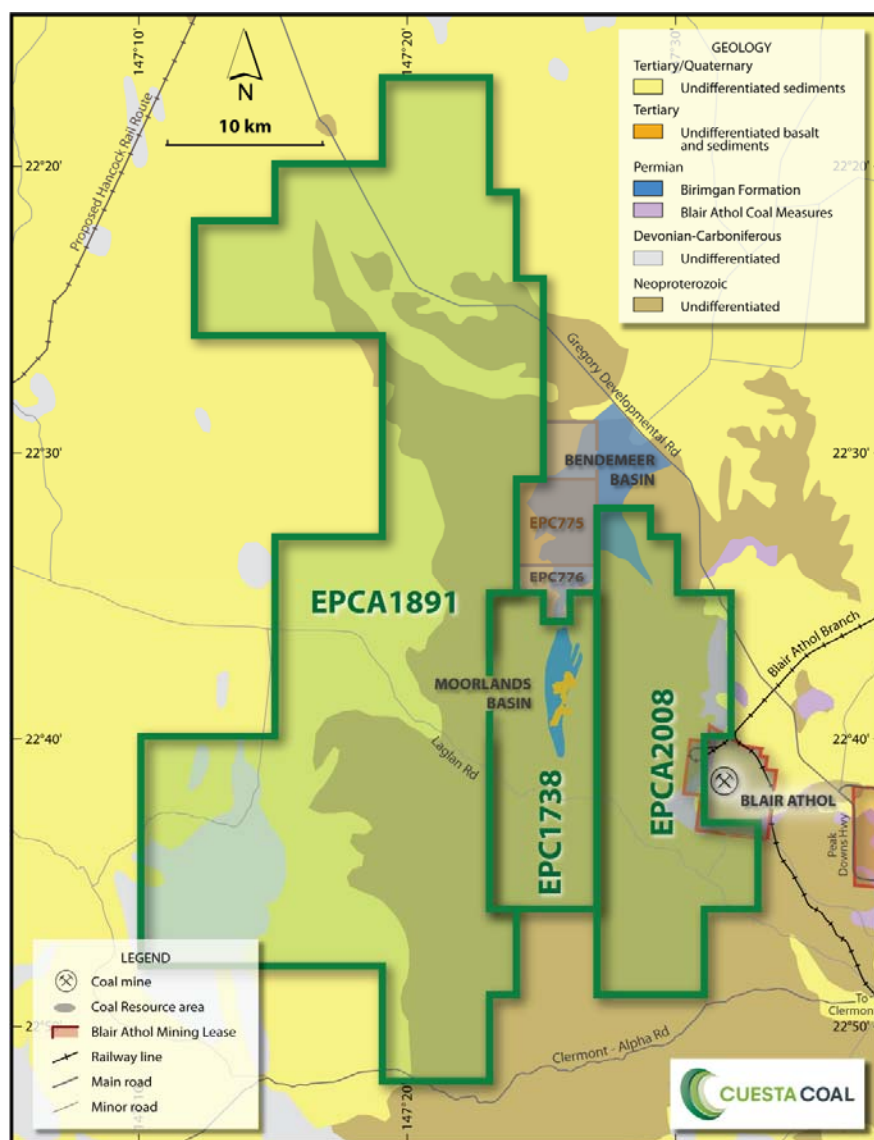


Figure 2: Geology map for EPC 1738 in the Moorlands Deposit

Cuesta has also engaged geophysical consultants to conduct a review and interpretation of Gravity and Magnetic Data over the West Bowen Project Area. Preliminary results have already indicated several new target areas for follow up scout drilling within close proximity to the current resource area. The data produced from the review will assist prioritisation of drill targets for the remaining 2012 and 2013 drill seasons.

2.2 East Wandoan Project

Thorn Hill Deposit (CQC: 90%)

Following the completion of the 2012 drilling campaign, Cuesta increased its maiden resource at the Thorn Hill Deposit during the quarter by 87% to 44.6 Mt of JORC Indicated and Inferred Resources. The resource calculation has been derived from four seams A, B, C, D (Table 1).

As interpreted, the coal deposit is shallow dipping to the south-west at 1 to 2 degrees. A typical north-south long section is shown in Figure 3.

