

Moorlands: Mining Scoping Study

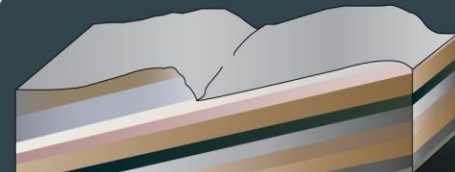
“Developing a low cost, high quality thermal coal project located adjacent to large scale proven operations”

CUESTA COAL LIMITED

November 2013

'....in structural geology and geomorphology, a cuesta (from Spanish: "slope") is a ridge formed by gently tilted sedimentary rock strata in a homoclinal structure. Cuestas have a steep slope, where the rock layers are exposed on their edges, called an escarpment.'

Source "Cuesta": Wikipedia, April 2012



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Competent Persons Statement

The information in this report/statement relates to the resource of EPC 775, 776, 1738 and 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 of Cuesta Coal Ltd. 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. Sections of information contained in this report that relate to 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 & Development 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.

Exploration Target Note - All statements as to exploration targets of Cuesta Coal and statements as to potential quality and grade 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 of Exploration Results, Mineral Resources and Ore Reserves published by the Joint Ore Reserves Committee (JORC).

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Cuesta Coal Overview

Investment Highlights

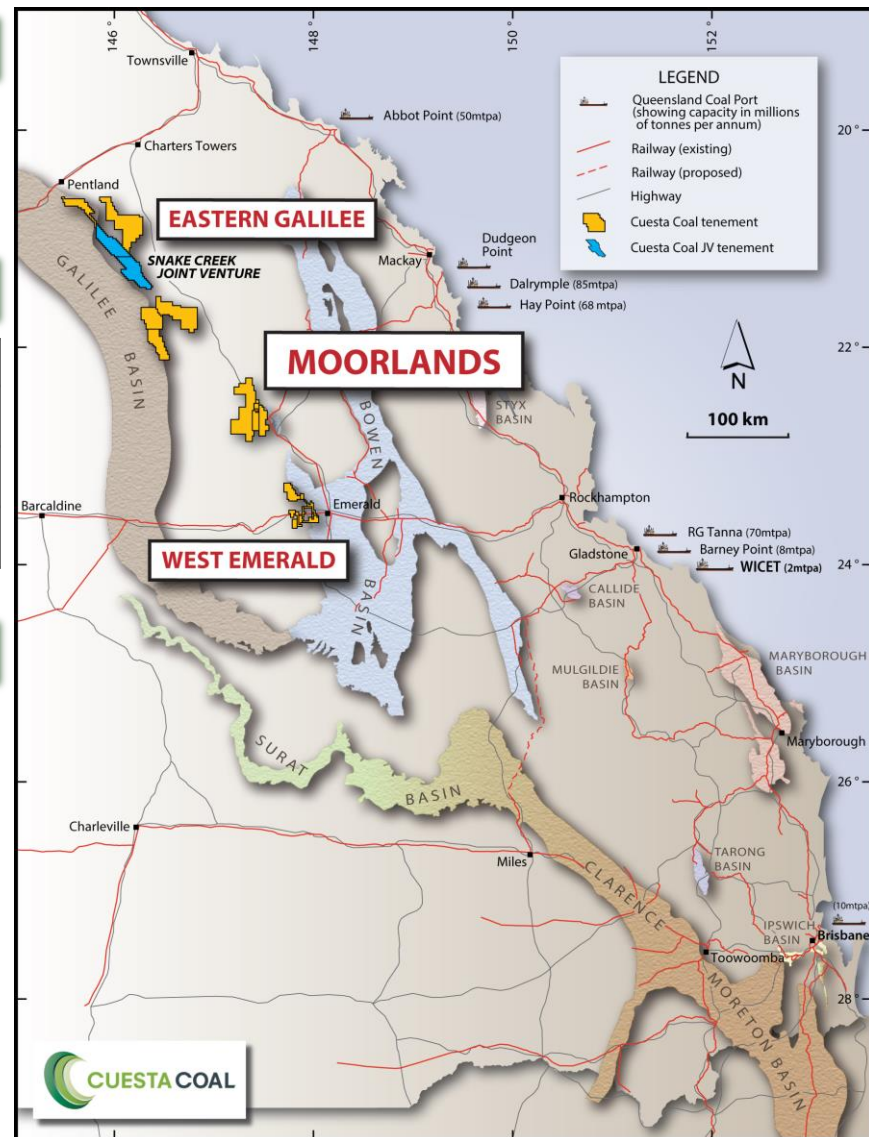
- Moorlands provides a low capex and opex thermal coal project
- Targeting first coal production from the flagship Moorlands Project in 2016
- Cuesta well funded with supportive cornerstone shareholders
- Experienced Board and Management team assembled for delivery

Asset Overview

Project	Coal	Production	Mine Life	Resources	First Production
Moorlands South	Thermal	1.9Mtpa	> 30 yrs	146Mt	2016
Yellow Jacket	Thermal	-	-	364Mt	-
West Emerald	PCI	-	-	-	-

Corporate Snapshot

Stock Code:	ASX: CQC
Current Share Price:	\$0.12 @ 10 September 2013
Shares on issue:	350,289,380
Market Cap:	\$42 m
Cash:	\$6.427m @ 30 th September 2013 (excluding Hanford Placement of \$8.9m)
Debt:	\$5.0m convertible note
Major Shareholders	Longluck Investments 39% Handford Holdings 14% Management 15%

