

QUARTERLY ACTIVITIES REPORT

For the period ending 30 September 2013

HIGHLIGHTS

MOORLANDS PROJECT

- ✓ Cuesta's main operational and development activities focussed at Moorlands Project located immediately west of Blair Athol and Clermont Coal Mines
- ✓ Proposed South Pit defined with a 30 year mine life and average stripping ratio of 3.2:1
- ✓ The proposed Moorlands South Pit coal quality and washability analysis results were announced in Q2 2013 with excellent recoveries averaging 90%
- ✓ 50 hole Resource definition and infill drilling program commenced at Moorlands in August
- ✓ Exploration Activities 80% completed
- ✓ Baseline environmental studies are progressing as part of the Environmental Management Plan for the project

CORPORATE

- ✓ \$12m Placement (at \$0.18 per share) settled on 24th July 2013
- ✓ Appointment of Mr Hanping Liu as Non-executive Director on 18th July 2013
- ✓ Cash on hand \$6.427m at 30th September

1. QUARTERLY OVERVIEW

The September 2013 quarter saw operations focus on the Company's priority 100% owned Moorlands Project in the Western Bowen Basin of Queensland. The project is located immediately to the north west of the Blair Athol and Clermont Coal Mines.

On the 1st of August, Cuesta announced that it had commenced a 50 hole exploration program at Moorlands. The program was designed to define the entire Moorlands Deposit to a JORC Indicated / Measured status. Environmental monitoring studies as part of the Moorlands Environmental Management Plan commenced simultaneously to the exploration activities.

The exploration activities for 2013 have been designed to enable the commencement of a definitive feasibility study in Q1 2014.

Significantly the Company announced that the Proposed South Pit at Moorlands has sufficient coal to produce 2Mtpa for 30 years with a 3.2:1 life of mine strip ratio at a 89% yield. The Moorlands coal spec includes a singular product stream having a 10.4% ash and air dried calorific value of 6,077k/cal.

Cuesta continues to investigate infrastructure options principally for the Moorlands Project and is targeting to execute formal agreements in 2013.

Post the end of the quarter, the Company announced a maiden 364Mt JORC Inferred Resource at its 100% owned Yellow Jacket Project in the Eastern Galilee Basin.

At the end of September 2013, Cuesta had cash and cash equivalents of \$6.427m.

Subsequent to the end of the quarter, Cuesta announced that it had executed a \$8.4m placement agreement with Hanford Holdings Limited, a Hong Kong based investment company with a focus on international mining investments.



2. MOORLANDS PROJECT DEVELOPMENT ACTIVITY REVIEW

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

The Moorlands Project is a ~146Mt (in accordance with the JORC code (2004) guidelines) open cut thermal coal project located 14km west of the historic Blair Athol Coal Mine in the Western Bowen Basin, Queensland.

The project offers Cuesta a long-life asset with significant resource upside potential within the area. It is anticipated that capital costs can be minimized with a staged start-up of the mine and the economics will be robust due to the following key attributes of the project:

- 2Mtpa ROM with a 30 year mine life defined in the South Pit
- 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
- Located 14km from the existing coal infrastructure at the Blair Athol Mine.

