

ANNUAL REPORT 2015



ABOUT CUESTA

Cuesta Coal Limited (“Cuesta”) is an ASX listed coal exploration and development company with a pipeline of coal projects ranging from development to greenfield exploration. The Company is supported by a strong shareholder base and is targeting first coal production from its flagship Moorlands Project, an open cut export quality thermal coal development project, within a 3 year timeframe.

Cuesta has a total JORC Resource of 780Mt across four project areas, including 318Mt at the Moorlands Project.

Cuesta Coal’s Board and Senior Management have extensive experience in the coal industry. In particular, the group boasts tangible technical and management experience in large bulk commodity development projects, which is demonstrated by previously held senior roles with major companies.

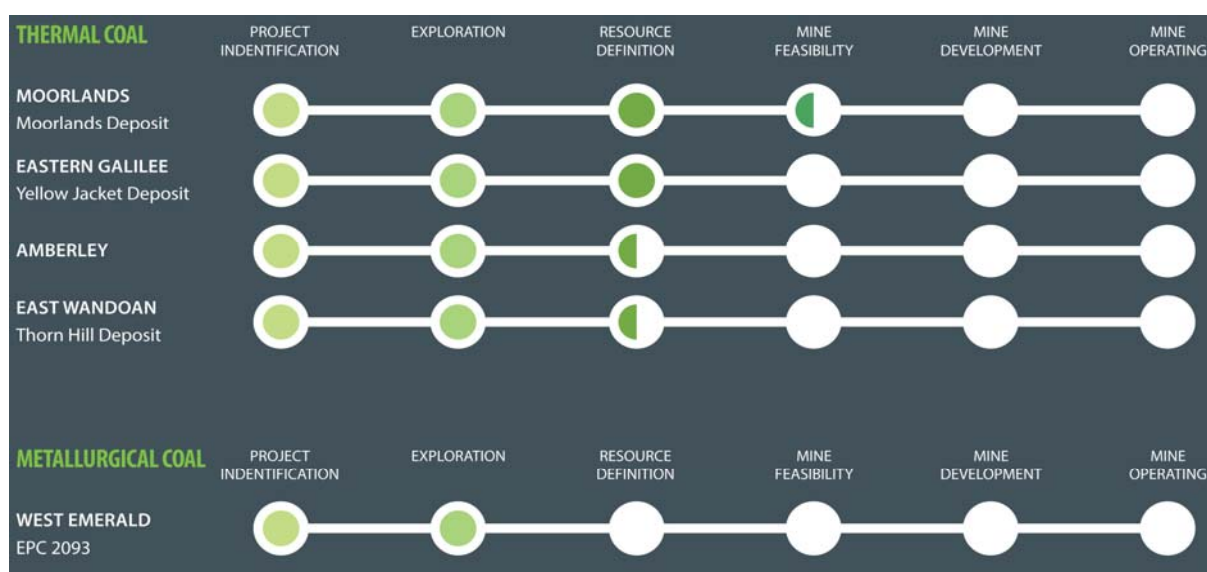
MOORLANDS

Cuesta’s “Moorlands Project” is an open cut export grade thermal coal development project, located in the Western Bowen Basin in Queensland, close to existing infrastructure. The Moorlands Project has a total resource of 318Mt including 113.4Mt in the Measured and 128.4Mt in the Indicated Category and 76.2Mt Inferred in accordance with the JORC 2012 code. The Mining Lease Application process and a Definitive Feasibility Study is currently underway for the project.

The Moorlands Project is the main operational focus for the Company aiming to achieve a 1.9Mtpa mining operation for 30 years from the proposed South Pit, with a low average stripping ratio and a high overall recovery of 89%.

Moorlands provides Cuesta with a significant development project located in a historically low cost mining region. The Project is located 14km from existing infrastructure at the Blair Athol Mine and 25km North West of the Clermont Coal Mine.

PROJECT OVERVIEW



CHAIRMAN'S REVIEW

Dear Shareholders,

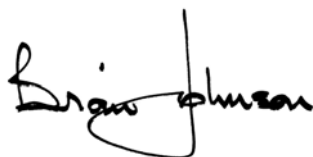
On behalf of the Board of Cuesta Coal Limited, enclosed is the Annual Report of your Company for review.

The Company made progress on its 100% owned Moorlands Project in the last 12 months. Notable achievements include the lodgment of the Moorlands Mining Lease Application and completion of a 67 drill hole program that culminated in the announcement of a new JORC Resource statement at Moorlands of 318 million tonnes.

During the period, the Company raised \$15 million through share issues to its major shareholder, Longluck Investments (Australia) Pty Limited, and executed further loan agreements totaling \$4.5m.

The continued deterioration of the capital market conditions in the mining and resources sector has made it increasingly difficult for junior resource companies to develop their projects due to a lack of capital available from investors. This is going to be an ongoing challenge for Cuesta as it seeks to develop the Moorlands Project.

Yours faithfully,



Brian Johnson
Non-Executive Chairman



CEO AND MANAGING DIRECTOR'S REVIEW OF OPERATIONS

OVERVIEW

Over the 2015 financial year, Cuesta has focused primarily on the development of its flagship Moorlands Project and has successfully managed to raise additional funding in what can only be described as very difficult and depressed economic conditions in the resources sector.

In the past 12 months, coal markets have continued to weaken with the thermal coal price now trading at around US\$55-60/t (FOB Newcastle). In addition, the imposition by Chinese Government of a 6% tariff on imported thermal coals into China has further exacerbated the difficult market conditions. Significant cost cutting initiatives have been implemented across the sector in an effort to enable economically sound mining operations to continue.

As a result of these economic conditions, Cuesta has made some necessary adjustments to its business operations. The Board of Cuesta has been reduced to 5 members which is more in line with a Company of Cuesta's size. Additionally, the Company closed its Sydney Office and relocated its entire administration and operations to Brisbane, which is more suitable due to the locality of the Company's Projects.

Over the past 12 months the Company focused its exploration and development efforts principally at Moorlands with very minor exploration activity conducted at a handful of its other Projects.

Below are the key activities successfully completed during the past financial year:

- Completion and settlement of \$15m Placement to major shareholder Longluck Investment (Australia) Pty Ltd ("Longluck"), a wholly owned subsidiary of Beijing Guoli Energy Investment Co., Ltd ("Beijing Guoli")
- Execution of unsecured Loan Agreements totaling \$4.5m with major shareholder Longluck
- Successful acquisition of EPC 2013 to form part of the Moorlands Project Mining Lease Application ("MLA") which underpins access to the existing infrastructure connecting the Moorlands Project to Dalrymple Bay Coal Terminal;
- Achievement of JORC Resource upgrade to 318Mt at Moorlands based on data associated with the 2014 exploration activities;
- Successful lodgement of the Moorlands Project Mining Lease and Environmental Authority Applications.