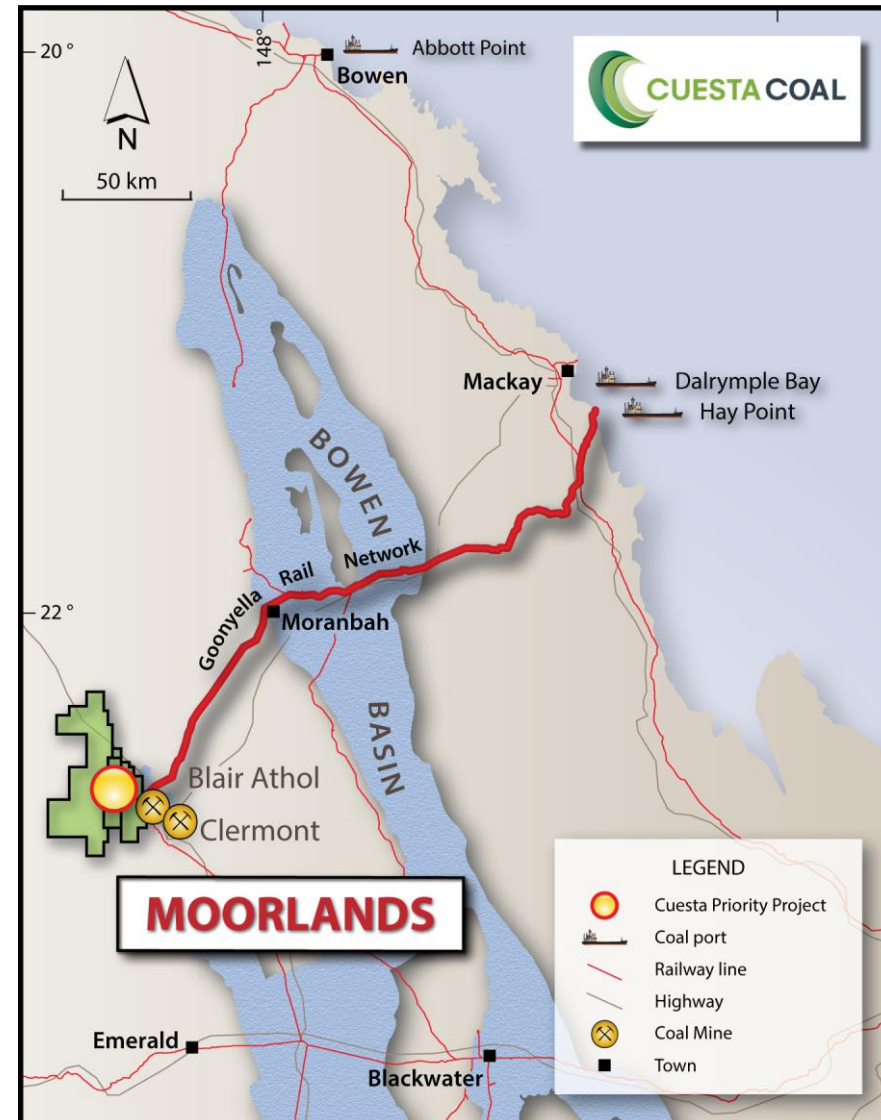


Moorlands Highlights

- **Scoping Study completed by Xenith Consulting confirms economic 1.9Mtpa open pit mine for 30 years in the proposed Moorlands South Pit**
- **Low FOB operating costs of \$63/t* driven by:**
 - Depth to first coal 30-40m
 - 3.2:1 average LOM strip ratio
 - Average 89% yield
 - Export thermal coal quality confirmed
- **Development capital costs estimated at \$148m including rail spur and train load out facilities****
- **Close proximity to existing infrastructure and substantial operating coal mining region**
- **Definitive Feasibility Study to commence Q1 2014**