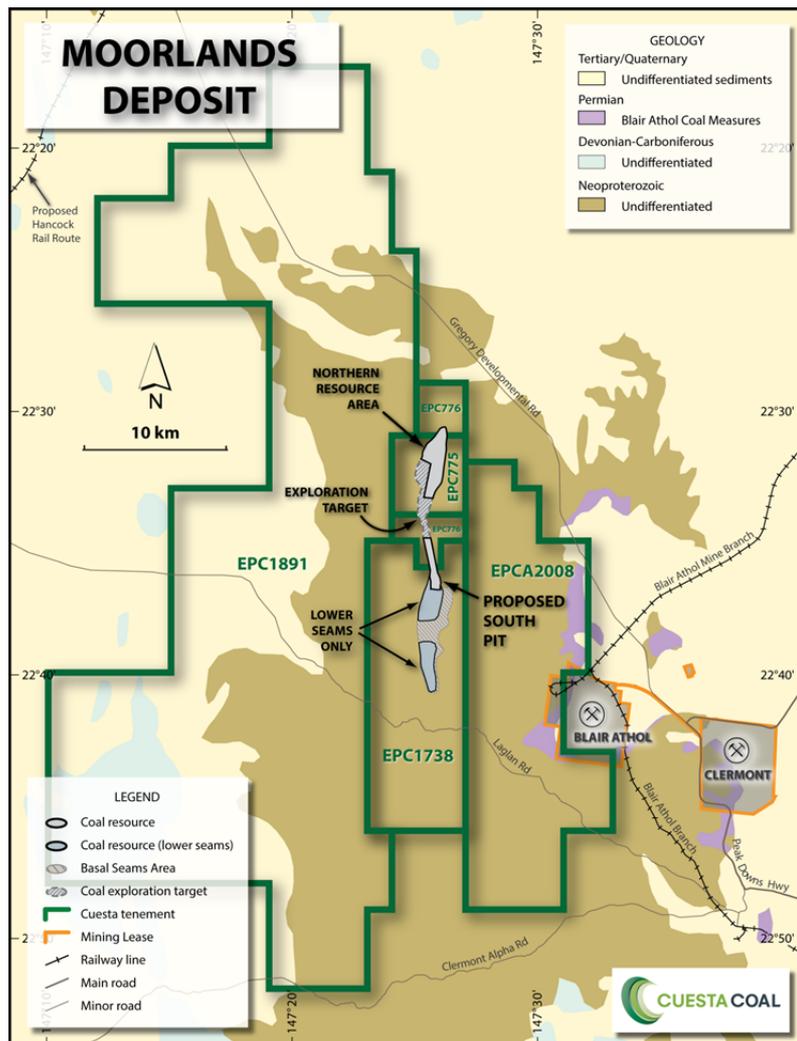


Figure 1: Map of the Moorlands Project in relation to the producing Clermont Coal mine and recently closed Blair Athol Coal Mine.

Quarterly Activities

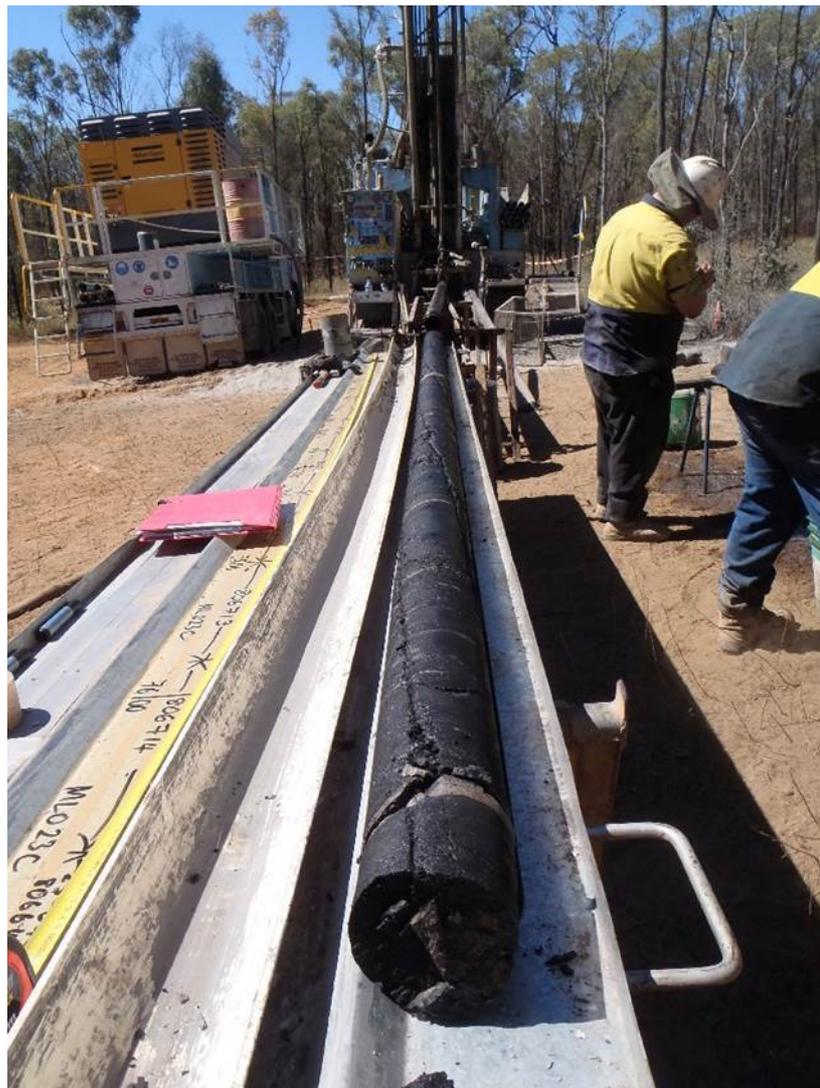
The main activities for the past quarter at Moorlands included commencing field exploration activities and progression of the Project’s Scoping Study.

