

QUARTERLY ACTIVITIES REPORT

For the period ending 31 December 2014

HIGHLIGHTS

MOORLANDS DEVELOPMENT ACTIVITIES

- ✓ Successful completion of exploration activities at Moorlands
- ✓ Definitive Feasibility Study progressing at the Moorlands Project
- ✓ Reserve calculation underway targeting completion in the first quarter of 2015

CORPORATE

- ✓ Appointment of Mr Ruoshui Wang as Executive Director
- ✓ Discussions commenced for Project Finance for Moorlands
- ✓ Cash on hand \$3.5m at 31st December 2014

1. QUARTERLY OVERVIEW

Despite the depressed market conditions, Cuesta continued to achieve significant operational milestones during the December 2014 quarter as the Company focused on the development of its flagship Moorlands Project targeting first coal production in 2016.

Cuesta successfully completed the exploration and development activities at Moorlands in December 2014. The infill drilling program included geo-technical and large diameter coal quality holes.

Results from the 2014 Moorlands drilling activities (announced on 10 December 2014) are in-line with expectations with some aspects exceeding expectations. The work completed comprised 67 holes, totalling 8,291m (1,123m core drilling and 7,168m of open hole drilling).

This work has provided critical input into the Definitive Feasibility Study (DFS) including detailed mine and CHPP design. Cuesta is currently updating the Moorlands 3D Geological Model and a reserve calculation is underway.

Corporately, the Company strengthened the Executive Team with the appointment of Mr Ruoshui Wang as the Executive Director of Finance and Strategy.

Cuesta has commenced discussions with banks to provide project finance for its Moorlands Project. The Company expects these discussions to be ongoing over the next 4-6 months.

At the end of December 2014, Cuesta had cash and cash equivalents of \$3.5m.



Photo of recent drilling activities conducted at Cuesta's Moorlands Project

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.