* Contractor basis, excluding royalties

** Standalone project on a contractor operated basis, including contingencies

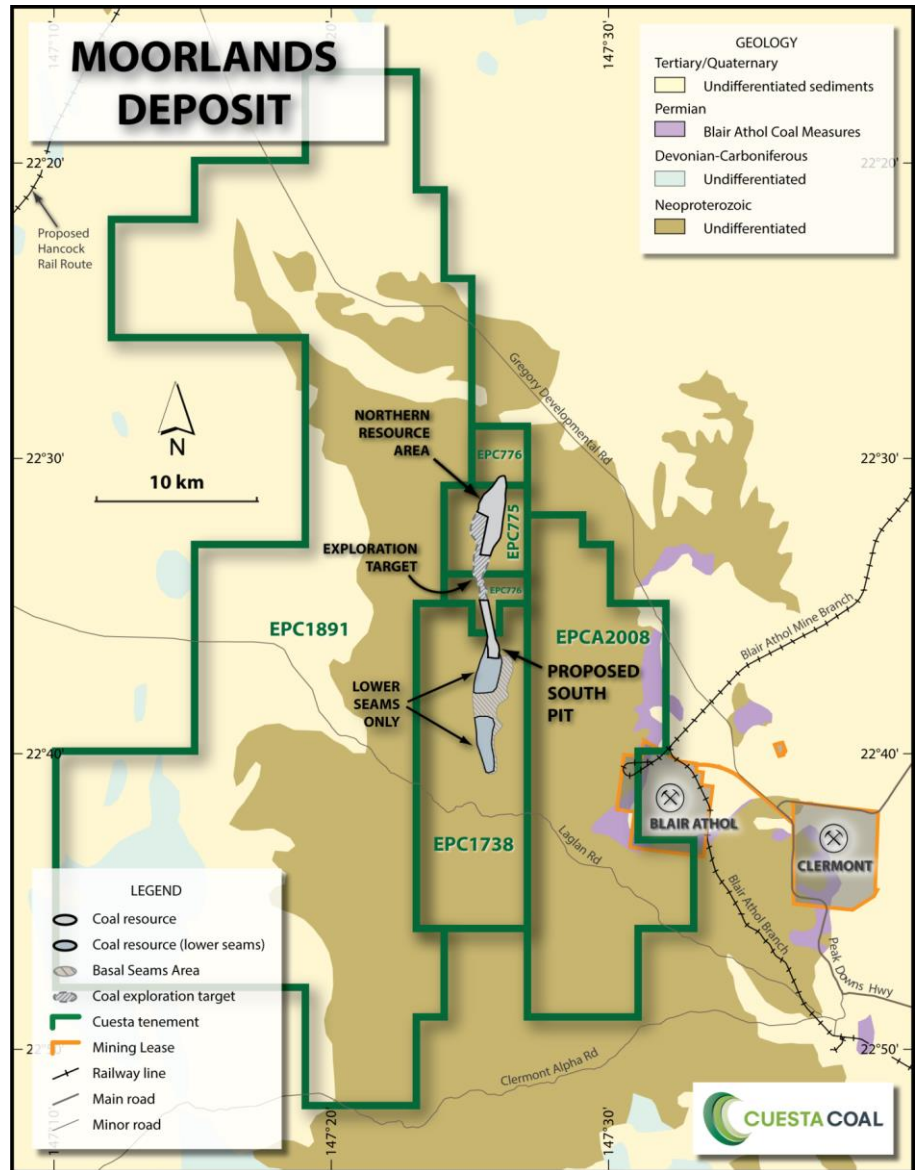


Corporate Activity Near Moorlands

- Recent nearby corporate activity reinforces the value of the Moorlands Project
- **Clermont Coal Mine** (~12Mtpa)
 - 50.1% stake acquired by Glencore/Sumitomo in October 2013 for US\$1.015b
 - 165Mt marketable reserves *
 - Remaining mine life of 13-14 years (production commenced 2010)
- **Blair Athol** (historically ~10Mtpa)
 - Mine and rehabilitation liability acquired by Linc Energy in October 2013
 - 46.1Mt JORC resources and 11.3Mt JORC reserves ^
 - Linc is proposing to recommence production in June 2014 (mining ceased Nov 2012)

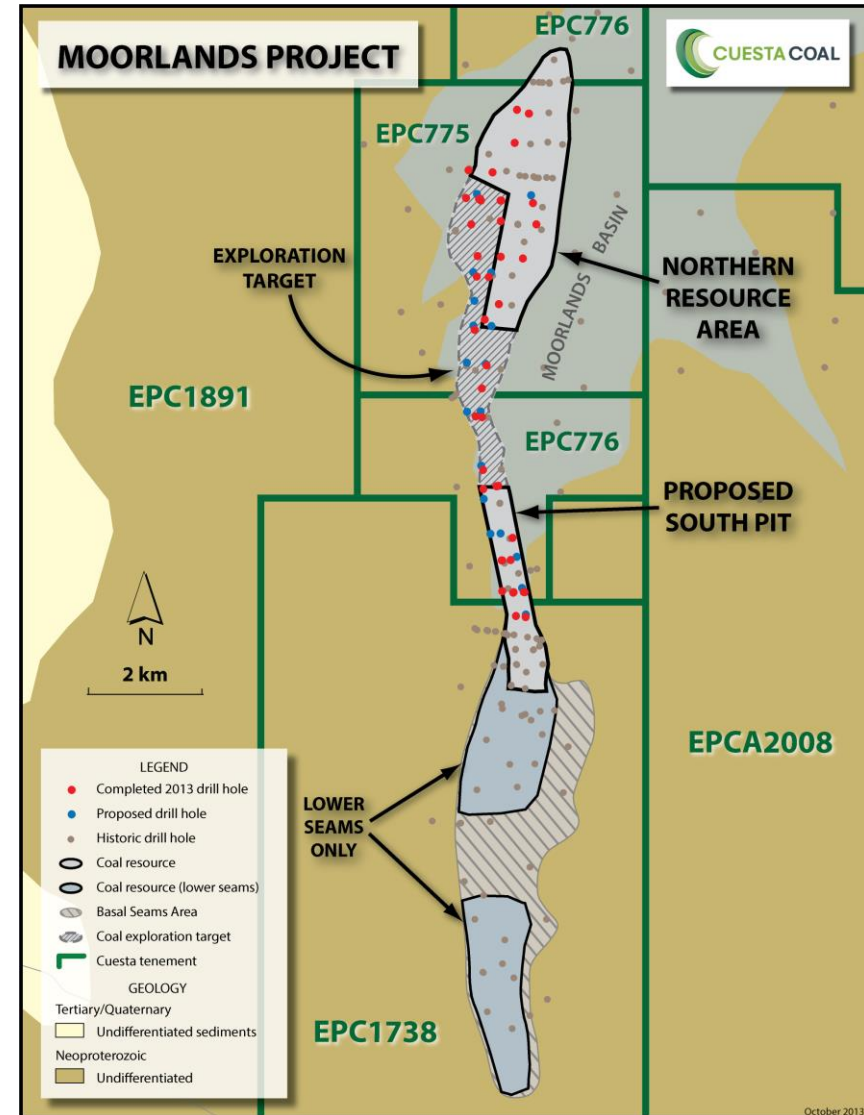
* RIO 2012 Annual Report, as at 31 December 2012