CORPORATE

An important milestone for the Company was securing a \$15m equity investment from major shareholder Longluck. Settled in two transactions at 10.3c per share, the funds associated with this capital raising were used to settle the Orion Coal Project Acquisition and to continue the development of the Moorlands Project. The Company also reached agreement for the provision of unsecured loans totaling \$4.5m for working capital purposes.

This level of funding support is particularly significant in the context of the negative investor sentiment currently surrounding the coal sector as a whole, and an endorsement of the quality of Cuesta's team and the Moorlands Project.

During the financial year the Company relocated its entire administration and operations to the Brisbane Office located in the suburb of Taringa. This is expected to have a significant cost saving for the Company and improve its efficiency and operations.

There were a number of changes to the Board of Directors during the financial year and as a result the Cuesta's Board now consists of 5 members with no Alternate Directors.

FLAGSHIP DEVELOPMENT PROJECT

The Moorlands Project is a significant open-cut export thermal coal mine development, located 30km north-west of the township of Clermont in the Western Bowen Basin of Queensland and to the immediate west of the Blair Athol and Clermont coal mines.

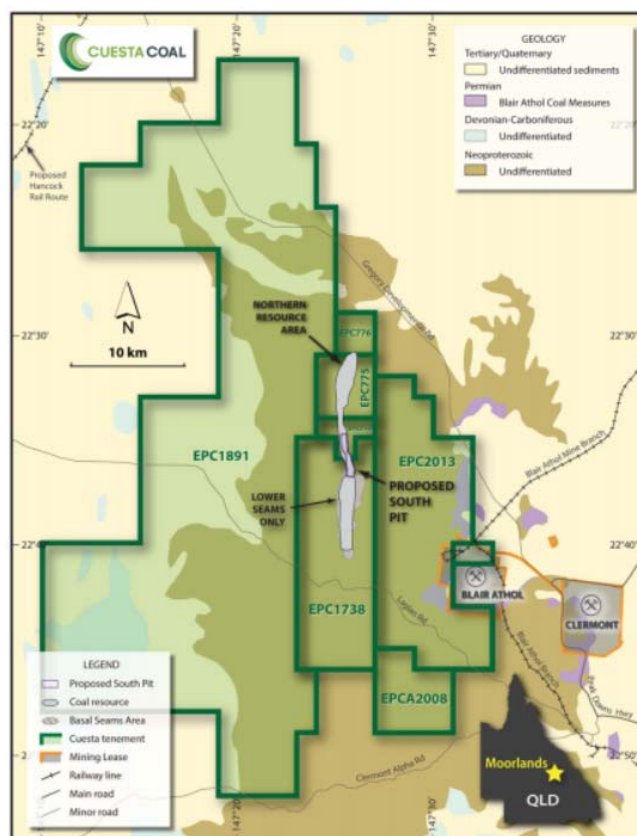


Figure 1: Map of the Moorlands Project in relation to producing Clermont Coal mine and recently closed Blair Athol Coal Mine and associated rail lines

On 26 February 2015, Cuesta announced a resource increase at its flagship Moorlands Project with the total JORC resource increasing to 318Mt. Significantly, the Measured and Indicated JORC Resource categories have increased to 75% of the total estimated resource.

The breakdown of the current resource includes 113.4Mt Measured, 128.4Mt Indicated and 76.2Mt Inferred, in accordance with the JORC 2012 code. 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. 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.

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	318.1

During the Financial Year, the company completed a 67 drill hole infill exploration program with 21 of these being cored holes. The following is a breakdown of the cored holes successfully completed:

- 5 holes were fully cored geotechnical holes to provide data for pit wall design for the Moorlands BFS.
- 2 large diameter 150mm cored holes were drilled to provide material for range of analysis including detailed particle sizing data to validate against the data gained from 100mm core.
- The remaining 14 cored holes were all 100mm conventional core holes located within the proposed south pit area.

In total 1120m of coring was completed during the year. Full proximate and washability analysis is in the final stages of completion, for all core holes drilled in 2014.

The Company has updated its 3D Geological Model and as a result of the increased confidence in the data surrounding the deposit, Cuesta's internal technical team has run a variety of mine planning scenarios as a key input in the Definitive Feasibility Study. The Company also developed a comprehensive coal quality specification of its product coal from the Proposed South Pit.

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 confirms 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.

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

INFRASTRUCTURE

Cuesta believes that economically the best Port for the export of Moorlands Coal is the Dalrymple Bay Coal Terminal and is continuing to investigate options to obtain access to this Port.

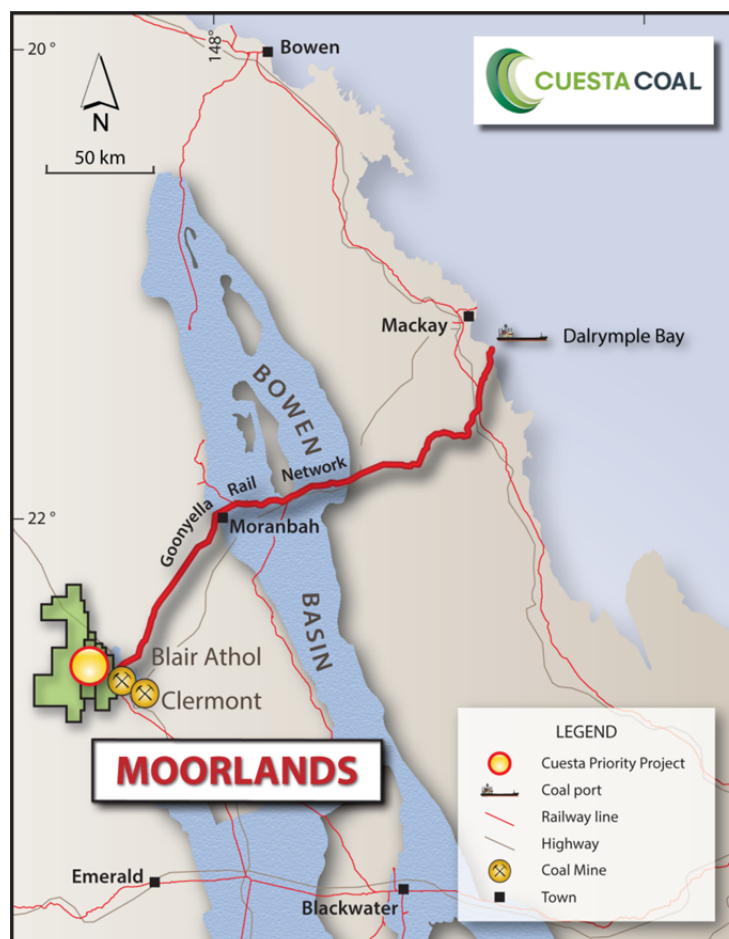


Figure 2: Map of transport corridor to Dalrymple Bay Coal Terminal

TENEMENT ACQUISITION

In July 2014, Cuesta announced the acquisition of EPC 2013, which forms part of the underlying tenure for the Moorlands Project Mining Lease Application (“MLA”). This acquisition has significantly simplified the MLA for the Moorlands Project, enabling the haul road to transport the coal from Moorlands, a new rail loop and train load out connecting to the existing Blair Athol Rail Branch to be included in the MLA.