A 50 hole exploration program commenced at Moorlands in August, consisting of 35 Open PCD holes and 15 partially cored holes. The intention of the exploration program is to define the resource in the northern area of the deposit, which was part of the Orion Coal Project acquisition. The exploration activities will also enable the exploration target between the south pit and the north pit (Figure 1) to be converted to a resource.

The drill spacing has been set to target a JORC Indicated / Measured Resource with sufficient coal quality data to obtain a more complete understanding of the coal resource across the whole of the Moorlands Project.

The exploration program will obtain sufficient data on the Moorlands Project resource to enable feasibility studies to be conducted during 2014.

The program will also include drilling for environmental monitoring. Environmental Licensing Professionals Pty Ltd has been engaged to prepare the Environmental Management Plan for the Moorlands Project in the lead up to conducting feasibility study work during 2014.





The Moorlands Project, located 14km from the currently closed Blair Athol Coal Mine, has a current JORC Resource of 146.1Mt, including a JORC Resource of 51.0Mt in the Measured and Indicated category.

Moorlands Thermal Coal Resources				
Project	Measured	Indicated	Inferred	Total
Moorlands	14.6Mt	36.4Mt	95.1Mt	146.1Mt

Cuesta has been working closely with Xenith Consulting Pty Ltd (“Xenith”), a specialist mining consultancy based in Brisbane, to complete the Mine Scoping Study.

A margin ranking exercise has been completed by Xenith on the Moorlands deposit prior to the 2013 exploration activities commencing. This was to identify the most economic coal zones by dividing the deposit into 100 x 100m vertical blocks and applying cost, revenue and operating assumptions to ascertain the economic cut off strip ratio for the initial pit shell.

The lowest strip ratio is found in the proposed South Pit, typically between 2 and 4 bcm/tonne, and averaging 3.2bcm/tonne over the life of mine. Finalisation of the Mine Scoping Study will focus on a potential 2Mtpa run of mine (ROM) project in the South Pit with a mine life of 30 years.

The northern area of the deposit has a larger resource potential and will provide a longer term target for Cuesta with strip ratios typically between 3 and 6 bcm/tonne.

Laboratory results of the 2012 drilling campaign confirm similar coal quality in the proposed South Pit to neighbouring Blair Athol and Clermont mines. A single product stream coal specification on the Measured, Indicated and Inferred South Pit resource includes:

- Ash of 10.4%
- Inherent moisture of 9.5%
- Calorific Value of 6,077 k/cal adb
- HGI of 59
- Ash fusion initial deformation of >1,500 oC

3. PIPELINE PROJECTS

PIPELINE PROJECTS ACTIVITY SUMMARY

Eastern Galilee (Yellow Jacket Project)

- 364Mt Maiden Inferred Resource at Yellow Jacket Project released 29th October.
- Information obtained from exploration activities can be used to high grade other target areas in Cuesta's Eastern Galilee tenement portfolio.