^ Linc Energy Prospectus in relation to SGX listing



Moorlands Project Overview

- **Significant new open-cut export thermal coal mine development in low cost coal mining region**
- Shallow coal in thick seams amenable to simple truck and shovel mining
- Close proximity to existing coal infrastructure:
 - Adjacent to Clermont and Blair Athol mines
 - 280km by existing rail to Dalrymple Bay Coal Terminal and 380km to Abbot Point Coal Terminal
- Project broken into two resource areas:
 - Proposed South Pit – Scoping Study based on initial 1.9Mtpa project
 - Northern Resource Area
- Long mine life of + 30 years from proposed South Pit



Scoping Study Key Parameters

Proposed Moorlands South Pit	
Mining operator	Contractor
Schedule duration	30 years
Schedule total coal mined	57 Mt
Raw coal mined	1.9 Mtpa
Product tonnes	1.7 Mtpa
Yield	89%
Average stripping ratio (bcm/t)	3.2:1
Owner's capital from FID (incl. contingency)	\$148m
Average FOB cost (excl. royalty)	\$62.80/t
NPV @ 10% (real) discount rate	\$138m
IRR (post tax)	20.1%
Key Assumptions	
Average coal sale price over 30 years	US\$83.60/t
Average exchange rate over 30 years (AUD:USD)	0.85



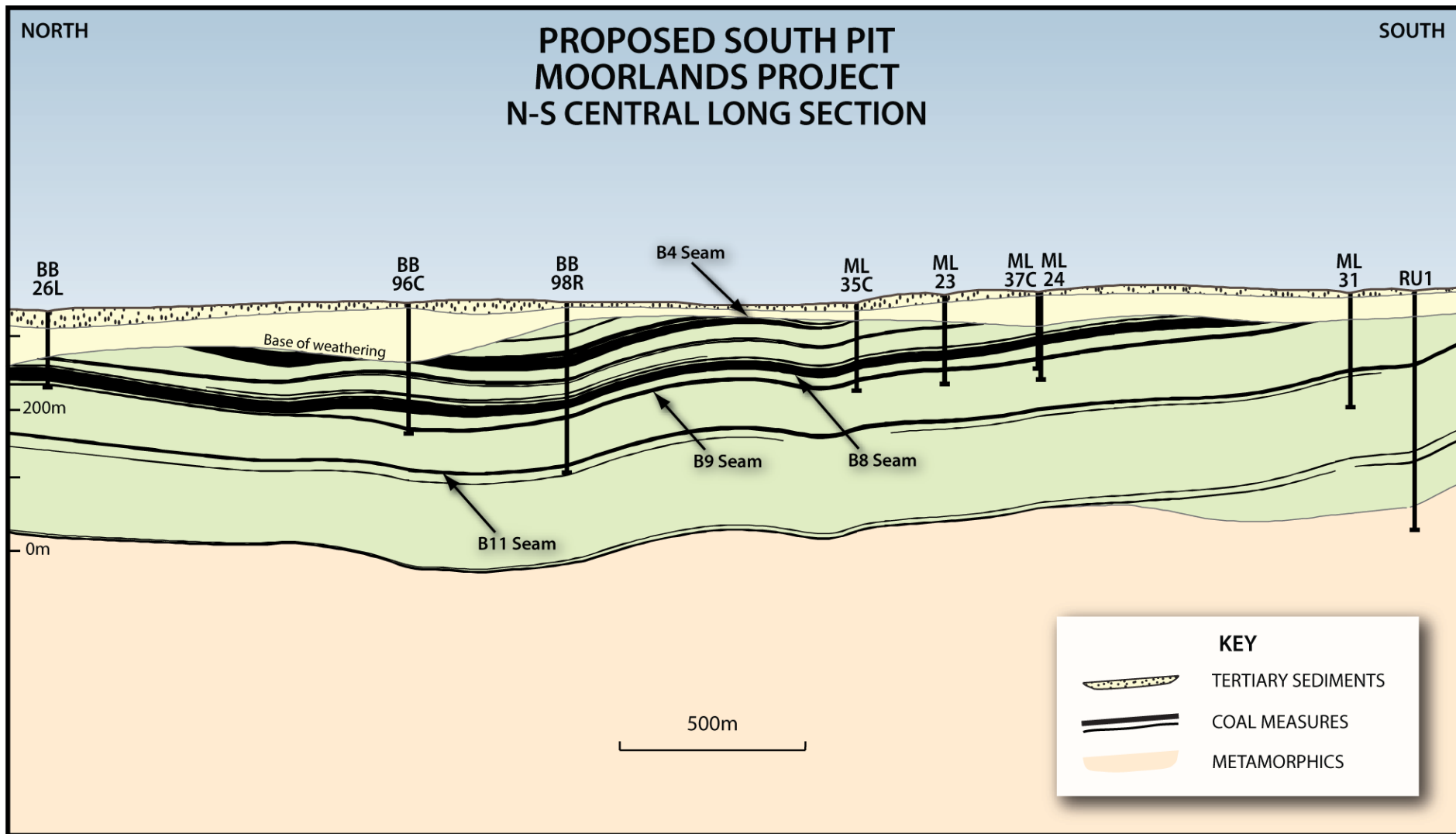
Geology & JORC Resources

- Located in the western margin of the Bowen Basin in an area known as the Moorlands / Bendemeer Basin(s)
- Elongated Permian Graben coal of same geological age as Clermont and Blair Athol
- Reasonably well defined deposit with 124 holes drilled
- Primary coal seam thicknesses:
 - B1 averaging 6m
 - B4 averaging 6-10m
 - B8 averaging 10m
 - B9 averaging 4m
- Relatively shallow to first coal ~30-40m average, maximum pit depth ~150m

