

QUARTERLY ACTIVITIES REPORT

For the period ending 31 March 2015

HIGHLIGHTS

MOORLANDS DEVELOPMENT ACTIVITIES

- ✓ Moorlands JORC Resource Increased to 318Mt with the majority of resource now in Measured and Indicated Resource Category
- ✓ Detailed mine planning significantly advanced during quarter at the Proposed South Pit with new data from the updated geological model (new JORC Resource)
- ✓ Coal quality model fully built with significant improvement in coal quality resulting in increase of bypass coal to 34%

CORPORATE

- ✓ Executed a short-term loan agreement with major shareholder Longluck Investments (Australia) Pty Ltd to fund the ongoing development of the Moorlands Project
- ✓ Appointment of Ms. Ying Tian as Non-Executive Director (replacing Mr. Sunming Zhou)
- ✓ Appointment of Alternative Non-Executive Director Mr Xiukuo Qian (alternate to Mr. Huaixi Zheng)
- ✓ Cash on hand \$4.7m at 31st March 2015

1. QUARTERLY OVERVIEW

Cuesta Coal continued to progress the development of the flagship Moorlands Project during the March 2015 quarter.

As a result of the 2014 exploration activities, Cuesta announced, on 26 February 2015, a revised JORC Resource which increased to 318Mt in the Proposed South Pit. Due to the drill coverage completed by Cuesta over the past two years the resource at Moorlands is well defined and understood, the majority of the coal resource is now classified in the Measured and Indicated categories.

Corporately, the Company executed an unsecured loan agreement with major shareholder Longluck Investment (Australia) Pty Ltd, in the amount of \$2,500,000, with a six month term.

A number of changes to the Cuesta Coal Board were announced during the quarter with the appointment of Ms. Ying Tian as Non-Executive Director (replacing Mr. Sunming Zhou). Ms. Tian's extensive experience in Project Financing will be invaluable to the Company as it evolves into a coal producer over the next stage of the Company's development.

Cuesta also appointed Alternative Non-Executive Director, Mr. Xiukuo Qian (alternate to Non-Executive Director to Mr Huaixi Zheng) on 23rd January 2015 and accepted the resignation of Mr. Sihua Meng as Alternate Director to Mr. Ruoshui Wang.

Cuesta has commenced discussions with banks to provide project finance for its Moorlands Project.

At the end of March 2015, Cuesta had cash and cash equivalents of \$4.7m.



Photo of Moorlands core sample taken during 2014 Drilling Program (ML0023 – 63.98mm – 66.98mm)

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 excavator mining.

