

QUARTERLY ACTIVITIES REPORT

For the period ending 31 December 2013

HIGHLIGHTS

MOORLANDS PROJECT

- ✓ Moorlands Mine Scoping Study completed by Xenith Mining Consultancy in November 2013, confirming robust project economics for a 1.9Mtpa open cut mine for 30 years in the South Pit with life of mine cash operating costs estimated at \$63/t (excl. royalties) FOB
- ✓ Resource definition and infill drilling program completed at Moorlands, exceeded expectations with wide spread intersections of target seams. Revised resource estimate being prepared with the majority of the resource expected to be quoted in the Indicated Category according to JORC Guidelines 2012
- ✓ Feasibility Study Planning well underway to enable commencement in Q1 2014

OTHER PROJECTS

- ✓ Maiden Thermal Coal Inferred Resource of 364Mt announced at the Yellow Jacket Project in October 2013
- ✓ Yellow Jacket Project has been identified as a strategic asset for Cuesta with good medium to long term development potential

CORPORATE

- ✓ \$8.4m Share Placement Agreement executed with Hanford Holdings Limited to fund Moorlands Project, on 24th October 2013. Funds settled in two tranches in November and December 2013
- ✓ Appointment of Mr Yong Xiao (representative of Hanford Holdings Limited) as Non-executive Director on 20th November 2013
- ✓ Cash on hand \$8.4m at 31st December 2013



1. QUARTERLY OVERVIEW

Operations undertaken during the December 2013 quarter continued to focus on the Company's priority 100% owned Moorlands Project in the Western Bowen Basin of Queensland.

Targeting first coal production in 2016, the completion of the Mine Scoping Study as announced on 25th November 2013 confirmed robust economics for a 1.9Mtpa open cut mine for 30 years in the proposed South Pit.

The resource definition and infill drill programme commenced last quarter was successfully completed in December. The drilling activities exceeded expectations with widespread intersections of target seams. Cuesta is currently in the process of inputting all of the information from the drilling into its robust 3D Geological Model that will enable a revised resource estimate to be released shortly. Environmental monitoring studies as part of the Moorlands Environmental Management Plan were completed simultaneously to the exploration activities.

Cuesta continued to investigate infrastructure options principally for the Moorlands Project and is targeting to execute formal agreements in H1 2014.

The Company is on track to commence the Definitive Feasibility Study at Moorlands in Q1 2014

During the period, the Company announced a maiden 364Mt JORC Inferred Resource at its 100% owned Yellow Jacket Project in the Eastern Galilee Basin (this information was prepared and first disclosed under the JORC Code 2004 and has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported). The Yellow Jacket Project has been identified as a strategic asset for Cuesta, with a medium to long-term development potential.

In October, Cuesta announced the execution of an \$8.4m Share Subscription Agreement (SSA) with Hanford Holdings Limited (Hanford) which was subsequently settled in two stages, with Tranche 1 (\$5.5m) being settled on 4 November and Tranche 2 (\$2.9m) being settled on 20 December 2013. Funding from the placement is being used primarily for the ongoing development of Moorlands.

Pursuant to the SSA, Cuesta appointed Mr York Xiao as Non-Executive Director (representing Hanford), thus strengthening the Board and the Company's relationship with an additional supportive major shareholder.

EPCs granted during the quarter are as follows:

- EPC 1809 (Callide) – granted 21 October 2013
- EPC 1983 (Eastern Galilee) – granted 31 October 2013

At the end of December 2013, Cuesta had cash and cash equivalents of \$8.4m.



Cuesta Geologist sampling core from the proposed South Pit at Moorlands

2. MOORLANDS PROJECT DEVELOPMENT ACTIVITY REVIEW

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

The Moorlands Project is an open cut thermal coal mine development in a historically low-cost mining region and is located 14km west of the operating Clermont and historic Blair Athol Coal Mine in the Western Bowen Basin, Queensland. The project resource has a coal bearing strike length of approximately 13km. Shallow coal is present in thick seams amenable to simple truck and shovel mining.