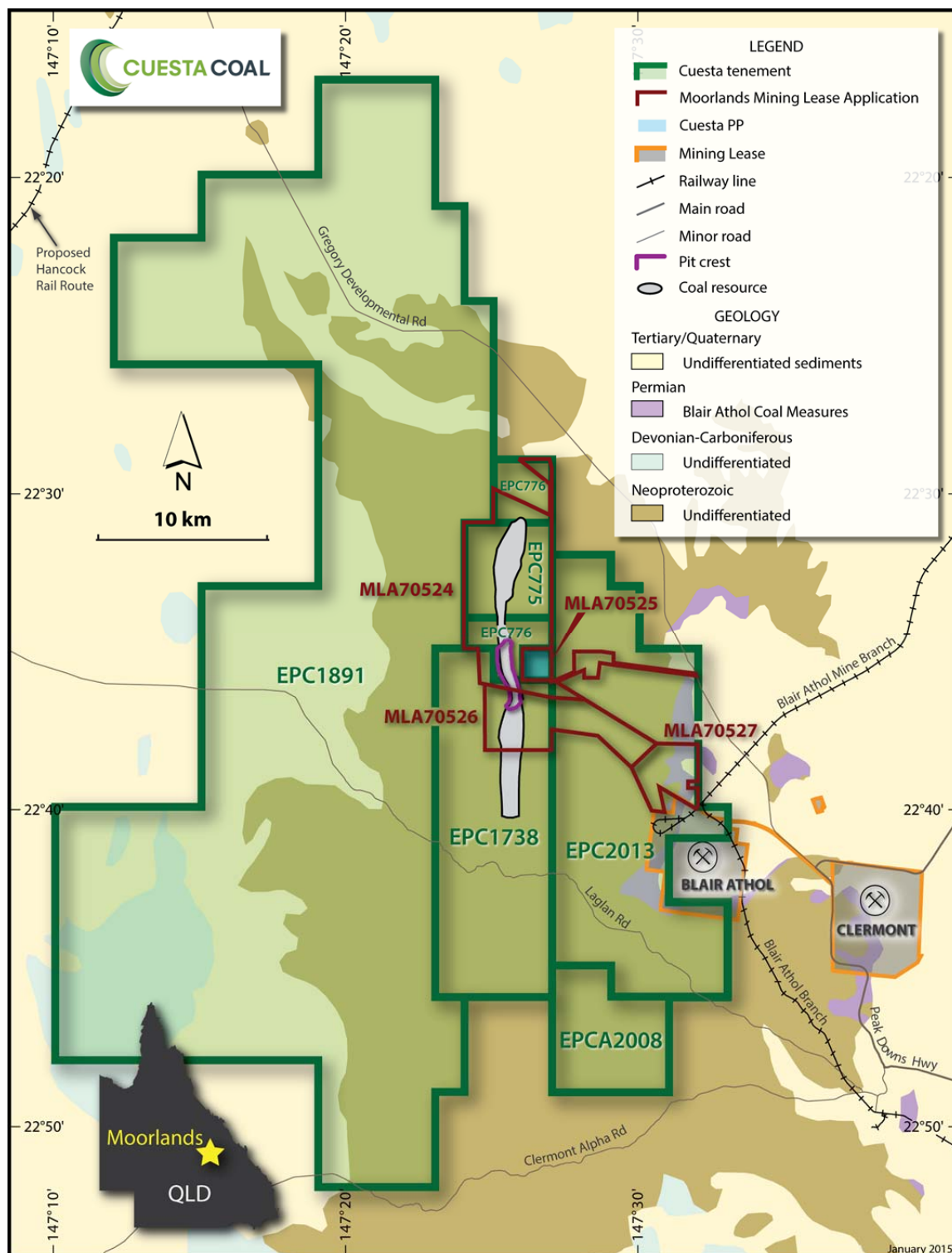


Figure 1: Map of the Moorlands Project in relation to the producing Clermont Coal mine and recently closed Blair Athol Coal Mine and associated rail lines

Quarterly Activities

During the quarter, the operational activities of the Company focussed on the following:

- Completion of drilling activities at the Moorlands Project; and
- Progressing the Definitive Feasibility Study (DFS)

Cuesta completed its drilling program at the Moorlands Project including geotechnical holes, large diameter coring and infill drilling as a key input to the DFS, CHPP and detailed mine design.

A total of 67 holes were completed during the 2014 drilling activities comprising of:

- 11 4C holes
- 2 large diameter core holes
- 7 geotechnical holes, and;
- 47 open PCD holes

The total metres drilled consists of 1,123.32m of core, 7,168.18m open hole, totaling 8,291.5m. Figure 2 below shows the location of completed drill holes.