The transaction was completed during the last financial year and the EPC has been assigned to Cuesta Coal.

FEASIBILITY AND 2014 DRILLING PROGRAM

A Definitive Feasibility Study (“DFS”) is currently underway at Moorlands. The Moorlands DFS will comprise further evaluation of the project site, mine plan, process and engineering specifications. Ultimately the DFS will provide detailed capital and operating cost estimates for the project on which a final investment decision can be based.

MINING LEASE APPLICATION

The Company submitted the Mining Lease Application (MLA) for the Moorlands Project on 5th September 2014. The Company is pleased with the progress of the Moorlands MLA process to date. The objection stage concluded on 27th May 2015 with objections being received from 4 landowners directly affected by the MLA. The objections have now been referred to the Land Court for recommendation. The Company is confident that these objections can be dealt with expediently through the Land Court process.

PIPELINE PROJECTS

Deposit	Measured	Indicated	Inferred	Total
Moorlands	113.4Mt	128.4Mt	76.2Mt	318Mt*
Yellow Jacket	-	-	364Mt	364Mt
Amberley	-	-	54.7Mt	54.7Mt
Thorn Hill	-	22.1Mt	22.5Mt	44.6Mt
Total	113.4Mt	150.5Mt	517.4Mt	781.3Mt

Eastern Galilee

The Eastern Galilee Project comprises large open cut thermal coal potential with a longer term development opportunity once the proposed infrastructure for the Galilee Basin is established. Cuesta has a significant land holding in the Galilee Basin comprising seven tenements covering 3,991km² and includes several discrete projects.

Yellow Jacket

The Yellow Jacket deposit is located 180km northwest of Clermont in Central Queensland and 30km north east of Adani's large scale Carmichael Project. Internal review completed in the 2014 financial year confirmed Yellow Jacket as a strategic asset for Cuesta with very good medium to long term potential.

In October 2013, Cuesta announced maiden Inferred Resource certification at Yellow Jacket comprising 364.1Mt in accordance with JORC Code 2004 guidelines, based on a depth cut off of 150m. The shallow nature of the deposit combined with intersections over approximately 20km² suggest potential for a medium scale thermal coal project to be developed over time. Its proximity to the recently approved Carmichael project further supports this notion on the basis of the regional infrastructure that is likely to be developed to bring that project into production. The Company will be progressing the Yellow Jacket EPC into the higher level of tenure of a Mineral Development License (MDL) to secure the tenement for future development opportunities.

West Emerald

The West Emerald Project is located in the Denison Trough. Cuesta is targeting Reid's Dome Bed Coal Measures containing thermal and PCI coals, specifically in extensions of major deposits in the area being Rio Tinto's Valeria deposit (762Mt) and Shenhua Group's Taraborah deposit (188Mt). Historic coal intersections have encountered coal measures on Cuesta's Tenements.

The Company has identified an area where shallow coal occurrences occur in EPC 2093. The area will be drilled as part of the 2016 field season. A selection of cored sites have been planned to complement the existing open holes with a view to completing preliminary geological modelling and JORC resource statement.

East Wandoan (Thorn Hill)

The East Wandoan Project comprises three granted permits. The granted permits are EPC 1955 covering 64 sub-blocks, EPC 2237 comprising 89 sub-blocks and EPC 1987 comprising 115 sub-blocks.

The area occurs in a strip which trends in a South Easterly direction approximately 25km northeast of Wandoan town, which is 400km northwest of Brisbane. The area is gently undulating and largely open with some remnant patches of native vegetation. Shown in the diagram below is a cross section for the Thorn Hill Deposit located in the southern end of EPC 1955.

The Thorn Hill Deposit has a total coal resource of 44.6 Mt identified in its 2012 drilling campaign (22.1 Mt in the Indicated Resource category, and 22.5 Mt in the Inferred Resource category).

The intention is for the Company to hold this asset for the longer term. The Surat basin requires the development of a regional infrastructure solution to transport the coal the coastal ports for export. It is unlikely that the transport solution will be built in the near future and as such the tenement will be progressed into MDL tenure to secure it for development sometime in the future.

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 improved system is now ready to be implemented during the next exploration work undertaken by Cuesta.

MARKET OUTLOOK

Due to the rapid urbanisation and economic expansion in Asian countries over the past decade, there was a rapid growth period for the consumption of commodities, notably coal and iron ore. As a result of this, there was a rapid expansion in the production of these commodities to supply the emerging growing market in these countries.

The Company believes that utilisation of coal will continue for the foreseeable future due to the underlying fact that it is the cheapest form of energy to produce base load power. In countries such as China, significant investment and effort is being placed in base load coal-fired power stations both new and those under design/construction. Over the past decade coal-fired power stations have evolved from conventional coal-fired power stations to super-critical and ultra-super-critical in their design and operation, which in turn significantly improves their efficiency.

Australian Coal by World standards is generally superior in quality to other significant producing countries. The Company believes low rank high moisture coals with a low

calorific value will eventually be displaced from the market and as a result high energy Australian coal should at least retain its share in the global seaborne coal market.

Reduction in coal prices is likely to result in the closure and/or reduced production of high cost operations throughout the World. This has been particularly evident in the North American coal sector. The Company believes that a more balanced supply/demand ratio will eventually occur resulting in a stabilisation or strengthening of thermal coal prices.

Due to the attractive capital and operating costs of Moorlands the Company believes it will be well placed to develop Moorlands at the commencement of the improvement in the overall coal market.

Over the 2016 financial year, Cuesta will focus on achieving the following:

- completion of the DFS for the Moorlands Project, enabling financial investment decision;
- progressing the Mining Lease for the Moorlands Project;
- continuing current negotiations with various potential offtake partners for the Coal products of the Moorlands Project;
- securing project finance for the development of the Moorlands Project; and
- advancing appraisal at Cuesta's pipeline projects with longer term development potential.

Importantly, Cuesta will strive to complete these activities on time, within budget and safely for all staff and contractors.



Matthew Crawford
CEO and Managing Director

CORPORATE GOVERNANCE STATEMENT

The Board is committed to achieving and demonstrating the highest standards of corporate governance. As such, Cuesta Coal Limited and its Controlled Entities ('the Group') have adopted a corporate governance framework and practices to ensure they meet the interests of shareholders.