The recently completed Mine Scoping Study confirms the potential for a robust open cut export thermal coal project which will be driven by the following attributes:

- 1.9Mtpa ROM with a 30 year mine life defined in the South Pit
- Average FOB costs of \$63/t excluding royalties
- Average 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
- Well located to existing infrastructure (see Figure 1 below)
- Aiming for first coal production in 2016.

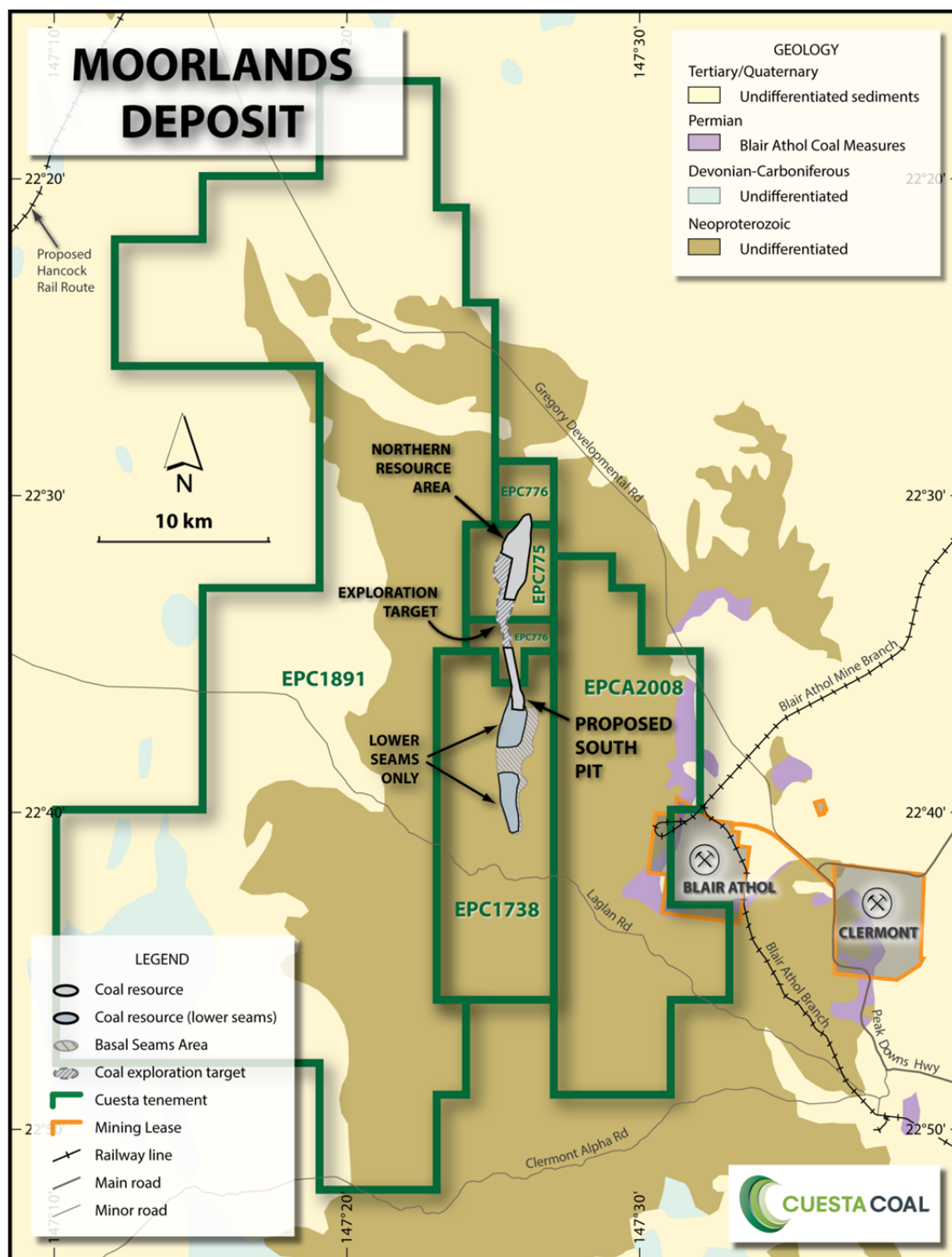


Figure 1: Map of the Moorlands Project in relation to the producing Clermont Coal mine and recently closed Blair Athol Coal Mine and associated rail lines

Quarterly Activities

The main activities for the past quarter at Moorlands included the completion of the Mine Scoping Study and field exploration activities.

