

Cuesta Coal Limited and controlled entities

ABN 36 153 351 994

Interim Report – 31 December 2012

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Cuesta Coal Limited
Directors' report
31 December 2012

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Cuesta Coal Limited (referred to hereafter as the 'company') and the entities it controlled for the half-year ended 31 December 2012.

Directors

The following persons were directors of Cuesta Coal Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Brice Mutton
Ian Richer
Patrick Elliott
Matthew Crawford
Keith McKnight
Huaixi Zheng (appointed on 17 July 2012)
Ruoshui Wang (appointed on 27 November 2012)

Principal activities

During the financial half-year the principal continuing activities of the consolidated entity consisted of exploration for and evaluation of coal resources at the consolidated entity's mining tenements which are situated in Queensland, Australia.

Review of operations

The loss for the consolidated entity after tax amounted to \$1,897,000 (31 December 2011: \$2,321,000).

The consolidated entity continued to undertake further exploration and evaluation activities on its tenements located in Queensland, Australia.

Significant changes in the state of affairs

There were no other significant changes in the state of affairs of the consolidated entity during the financial half-year.

Matters subsequent to the end of the financial year

On 11 December 2012, Cuesta Coal Limited executed a Share Sale Agreement (**SSA**) to acquire Hannigan & Associates Pty Limited (**Hannigan**) for a total consideration of \$18,200,000. Hannigan is the holder of EPC 775 & EPC 776, collectively known as the Orion Coal Project which is located immediately north of the Moorlands Deposit (EPC 1738). Under the terms of the transaction, a \$5,000,000 deposit was paid before 21 December 2012.

On 28 February 2013, Cuesta Coal Limited completed the acquisition via a cash payment of \$3,200,000 and the issue of 10,000,000 secured Convertible Notes. A summary of the rights and liabilities attaching to the Convertible Notes are outlined in the table below;

Transaction	Subscription for \$10,000,000 principal amount of secured convertible notes (Notes) convertible into fully paid-up ordinary shares of the Issuer (Shares)
Rank	The Notes constitute a secured obligation of the Issuer 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.
Security	The Notes have been secured by: <ul style="list-style-type: none"> • a charge over the issued capital of Hannigan; • upon approval of the members of the Issuer, a general security agreement will be granted by Hannigan in respect of all the assets of Hannigan; and • until the granting of the above general security agreement over the assets of Hannigan is granted, the Issuer is granting a general security agreement in respect of all the assets of the Issuer. <p>(the Security Documents)</p>
Issue Price	No cash is payable by the Noteholders for their subscription for the, Notes or Shares under the Deed. The Notes are allotted and issued to the Noteholders in part satisfaction of the consideration payable by the Issuer under the SSA.
Maturity Date	28 August 2014
Face Value	Each 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 Notes into Shares as follows: <ul style="list-style-type: none"> • in the 30 day period prior to 27 November 2013, 50% of the Noteholder's Notes; • in the 30 day period prior to the Maturity Date, all of the Noteholder's Notes; and • all of the Noteholder's Notes upon the occurrence of a Trigger Event

	<p>The formula for calculating the number of Shares to be issued on conversion is as follows;</p> $N = \frac{F}{V}$ <p>Where</p> <table border="1"> <tr> <td>N =</td> <td>The number of Shares</td> </tr> <tr> <td>F =</td> <td>The face value of the Notes</td> </tr> <tr> <td>V =</td> <td>90% of the volume weighted average trading price of the Issuer's shares over the 10 Business Days ending on the Business Day preceding the Conversion Date.</td> </tr> </table>	N =	The number of Shares	F =	The face value of the Notes	V =	90% of the volume weighted average trading price of the Issuer's shares over the 10 Business Days ending on the Business Day preceding the Conversion Date.
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F =	The face value of the Notes						
V =	90% of the volume weighted average trading price of the Issuer's shares over the 10 Business Days ending on the Business Day preceding the Conversion Date.						
<p>Redemption</p>	<p>The Issuer may by notice in writing to the Noteholder redeem any of the Notes at any time and from time to time after the Issue Date provided the Face Value of the Notes being redeemed is no less than \$1,000,000.</p> <p>If any Notes have not been Converted prior to the Maturity Date, the Company will redeem those Notes in cleared funds on the Maturity Date</p>						
<p>Transferability</p>	<p>A Noteholder may, at any time, notify the Issuer in writing it wishes to transfer all or some of its Notes provided the aggregate Face Value of the Notes being transferred is no less than \$1,000,000. Upon notifying the Issuer that wishes to transfer the Notes, the Issuer may, within 20 business days, redeem those Notes. If the Issuer does not redeem the Notes, the Noteholder is permitted to transfer those Notes on the terms notified to the Issuer.</p>						