The Australian Securities Exchange Corporate Governance Council's Corporate Governance Principles and Recommendations – 3rd edition ('the ASX Principles') are applicable for financial years commencing on or after 1 July 2014, consequently for the Group's 30 June 2015 year end. As a result, the Group has chosen to publish its Corporate Governance Statement on its website rather than in this Annual Report.

The Corporate Governance Statement and governance policies and practices can be found in the corporate governance section of the Company's website at <http://www.cuestacoal.com.au>.

The Group's Corporate Governance Statement incorporates the disclosures required by the ASX Principles under the headings of the eight core principles. All of these practices, unless otherwise stated, were in place for the full reporting period.

COMPETENT PERSONS STATEMENT

Information relating to EPCs 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.

Information relating to EPC 1802 was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with JORC 2012 on the basis that the information has not materially changed since it was prepared.

The information contained in this report that relate to the Resource of EPC 1802 is based on information reviewed by Blair Richardson, who is a Member of the Australasian Institute of Mining and Metallurgy and is General Manager of Exploration and 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.

The information contained in this report that refer to the JORC Resources of Amberley, EPC 2127 and the East Wandoan (Thorn Hill) Project have been made by Lyndon Pass of Encompass Mining, and it reflects his current view of the East Wandoan and Amberley coal deposit resources. In the future, as additional information may become available, this view could be subject to modification. The full reports contain detailed information regarding the Amberley and East Wandoan deposits. Lyndon Pass is a Member of the Australasian Institute of Mining & Metallurgy (AusIMM). Lyndon Pass consents to the inclusion in the current document of the matters concerning Coal Resources at Amberley and East Wandoan and based on his information in the form and context in which they appear. He has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2004 Edition 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 Limited
Directors' report
30 June 2015

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Cuesta Coal Limited (referred to hereafter as the 'company') and the entities it controlled for the year ended 30 June 2015.

Directors

The following persons were directors of Cuesta Coal Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Brian Johnson
Ruoshui Wang
Matthew Crawford
Yong Xiao
Guoqiang Luo (appointed 31 July 2015)
Brice Mutton (resigned 19 June 2015)
Keith McKnight (resigned 19 June 2015)
Huaixi Zheng (resigned 19 June 2015)
Patrick Elliott (resigned 28 November 2014)
Hanping Liu (resigned 10 September 2014)
Sunming Zhou (resigned 27 March 2015)
Ying Tian (resigned 31 July 2015)
Sihua Meng (Alternate for Ruoshui Wang) (resigned 28 January 2015)
Xiukuo Qian (Alternate to Huaixi Zheng) (resigned 19 June 2015)

Principal activities

During the financial year the principal activities of the consolidated entity consisted of exploration for and evaluation of coal resources at the consolidated entity's mining tenements which are located in Queensland, Australia.

Dividends

No dividends were paid or declared during the financial year.

Review of operations

The loss for the consolidated entity after tax amounted to \$3,676,000 (30 June 2014: \$4,738,000).

The consolidated entity continued to undertake further exploration and evaluation activities on its tenements located in Queensland, Australia.

Significant changes in the state of affairs

The company relocated its entire operations to its office at Suite 3B, Level 1, 165 Moggill Road, Taringa in June 2015 and closed the Sydney Office.

During the period, a share issue totalling \$15 million was issued to major shareholder Longluck Investments (Australia) Pty Limited and their holding increased to 53.70% up to the date of this report.

Matters subsequent to the end of the financial year

On 28 July 2015, Cuesta Coal Limited announced that the second tranche of loan amounted to \$1,000,000 was drawn down on 24 July 2015. This is an unsecured loan from its major shareholder Longluck Investment (Australia) Pty Ltd. Interest is payable at 7.5% per annum with a term of 6 months.

Likely developments and expected results of operations

The consolidated entity intends to continue its exploration activities on its existing projects and to acquire further suitable projects for exploration as opportunities arise.

Environmental regulation

The consolidated entity is subject to and is compliant with all aspects of environmental regulation of its exploration and evaluation activities. The directors are not aware of any environmental law that is not being complied with.

Information on directors

Name:	Brian Godfrey Johnson
Title:	Non-Executive Chairman
Qualifications:	B.Eng Civil (UWA) MIEAust
Experience and expertise:	Mr Johnson is a civil engineer with extensive experience in the construction and mining industries in Australia, South East Asia and North America. Mr Johnson was instrumental in establishing successful companies Portman Limited and Mount Gibson Iron Limited in the iron ore industry and South Blackwater Coal Limited and Austral Coal Limited in the coal sector. He has previously been a director of stock exchange listings in London, New York and Australia.
Other current directorships:	Executive Chairman of Panterra Gold Limited
Former directorships (in the last 3 years):	None
Special responsibilities whilst in office:	Chairman of the Remuneration and Nomination Committee and the Audit and Risk Management Committee.
Interests in shares:	2,000,000
Interests in options:	None
Interests in performance rights:	3,000,000
Name:	Brice Kenneth Mutton (resigned on 19 June 2015)
Title:	Non-Executive Director (Technical)
Qualifications:	BSc (Appl Geology) (UNSW), FAusIMM, MAIG, MSEG
Experience and expertise:	Mr Mutton is a geologist with over 35 years' experience in the resources industry. His experience extends from grass roots exploration to mine operation and executive management, mainly in base metals, gold and coal.
Other current directorships:	None
Former directorships (in the last 3 years):	Non-executive Director of Apex Minerals NL (resigned 1 May 2013) Non-executive Director of Drummond Gold Limited (resigned 20 July 2015)
Special responsibilities whilst in office:	Chairman of the Safety and Health Committee, Chairman of the Audit and Risk Management Committee and member of the Remuneration and Nomination Committee.
Interests in shares:	5,134,488 ordinary shares
Interests in options:	1,700,000 options
Interests in performance rights:	None

Information on directors (continued)