Mine Scoping Study

In November 2013 Cuesta announced the completion of the Moorlands Mine Scoping Study, conducted by Xenith Consulting Pty Ltd ("Xenith"), a specialist mining consultancy based in Brisbane.

Highlights of the findings of the Mine Scoping Study are outlined below:

- Robust economics confirmed for a 1.9Mtpa open cut mine for 30 years in the proposed South Pit
- Low FOB operating costs of A\$63/product tonne (excl. royalties) for the South Pit driven by:
 - Depth to first coal 30-40m
 - 3.2:1 average LOM strip ratio
 - Average 89% yield
- Development capital costs (incl. contingency) estimated at A\$148m including rail spur and train load out facilities

Key parameters are shown in Table 1 below:

Table 1 – Key Parameters: Proposed Moorlands South Pit	
ROM Coal Production (Mt)	57
Mine Life (years)	30
ROM Coal (Mtpa)	1.9
First Coal	2016
Yield (%)	89%
Average stripping ratio (bcm/t)	3.2:1
Owner's capex from FID (A\$m)	148
Average FOB cost (excl royalty) (A\$/t)	63
Average LOM Coal Sale Price (US\$/t)	83.6
Average exchange rate over 30 years	0.85
NPV (A\$m, 10% real)	138
IRR (post tax)	20.1%

Subsequent to the completion of the scoping study, Cuesta is on track to commence a Definitive Feasibility Study (DFS) at Moorlands in Q1 2014, with first coal production scheduled for 2016.

Exploration Program

33 chip holes, 11 4C coal quality core holes and 5 water monitoring bores were successfully completed as part of the 2013 exploration and development program at the Moorlands Project (Figure 2). Total drill meters completed during the 2013 program was 10,630m (9,917m open and 713m cored). As a result Moorlands has a very good drill hole coverage totaling 31,650m across the resource.

A total of 11 coal quality core holes were completed including 6 overburden holes which resulted in collection of 985 samples in total (809 coal quality and 176 overburden samples). The coal quality samples have been dispatched to Preplab Testing Services Pty Ltd and the overburden samples have been dispatched to ALS Environmental for analysis.

As previously reported to shareholders, in addition to drilling activities, a number of background environmental studies were completed as part of the 2013 field activities. These include the installation of ground water monitoring stations, the collection and geochemical analysis of the overburden and completion of environmental surveys of flora and fauna.

The Company is pleased to report that the field activities have been carried out safely with no Health and Safety or Environmental Incidences.

All of the above mentioned geological data has been compiled and is currently being loaded in the Company's 3D Geological Model as input to an upgraded resource estimate expected to be finalised imminently. The Company expects an increase to the size and confidence of the resource, with the majority of the resource to be quoted in the Indicated Category according to JORC Guidelines 2012.

Importantly for the Company, this data is critical to the commencement of the DFS which is due to commence in Q1 this year.