Matters subsequent to the end of the financial year (continued)

On 13 February 2013, EPC 2080 was granted which is part of the Snake Creek Joint Venture with QCI (Galilee) Pty Ltd (**QCI**), a wholly owned subsidiary of Hancock Prospecting Pty Ltd. The adjoining EPCa 2079 remains under application. Under the terms of the Joint Venture, QCI is able to earn up to a 51% interest through the expenditure of \$3,000,000 on exploration at the tenements in two stages.

On 21 February 2013, Cuesta Coal Limited executed a Share Placement Agreement to raise \$12,000,000 by issuing 66,666,667 new ordinary shares at AU\$0.18 per share to the Company's major shareholder, Longluck Investment (Australia) Pty Ltd, a wholly owned subsidiary of Beijing Guoli Energy Investment Co. The placement is subject to Chinese Regulatory, FIRB and Shareholder approval.

The funds will be used to reduce the Convertible Note liability and to fast track the Company's priority development project at Moorlands, located 14km west of the Blair Athol Coal Mine in the Western Bowen Basin in Queensland.

Cuesta Coal Limited
Directors' report
31 December 2012

Rounding of amounts

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

Auditor

BDO East Coast Partnership continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



Brice Mutton
Interim Chairman

11 March 2013
Sydney



Matthew Crawford
Managing Director

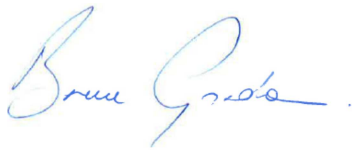
11 March 2013
Sydney

DECLARATION OF INDEPENDENCE BY BRUCE GORDON TO THE DIRECTORS OF CUESTA COAL LIMITED

As lead auditor for the review of Cuesta Coal Limited for the half-year ended 31 December 2012, I declare that to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Cuesta Coal Limited and the entities it controlled during the period.



Bruce Gordon
Partner

BDO East Coast Partnership
Sydney, 11 March 2013

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Cuesta Coal Limited
Financial report
31 December 2012

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General information

The half-year financial report covers Cuesta Coal Limited as a consolidated entity consisting of Cuesta Coal Limited and the entities it controlled. The half-year financial report is presented in Australian dollars, which is Cuesta Coal Limited's functional and presentation currency.

The half-year financial report consists of the financial statements, notes to the financial statements and the directors' declaration.

Cuesta Coal Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office and Principal place of business

Suite 15.01
Level 15, St Martins Tower
31 Market Street
Sydney NSW 2000

Operations Office

Suite 3B
Level 1,
165 Moggill Road
Taringa QLD 4068

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial report.

The half-year financial report was authorised for issue, in accordance with a resolution of directors, on 11 March 2013. The directors have the power to amend and reissue the financial report.