JORC Resources

Deposit	Measured	Indicated	Inferred	Total
South Pit	14.6Mt	9.7Mt	38.9Mt	63.2Mt
Northern Resource Area	0Mt	29.2Mt	53.7Mt	82.9Mt
TOTAL	14.6Mt	38.9Mt	92.6Mt	146.1Mt

Seam Long Section – Proposed South Pit



South Pit Coal Quality

Highlights

- One product coal specification – Low Ash, Moderate Energy Thermal Coal
- Excellent yields of 90%
- Bypass coal quantity ~ 25%
- Washability curves indicate potential for a lower ash (8%) and higher energy (6,300k/cal adb) with yield above 80%
- Good to excellent HGI and Ash Fusion characteristics
- Laboratory results confirm coal quality similar to neighbouring Blair Athol and Clermont Coal Mines

Proximate Analysis (%adb)				Calorific Value (adb)		Ultimate Analysis (%daf)					Other		
Inherent Moisture	Ash	VM	FC	Mj / kg	kcal / kg	Carbon	Hydrogen	Nitrogen	Oxygen	Sulfur	HGI	Ash Fusion Initial Deformation	Product Yield (%)
9.5	10.4	30.7	49.4	25.44	6077	78.07	4.98	1.86	0.95	0.73	59	>1500°C	89.9

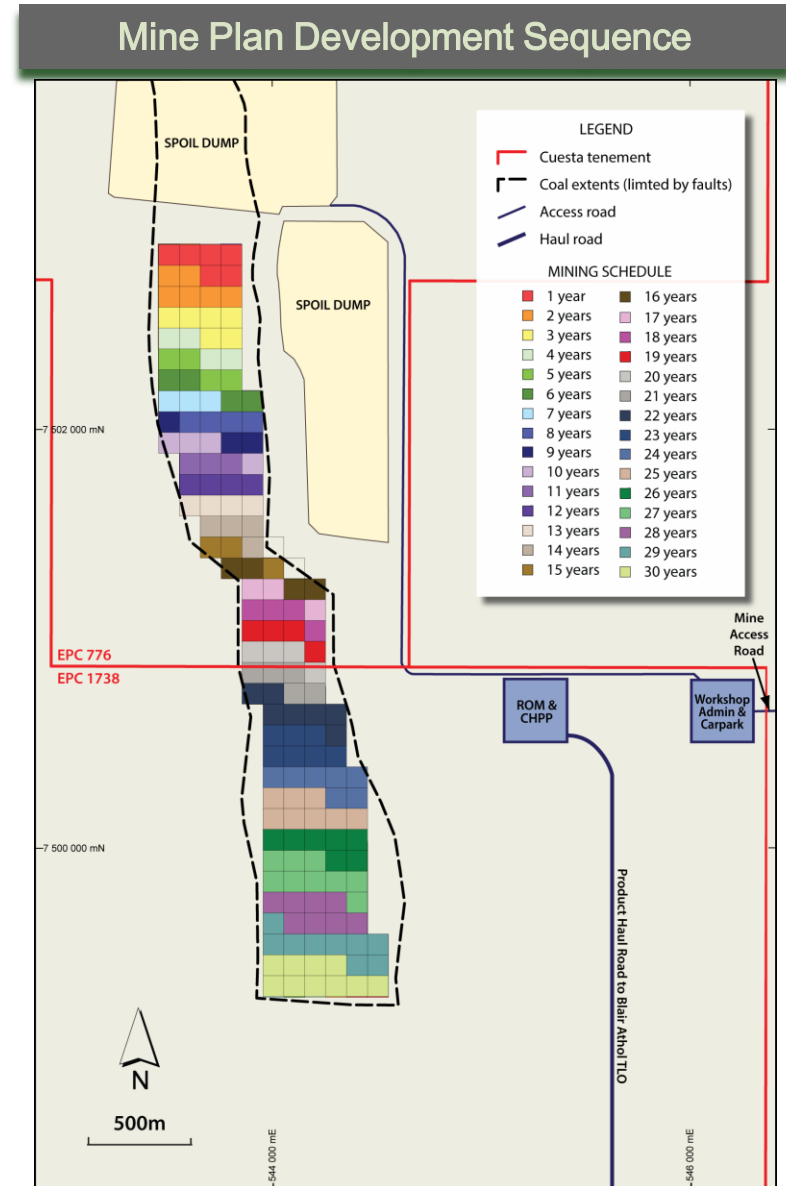
Comparative Coal Quality

Mine	Operator	Calorific Value (adb)	TM (%ar)	Ash (%ad)	VM (%ad)	FC (%ad)	TS (%ad)
Blair Athol [^]	RIO	6300	18.0	12.5	26.5	53.9	0.33
Clermont*	RIO	6740	14.5	10	27.6	56.4	0.4
Moorlands	Cuesta Coal	6077	18.7	10.4	30.7	49.4	0.74