West Emerald

- 50-200Mt Coking / PCI / Thermal Coal Exploration Target
- EPC 2093 granted on 23rd July, which is immediately south of Valeria and is Cuesta's priority target area.

Montrose Project

- 0-70Mt Exploration Target for Metallurgical Coal of the Permian Age Back Creek Group.
- Desktop Study completed by SRK Consulting. SRK have defined a small exploration program which will test target areas.

4. JOINT VENTURES

The Joint Venture with QCI (Galilee) Pty Limited is pending the granting of EPCA 2079. Cuesta received notification from DNRM of the proposed grant of EPCA 2079 on 5 August 2013.

Cuesta expects the granting of EPCA2079 to occur shortly.

EPC 2080 was granted on 11 February 2013.

5. INFRASTRUCTURE

As stated previously, Cuesta has engaged Balance Resources Pty Ltd to investigate potential infrastructure options, including port, rail, power and water, for its key projects. A full report has been generated outlining options and strategy.

Cuesta Coal is working closely with Balance Resources to identify secondary market port and rail opportunities for the Moorlands Project. Cuesta Coal is in negotiations with a number of parties and has agreed indicative terms with one party. Cuesta Coal will continue negotiations with these parties with the aim to execute formal agreements before the end of 2013.



6. 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.

7. CORPORATE

During the quarter, Cuesta settled the \$12m Share Placement at 18 cents per share with major shareholder Beijing Guoli. The funds from the Share Placement have been used to repay \$5,000,000 of the Convertible Note liability arising as part of the Orion Coal Project Acquisition. The remaining \$7,000,000 has been added to the Company's existing cash reserves to fund initial development plans for Moorlands and the Company's working capital requirements.

During the quarter, Cuesta received a Research and Development Tax Offset refund in the amount of \$369k and a BAS refund of \$167k.

The Company paid \$793k in administrative expenses and \$2.019m for exploration activities undertaken in the September 2013 quarter.

At the end of the September 2013 quarter Cuesta had cash and cash equivalents of \$6.427m.

The amount of \$1.832m (GST exclusive) is payable upon the granting of tenements to ACN Mining Pty Ltd. An amount of \$389K was paid in October 2013.

Subsequent to the end of the quarter, Cuesta announced it had entered into a Share Subscription Agreement with Hanford Holding Limited to raise \$8.4m for the issue of 75 million shares in two stages.

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8. COMPETENT PERSONS STATEMENT

The information in this report/statement relating to the resource at the Moorlands Projects of EPCs 1738, 775 & 776 and the Yellow Jacket Project of EPC 1802 is based on information reviewed by Blair Richardson, who is a member of the Australasian Institute of Mining and Metallurgy. He is a full time employee Cuesta Coal Limited.

Blair Richardson has sufficient experience relevant to the style of mineralisation and type of deposit 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 the Reporting of Mineral Resources and Ore Reserves. Blair Richardson consents to the inclusion in this report of matters based on this information in the form and context in which it appears.

A report entitled 'East Wandoan Project JORC Resources dated June 2012' and 'Amberley Project (EPC 2127) – Resource Estimate' dated 4th September 2012', have been compiled by Lyndon Pass of Encompass Mining, and it reflects his current view of the Moorlands, 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 Moorlands, 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 Moorlands, 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).

Sections of information contained in this report that relate to all Exploration Results were compiled or supervised by Blair Richardson, who is a Member of the Australasian Institute of Mining and Metallurgy and is General Manager of Exploration for Cuesta Coal Limited. Mr Richardson 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 Richardson consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

Sections of information contained in this report that relate to Exploration Results and Targets were compiled or supervised by Brice Mutton, who is a Fellow of the Australasian Institute of Mining and Metallurgy and is Technical Director of Cuesta Coal Limited. Mr Mutton 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 Mutton 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).