Cuesta Coal Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2012

	Note	Consolidated 31/12/2012 \$'000	31/12/2011 \$'000
Other income	2	497	41
Expenses			
Professional fees		(9)	(190)
Auditors' remuneration		(25)	(50)
Occupancy expenses	3	(73)	(41)
Corporate development expenses	3	(112)	(118)
Depreciation and amortisation expense		(20)	(17)
Directors' fees		(269)	(173)
Share based payments	3	(953)	(891)
Employee expenses		(562)	(171)
Finance costs		-	(343)
Cost incurred for abandoned equity transaction		-	(232)
Insurance		(41)	
Investor relations		(84)	
Travel		(79)	-
Other expenses		(167)	(136)
Loss before income tax		(1,897)	(2,321)
Income tax expense		-	-
Loss after income tax expense for the period		(1,897)	(2,321)
Other comprehensive income for the period		-	-
Total comprehensive income for the period		(1,897)	(2,321)
Total comprehensive income for the period is attributable to:			
Owners of Cuesta Coal Limited		(1,897)	(2,321)
		Cents	Cents
Loss per share for loss attributable to the owners of Cuesta Coal Limited			
Basic loss per share		(0.99)	(24.00)
Diluted loss per share		(0.99)	(24.00)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Cuesta Coal Limited
Statement of financial position
As at 31 December 2012

		Consolidated	
	Note	31/12/2012	30/06/2012
		\$'000	\$'000
Assets			
Current assets			
Cash and cash equivalents	4	10,397	19,253
Trade and other receivables	5	507	937
Other current assets	6	11,353	6,956
Total current assets		<u>22,257</u>	<u>27,146</u>
Non-current assets			
Plant and equipment	7	217	126
Exploration and evaluation expenditure	8	18,559	12,882
Total non-current assets		<u>18,776</u>	<u>13,008</u>
Total assets		<u>41,033</u>	<u>40,154</u>
Liabilities			
Current liabilities			
Trade and other payables	9	3,224	2,655
Total current liabilities		<u>3,224</u>	<u>2,655</u>
Total liabilities		<u>3,224</u>	<u>2,655</u>
Net assets		<u>37,809</u>	<u>37,499</u>
Equity			
Issued capital	10	38,606	38,606
Reserves	11	7,741	5,534
Accumulated losses	12	(8,538)	(6,641)
Total equity		<u>37,809</u>	<u>37,499</u>

The above statement of financial position should be read in conjunction with the accompanying notes.

Cuesta Coal Limited
Statement of changes in equity
For the half-year ended 31 December 2012

	Reserves					Total
	Issued Capital	Options Reserve	Share-based Payments Reserve	Convertible Notes	Accumulated losses	
	\$	\$	\$	\$	\$	\$
At 1 July 2011	1,523	-	4,007	710	(1,975)	4,265
Loss for the year	-	-	-	-	(2,321)	(2,321)
Total comprehensive income for the period	-	-	-	-	(2,321)	(2,321)
<u>Transaction with owners in their capacity as owners</u>						
Shares issued, net of transaction costs	2,674	-	-	-	-	2,674
Share- based payments	3,288	12	1,675	-	-	4,975
Total transactions with owners and other transfers	5,962	12	1,675	-	-	7,649
Balance at 31 December 2011	7,485	12	5,682	710	(4,296)	9,593
At 1 July 2012	38,606	12	5,522	-	(6,641)	37,499
Loss for the year	-	-	-	-	(1,897)	(1,897)
Total comprehensive income for the period	-	-	-	-	(1,897)	(1,897)
<u>Transaction with owners in their capacity as owners</u>						
Share-based payments	-	-	2,207	-	-	2,207
Total transactions with owners and other transfers	-	-	2,207	-	-	2,207
Balance at 31 December 2012	38,606	12	7,729	-	(8,538)	37,809

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Cuesta Coal Limited
Statement of cash flows
For the half- year ended 31 December 2012