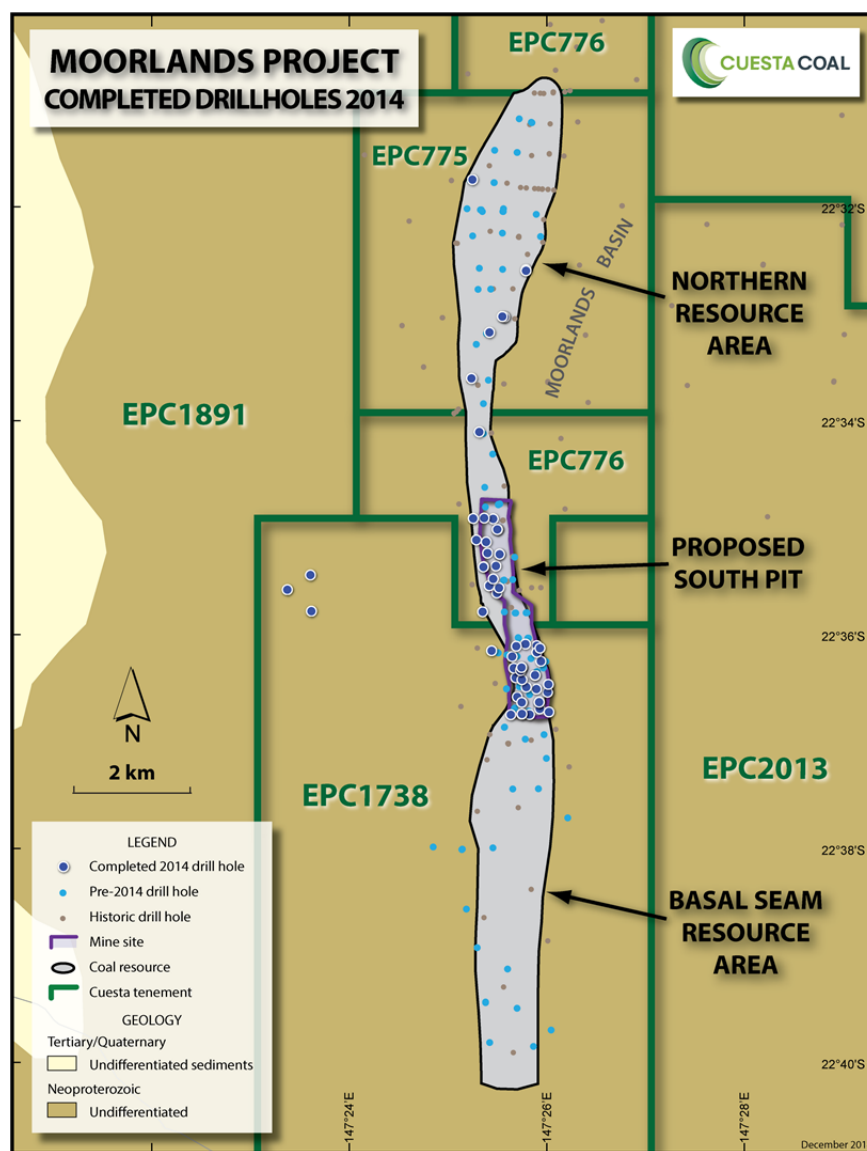


Figure 2: Map showing completed drill holes for the 2014 Exploration Programme at Moorlands

The Moorlands Project has a total JORC Resource of 281.1Mt in accordance with JORC Code 2012 (as announced by the Company on 4 March 2014). The Company has achieved good drill hole coverage with the majority of the Resource in the proposed south pit in the Measured Resource and Indicated Resource categories. Pursuant to Listing Rule 5.23.2, Cuesta confirms that it is not aware of any new information or data that materially affects the information in that announcement and that all material assumptions and technical parameters underpinning the estimates continue to apply and have not materially changed.

Data from the 2014 drilling program will provide key input to the detailed mine design and DFS, most notably the detailed coal quality and geo-technical information.

The Moorlands DFS is based on the following key parameters:

- 1.9Mtpa ROM open cut truck and shovel operation
- Identification of optimum revenue & margin proposition for mining
- Beneficiation of higher ash coals, by-pass of low ash coals to target optimum coal product specification for customer power station requirements
- Trucking product coal to a dedicated balloon loop off the Blair Athol spur
- Railing of product to Dalrymple Bay Coal Terminal for export.

The Company also advanced negotiations to achieve an infrastructure solution for Moorlands which is critical for completion of the DFS.

Ultimately the DFS will provide detailed capital and operating cost estimates for the project on which a final investment decision can be based. The DFS is a critical step for obtaining project finance to fund the construction of the Moorlands South Pit.



Photo of recent drilling activities conducted at Cuesta's Moorlands Project

3. 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.

Subsequent to the December 2014 quarter, Cuesta operational staff have completed refresher courses in First Aid and CPR training.

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.

4. 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 2013	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%
EPC 2079	Eastern Galilee	Galilee Basin – QLD	100%
EPC 2080	Eastern Galilee	Galilee Basin – QLD	100%
EPC 2688	Eastern Galilee	Galilee Basin – QLD	100%
EPC 2689	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 1868	West Emerald	Bowen Basin – QLD	100%
EPC 2093	West Emerald	Bowen Basin – QLD	100%

Tenement	Project	Location	Interest Owned
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 2181	Bauple	Maryborough Basin – QLD	100%
EPC 1809	Callide	Callide Basin – QLD	100%

5. CORPORATE

5.1 Board of Directors

On 25 November 2014, Cuesta announced the appointment of Mr Ruoshui Wang of Beijing Guoli as Executive Director (Finance and Strategy). Mr Wang had previously served as a Non-Executive Director of Cuesta since 27 November 2012. As such, the appointment did not increase the number of Board members.

Mr Wang's role will be see him working closely with Cuesta's Senior Management Team on a full time basis, with a particular focus on securing project finance funding for the continued development of the Moorlands Project.