Name:	Patrick James Dymock Elliott (resigned on 28 November 2014)
Title:	Non-Executive Director
Qualifications:	B.Comm (UNSW), MBA (Mineral Economics)(Macquarie University), ASA, MAICD
Experience and expertise:	Mr Elliott has 40 years' experience in investment, financial and industrial management having previously been with Consolidated Goldfields Australia Limited, Morgan Grenfell Australia and Natcorp investments.
Other current directorships:	Non- executive Chairman of Argonaut Resources NL (since 2003) Non- executive Chairman of Variscan Mines Limited (formerly Platsearch NL) Non- executive Chairman of Cap- XX Limited Non- executive Director of Global Geoscience Limited
Former directorships (in the last 3 years):	Stevenson Group Limited (NZ) Australian Oriental Minerals NL
Special responsibilities whilst in office:	Chairman of the Audit and Risk Management Committee and member of the Remuneration and Nomination Committee
Interests in shares:	17,334,667 ordinary shares
Interests in options:	26,668,000 options
Interests in performance rights:	None
Name:	Matthew Phillip Crawford
Title:	Managing Director and Chief Executive Officer
Qualifications:	MAusIMM, MAICD
Experience and expertise:	Mr Crawford is a founding Director of Cuesta Coal Limited / Blackwood Coal Pty Limited. He has extensive coal industry experience in both Australia and Indonesia. Mr Crawford previously held roles at Australian Char and Griffin Coal working on a variety of projects including trial shipments of coal to export markets, carbonisation and coking trials, evaluation of coal drying technologies and various business development activities associated in the coal sector. He has worked as an engineering consultant to White Energy Company and played a key role in the commercialisation of the Binderless Coal Briquetting Technology.
Other current directorships:	None
Former directorships (in the last 3 years):	None
Special responsibilities whilst in office:	Chairman of the Safety and Health Committee.
Interests in shares:	31,689,884 ordinary shares
Interests in options:	9,328,572 options
Interests in performance rights:	None

Information on directors (continued)

Name:	Keith James McKnight (resigned on 19 June 2015)
Title:	Executive Director and Chief Operations Officer
Qualifications:	B.Eng Mechanical (University of Limerick) MAusIMM, MAICD
Experience and expertise:	<p>Mr McKnight is a founding Director of Cuesta Coal Limited/ Blackwood Coal Pty Limited. He is a mechanical engineer with substantial Australian and international experience in engineering, procurement, contract management and project development.</p> <p>Mr McKnight immigrated to Australia in 2004 and worked for various engineering consultants such as Richard Heggies and Montgomery Watson. He joined White Energy Company in late 2006 as a project manager and became engineering manager in 2009. He worked on their Binderless Coal Briquetting Demonstration facility and on their first commercial plant in Indonesia.</p>
Other current directorships:	None
Former directorships (in the last 3 years):	None
Special responsibilities whilst in office:	Member of the Safety and Health Committee.
Interests in shares:	30,951,680 ordinary shares
Interests in options:	8,757,144 options
Interest in performance rights:	None
Name:	Huaixi Zheng (resigned on 19 June 2015)
Title:	Non-Executive Director
Qualifications:	B. Mineral Processing of Mining Engineering.
Experience and expertise:	<p>Mr Zheng is a mining engineer with over 20 years' experience within the coal industry. He has worked at China's most authoritative coal planning and processing department and at senior management level within China's largest coal companies. Since 2004, Mr. Zheng has been responsible for mergers and acquisitions, restructuring, management, exploration and operating coal projects at Beijing Guoli Energy Investment Co., Ltd ("Beijing Guoli"). Mr. Zheng was the Managing Director of Chaohua Coal mining company, during which time he successfully merged 4 coal mining companies and developed a total coal reserve of 500 million tonnes.</p>
Other current directorships:	None
Former directorships (in the last 3 years):	None
Special responsibilities whilst in office:	Member of the Safety and Health Committee.
Interests in shares:	None
Interests in options:	None
Interest in performance rights:	None

Information on directors (continued)

Name:	Ruoshui Wang
Title:	Executive Director
Qualifications:	Masters and B. Thermal Engineering, Ph.D in Management (Tsinghua University)
Experience and expertise:	Mr Wang is a senior executive with Beijing Guoli and has over 15 years' experience in managing overseas investments in coal, real estate and agricultural projects. During his 10 year tenure with Beijing Guoli, Mr Wang has held a number of roles including Director of Beijing Guoli Energy Investment Co. Ltd, Assistant President of Sino-Australian International Trust Co. Ltd and more recently, as the Director and General Manager of a number of investment subsidiaries of Beijing Guoli.
Other current directorships:	None
Former directorships (in the last 3 years):	None
Special responsibilities whilst in office:	Member of the Remuneration and Nomination Committee.
Interests in shares:	None
Interests in options:	None
Interest in performance rights:	None
Name:	Hanping Liu (resigned on 10 September 2014)
Title:	Non-Executive Director
Qualifications:	Bachelor of Mathematics, Master of Law
Experience and expertise:	Mr Liu has been systematically trained in accounting and auditing, and has many years practical experience in various projects. He is familiar with modern internal audit standards, procedures and methodologies. He has practical experience in many areas of financial and business operating & managing. Due to his knowledge of economic laws, Mr. Liu has drafted a number of contracts, agreements and company rules & regulations.
Other current directorships:	None
Former directorships (in the last 3 years):	None
Special responsibilities whilst in office:	Member of the Audit and Risk Management Committee.
Interests in shares:	None
Interests in options:	None
Interest in performance rights:	None

Information on directors (continued)

Name:	Xiao Yong
Title:	Non-Executive Director
Qualifications:	Bachelor of Finance, Masters of Business Management and International Economics
Experience and expertise:	Mr Xiao is currently senior executive of Country Rosy Limited, a BVI based Investment Company focusing on international mining investments.
Other current directorships:	None
Former directorships (in the last 3 years):	None
Special responsibilities whilst in office:	Member of the Audit and Risk Management Committee and Remuneration and Nomination Committee.
Interests in shares:	None
Interests in options:	None
Interest in performance rights:	None

Name:	Sihua Meng (resigned on 28 January 2015)
Title:	Alternate Non-Executive Director
Qualifications:	Bachelor of Computer Science and Engineering, Masters of Management Information Systems
Experience and expertise:	Mr Meng is a senior executive within the Beijing Guoli and has 6 years' experience in project management, coal investments, contract management and strategy planning.
Other current directorships:	None
Former directorships (in the last 3 years):	None
Special responsibilities whilst in office:	None
Interests in shares:	None
Interests in options:	None
Interest in performance rights:	None

Information on directors (continued)

Name:	Sunming Zhou (Appointed 10 September 2014, resigned on 27 March 2015)
Title:	Non-Executive Director
Qualifications:	Bachelor of Economics, Masters of Business Administration.
Experience and expertise:	Mr Zhou is currently the Chief Auditor of Beijing Guoli Energy Investment Co., Ltd and has held a number of senior management positions within the Beijing Guoli over the past 19 years.
Other current directorships:	None
Former directorships (in the last 3 years):	None
Special responsibilities whilst in office:	Member of the Audit and Risk Management Committee.
Interests in shares:	None
Interests in options:	None
Interest in performance rights:	None
Name:	Xiukuo Qian (Appointed 23 January 2015, position relinquished on 19 June 2015)
Title:	Alternate Non-Executive Director
Qualifications:	Bachelor of Geology
Experience and expertise:	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 production safety. Mr. Qian joined the Beijing Guoli group in 2002 as assistant general manager of a subsidiary and department head of Fengxiang Coal Mine Preparatory Office. In 2012, he became the deputy head of Beijing Sanjili Energy Co Ltd Henan Branch.
Other current directorships:	None
Former directorships (in the last 3 years):	None
Special responsibilities whilst in office:	None
Interests in shares:	None
Interests in options:	None
Interest in performance rights:	None