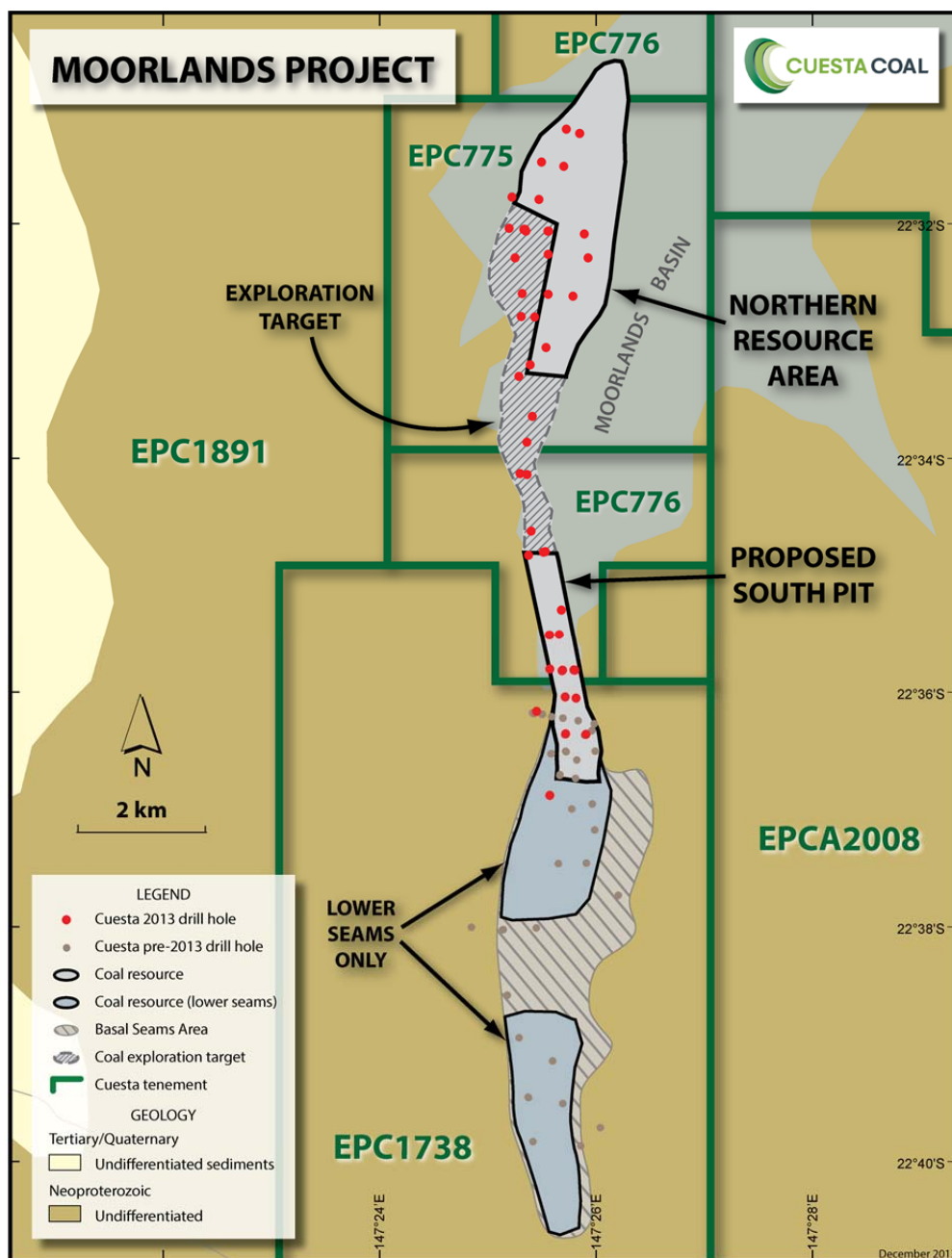


Figure 2: Map showing completed drill holes at Moorlands during the 2013 exploration program



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



Moorlands: Cuesta Geologist sampling core from the proposed South Pit at Moorlands

3. PIPELINE PROJECTS

Eastern Galilee (Yellow Jacket Project)

- Maiden Resource 364Mt of thermal coal announced on 29th October (This information was prepared and first disclosed under the JORC Code 2004 and has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported)
- Yellow Jacket has been identified as a strategic asset for Cuesta with medium to long-term development potential (post Moorlands Development)
- Located ~30km from Adani's Carmichael Project
- Coal Resource <150m from surface
- Information obtained from exploration activities can be used to high grade other target areas in Cuesta's Eastern Galilee tenement portfolio.

West Emerald

- Coking / PCI / Thermal Coal exploration project
- Extensive desktop evaluation work conducted during the quarter
- Planning underway to drill the target in 2014

Montrose Project

- Metallurgical Coal of the Permian Age Back Creek Group exploration project.
- Planning underway to drill the target in 2014

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 and rent and assurance has been paid.

EPC 2080 was granted on 11 February 2013.

5. INFRASTRUCTURE

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 in H1 2014.