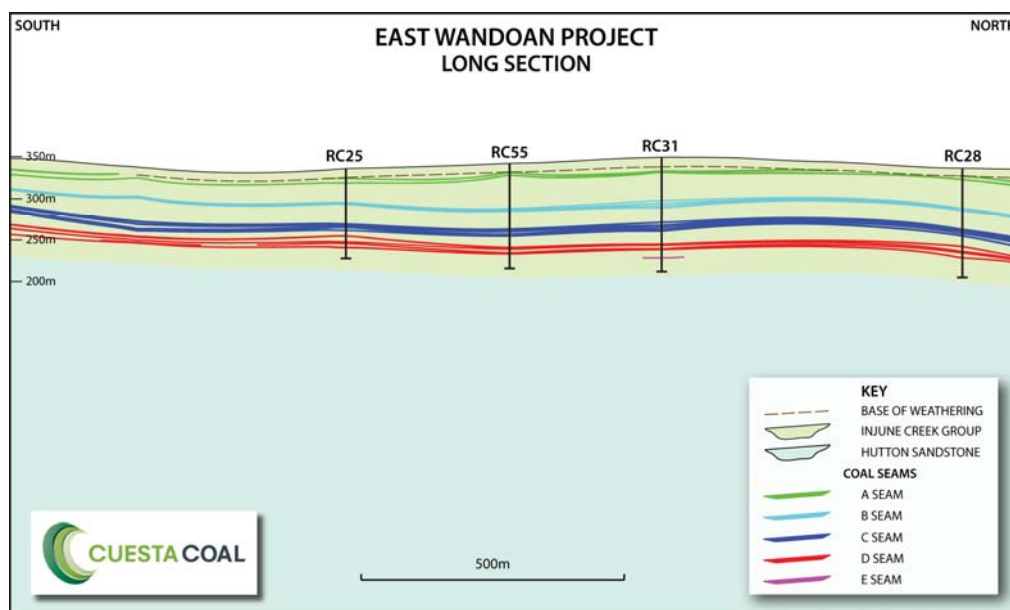


Figure 3: Thorn Hill Deposit typical long section

Based on the data to date an average stripping ratio has been calculated to be the base of the individual seams.

Thorn Hill Deposit Indicated	Average Cumulative Strip Ratio	Units
Strip Ratio to Base of Seam A	19.4	bcm / tonne
Strip Ratio to Base of Seam B	10.8	bcm / tonne
Strip Ratio to Base of Seam C	7.1	bcm / tonne
Strip Ratio to Base of Seam D	8.3	bcm / tonne

Table 1: Average stripping ratios of the Thorn Hill Deposit

Follow-up drilling will include step out drilling and large diameter coring to enable washability test work to be conducted to identify washability recovery and saleable product. Follow-up drilling will focus on the south-east corner and northern extensions of the deposit aimed to further increase the overall resource and understanding of the coal quality, this is indicated in Figure 4.