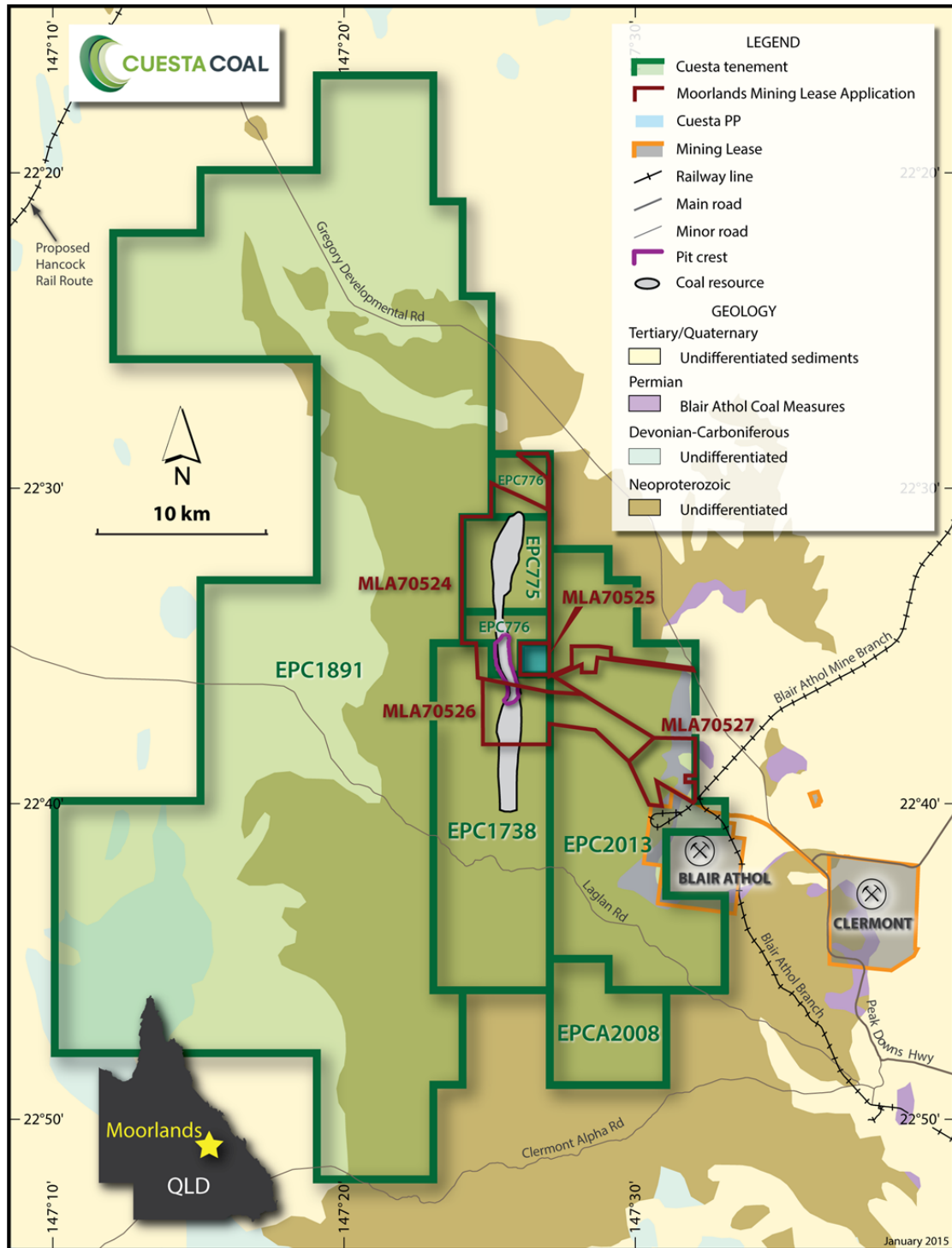


Figure 1: Map of the Moorlands Project in relation to the producing Clermont Coal mine and recently closed Blair Athol Coal Mine and associated rail lines

Quarterly Activities

During the March 2015 quarter on 26 February 2015, the Company announced a Resource increase in the Proposed South Pit of its flagship Moorlands Project with the total Resource increasing to 318Mt in accordance with JORC Code 2012 guidelines. 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.

As a result, the Measured and Indicated JORC Resource categories have increased totalling 76% of the total estimated resource and further supports the initial open cut mine plan at the proposed Moorlands South Pit. The Measured Resource combined with a substantial increase in Indicated Resource is a marked improvement in the geological confidence of the Moorlands Project.

The upgraded resource estimate was compiled following completion of the 2014 exploration program and from the geological data obtained. The geological data was compiled and loaded into the Company's 3D geological model (see Table 1 below).

Table 1: Moorlands Project Resource Classification in Accordance with JORC Code (2012)

Moorlands Project (EPC 775, 776, 1738) Coal Resource Summary (Mtonnes)				
Deposit	Measured	Indicated	Inferred	Total
Moorlands	113.4	128.4	76.2	318.0

Mine Design

The operations team is preparing a detailed mine design based on the new 3D geological model used in the resource estimate. The design also includes detailed schedules to better define bypass coal quantities which has resulted in increased bypass quantities. Once the detailed mine planning has been finalised and approved by the Company, this will be provided to shareholders via an ASX announcement.