Mr Wang holds a Bachelor and Master's Degrees in Thermal Engineering and has also completed a Ph.D in Management from Tsinghua University.

Patrick Elliott resigned as Non-Executive Director of Cuesta on 25th November 2014 due to other business commitments.

5.2 Financials

At the end of the December 2014 quarter Cuesta had cash and cash equivalents of \$3.5m.

The Company paid \$4.1m for development and exploration activities and paid \$0.9m in administrative expenses in the December quarter. A BAS refund of \$393k was also received during the quarter.

The Company has commenced discussions with banks to provide project finance for its Moorlands Project. The Company expects the project financing discussions to be ongoing over the next 4-6 months.

6. CONTACTS

For further information, please contact:

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7. COMPETENT PERSONS STATEMENT

Information relating to EPC's 1738, 775 & 776 (collectively known as the Moorlands Project) was prepared and first disclosed under the JORC Code 2012 on 4 March 2014 in the Company's ASX announcement titled '92% Resource Upgrade at Moorlands Project to 281Mt'. The Company confirms that it is not aware of any new information or data that materially affects the information included in that announcement and that all the material assumptions and technical parameters underpinning the estimates continue to apply and have not materially changed.

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

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

The Moorlands Project is an open cut thermal coal project located close to existing coal infrastructure and has a JORC Resource of 281Mt (as announced by the Company on 4 March 2014). The Company confirms that it is not aware of any new information or data that materially affects the information included in that announcement and that all the material assumptions and technical parameters underpinning the estimates continue to apply and have not materially changed.

Cuesta Coal's Board and Senior Management have extensive experience in the coal industry. It has proven technical and management ability in large bulk commodity development projects, which is demonstrated by senior roles with major companies.

Appendix 5B

Mining exploration entity and oil and gas 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, 01/05/2013

Name of entity

Cuesta Coal Limited

ABN

36 153 354 991

Quarter ended ("current quarter")

December 2014

Consolidated statement of cash flows

		Current quarter \$A'000	Year to date (6 months) \$A'000
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration & evaluation	(4,051)	(6,663)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(880)	(1,689)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	38	58
1.5	Interest and other costs of finance paid	-	(135)
1.6	Income taxes paid	-	-
1.7	GST Refund	393	584
	R & D Tax Refund	-	427
	Net Operating Cash Flows	(4,500)	(7,418)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a) prospects	-	(641)
	(b) equity investments	-	-
	(c) other fixed assets	-	(11)
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	-	(652)
1.13	Total operating and investing cash flows (carried forward)	(4,500)	(8,070)

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(4,500)	(8,070)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	15,000
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	-	(413)
	Net financing cash flows	-	9,587
	Net increase (decrease) in cash held	(4,500)	1,517
1.20	Cash at beginning of quarter/year to date	8,039	2,022
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	3,539	3,539

Payments to directors of the entity, associates of the directors, 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	385
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

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

- 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

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	1,885
4.2 Development	-
4.3 Production	-
4.4 Administration	616
Total	2,501

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	3,039	7,539
5.2 Deposits at call	500	500
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	3,539	8,039

+ See chapter 19 for defined terms.

Changes in interests in mining tenements and petroleum tenements

	Tenement reference and location	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements and petroleum tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements and petroleum tenements acquired or increased	EPC 2689 Exploration Permit for Coal ("EPC") Application granted during the period	0%	100%

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 (description)	Nil	Nil		
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	523,420,448	523,420,448		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	1,500,000	1,500,000		
7.5 +Convertible debt securities (description)	-	-		

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	Options (description and conversion factor)	8,035,718		<i>Exercise price</i>	<i>Expiry date</i>
		64,429,904		\$0.20 per Option	31 December 2015
		600,000		\$0.25 per Option	31 December 2015
		25,000,000		\$0.25 per Option	29 October 2015
				\$0.08 per Option	18 October 2017
7.8	Issued during quarter	-	-		
7.9	Exercised during quarter	-	-		
7.10	Expired during quarter	-	-		
7.11	Debentures (totals only)	-	-		
7.12	Unsecured notes (totals only)	-	-		

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:

(CFO/Company secretary)

Date: 30 January 2015

Print name: Megan McPherson

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 and petroleum 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 or petroleum 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.

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