Sources:
[^] Linc Energy Prospectus for SGX listing
^{*} Queensland Coals – Physical and Chemical Properties Colliery and Company Information. 14th Edition 2003

Proposed South Pit Mining Operations

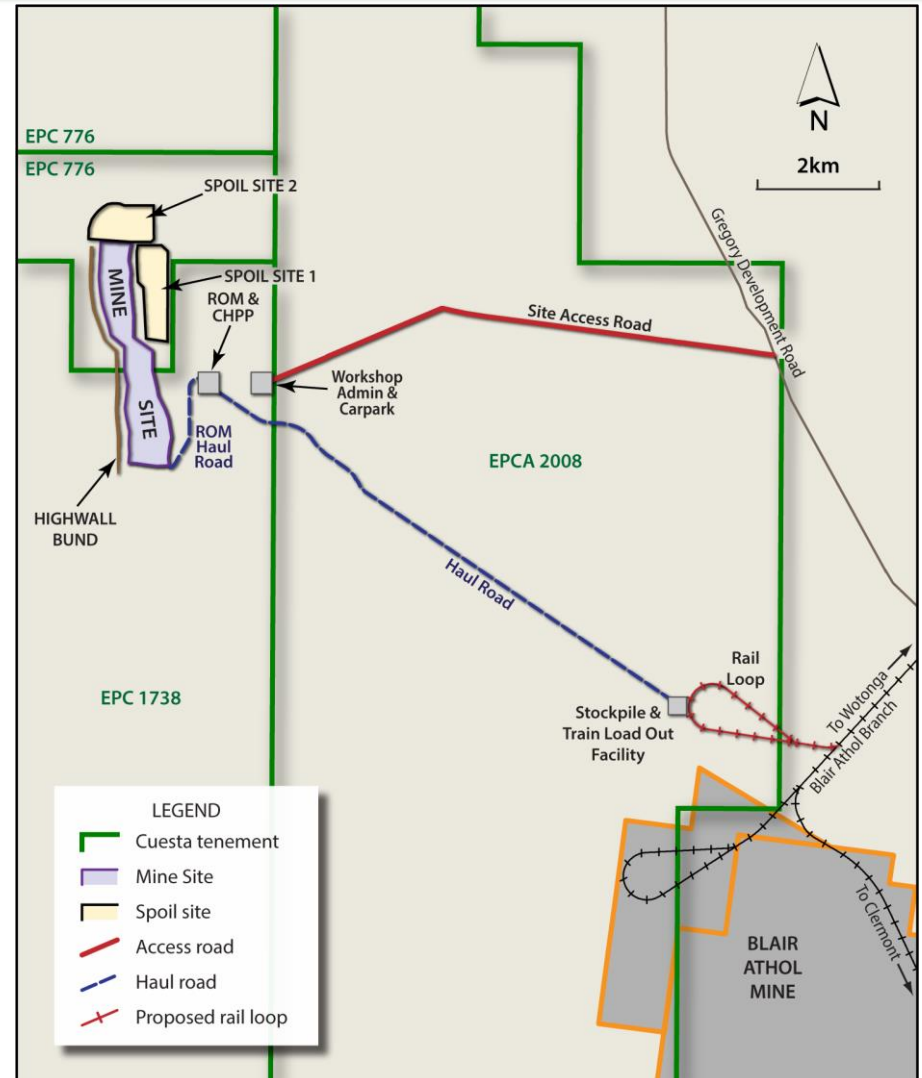
- Contractor operation planned
- B9 seam is most common economic basal seam for a 5.0 bcm/t cut-off strip ratio
- Cumulative coal thickness is up to 40m with an average of 25m
- Shallow coal in thick seams amenable to simple truck and shovel mining operation
- Simple mine schedule – north to south mine plan minimising out of pit dumps
- Mine design minimises rehabilitation liability at mine closure
- CHPP to be located adjacent to pit with an expected overall yield of 89%



Infrastructure – Coal Transport

- Scoping Study based on standalone project with initial capex of \$148m including CHPP, infrastructure and rail loop
- Potential exists to leverage existing rail loop infrastructure at Blair Athol
- Dedicated Train Load Out (TLO), rail loop and spur connected to Wotonga-Blair Athol Branch
- Private haul road (11km) to haul coal to train load out – haulage options to be optimised
- Coal to be railed to Dalrymple Bay Coal Terminal (DBCT) or Abbot Point Coal Terminal
- Currently in negotiations to secure long term (5 -10 years) port allocation from existing user at DBCT
- Evaluating port allocation options beyond 10 years