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

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

Cuesta has a diverse portfolio of thermal and coking coal exploration prospects within the Bowen, Surat and Galilee Basins, hence the Company's core projects are well situated geographically.

APPENDIX A

Table 1 - Moorlands Project (EPC 775, 776 and 1738 Resources)

Appendix A

Table 1: Moorlands Project (EPC 775, 776 and 1738 Resources – Resource Classification in Accordance with JORC Code (2004))

Resource Category	Value	Moorlands Project								Total Tonnes (Mt)
		B4	B5	B7	B8	B9	B11	B12	B13	
Measured	Volume (Mm ³)	-	-	-	7.5	2.2	-	-	-	
	Thickness (m)	-	-	-	7.99	2.35	-	-	-	
	Relative Density (t/m ³)	-	-	-	1.51	1.49	-	-	-	
	Sub-total Tonnes (Mt)	-	-	-	11.3	3.3	-	-	-	14.6
Indicated	Volume (Mm ³)	-	0.85	0.74	15.09	7.63	-	-	-	
	Thickness (m)	-	1.84	0.87	5.86	2.57	-	-	-	
	Relative Density (t/m ³)	-	1.42	1.53	1.51	1.48	-	-	-	
	Sub-total Tonnes (Mt)	-	1.2	1.1	22.8	11.3	-	-	-	36.4
Inferred	Volume (Mm ³)	9.8	0.14	2.16	23.84	8.17	3.85	3.6	11.9	
	Thickness (m)	4.62	1.22	1.61	4.62	2.71	2.25	0.67	2.15	
	Relative Density (t/m ³)	1.47	1.42	1.51	1.51	1.48	1.50	1.50	1.50	
	Sub-total Tonnes (Mt)	14.4	0.2	3.3	36.0	12.1	5.8	5.4	17.9	95.1
Grand Total Tonnes (Mt)		14.4	1.4	4.4	70.1	26.7	5.8	5.4	17.9	146.1

- Notes:
- * Volumes and tonnages have been rounded.
 - * Coal tonnes stated are on an in situ basis using estimated default in situ relative densities.
 - * The project area is within EPC 1738, EPC 775 & EPC 776.
 - * The target mineralisation is the Late Permian coal measures within the Moorlands & Bendemeer Basins.
 - * The coal is found in ten seam groups – Bendemeer Seams (B4, B5, B6, B7, B8, B9, B10, B11, B12, B13). Resources have been estimated only for the B4, B5, B7, B8, B9, B11, B12 & B13 seam groups.
 - * A minimum seam thickness of 0.3 metres has been used.
 - * A depth cut off of 250 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 5th April 2013, the Moorlands Project is estimated to contain a total Resource of 146.1 Mt, being composed of 14.6 Mt of Measured, 36.4 Mt Indicated and 95.1 Mt Inferred resource.
 - * The coal present is a sub-bituminous coal with moderate ash (adb), moderate specific energy (adb) and low to moderate sulphur (adb).
 - * 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).



APPENDIX B
Moorlands Coal Quality Results

Appendix B

Table 2: Ash Analysis %

SiO ₂	Fe ₂ O ₃	Al ₂ O ₃	TiO ₂	P ₂ O ₅	Mn ₃ O ₄	CaO	MgO	Na ₂ O	K ₂ O	SO ₃	V ₂ O ₅	ZnO	BaO	SrO
55.81	5.66	32.83	1.76	0.22	0.07	0.89	0.82	0.61	0.19	0.32	0.06	0.03	0.07	0.04

Table 3: Ultimate Analysis (%daf)

C	H	N	S	O (by diff)
78.07	4.98	1.86	0.95	14.14

Table 4: Ash Fusion °C (Reducing)

Initial Deformation	Spherical	Hemispherical	Flow
1538	1563	1568	1578