

SUCCESSFUL DEBUT FOR COAL EXPLORER

This coal junior is charging ahead with its eye on two mid-term developments from its suite of Queensland coal projects.

CUESTA COAL HAS started 2012 with a burst of activity and is set to get busier, as it focuses on further drilling and bringing two key thermal coal projects into production within the next few years.

Cuesta debuted on the Australian Securities Exchange in May after successfully raising more than \$A24 million through its initial public offering, which was substantially backed by cornerstone investor Beijing Guoli Energy Investment.

The Chinese company invests in electricity generation, real estate development, financial investment and chemicals industries. It invested \$5 million pre-IPO and \$15 million in the IPO.

Cuesta managing director Matthew Crawford said Beijing Guoli was a development partner for a number of reasons.

“They like our assets, they like what we’ve done to date and they like what our future plans are,” he said.

“They’re going to be there for the long term.”

Cuesta Coal formed in September 2011 to acquire all the securities on issue in a private Queensland-focused Australian coal exploration company called Blackwood Coal, in preparation for its public listing this year.

It already has resources totalling

56.3 million tonnes of coal at three of its 33 exploration permit areas, which cover a total of 5800sq.km in Queensland’s world-class coal-bearing basins including the Bowen, Surat and Galilee.

Cuesta Coal has been developing its projects over the past 12 months and this approach to its IPO makes it stand out from other exploration companies, as chief operating officer Keith McKnight outlined.

“We’ve been operating for about 12 months and Cuesta has positioned itself to deliver results quickly to the market,” he said.

“That’s what sets us apart from other companies – we raised some pre-IPO capital and did some exploration and had enough capital to continue operation while the IPO was in process.”

Cuesta has done 6000m of drilling since June 2011, already has a resource of 56.3Mt of coal and has a target ranging from 795Mt to 6610Mt.

“It’s an active company that will achieve results,” McKnight said.

Now the IPO is complete, Cuesta Coal is pushing ahead with its plans to create a pipeline of projects and get two medium-size coal projects into production in the medium term.

Crawford said production was realistically within a five-year timeframe but the company would

push hard to bring that forward. Cuesta Coal’s predominant target is thermal coal but it has metallurgical coal projects including West Emerald, which is shaping up to impress.

West Emerald is in the western Bowen Basin and Cuesta Coal is targeting Reid’s Dome Bed Coal Measures containing thermal and PCI coals, particularly extensions of Rio Tinto’s Valeria deposit, which has a resource of 762Mt of thermal and semi-soft coking coal.

“We’re quite excited about the West Emerald project,” Crawford said. “We think we could uncover some pretty good coal in that area.”

But the company’s two frontrunner projects to get into production are East Wandoan and West Bowen.

East Wandoan is a thermal coal project in the Surat Basin with a resource of 23.9Mt and with good access to proposed infrastructure.

A 39-hole drilling program is underway to establish a maiden resource after a recent 14-hole drilling program intersected coal in all holes at depths less than 80m over an area of 4.5km by 2.5km.

The East Wandoan project is located about 25km northeast of Xstrata’s proposed Wandoan thermal coal mine, which has an expected mine life of 30 years.

Queensland’s proposed route for the “southern missing link” railway runs through the East Wandoan project area and will link up with Wiggins Island coal export terminal.

In the Western Bowen Basin, Cuesta Coal’s Moorlands deposit has an inferred resource of 27.3Mt and further exploration is planned targeting 50Mt.

The project neighbours Rio Tinto’s Blair Athol mine, which produces

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12Mt of thermal coal a year. Crawford said a 17-hole drill program was set to start in June at Moorlands, about 14km west of Blair Athol, targeting a shallow low-stripping ratio coal resource for an open cut coal mine.

“If our theory’s right we should have a pretty good little deposit there,” Crawford said.

“We did a 19-hole program last year, which verified where coal was close to the surface.

“One hole had 24m of coal down to about 110m, so that’s quite substantial and we’re going to focus around those areas this year.”

Elsewhere, the company plans to spend \$A3 million on exploration starting in July at the Eastern Galilee project on the eastern margin of the Galilee Basin.

Exploration drilling intersected coal 8km outside the previous known margin and Cuesta Coal has an exploration target up to 3000Mt.

“Eastern Galilee is quite a substantial opportunity for us,” Crawford said.

“We’re excited about its possibilities. Realistically it will have a longer lead-in to production but the tonnages could be substantially more than we’ve got on our other projects.”

Cuesta Coal is also buoyed by the promise at its Amberley project near Ipswich in the Clarence Moreton Basin, which hosts some of Queensland’s oldest coal mines.

Amberley neighbours the Ebenezer

coal mine, which OGL Resources plans to bring back to life within a year.

“The increase in thermal coal demand over the last four to five years has breathed new life into those mines, which were some of the oldest in Queensland,” Crawford said.

He said China and India were the main markets for thermal coal but other markets included developing countries such as Vietnam and Thailand, which were increasing their demand.

“We think both the short and long-term outlook for thermal coal is pretty rosy,” Crawford said.

“Our plan is to get two medium size coal production assets going, East Wandoan and West Bowen, and the cash flow from that will allow us to develop our other projects. And obviously we’re lucky we’ve got Beijing Guoli and other shareholders to support us.”

The company also has a management team and board with significant experience in coal exploration, mining and management.

“We’re a relatively young, enthusiastic company that’s done a lot both corporately and operationally over the last 18 months,” Crawford said.

“We’ve got a big program to achieve over the next two to five years but we’ve got the platform in place, both operationally and financially, to be able to deliver.”

– **Ngairé McDiarmid**

Directors Matthew Crawford and Brice Mutton at Cuesta’s promising East Wandoan thermal coal project

CUESTA COAL AT A GLANCE

HEAD OFFICE

Level 15, 31 Market Street
Sydney NSW 2000
Australia
Ph: +61 2 9284 5900
Fax: +61 2 9284 5999
Email: info@cuestacoal.com.au
Web: www.cuestacoal.com.au

DIRECTORS

Ian Richer, Matthew Crawford, Keith McKnight, Brice Mutton, Patrick Elliott

MARKET CAPITALISATION

\$A28.7 million (at press time)

QUOTED SHARES ON ISSUE

191,622,700

MAJOR SHAREHOLDERS

Beijing Guoli Energy Investment Co affiliates 36.5%
Argonaut Resources NL 8.7%
Albion Ballymore Pty Ltd 7%