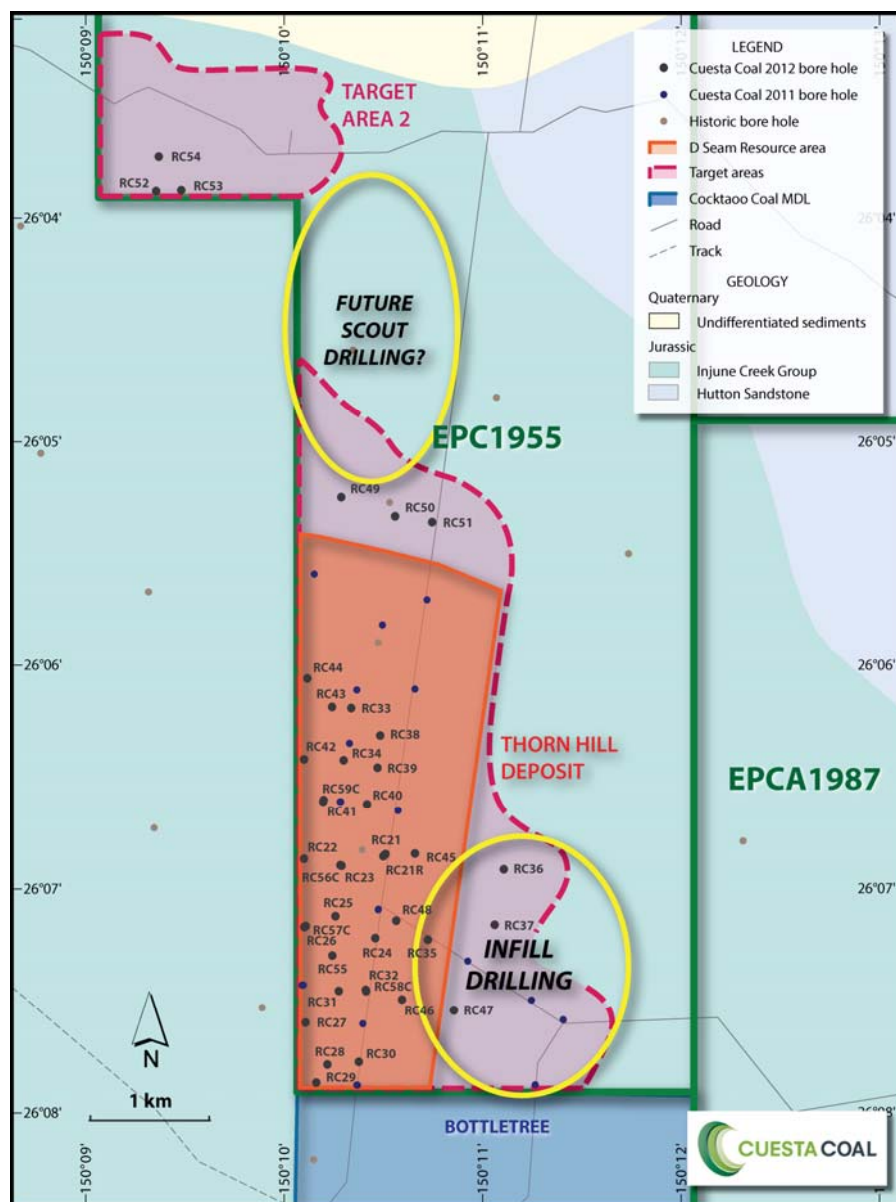


Figure 4: Follow-up drilling at the Thorn Hill Deposit

Resource Category	Value	Taroom Coal Measures					Total Tonnes (Mt)
		A	B	C	D	E	
Measured	Volume (Mm ³)	-	-	-	-	-	
	Relative Density (t/m ³)	-	-	-	-	-	
	Sub-total Tonnes (Mt)	-	-	-	-	-	-
Indicated	Volume (Mm ³)	-	6.0	7.1	2.6	-	
	Relative Density (t/m ³)	-	1.42	1.40	1.44	-	
	Sub-total Tonnes (Mt)	-	8.5	9.9	3.7	-	22.1
Inferred	Volume (Mm ³)	2.6	3.0	5.9	4.2	-	
	Relative Density (t/m ³)	1.45	1.42	1.40	1.44	-	
	Sub-total Tonnes (Mt)	3.8	4.3	8.3	6.1		22.5
Grand Total Tonnes (Mt)		3.8	12.8	18.2	9.9	-	44.6

Table 2: Coal Resources at Thorn Hill Deposit (EPC 1955) as at 11 June 2012

Notes:

- Resource Classification in Accordance with JORC Code (2004) Guidelines.
- Volumes and tonnages have been rounded.
- Coal tonnes stated on an in situ basis using estimated default in situ relative density.
- The project area is within EPC 1955.
- The target mineralisation is Middle Jurassic coal within the Surat Basin.
- The coal is interpreted to be held within the Taroom Coal Measures.
- The coal is found in five seam groups – A, B, C,D & E. Resources have been estimated for the A, B, C & D seam groups.
- A depth cut off of 150 metres has been used to limit resources.
- A stratigraphic model generated in Minescape has been used. Gridded seam surfaces, base of tertiary and weathering surfaces have been created on a 25 m by 25 m grid cell size. All seams are clipped to the base of weathering.
- As of the 11th June 2012, the East Wandoan Project is estimated to contain a total resource of 44.6 Mt (with 22.1 Mt of Indicated Resource and 22.5 Mt of Inferred Resource).
- The coal present is capable of producing a domestic thermal coal product.
- Resource classification was developed from the confidence levels of key criteria including drilling methods, geological understanding and interpretation, sampling, data density and location, grade estimation and quality. This classification was completed in accordance with the guidelines as set out in the JORC Code (2004).

Table 3 indicates the raw coal quality averaged across 8 cored holes and across individual coal plies completed by Cuesta in the deposit area. The raw coal quality is in line with expectations with specific coal plies indicating thermal coal with very low ash and acceptable specific energy levels typical of other coal deposits in the region. This will potentially enable selective mining and wash plant bypassing to be investigated in future scoping studies.