Note	Consolidated	
	31/12/2012 \$'000	31/12/2011 \$'000
Cash flows from operating activities		
Payments to suppliers and employees	(926)	(932)
Interest received	431	41
Finance costs paid	-	(69)
R & D tax concession received	205	-
	<hr/>	<hr/>
Net cash (used) in operating activities	(290)	(960)
Cash flows from investing activities		
Payments for plant and equipment	(111)	(6)
Payment of deposit & transaction costs for acquisition of Hannigan & Associates	(5,547)	-
Payment for exploration and evaluation expenditure and exploration licence applications	(2,908)	(4,210)
	<hr/>	<hr/>
Net cash used in investing activities	(8,566)	(4,216)
Cash flows from financing activities		
Proceeds from share issue, net of share issue costs	-	2,666
Pre-paid IPO costs	-	(221)
	<hr/>	<hr/>
Net cash provided by financing activities	-	2,445
Net decrease in cash and cash equivalents	(8,856)	(2,731)
Cash and cash equivalents at the beginning of the financial period	19,253	3,941
	<hr/>	<hr/>
Cash and cash equivalents at the end of the financial period	10,397	1,210
	<hr/> <hr/>	<hr/> <hr/>

The above statement of cash flows should be read in conjunction with the accompanying notes.

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2012 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001.

This half-year financial report covers Cuesta Coal Limited as a consolidated entity consisting of Cuesta Coal Limited and the entities it controlled and was authorised for issue in accordance with a resolution of Directors on 11 March 2013. These general purpose financial statements do not include all the notes of the type normally included in annual financial statements and therefore cannot be expected to provide as full understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report. The half year financial report should be read in conjunction with the annual financial report of Cuesta Coal Limited as at 30 June 2012 and any public announcement made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

Cuesta Coal Limited is a public company, listed on the Australian Stock Exchange, incorporated and domiciled in Australia. The consolidated entity's operations comprise exploration for and evaluation of coal resources at the consolidated entity's mining tenement situated in Queensland.

(a) Basis of preparation

The half-year financial report has been prepared on the historical cost basis except as disclosed in the notes to the annual financial report.

(b) Significant accounting policies

The half-year financial report has been prepared using the same accounting policies as used in the annual financial report for the year ended 30 June 2012.

(c) Going Concern

The financial statements have been prepared on a going concern basis.

(d) Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment

The consolidated entity assesses impairment at each reporting date by evaluating conditions and events specific to the group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value in use calculations which incorporate various key assumptions.

Cuesta Coal Limited
Notes to the financial statements
31 December 2012

Note 2. Other income

	Consolidated	
	31/12/2012	31/12/2011
	\$'000	\$'000
Interest received	497	41
Other income	497	41

Note 3. Expenses

Interest expense:

Interest payable to convertible note holder	-	14
Unwinding of interest on convertible notes	-	328
Total interest expense	-	342

Rental expense on operating leases:

Total rental expense	73	41
	73	41

Significant expense

The following significant expense items are relevant in explaining the financial performance:

Costs incurred for abandoned equity transaction	-	232
Directors' remuneration		
-payable in cash	334	173
-payable in shares	-	750
-performance shares (expensed)	953	141
Corporate consulting fees	112	118
Employee defined contribution plan	28	16

Cuesta Coal Limited
Notes to the financial statements
31 December 2012

Note 4. Current assets - cash and cash equivalents

	Consolidated	
	31/12/2012	30/06/2012
	\$'000	\$'000
Cash on bank and on hand	1,204	19,253
Short-term bank deposit	9,193	-
	<u>10,397</u>	<u>19,253</u>

Note 5. Current assets - trade and other receivables

	Consolidated	
	31/12/2012	30/6/2012
	\$'000	\$'000
GST receivable	255	469
Research and development concession	-	205
Prepayments	188	221
Other receivables	64	42
	<u>507</u>	<u>937</u>

Note 6. Current assets - other

	Consolidated	
	31/12/2012	30/6/2012
	\$'000	\$'000
Deposit & transaction costs for acquisition of Hannigan & Associates	5,547	-
Exploration licence applications	5,806	6,956
	<u>11,353</u>	<u>6,956</u>

Note 7. Non-current assets - plant and equipment

	Consolidated	
	31/12/2012	30/6/2012
	\$'000	\$'000
Plant and equipment - at cost	286	175
Less: Accumulated depreciation	(69)	(49)
	<u>217</u>	<u>126</u>

Note 8. Non-current assets - exploration and evaluation expenditure

	Consolidated	
	31/12/2012	30/6/2012
	\$'000	\$'000
Exploration and evaluation expenditure - at cost	<u>18,559</u>	<u>12,882</u>

Reconciliations

Reconciliations of the carrying amount at the beginning and end of the current and previous financial year are set out below:

	Exploration and evaluation expenditure \$'000
Consolidated	
Balance at 1 July 2011	5,546
Additions	<u>7,336</u>
Balance at 30 June 2012	12,882
Additions	<u>5,677</u>
Balance at 31 December 2012	<u><u>18,559</u></u>

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.