Coal Quality

The Company anticipates producing a 10.5% ash product for the Japanese market and a 12.5% ash product for the Chinese and Korean markets. The Company believes the product will be attractive to power utility companies in these markets due to a combination of factors namely low ash content, moderate calorific value, attractive HGI levels and high ash fusion temperatures with good burn out characteristics.

The Company is pleased to confirm that the Moorlands Coal complies with the new requirements relating to energy and ash contents and also specific trace element levels for import restrictions into China.

Proximate and Ultimate Analysis and Calorific Value

Table 2 below indicates the coal quality results relating to Proximate, Ultimate and Calorific Value of the proposed South Pit at Moorlands. Overall there has been an increase in the energy level and a slight decrease in the Sulfur content of the product coal.

Table 2: Proximate, Ultimate and Calorific Value for Moorlands proposed South Pit

Analysis	Air Dried
Proximate Analysis	
Inherent Moisture (%)	8.5
Ash (%)	10.5
Volatile Matter (%)	30.5
Fixed Carbon (%)	50.5
Calorific Value	
Gross Calorific Value (kcal/kg)	6160
Ultimate Analysis	
Carbon (%)	63.3
Hydrogen (%)	4.3
Nitrogen (%)	1.5
Oxygen (by difference)	11.1
Sulphur (%)	0.70

Ash Analysis

Detailed breakdown of the ash analysis is shown in the table below, which is in line with expectations and is shown in Table 3 below.

Table 3: Ash Analysis breakdown for Moorlands proposed South Pit

Ash Analysis (% in dry ash)										
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
53.5	6.2	34.4	1.9	0.22	0.14	0.9	0.80	0.56	0.2	0.4

Ash Fusion and HGI

The table below indicates the properties relating to Ash Fusion and Hargroves Grindability.

Table 4: Ash Fusion & Hargroves Grindability Index for Moorlands proposed South Pit

Analysis	Air Dried
Ash Fusion	
Deformation	1560 ^{oC}
Sphere (Softening)	1585 ^{oC}
Hemisphere	1590 ^{oC}
Flow	1600 ^{oC}
Hargroves Grindability Index	
HGI	60

Moorlands Mining Lease Application (MLA)

The Company is pleased with the progress of the Moorlands MLA process to date. The MLA for the Moorlands Project was in the "Application" stage of the process for the quarter. During the Application stage of the process, the Certificate of Application was issued by the Mining Registrar on 30th March 2015 indicating the Mining Registrar is satisfied the application is a suitably made application. The associated EA application was assessed by the Department of Environment & Heritage Protection during the months of January through March 2015.

The Certificate of Public Notification associated with the EA Application process was issued by the Mining Registrar on 30th March 2015 leading the way for the project to move into the next stage of the EA process (Public Notification Stage).

Definitive Feasibility Study (DFS)

The Company is also pleased with the progress of the Moorlands DFS. Following the completion of the 2014 exploration program, new additional geological data has been made available to the planning process. The new drill data with additional Geotechnical information is now also being added to the mine design process to continue to enhance the accuracy of the study document.

Activities in relation to the DFS have focussed on mine planning, coal processing and preliminary engineering of associated infrastructure.

Due to the lower coal prices, the Company's strategy is to optimise the economics of the Moorlands Project by reducing operating and initial capital costs.

The Moorlands DFS is based on the following key parameters:

- 1.9Mtpa ROM open cut truck and excavator 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.

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.

During the quarter Cuesta operational staff 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 30 March 2015, the Company announced the appointment of Ms. Ying Tian as Non-Executive Director. Ms. Tian replaces Mr. Sunming Zhou who resigned as Non-Executive Director.

Ms. Tian is the Chief Financial Officer of Beijing Guoli Group of Companies and has worked for the Group for over 25 years in a number of senior positions. Ms. Tian has been instrumental in securing Project Finance for a number of multi-billion dollar projects for the Beijing Guoli Group particularly relating to world class Power Utilities Complexes and Coal Mine Construction.