Information on directors (continued)

Name:	Ying Tian (Appointed 27 March 2015, resigned on 31 July 2015)
Title:	Non-Executive Director
Qualifications:	Master of Accounting and Finance
Experience and expertise:	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 particularly relating to world class Power Utilities Complexes and Coal Mine Construction.
Other current directorships:	None
Former directorships (in the last 3 years):	None
Special responsibilities whilst in office:	Member of the Audit and Risk Management Committee and Remuneration and Nomination Committee
Interests in shares:	None
Interests in options:	None
Interest in performance rights:	None
Name:	Guoqiang Luo (Appointed 31 July 2015)
Title:	Non-Executive Director
Qualifications:	Bachelor of Accounting, CPA, CTA
Experience and expertise:	Mr. Luo is the Assistant General Manager of Beijing Guoli Energy Investment Co., Ltd and has previously held a number of Senior Financial Management roles including Vice General Manager of Finance for the Beijing Energy Real Estate Development Company and Chairman of the Board for Beijing Guo Xing Jia Ye Real Estate Development Company.
Other current directorships:	None
Former directorships (in the last 3 years):	None
Special responsibilities whilst in office:	Member of the Audit and Risk Management Committee and Remuneration and Nomination Committee
Interests in shares:	None
Interests in options:	None
Interest in performance rights:	None

'Other current directorships' and 'Former directorships (in the last 3 years)' quoted above are current directorships for listed entities only and excludes directorships in all other types of entities, unless otherwise stated.

Cuesta Coal Limited
Directors' report
30 June 2015

Company secretary

Ms. Lifeng (Laura), CFO of the Company, was appointed to be Company Secretary on 25 September 2015. She graduated with a Masters and Bachelor degree in Atmospheric Science from Nanjing University, is a member of CICPA and an affiliate of ACCA.

Most recently, Ms. Mu held the position of Senior Executive of Beijing Rongda Guoji Investment Co., Ltd responsible for financial management and reporting, cash flow monitoring, financial budgeting and capital market operation. She was previously an Assurance Senior Manager of Ernst & Young and has 16 years' experience in accountancy, auditing, internal control and IPO practice in both the Hong Kong and Mainland China capital markets.

Megan McPherson (BComms, CA) ceased as company secretary on 25 September 2015. She has held the role of Company Secretary since 16 November 2011 and was appointed as full time Chief Financial Officer/ Company Secretary on 19 March 2012.

She was previously Manager of the Corporate Advisory team at DFK Richard Hill (Chartered Accountants and Business Advisory Services) where she gained extensive experience with resource sector clientele and listed entities. She also held a position in tax compliance with Macquarie Bank.

Meetings of directors

The number of meetings of the company's Board of Directors and of each board committee held during the year ended 30 June 2015, and the number of meetings attended by each director were:

	Full Board*		Audit & Risk Management Committee		Remuneration & Nomination Committee		Safety and Health Committee	
	Attended	Held	Attended	Held	Attended	Held	Attended	Held
B. Johnson	7	7	1	2	1	1	-	-
B. Mutton	5	6	2	2	1	1	2	2
P. Elliott	3	3	0	1	1	1	-	-
M. Crawford	7	7	-	-	-	-	1	2
K. McKnight	6	6	-	-	-	-	2	2
H. Zheng	4	6	-	-	-	-	2	2
R. Wang	6	7	-	-	-	-	-	-
H. Liu	1	2	-	-	-	-	-	-
Y. Xiao	5	7	-	-	-	-	-	-
S.Meng - Alternate	1	1	-	-	-	-	-	-
X. Qian	0	1	-	-	-	-	-	-
S. Zhou	2	3	2	2	-	-	-	-
Y. Tian	2	2	-	-	-	-	-	-
G. Luo	0	0	-	-	-	-	-	-

Held: represents the number of meetings held during the time the Director held office or was a member of the relevant committee.

Remuneration report (audited)

The remuneration report, which has been audited, outlines the director and executive remuneration arrangements for the consolidated entity and the company, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

The remuneration report is set out under the following main headings:

- A Principles used to determine the nature and amount of remuneration
- B Details of remuneration
- C Service agreements
- D Share-based compensation
- E Performance Rights

A Principles used to determine the nature and amount of remuneration

The objective of the consolidated entity's and company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and conforms with the market best practice for delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- transparency

The Remuneration and Nomination Committee is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the consolidated entity and company depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain senior managers and directors with the expertise to enhance the performance and growth of the consolidated entity.

The Remuneration and Nomination Committee has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the consolidated entity and company.

Alignment to shareholders' interests:

- focuses on sustained growth in shareholder wealth, consisting of growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value
- attracts and retains high calibre executives

Alignment to program participants' interests:

- rewards capability and experience

In accordance with best practice corporate governance, the structure of non-executive directors and executive remuneration is separate.

Non-executive directors remuneration

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Remuneration and Nomination Committee. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to determination of his own remuneration.

ASX listing rules require that the aggregate non-executive directors' remuneration shall be determined periodically by a General Meeting. The most recent determination was at the General Meeting held on 24 October 2011, where the shareholders approved an aggregate remuneration of \$350,000. In addition to this, any shares or options that are granted to the non-executive directors need to be individually approved at the General Meetings and fall outside of this pre-approved aggregate. The share-based payments to the Chairman were approved at the 2013 AGM.

Remuneration report (audited)- (continued)

Executive remuneration

- short-term performance incentives
- share-based payments
- other remuneration such as superannuation and long service leave

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Remuneration and Nomination Committee, based on individual and business unit performance, the overall performance of the consolidated entity and comparable market remuneration.

Executives can receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the consolidated entity and adds additional value to the executive.

B Details of remuneration

Amounts of remuneration

Details of the remuneration of the directors, other key management personnel (defined as those who have the authority and responsibility for planning, directing and controlling the major activities of the consolidated entity) and specified executives of Cuesta Coal Limited are set out in the following tables.