Note 9. Current liabilities - trade and other payables

	Consolidated	
	31/12/2012	30/6/2012
	\$'000	\$'000
Trade payables	611	252
Sundry payables and accrued expenses	391	190
Deferred consideration - vendor payments	2,222	2,173
Interest payable on convertible notes	-	40
	<u>3,224</u>	<u>2,655</u>

The deferred consideration - vendor payments relate to acquisition of applications of exploration licences. The deferred consideration will be settled upon the granting of the exploration licences by the Queensland Government.

Note 10. Equity - issued capital

	Consolidated		Consolidated	
	31/12/2012	30/6/2012	31/12/2012	30/6/2012
	Shares	Shares	\$'000	\$'000
Ordinary shares - fully paid	191,622,713	191,622,713	38,606	38,606

Note 11. Equity - reserves

	Consolidated	
	31/12/2012	30/6/2012
	\$'000	\$'000
Option reserve	12	12
Share-based payment reserve	7,729	5,522
	<u>7,741</u>	<u>5,534</u>

	Options	Share-based	Convertible	Total
	\$'000	payments	Notes	\$'000
		\$'000	\$'000	
Consolidated				
Balance at 1 July 2011	-	4,007	710	4,717
Issued during the year	12	-	-	12
Share-based payments	-	4,335	-	4,335
Conversion of convertible notes	-	-	(710)	(710)
Share-based payment paid to vendors	-	(2,820)	-	(2,820)
Balance at 30 June 2012	12	5,522	-	5,534
Share-based payments	-	2,207	-	2,207
Balance at 31 December 2012	<u>12</u>	<u>7,729</u>	<u>-</u>	<u>7,741</u>

Option reserve

The reserve is used to recognise the fair value of options issued as part of the consideration paid in respect of vendor agreements.

Share-based payment reserve

The reserve is used to recognise increments and decrements in the fair value of deferred consideration in respect of vendor agreements and Director performance shares.

Convertible note reserve

The reserve is used to recognise the conversion option upon issue of the convertible notes, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years.

Note 12. Equity – accumulated losses

	Consolidated	
	31/12/2012	30/6/2012
	\$'000	\$'000
Accumulated losses at the beginning of the financial year	(6,641)	(1,975)
Loss for the year	<u>(1,897)</u>	<u>(4,666)</u>
Accumulated losses at the end of the financial year	<u><u>(8,538)</u></u>	<u><u>(6,641)</u></u>

Note 13. Equity – Share under options

Unissued ordinary shares of Cuesta Coal Limited under option at the balance date are as follows:

Grant Date	Expiry Date	Exercise Price	No of Shares under option
8 December 2011	29 October 2015	\$0.25	600,000
Various	31 December 2015	\$0.20	8,035,718
Various	31 December 2015	\$0.25	50,429,904

Note 14. Events after the reporting period

On 11 December 2012, Cuesta Coal Limited executed a Share Sale Agreement to acquire Hannigan & Associates Pty Limited (**Hannigan**) for a total consideration of \$18,200,000. Hannigan is the holder of EPC 775 & EPC 776, collectively known as the Orion Coal Project which is located immediately north of the Moorlands Deposit (EPC 1738). Under the terms of the transaction, a \$5,000,000 deposit was paid before 21 December 2012.

On 28 February 2013, Cuesta Coal Limited completed the acquisition via a cash payment of \$3,200,000 and the issue of 10,000,000 secured Convertible Notes. The rights and liabilities attaching to the Convertible Notes are outlined in the Directors' report.

