



QUARTERLY ACTIVITIES REPORT For the period ending 30 June 2015

HIGHLIGHTS

MOORLANDS PROJECT

- ✓ Continued to advance the Moorlands Mining Lease Applications
- ✓ Finessed and improved the Moorlands Mine Design
- ✓ Final exploration permit for coal (EPC) application 2008 granted

CORPORATE

- ✓ Executed an unsecured short-term \$2m loan agreement with major shareholder Longluck Investments (Australia) Pty Ltd
- ✓ Sydney Head office closed, entire Cuesta Team now located in Brisbane, Queensland
- ✓ Management is actively reviewing ways to minimise costs in depressed coal markets
- ✓ Cash on hand \$3.9m at 30 June 2015

1. QUARTERLY OVERVIEW

Cuesta Coal focused its development activities during the June 2015 quarter on progressing the Moorlands Mining Lease Applications and improving the Moorlands Mine Design.

The Company's final Exploration permit for Coal (EPC) application 2008 was granted on 1 June 2015.

Corporately, Cuesta closed its Sydney head office in an effort to minimize costs in the current depressed coal market. All staff are now located in the Company's Brisbane office.

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

Further changes to the Cuesta Coal Board were announced during the quarter with the resignation of Keith McKnight, Brice Mutton and Huaixi Zheng to reduce the board of Cuesta to 5 persons.

The Company has been reviewing acquisition opportunities in the current depressed mining commodities market. It is envisaged that an acquisition would add value for shareholders and generate cash flow at an early stage.

At the end of June 2015, Cuesta had cash and cash equivalents of \$3.9m.

Subsequent to the quarter end, Cuesta agreed to a twelve (12) month extension of the repayment terms on the initial loan agreement with its major shareholder. The loan of \$2.5m is now due for repayment in August 2016, previously August 2015.



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.

The upgraded resource estimate as announced to the ASX on 26 February 2015 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

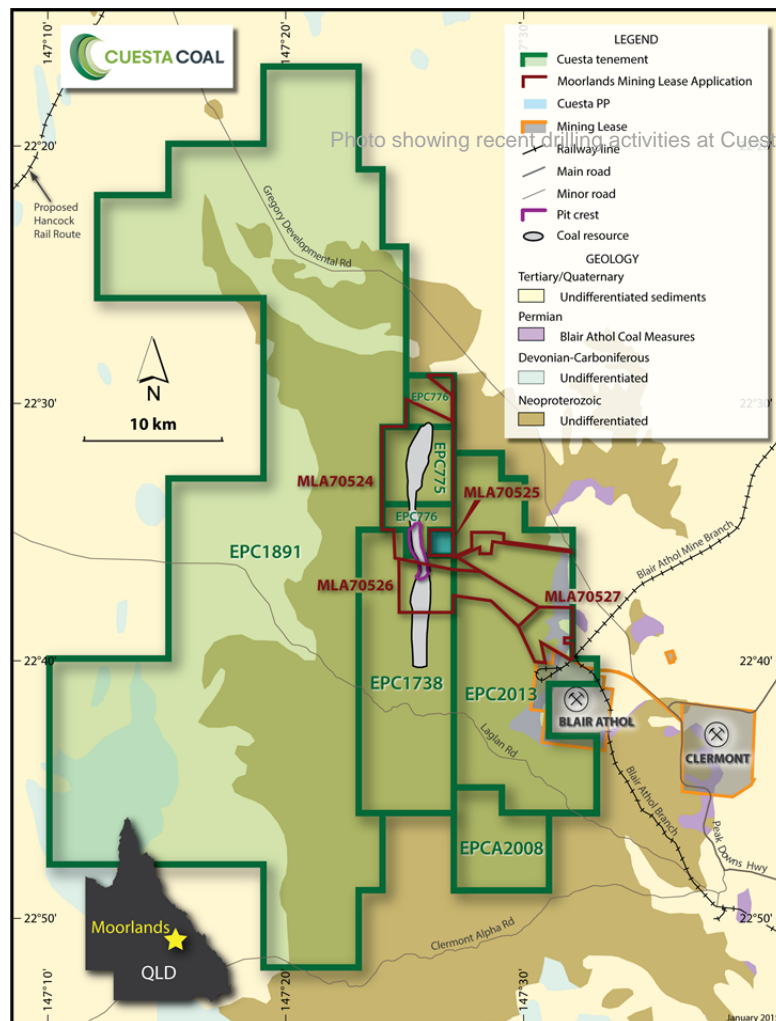


Figure 1: Map of the Moorlands Project in relation to the producing Clermont Coal mine and recently closed Blair Athol Coal Mine and associated rail lines

Quarterly Activities

During the June 2015 quarter, no field exploration activities were undertaken by the Company. However, the Company concentrated on the progression of the Mining Lease applications and finessing the Mine Design at the flagship Moorlands Project.

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 "Objection" stage of the process for the quarter. During the Objection stage of the process, the Certificate of Application was provided to relevant landholders and displayed on the datum posts as legislated. The objection stage concluded on 27th May 2015 with four landholder objections being received.

The associated EA application was in the "Public Notification" stage of the process for the quarter. During the Public Notification stage, the Certificate of Public Notification was provided to relevant landholders and displayed on the datum posts as legislated. The Public Notification stage concluded on 27th May 2015 with four landholder submissions.

Following the Objection stage and Public Notification stage, the ML and EA respectively moved into the "Decision" stage of the assessment process. During this time, the Draft EA was agreed with the Department of Environment and Heritage Protection.