The key management personnel of the consolidated entity consisted of the directors of Cuesta Coal Limited and the following executives:

- Keith McKnight – Chief Operating Officer (from 19 June 2015)
- Blair Richardson- General Manager of Exploration and Development
- Lifeng (Laura) Mu – Chief Financial Officer/ Company Secretary
- Megan McPherson - Company Secretary (resigned 25 September 2015)

Cuesta Coal Limited
Directors' report
30 June 2015

Remuneration report (audited)- (continued)

2015	Short term benefits		Post-employment benefits	Share-based payments		
Name	Cash salary and fees \$	Bonus \$	Superannuation \$	Equity-settled \$	Performance Rights \$	Total \$
<i>Non-Executive Directors:</i>						
Brian Johnson	100,000	-	-	-	173,506	273,506
Brice Mutton ⁽¹⁾	40,000	-	3,800	-	-	43,800
Patrick Elliott ⁽²⁾	15,190	-	-	-	-	15,190
Huaxi Zheng ⁽¹⁾	40,000	-	-	-	-	40,000
Hanping Liu ⁽³⁾	10,000	-	-	-	-	10,000
Yong Xiao	35,000	-	-	-	-	35,000
Sunming Zhou ⁽⁴⁾	22,273	-	-	-	-	22,273
Ying Tian ⁽⁵⁾	10,000	-	-	-	-	10,000
Sihua Meng	-	-	-	-	-	-
Xiukong Qian	-	-	-	-	-	-
<i>Executive Directors:</i>						
Matthew Crawford	375,000	-	25,633	-	-	400,633
Ruoshui Wang ⁽⁶⁾	248,333	-	23,592	-	-	271,925
Keith McKnight ⁽⁷⁾	320,833	-	25,633	-	-	346,466
<i>Other Key Management Personnel:</i>						
Blair Richardson ⁽⁸⁾	302,376	-	26,125	-	145,513	474,014
Lifeng (Laura) Mu ⁽⁹⁾	50,000	-	4,750	-	44,167	98,917
Megan McPherson	198,333	29,412	18,842	-	72,756	319,343
Total	1,767,338	29,412	128,375		435,942	2,361,067

⁽¹⁾ Represents remuneration from 1 July 2014 to 19 June 2015

⁽²⁾ Represents remuneration from 1 July 2014 to 28 November 2014

⁽³⁾ Represents remuneration from 1 July 2014 to 10 September 2014

⁽⁴⁾ Represents remuneration from 10 September 2014 to 27 March 2015

⁽⁵⁾ Represents remuneration from 27 March 2015 to 30 June 2015

⁽⁶⁾ Represents Non-Executive Director's and Executive Director's remuneration for the year ended 30 June 2015

⁽⁷⁾ Keith McKnight ceased to be a Director on 19 June 2015 but remains as Chief Operating Officer and as such was a Key Management Personnel for the whole year

⁽⁸⁾ Represents remuneration including non-monetary benefits

⁽⁹⁾ Represents remuneration from the appointment date to 30 June 2015

All executives are entitled to four weeks annual leave and long service leave based on statutory entitlements.

Remuneration report (audited)- (continued)

2014	Short-term benefits		Post-employment benefits	Share-based payments		Total \$
Name	Cash salary and fees \$	Bonus \$	Superannuation \$	Equity-settled \$	Performance Rights \$	
<i>Non-Executive Directors:</i>						
Brian Johnson	100,000	-	-	-	212,873	312,873
Brice Mutton	40,000	-	3,700	-	-	43,700
Patrick Elliott	36,393	-	-	-	-	36,393
Huaixi Zheng	40,000	-	-	-	-	40,000
Ruoshui Wang	40,000	-	-	-	-	40,000
Hanping Liu ⁽¹⁾	38,261	-	-	-	-	38,261
Yong Xiao ⁽²⁾	21,528	-	-	-	-	21,528
Sihua Meng	-	-	-	-	-	-
<i>Executive Directors:</i>						
Matthew Crawford	375,000	-	3,700	-	-	378,700
Keith McKnight	300,000	-	3,700	-	-	303,700
<i>Other Key Management Personnel:</i>						
Blair Richardson	275,000	-	25,000	-	-	300,000
Megan McPherson	180,000	-	16,650	-	-	196,650
Total	1,446,182	-	52,750	-	212,873	1,711,805

⁽¹⁾ Represents remuneration from 18 July 2013 to 30 June 2014

⁽²⁾ Represent remuneration from 20 November 2013 to 30 June 2014

All executives are entitled to four weeks annual leave and long service leave based on statutory entitlements.

The relative proportions of remuneration that are linked to performance and those which are fixed are as follows;

Name	Fixed remuneration		At risk- STI		At risk- LTI	
	2015 %	2014 %	2015 %	2014 %	2015 %	2014 %
Brian Johnson	37%	31%	-	-	63%	69%
Brice Mutton	100%	100%	-	-	-	-
Patrick Elliott	100%	100%	-	-	-	-
Huaixi Zheng	100%	100%	-	-	-	-
Hanping Liu	100%	100%	-	-	-	-
Yong Xiao	100%	100%	-	-	-	-
Sunming Zhou	100%	-	-	-	-	-
Ying Tian	100%	-	-	-	-	-
Sihua Meng	-	-	-	-	-	-
Xiukong Qian	-	-	-	-	-	-
Matthew Crawford	100%	100%	-	-	-	-
Ruoshui Wang	100%	100%	-	-	-	-
Keith McKnight	100%	100%	-	-	-	-
Blair Richardson	64%	100%	-	-	36%	-
Lifeng (Laura) Mu	55%	-	-	-	45%	-
Megan McPherson	68%	100%	-	-	32%	-

Remuneration report (audited)- (continued)

C Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name: Matthew Crawford
Title: Managing Director and Chief Executive Officer
Term of agreement: 2 years effective from 1 September 2014
Details: Annual base salary of \$375,000 plus superannuation to be reviewed annually by the Nomination and Remuneration Committee. Four months termination notice by either party. From 1 September 2014 to 30 June 2015, Mr Matthew Crawford received a base salary of \$312,500 plus superannuation under this agreement.

Matthew Crawford provided services as Chief Executive Office to the Company under a consultancy agreement from 1 July 2014 to 31 August 2014. Alouarn Pty Ltd as trustee for the Alouarn Consulting Trust provided the services of Mr Crawford. As remuneration, Alouarn received \$55,833 (plus GST) from 1 July 2014 to 31 August 2014 and this amount is inclusive of appropriate insurance cover. Alouarn is reimbursed for all reasonable out-of-pocket expenses. Four months termination notice by either party.

In addition to the consultancy agreement above, Mr Crawford also received \$6,667 (plus superannuation) as Director Fees from 1 July 2014 to 31 August 2014.

Name: Ruoshui Wang
Title: Executive Director
Term of agreement: 2 years effective from 1 September 2014
Details: Annual base salary of \$290,000 plus superannuation to be reviewed annually by the Nomination and Remuneration Committee. Four months termination notice by either party. From 1 September 2014 to 30 June 2015, Mr Ruoshui Wang received a base salary of \$241,666 plus superannuation under this agreement.

From 1 July 2014 to 31 August 2014, Mr Wang received \$6,667 (plus superannuation) as Non-Executive Director Fees.