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On 21 February 2013, Cuesta Coal Limited executed a Share Placement Agreement to raise \$12,000,000 by issuing 66,666,667 new ordinary shares at AU\$0.18 per share to the Company's major shareholder, Longluck Investment (Australia) Pty Ltd, a wholly owned subsidiary of Beijing Guoli Energy Investment Co. The placement is subject to Chinese Regulatory, FIRB and Shareholder approval.

The funds will be used to reduce the Convertible Note liability and to fast track the Company's priority development project at Moorlands, located 14km west of the Blair Athol Coal Mine in the Western Bowen Basin in Queensland.

Note 15. Share-based payments

On 10 December 2012, the consolidated entity announced an increase to its JORC resource at the Moorlands project. The increase triggered the condition precedent to the issue of the series one shares pursuant to the Company's Executive Share and Option deed as disclosed in the Company's replacement prospectus dated 6 March 2012

Note 16. Operating segments

The consolidated entity has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors in assessing performance and determining the allocation of performance. The consolidated entity is managed primarily based on geographic basis, that is, the location of the respective areas of interest (tenements) in Australia. Operating segments are determined on the basis of the financial information reported to the Board which is at the consolidated entity level. The consolidated entity does not have any products or services from which it derives revenue.

Accordingly, Management currently identifies the consolidated entity as having only one reportable segment, being the exploration for coal in Australia. There have been no changes in the operating segment during the year. Accordingly, all significant operating decisions are based upon analysis of the consolidated entity as one segment. The financial results from this segment are equivalent to the financial statements of the consolidated entity as a whole.

Cuesta Coal Limited
Directors' declaration

In the directors' opinion

- The attached financial statements and notes thereto comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- The attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the financial half-year ended on that date; and.
- There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors made pursuant to section 303(5) of the Corporations Act 2001 and is signed for and on behalf of the directors by:



Brice Mutton
Interim Chairman

11 March 2013
Sydney



Matthew Crawford
Managing Director

11 March 2013
Sydney

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Cuesta Coal Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Cuesta Coal Limited, which comprises the statement of financial position as at 31 December 2012, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the disclosing entity and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the disclosing entity are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Cuesta Coal Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Cuesta Coal Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

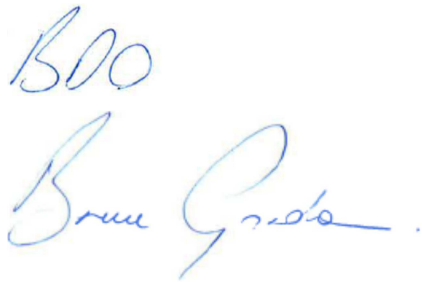
For personal use only

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Cuesta Coal Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

BDO East Coast Partnership

The image shows a handwritten signature in blue ink. The signature is written in a cursive style and appears to read 'Bruce Gordon'. Above the signature, the letters 'BDO' are written in a similar blue ink.

Bruce Gordon

Partner

Sydney, 11 March 2013

Cuesta Coal Limited
Corporate directory
31 December 2012

Directors

Brice Mutton
Ian Richer
Patrick Elliott
Matthew Crawford
Keith McKnight
Huaixi Zheng
Ruoshui Wang

Company secretary

Megan McPherson

Registered office and
principal place of business

Suite 15.01
Level 15, St Martins Tower
31 Market Street
Sydney NSW 2000
Phone: (02) 9284 5900

Operations Office

Suite 3B
Level 1
165 Moggill Road
Taringa QLD 4068
Phone: (07) 3327 8100

Share register

Computershare Investor Services Pty Ltd
Level 4
60 Carrington Street
Sydney NSW 2000

Auditor

BDO East Coast Partnership
Level 10
1 Margaret Street
Sydney NSW 2000

Solicitors

Thomsons Lawyers
Level 25
1 O'Connell Street
Sydney NSW 2000

Stock exchange listing

Cuesta Coal Limited shares are listed on the Australian Securities
Exchange (ASX code: CQC)

Website address

www.cuestacoal.com.au