Moorlands Project: Existing and Proposed Infrastructure



Project Upside

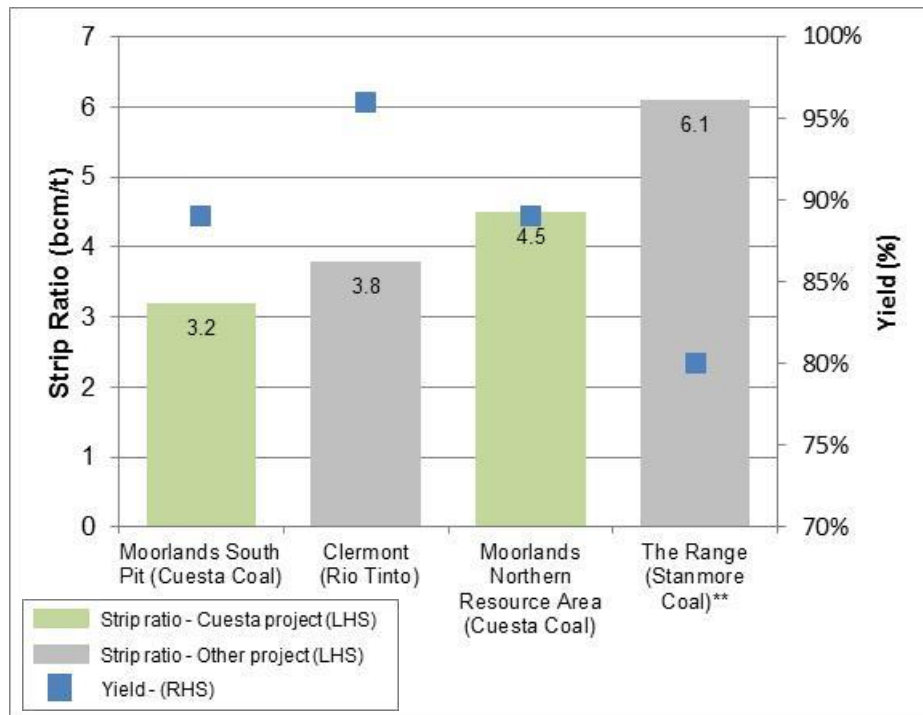
- Moorlands 2013 Exploration Activities are 85% complete
- Exploration Activities are exceeding expectations
- New Resource statement to be released post completion of exploration activities
- Potential to lower the quantity of coal to be washed to enhance economics
- Cuesta will look to secure an off-take agreement over the coming 6 months, notably to market the Moorlands Coal through Cuesta's investor base in China



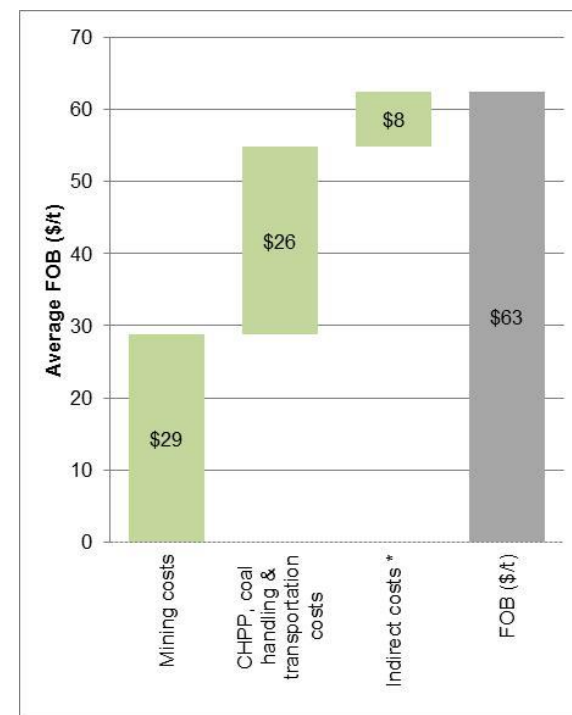
Benchmarking

- Moorlands South Pit compares favorably to other Queensland operating and development thermal coal projects

Strip Ratio and Yield



Moorlands South Pit – FOB (\$/t)



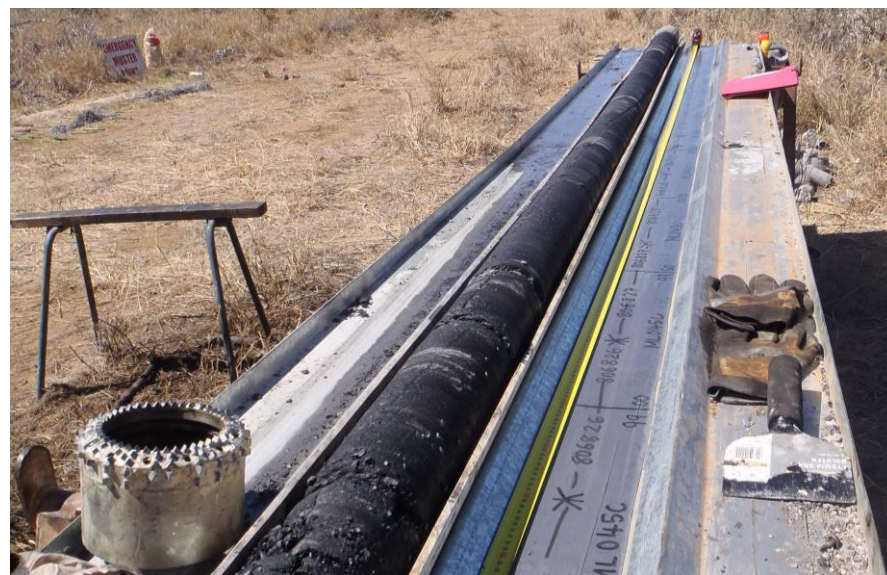
Source: Company announcements

* Indirect costs include staff, administration and accommodation costs

Moorlands 12 Month Development Objectives

Moorlands Project

Exploration	<p>50 hole program commenced in Q3 2013 aimed at:</p> <ul style="list-style-type: none"> Increasing the overall resource base Improving the JORC resource category
Engineering Studies	<ul style="list-style-type: none"> Initial Mine Scoping Study on South Pit Completed Scoping Study over entire Moorlands Project to be updated following 2013 drilling campaign Definitive Feasibility Study to commence in Q1 2014
Regulatory	<ul style="list-style-type: none"> Background environmental studies are advanced Preparation for the Mining Lease Application underway
Infrastructure	<ul style="list-style-type: none"> Evaluation underway to secure port and rail allocation Ongoing discussions regarding water, power and land access