Seam	No. of Cored Holes	Inherent Moisture % (a.d)	Ash % (a.d)	Volatile Matter % (a.d)	Fixed Carbon % (a.d)	Relative Density g/cc (a.d)	Specific Energy Mj/kg (a.d)	Total Sulphur % (a.d)
A	3	7.8	20.0	39.8	32.5	1.44	23.26	0.45
B	8	7.6	18.7	39.3	34.5	1.44	23.81	0.44
C	7	7.4	20.0	37.8	34.8	1.46	23.42	0.45
D	4	6.7	18.1	38.9	36.3	1.43	24.55	0.46
E	1	5.4	19.7	38.8	36.1	1.44	24.62	0.50

Table 3: Summary of the Raw Quality Analysis for the Thorn Hill Deposit

2.3 Eastern Galilee Project

EPC 1802 (CQC: 100%)

During the quarter, activities on EPC 1802 focussed on preparatory works for the 2012 exploration campaign. Cuesta will begin its 2012 Eastern Galilee drill program in EPC 1802 (Figure 1) commencing in Mid-July and run for approximately eight to twelve weeks. A seventeen open hole drill program has been planned for the exploration target area to ascertain the extent of the coal distribution, localised geology, seam thicknesses and dips. In areas of maximum coal thicknesses, coring will be completed to attain coal quality information.

In August 2011, a nine open hole scout drilling campaign was completed in EPC 1802 by Cuesta Coal. Drill hole HP7 located in the north western corner of the EPC intersected 3.15m of coal between 87.30–90.45m and 1.83m of coal from 105.40-107.23m below surface. Drill holes HP8 and HP9 also intersected coal. While HP8 & HP9 did not achieve desired depth due to difficult drilling conditions, both intersected coal seams > 1m including a weathered seam at 42 - 43m. The coal intersected was located 8km further east than the previous known limits of the Galilee Basin Coal Measures.