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. SUMMARY OF TENEMENTS

In accordance with ASX Listing Rule 5.3.3, below are the current tenements held within Cuesta Coal Limited:

Tenement	Project	Location	Interest Owned
EPC 775	Moorlands	Bowen Basin – QLD	100%
EPC 776	Moorlands	Bowen Basin – QLD	100%
EPC 1738	Moorlands	Bowen Basin – QLD	100%
EPC 1891	Moorlands	Bowen Basin – QLD	100%
EPCA 2008	Moorlands	Bowen Basin – QLD	100%
EPC 1955	East Wandoan	Surat Basin – QLD	90%
EPC 2237	East Wandoan	Surat Basin – QLD	100%
EPC 1987	East Wandoan	Surat Basin – QLD	90%
EPC 1802	Eastern Galilee	Galilee Basin – QLD	100%
EPC 1983	Eastern Galilee	Galilee Basin – QLD	100%
EPC 1957	Eastern Galilee	Galilee Basin – QLD	90%
EPCA 2079	Eastern Galilee	Galilee Basin – QLD	100%
EPC 2080	Eastern Galilee	Galilee Basin – QLD	100%
EPCA 2688	Eastern Galilee	Galilee Basin – QLD	100%

EPCA 2699	Eastern Galilee	Galilee Basin – QLD	100%
EPCA 2347	Eastern Galilee	Galilee Basin – QLD	100%
EPC 1821	West Emerald	Bowen Basin - QLD	100%
EPC 1977	West Emerald	Bowen Basin – QLD	100%
EPC 2323	West Emerald	Bowen Basin – QLD	100%
EPC 1825	West Emerald	Bowen Basin – QLD	100%
EPC 1826	West Emerald	Bowen Basin – QLD	100%
EPC 1826	West Emerald	Bowen Basin – QLD	100%
EPC 1868	West Emerald	Bowen Basin – QLD	100%
EPC 2093	West Emerald	Bowen Basin – QLD	100%
EPC 2127	Amberley	Clarence-Moreton Basin – QLD	100%
EPC 2128	Montrose	Styx / Bowen Basin - QLD	100%
EPC 1979	East Acland	Clarence-Moreton Basin – QLD	90%
EPC 2356	East Acland	Clarence-Moreton Basin – QLD	100%
EPC 2613	East Acland	Clarence-Moreton Basin – QLD	100%
EPC 2167	Eromanga	Eromanga Basin – QLD	100%
EPC 2168	Eromanga	Eromanga Basin – QLD	100%
EPC 2181	Bauple	Maryborough Basin – QLD	100%
EPC 1809	Callide	Callide Basin – QLD	100%

Note: There were no tenements acquired or disposed of during the quarter.

8. CORPORATE

On 24th October 2013 Cuesta announced the execution of a Share Subscription Agreement with Hanford to raise \$8.4m through the issue of 75 million shares in two tranches.

The first stage of the share placement (\$5.5m) was settled on 4th November 2013 and consisted of the issue of 50 million shares at \$0.11 per share. The second stage (\$2.9m) was settled on 20th December 2013 and consisted of 25 million shares issued at \$0.116 per share.

Hanford is a Hong Kong based Investment Company with a focus on international mining investments. The placement funding is being used predominantly for the continued exploration and development of the Moorlands project.

Pursuant to the agreement with Hanford, Cuesta appointed Mr. Yong Xiao as Non-Executive Director on 20th November 2013.

Mr. Xiao is an experienced executive with Hanford. He has a Masters degree in Business Management and International Economics from the China Southwest University. Cuesta is pleased to welcome Mr. Xiao to the Cuesta Coal Board.



The Company paid \$0.7m in administrative expenses and \$3.0m for exploration activities undertaken in the December 2013 quarter. A BAS refund of \$0.3m was received during the period.

An amount of \$1.5m was paid to ACN Mining in October 2013 for previously granted tenements. Due to the grant of final outstanding tenement EPC 1809 on 21st October 2013, an amount of \$0.3m is payable to ACN Mining and is scheduled to be paid in January 2014.