Corporate Directory & Key Contacts

Registered Office	Operations Office
Cuesta Coal Limited Suite 15.01 Level 15 31 Market Street Sydney NSW 2000 www.cuestacoal.com.au	Cuesta Coal Limited Suite 3b 165 Moggil Rd Taringa QLD 4068 www.cuestacoal.com.au
Tenement Manager	Legal Advisor
ELP Pty Ltd Level 27, 288 Edward Street Brisbane QLD 4000 www.elp.com.au	Thomsons Lawyers Level 25, No. 1 O'Connell St Sydney NSW 2000 www.thomsonslawyers.com.au
Auditor	Share Registry
BDO Australia Level 10, 1 Margaret St Sydney NSW 2000 www.bdo.com.au	Computershare Investor Services Pty Ltd Level 4, 60 Carrington Street Sydney NSW 2000 www.computershare.com.au

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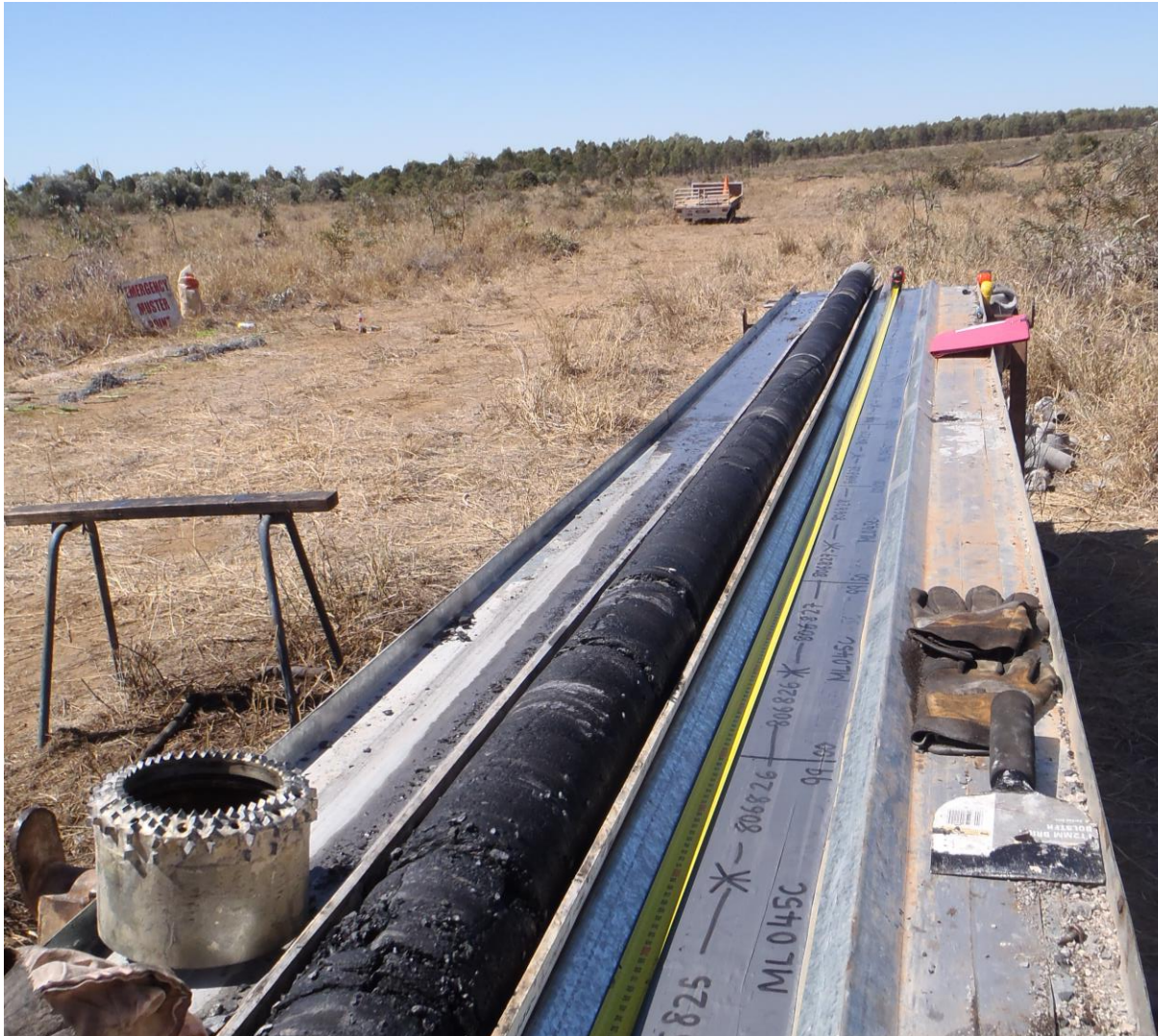
Appendix A Site Photographs

Site Photographs



Blair Athol Mine Branch Railway Line

Site Photographs



ML045C - located in the proposed south pit showing a section of the B8 seam

Site Photographs



ML045C - located in the proposed south pit showing a section of the B8 seam

Site Photographs



Cuesta Coal Project Geologist Sampling Core from the proposed South Pit