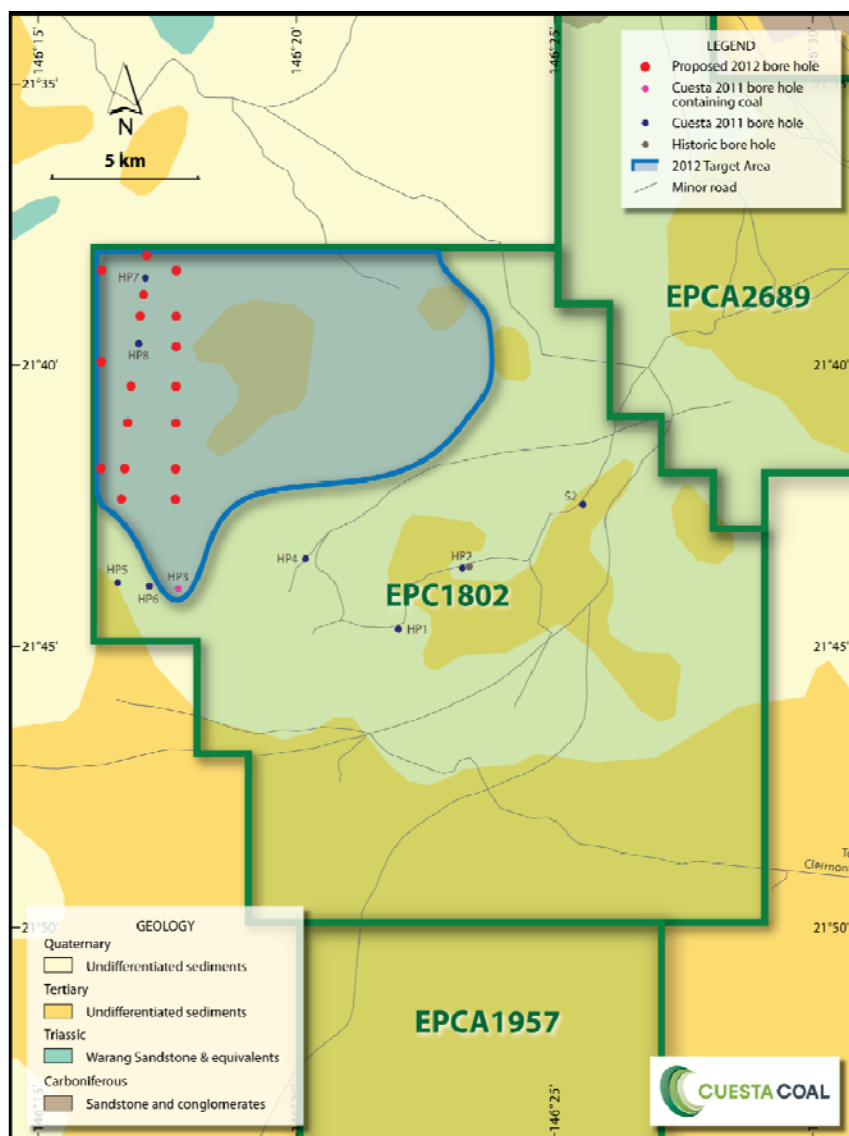


Figure 5: Drill Hole Locations for EPC 1802 in the Eastern Galilee Project Area

2.4 West Emerald Project (CQC: 100%)

During the quarter, Cuesta concentrated on desktop activities for the West Emerald Project. Initially Cuesta conducted an internal review of all historic drill data, before geophysical consultants were engaged to review and interpret Gravity and Magnetic Data over the Project Area. The target coal sequence in this region is the Reids Dome Beds.

The above work will be complimented by advanced geological studies of this part of the poorly defined Denison Trough and will include review of all historical drilling data in the project area. Preliminary evaluation of these studies has high graded the northern and central areas. The combined data will be utilised to prioritised drill targets for the 2012 / 2013 drill seasons. Results of the desktop review of the project area was released on the 25th of July.

2.5 Amberley Project

Amberley Deposit (CQC: 100%)

In the last quarter, Cuesta commenced its resource expansion drilling program at the Amberley deposit. Fourteen open holes and three cored holes were completed for 2,040m of drilling. All holes have been geophysically logged, surveyed and rehabilitation work is underway. Figure 6 indicates the drill hole locations of the current round of drilling by Cuesta.