As announced on 21 October 2013, the Company executed a Deed of Variation with the Vendors of the Yellow Jacket Project to obtain more favourable terms for the Company and its Shareholders. As per the agreement, the Company paid \$0.7m plus GST to the Vendors and issued 25,000,000 unlisted options (ex price \$0.08, expiry 18 October 2017) during the quarter. A further cash payment of \$1.3m is payable over six months.

At the end of the December 2013 quarter Cuesta had cash and cash equivalents of \$8.4m.

CONTACTS

For further information, please contact:

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Operations Director
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1230

9. 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.

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.



10. 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 5B

Mining exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10

Name of entity

Cuesta Coal Limited

ABN

36 153 351 994

Quarter ended ("current quarter")

December 2013

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (6 months) \$A'000
1.1	Receipts from product sales and related debtors	9	11
1.2	Payments for (a) exploration & evaluation	(3,011)	(5,030)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(688)	(1,481)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	55	99
1.5	Interest and other costs of finance paid	(112)	(524)
1.6	Income taxes paid	-	-
1.7	GST Refund	264	431
	R & D Tax Refund	-	369
	Net Operating Cash Flows	(3,483)	(6,125)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a) prospects	(2,241)	(3,153)
	(b) equity investments	-	-
	(c) other fixed assets	(43)	(43)
1.9	Proceeds from sale of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	-	-
	Net investing cash flows	(2,284)	(3,196)
1.13	Total operating and investing cash flows (carried forward)	(5,767)	(9,321)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(5,767)	(9,321)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	8,400	20,400
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	(5,000)
1.18	Dividends paid	-	-
1.19	Other- Share issue costs	(618)	(710)
	Net financing cash flows	7,782	14,690
	Net increase (decrease) in cash held	2,015	5,369
1.20	Cash at beginning of quarter/year to date	6,427	3,073
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	8,442	8,442

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

	Current quarter \$A'000
1.23 Aggregate amount of payments to the parties included in item 1.2	237
1.24 Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Payment of Directors' Fees, Executive Directors salaries and consultancy fees payable to Directors' related entities.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

n/a

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

n/a

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	2,051
4.2 Development	-
4.3 Production	-
4.4 Administration	722
Total	2,773

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	8,442	6,427
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	8,442	6,427

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed		Exploration Permit for Coal ("EPC")		

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity quarterly report

6.2	Interests in mining tenements acquired or increased	EPC 1809	Exploration Permit for Coal ("EPC") Application granted during the period	0%	100%
		EPC 1983		0%	100%

+ See chapter 19 for defined terms.

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	Preference +securities <i>(description)</i>	Nil	Nil		
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	+Ordinary securities	375,289,380	297,957,741 ⁺		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	14,000,000 (a) 50,000,000 (b) 25,000,000 (c)			
7.5	+Convertible debt securities <i>(description)</i>	5,000,000	-		
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	Options <i>(description and conversion factor)</i>	8,035,718 64,429,904 600,000 25,000,000		<i>Exercise price</i> \$0.20 per Option \$0.25 per Option \$0.25 per Option \$0.08 per Option	<i>Expiry date</i> 31 December 2015 31 December 2015 29 October 2015 18 October 2017
7.8	Issued during quarter	4,666,667 (d) 25,000,000 (e)	-	\$0.25 per Option \$0.08 per Option	31 December 2015 18 October 2017

⁺ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity quarterly report

7.9	Exercised during quarter	-	-		
7.10	Expired during quarter	-	-		
7.11	Debentures (totals only)	-	-		
7.12	Unsecured notes (totals only)	-			

Note:

- (a) Series Three shares issued under the Executive Share and Option Plan (EXSOP) as announced on 29 October 2013
- (b) Tranche One placement to Hanford Holdings Limited as announced 4 November 2013
- (c) Tranche Two placement to Hanford Holdings Limited as announced 23 December 2013
- (d) Series Three options issued under the Executive Share and Option Plan (EXSOP) as announced on 29 October 2013
- (e) Options issued pursuant to Deed of Variation executed with the Vendors of the Yellow Jacket Project as announced 21 October 2013.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:



Date: 31 January 2014

Print name: (CFO/ Company Secretary)
Megan McPherson

+ See chapter 19 for defined terms.

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

+ See chapter 19 for defined terms.