Ms. Tian holds a Master's Degree in Accounting and Finance completed at the Hong Kong Baptist University and is a graduate from Dongbei University of Finance and Economics.

The Company also announced on 23rd January 2015 the appointment Mr. Xiukuo Qian as an Alternate Non-Executive Director to Mr. Huaixi Zheng. Mr. Qian has extensive experience in both the coal and power industries with specific experience in preparatory work for coal mining, mine management, quality control and product safety.

The resignation of Mr. Sihua Meng as an Alternate Director to the Executive Director of Finance and Strategy Mr. Ruoshui Wang was accepted and announced during the quarter.

5.2 Loan Agreement

As announced on 13 March 2015, Cuesta executed an unsecured loan agreement with major shareholder Longluck Investment (Australia) Pty Ltd in the amount of \$2,500,000.

Interest is payable at 6% per annum with a term of six months or as otherwise extended by the two parties in writing.

These funds will be used to assist with the short-term working capital requirements of the Company, specifically the on-going development of the Moorlands Project.

5.3 Financials

At the end of the March 2015 quarter Cuesta had cash and cash equivalents of \$4.7m.

The Company paid \$980k for development and exploration activities and paid \$540k in administrative expenses in the December quarter. A BAS refund of \$197K was also received during the quarter.

The Company is progressing discussions with banks in order to obtain sufficient project finance for its Moorlands Project. The Company expects these project financing discussions to be undertaken over the next 4-6 months and the Company will update shareholders once the discussions have been sufficiently advanced.

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 26 February 2015 in the Company's ASX announcement titled 'Flagship Moorlands Project- Resource Upgrade to 318Mt'. 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 company focused on developing quality coal assets in Queensland, Australia.

The Company's primary focus is development of the Flagship Moorlands Project located in the Western Bowen Basin of Queensland near the world class Clermont Coal Mine.

Moorlands is being proposed as a 1.9Mtpa operation with a 30 year mine life.

Cuesta is well supported by a strong shareholder base actively involved in the coal power station industries.

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")

March 2015

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (9 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation	(980)	(7,643)
(b) development	-	-
(c) production	-	-
(d) administration	(540)	(2,229)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	41	99
1.5 Interest and other costs of finance paid	-	(135)
1.6 Income taxes paid	-	-
1.7 GST Refund	197	781
R & D Tax Refund	-	427
Net Operating Cash Flows	(1,282)	(8,700)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	-	(641)
(b) equity investments	-	-
(c) other fixed assets	(12)	(23)
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	(12)	(664)
1.13 Total operating and investing cash flows (carried forward)	(1,294)	(9,364)

+ 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)	(1,294)	(9,364)
	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	2,500	2,500
1.17	Repayment of borrowings	-	(5,000)
1.18	Dividends paid	-	-
1.19	Other- Share issue costs	-	(413)
	Net financing cash flows	2,500	12,087
	Net increase (decrease) in cash held	1,206	2,723
1.20	Cash at beginning of quarter/year to date	3,539	2,022
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	4,745	4,745

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	334
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.

- 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	2,500*	2,500
3.2 Credit standby arrangements	-	-

* As announced on 13 March 2015, the Company executed an unsecured loan agreement with its major shareholder in the amount of \$2.5m. Interest is payable at 6% per annum with a term of six (6) months. The loan is fully drawn and the proceeds are included in the balance of cash at the end of the quarter.

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	1,280
4.2 Development	-
4.3 Production	-
4.4 Administration	651
Total	1,931

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	4,223	3,039
5.2 Deposits at call	522	500
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	4,745	3,539

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

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			

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	Nil	Nil		
7.2				
7.3	524,420,448	524,420,448		
7.4	1,000,000	1,000,000		
7.5	-	-		

+ 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:

(Company Secretary)

Date: 28 April 2015

Print name: 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 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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