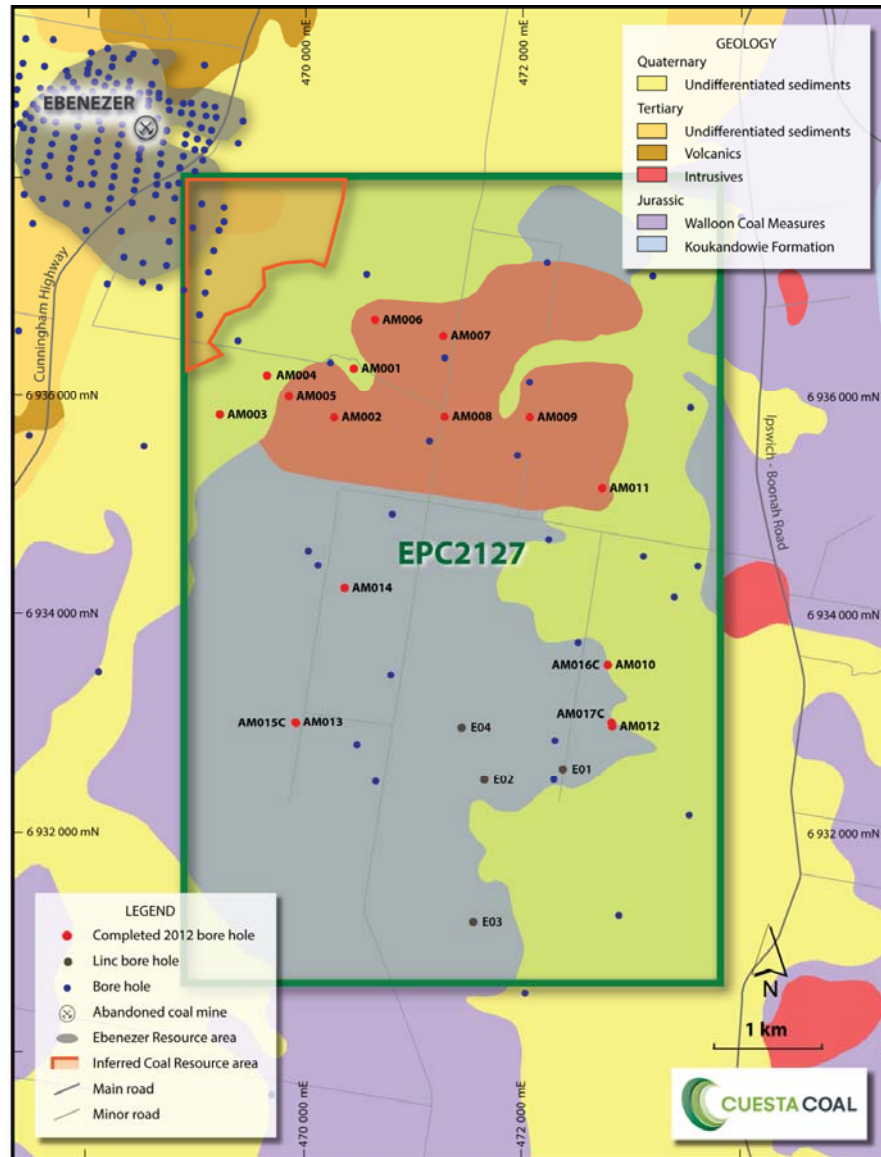


Figure 6: Completed Drill holes for the 2012 drill season at the Amberley Deposit



The results from the drilling indicate banded coal being present less than 150m from the surface. Samples collected from the coring activities have been sent for analysis and results are expected in the next six to eight weeks.

Highlights included:

- 16.98m of coal down to 136.7m in cored hole AM016C
- 8.0m of coal down to 57m in open hole AM007
- 12.2m of coal down to 114.7m in open hole AM0014

The completed holes will provide analytical data sufficient to compliment data from historic drilling to enable a new resource calculation to be undertaken.

3. OTHER PROJECTS ACTIVITY REVIEW

Initial desktop reviews were commenced on the other projects within the Cuesta Coal Portfolio of tenements and this will be an ongoing activity for the company over the coming 6 to 12 months.

4. TENEMENT GRANTING

No tenements were granted during the quarter and no new applications for tenure were submitted.

5. INFRASTRUCTURE

During the quarter, Cuesta Coal lodged an expression of interest for a 0.8-1.2 Mt pa allocation for the Port of Brisbane for the future development of the Amberley project.

Cuesta Coal also engaged Balance Resources Pty Limited to complete a review of all of the Port and Rail options summarising the best options for the Priority Projects. This is anticipated to be completed in the coming weeks.

6. HEALTH & SAFETY

Cuesta is pleased to report that it continues to maintain its strong commitment to health and safety. A training matrix has been established and staff members will be attending a variety of training requirements over the coming months and will be an ongoing requirement for the company.

7. CORPORATE

7.1 Capital Raising and Listing

Cuesta successfully completed its initial public offering during the quarter raising \$24.065m. The Company has met its commitments in respect of the \$4m sell-down as outlined in the replacement prospectus dated 6 March 2012.

The Company was listed on the Australian Securities Exchange on the 4th of May 2012 under the ticker code CQC.

At the end of the June 2012 quarter Cuesta had cash and cash equivalents of \$19.253m.

7.2 Board Appointment

During the quarter, Cuesta extended an invitation to its cornerstone investor Beijing Guoli to nominate a representative to join the Cuesta Coal Board. Following the nomination of Mr. Huaxi Zheng, the remuneration and nomination committee commenced due diligence investigation with respect to the appointment of Mr. Huaxi Zheng as a non-executive director and provided its recommendation to the Board in early July 2012.

Mr Zheng was appointed to the Board on 17 July 2012 enhancing the relationship between Cuesta and its strategic partner. He is currently responsible for Beijing Guoli's investments in Australian coal projects.

Mr. Zheng is a mining engineer with over 20 years experience within the coal industry. He has worked at China's most authoritative coal planning and processing department and at senior management level within China's largest coal mining companies. Since 2004, Mr. Zheng has been responsible for mergers and acquisitions, restructuring, management, exploration and operating coal projects at Beijing Guoli.

Mr. Zheng was the Managing Director of Chaohua Coal mining company, during which time he successfully merged 4 coal mining companies and developed a total coal reserve of 500 million tonnes.

7.3 Vendor Payments

During the last quarter, Cuesta paid the following in vendor payments;

- \$920,000 (GST inclusive) to Liberty Resources a wholly owned subsidiary Boab Energy Pty Limited for the completion of the acquisition of EPC 1738 and EPCA 1891;
- \$778,378 (GST exclusive) to ACN Mining for the granted West Emerald tenements; and
- \$100,000 (GST inclusive) to Mining One Investments Pty Ltd for the grant of the Eastern Galilee EPC 1957.