Geological and Coal Quality Modelling

The detailed knowledge of the coal quality from the 2014 exploration programme has enabled the Company to improve the correlation of individual coal seams and plies, particularly in the proposed south pit.

Most recently, Cuesta has begun a review of the northern resource area to extend the intimate knowledge of the coal seams and plies in the proposed south pit to extend further north and will be in a position to update shareholders in the coming weeks.

Mine Design

The geological model has been exported into the Spry engineering package in house, some preliminary margin ranking exercises have been completed. Following this work a series of mine plans have been run over the Moorlands mining area with a view to optimise the initial mining area and operational style.

The work, once completed will be integrated into the DFS.

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

Definitive Feasibility Study (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 is reviewing a number of infrastructure solutions of the Moorlands Project.

OTHER PROJECTS

Amberley, Thorn Hill and Yellow Jacket

Cuesta Coal is currently in the process of drafting the required applications to move its key resource tenements into a higher level of tenure holding. The projects identified are Amberley, Thorn Hill and Yellow Jacket and the process will involve the submission of Mineral Development Licence (MDL) applications.

Shareholders will be updated with progress in due course, expected in 3-4 months.

Snake Creek Joint Venture

During the quarter QCI (Galilee) Pty Limited (QCI) advised that the Snake Creek Joint Venture is now terminated. QCI conducted a 8 drill hole campaign over EPCs 2079 and 2080. 3 drill holes including one redrill was completed on EPC 2079 and 2080.

As a result of the decision to terminate the Joint Venture, Cuesta retains its 100% ownership of these two tenements.

Blackwood Resources Joint Venture

Joint Venture partners Blackwood Resources (90%) (a wholly owned subsidiary of Cuesta Coal) and Australian Pacific Coal (10%) elected not to renew EPC 1979 due to Urban Restricted Areas (RA 384).

Acquisition Opportunities

The Company has been reviewing acquisition opportunities in the current depressed mining commodities market. The acquisition would be required to add value for shareholders and generate positive cash flow at an early stage. The company will look for projects in Australia initially.

3. HEALTH & SAFETY

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.

Cuesta Coal has conducted a complete update of its Safety and Health Management System. All of the documents within the system have been updated following a formal risk assessment process involving a cross section of the exploration workforce.

The control measures identified during these risk assessments were included in the updated procedures which were written by Cuesta Coal Health and Safety Officers. The system is now ready to be implemented during the next exploration work undertaken by Cuesta.

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%
EPC 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%
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 19 June 2015, the Company announced the resignation of Keith McKnight, Brice Mutton and Huaixi Zheng and his alternate director.

The Board restructure reduces the number of Cuesta Coal Board members from 8 to 5 members, which is more in line with a Company of Cuesta's size.

Mr. McKnight remains as Chief Operating Officer and an Executive of Cuesta's subsidiaries.

5.2 Loan Agreement

As announced on 30 June 2015, Cuesta executed a \$2m loan agreement with major shareholder Longluck Investment (Australia) Pty Ltd. The loan has a term of six months, an interest rate of 7.5% and is unsecured.

The loan will be settle in two tranches, \$1m of the loan funds was settled on 30 June 2015. The remaining balance will be settled on or before 1 August 2015.

The loan will be used for general working capital.

5.3 Financials

At the end of the June 2015 quarter Cuesta had cash and cash equivalents of \$3.9m.

During the quarter, the Company received the first tranche of the \$2m loan in the amount of \$1m in June 2015.

The Company paid \$1.2m for development and exploration activities and paid \$0.7m in administrative expenses in the June 2015 quarter. A BAS refund of \$0.05m was also received during the quarter.

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")

June 2015

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (12 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation	(1,182)	(8,825)
(b) development	-	-
(c) production	-	-
(d) administration	(688)	(2,917)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	17	116
1.5 Interest and other costs of finance paid	-	(135)
1.6 Income taxes paid	-	-
1.7 GST Refund	53	834
R & D Tax Refund	-	427
Net Operating Cash Flows	(1,800)	(10,500)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	-	(641)
(b) equity investments	-	-
(c) other fixed assets	(3)	(26)
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	(3)	(667)
1.13 Total operating and investing cash flows (carried forward)	(1,803)	(11,167)

+ 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)	(1,803)	(11,167)
	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	1,000	3,500
1.17	Repayment of borrowings	-	(5,000)
1.18	Dividends paid	-	-
1.19	Other- Share issue costs	-	(413)
	Net financing cash flows	1,000	13,087
	Net increase (decrease) in cash held	(803)	1,920
1.20	Cash at beginning of quarter/year to date	4,745	2,022
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	3,942	3,942

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	4,500*	3,500
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 was fully drawn in February 2015. The agreement for an extension of 12 months for the repayment of \$2.5m loan has been reached in July 2015.

As announced on 30 June 2015, the Company executed an additional unsecured loan agreement with its major shareholder in the amount of \$2m. Interest is payable at 7.5% per annum with a term of six (6) months. The first tranche (\$1m) of the loan is drawn on 30 June 2015 and the proceeds are included in the balance of cash at the end of the quarter. The second tranche of loan amounted to \$1m was settled in July 2015.

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	1,077
4.2 Development	-
4.3 Production	-
4.4 Administration	791
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	3,420	4,223
5.2 Deposits at call	522	522
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	3,942	4,745

+ 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	EPC 2008 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	Nil	Nil		
7.2				
7.3	524,420,448	524,420,448		
7.4				
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:

(CFO)

Date: 31 July 2015

Print name: Laura Mu

+ 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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