A further \$2,221,622 (GST exclusive) and \$87,500 (GST exclusive) is payable upon the granting of tenements to ACN Mining and Mining One Investments Pty Ltd.

7.4 Management Performance Shares

The Thorn Hill deposit resource upgrade triggered the Series Two performance milestone in respect of the Company's Executive Share and Option Plan (EXSOP) during the quarter. The Company is to issue 18,000,000 fully paid ordinary shares and 6,000,000 unlisted options (exercisable at 25cents, expiry date 31 December 2015) to the relevant Director's in the respective proportions under the terms of the EXSOP.

The shares and options to be issued are subject to an escrow period which is 24 months from the date of the initial quotation of the Company's fully paid ordinary shares on the official list of the ASX.

8. CONTACTS

For further information, please contact:

Mr Matthew Crawford
Managing Director
02 9284 5900

Mr Keith McKnight
Operations Director
02 9284 5900

Cuesta Coal Limited
ACN: 153 351 994
Tel: 02 9284 5900
Fax: 02 9284 5999
Email: info@cuestacoal.com.au
Web: www.cuestacoal.com.au
Street address: Level 15, 31 Market Street Sydney NSW 2000
Postal address: PO Box Q716, Queen Victoria Building NSW 1230

9. COMPETENT PERSONS STATEMENT

A report entitled 'East Wandoan Resource Estimate dated 11th June 2012' and 'Amberley Project (EPC 2127) – Resource Estimate' dated 2nd of February 2012, have been made by Lyndon Pass of Encompass Mining, and it reflects his current view of the East Wandoan and Amberley coal deposit resources. In the future, as additional information may become available, this view could be subject to modification. The full reports contain detailed information regarding the East Wandoan and Amberley deposit. Lyndon Pass is a Member of the Australasian Institute of Mining & Metallurgy (AusIMM). Lyndon Pass consents to the inclusion in the current document of the matters concerning Coal Resources at East Wandoan and Amberley based on his information in the form and context in which they appear. He has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' published by the Joint Ore Reserves Committee (JORC).

A report entitled 'Moorlands Prospect: Coal Occurrence and Resources', and dated 13th November 2010, has been made by Fred Robins of Fred Robins Geological Consulting, and it reflects his current view of the Moorlands coal deposit resource. In the future, as additional information may become available, this view could be subject to modification. The full report contains detailed information regarding the Moorlands deposit. Fred Robins is a Member of the Australasian Institute of Mining & Metallurgy (AusIMM). Fred Robins consents to the inclusion in the current document of the matters concerning Coal Resources at Moorlands based on his information in the form and context in which they appear. He has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' published by the Joint Ore Reserves Committee (JORC).

Sections of information contained in this report that relate to Exploration Results were compiled or supervised by Timothy Spencer, who is a Member of the Australasian Institute of Mining and Metallurgy and is employed full-time by Cuesta Coal Limited as Exploration Manager. Mr Spencer has sufficient experience which is relevant to the style of mineral deposits under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 edition of the "Australasian Code for Reporting of Mineral Resources and Ore



Reserves". Mr Spencer consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

All statements contained in the announcement as to exploration targets are conceptual in nature. There has been insufficient exploration undertaken to date to define a coal resource and identification of a resource will be totally dependent on the outcome of further exploration. Any statement as to exploration targets has been made consistent with the requirements of the 'Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves' published by the Joint Ore Reserves Committee (JORC).

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

Cuesta Coal Limited (Cuesta Coal) commenced operations in November 2009 as a private company under the name of Blackwood Coal Pty Ltd. In September 2011 Cuesta Coal Limited was formed, expressly to acquire all of Blackwood Coal Pty Ltd securities. Cuesta Coal listed as a public company on the Australian Securities Exchange (ASX) on 4th May 2012.

Cuesta Coal Limited (and its 100% controlled entities) is a coal exploration and development company headquartered in Sydney and with all its coal tenure assets in Queensland. The Company, through applications and acquisitions, has assembled a portfolio of 33 EPCs/EPCAs in the Bowen, Surat/Clarence Moreton and Galilee Coal Basins in Queensland, 10 of which have been granted. It has a pipeline of projects which range from advanced exploration requiring resource definition drilling to conceptual lateral opportunities to be tested by scout drilling.