Remuneration report (audited)- (continued)

Name: Keith McKnight
Title: Chief Operations Officer
Term of agreement: 2 years effective from 1 September 2014
Details: Annual base salary of \$325,000 plus superannuation to be reviewed annually by the Nomination and Remuneration Committee. Four months termination notice by either party. From 1 September 2014 to 30 June 2015, Mr Keith McKnight received a base salary of \$270,833 plus superannuation under this agreement.

Keith McKnight provided services as Chief Operations Office to the Company under a consultancy agreement from 1 July 2014 to 31 August 2014. Alouarn Pty Ltd as trustee for the Alouarn Consulting Trust provided the services of Mr McKnight. As remuneration, Alouarn received \$43,333 (plus GST) from 1 July 2014 to 31 August 2014 and this amount is inclusive of appropriate insurance cover. Alouarn is reimbursed for all reasonable out-of-pocket expenses. Four months termination notice by either party.

In addition to the consultancy agreement above, Mr McKnight also received \$6,667 (plus superannuation) as Director Fees from 1 July 2014 to 31 August 2014.

Name: Blair Richardson
Title: General Manager- Exploration and Development
Term of agreement: 2 years effective from 1 August 2014
Details: Annual base salary of \$275,000 plus superannuation to be reviewed annually by the Nomination and Remuneration Committee. Four months termination notice by either party.

Name: Lifeng (Laura) Mu
Title: Chief Financial Officer / Company Secretary
Term of agreement: 2 years effective from 1 April 2015
Details: Annual base salary of \$200,000 plus superannuation to be reviewed annually by the Nomination and Remuneration Committee. Four months termination notice by either party.

Name: Megan McPherson
Title: Company Secretary (resigned 25 September 2015)
Term of agreement: 2 years effective from 1 August 2014
Details: Annual base salary of \$200,000 plus superannuation to be reviewed annually by the Nomination and Remuneration Committee. Four months termination notice by either party.

Subsequent to the year end at the end of September Megan McPherson ceased employment with the Company.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

Remuneration report (audited)- (continued)

D Share-based compensation

Issue of shares

Details of shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2015 are set out below:

Name	Date	No of shares	Issue price per share	Total* \$
2015				
Brian Johnson	30 March 2015	1,000,000	\$0.117	116,643
Blair Richardson	31 October 2014	1,000,000	\$0.082	82,000
Megan McPherson	31 October 2014	500,000	\$0.082	41,000
2014				
Brian Johnson	11 April 2014	1,000,000	\$0.117	116,643
Brice Mutton	29 October 2013	1,400,000	\$0.125	175,000
Matthew Crawford	29 October 2013	5,600,000	\$0.125	700,000
Keith McKnight	29 October 2013	5,600,000	\$0.125	700,000

* This represents the gross fair value of the shares issued during the year to the directors including share-based payments previously recognised.

Name	Number of options granted during the year		Number of options vested during the year	
	2015	2014	2015	2014
Brian Johnson	-	-	-	-
Brice Mutton	-	466,667	-	466,667
Patrick Elliott	-	-	-	-
Huaixi Zheng	-	-	-	-
Hanping Liu	-	-	-	-
Yong Xiao	-	-	-	-
Sunming Zhou	-	-	-	-
Ying Tian	-	-	-	-
Sihua Meng	-	-	-	-
Xiukuo Qian	-	-	-	-
Matthew Crawford	-	1,866,667	-	1,866,667
Ruoshui Wang	-	-	-	-
Keith McKnight	-	1,866,667	-	1,866,667
Blair Richardson	-	-	-	-
Lifeng (Laura) Mu	-	-	-	-
Megan McPherson	-	-	-	-

Options granted carry no dividend or voting rights.

Remuneration report (audited)- (continued)

E Performance Rights

In October 2013 an offer was made to the Company's Chairman under the Cuesta Coal Performance Rights Plan (**PRP**). Under the terms of the offer, Cuesta Coal Limited must issue the following securities to Mr Brian Johnson on achievement of the following;

- 1,000,000 of the Rights will vest if Mr Johnson remains Chairman or a Director of the Company on a continuous basis until 12 March 2014, being the first anniversary of his appointment as Chairman;
- 1,000,000 of the Rights will vest if Mr Johnson remains Chairman or a Director of the Company on a continuous basis until 12 March 2015, being the second anniversary of his appointment as Chairman;
- 1,000,000 of the Rights will vest if Mr Johnson remains Chairman or a Director of the Company on a continuous basis until 12 March 2016, being the third anniversary of his appointment as Chairman; and
- 2,000,000 of the Rights will vest if a Bankable Feasibility Study for the Moorlands Project is successfully completed by 12 March 2015, or such revised date approved by the Board of Directors.

In March 2015 the achievement date of Chairman's fourth and final performances hurdle was extended to 12 March 2016.

In October 2014 an offer was made to the Company's General Manager of Exploration and Development under the Cuesta Coal Performance Rights Plan (**PRP**). Under the terms of the offer, Cuesta Coal Limited must issue the following securities to Mr Blair Richardson on achievement of the following;

- 1,000,000 of the Rights will vest upon Issue date, 31 October 2014, in recognition of his services as General Manager of Exploration and Development of the Group since his appointment date;
- 1,000,000 of the Rights will vest if Mr Richardson remains General Manager of Exploration and Development until 31 October 2015, being the first anniversary of the Issue date; and
- 1,000,000 of the Rights will vest if Mr Richardson remains General Manager of Exploration and Development until 31 October 2016, being the second anniversary of the Issue date.

In October 2014 an offer was made to the Company's Chief Financial Officer/Company Secretary under the Cuesta Coal Performance Rights Plan (**PRP**). Under the terms of the offer, Cuesta Coal Limited must issue the following securities to Ms Megan McPherson on achievement of the following;

- 500,000 of the Rights will vest upon Issue date, 31 October 2014, in recognition of her services as Chief Financial Officer/Company Secretary of the Group since her appointment date;
- 500,000 of the Rights will vest if Ms McPherson remains Chief Financial Officer/Company Secretary until 31 October 2015, being the first anniversary of the Issue date; and
- 500,000 of the Rights will vest if Ms McPherson remains Chief Financial Officer/Company Secretary until 31 October 2016, being the second anniversary of the Issue date.

Subsequent to the end of the period, the Company and Ms McPherson agreed to vest the second tranche of Performance shares and forgo the last entitlement of the Performance rights being 31 October 2016.

Remuneration report (audited)- (continued)

In March 2015 an offer was made to the Company's Chief Financial Officer under the Cuesta Coal Performance Rights Plan (**PRP**). Under the terms of the offer, Cuesta Coal Limited must issue the following securities to Ms Lifeng (Laura) Mu on achievement of the following;

- 750,000 of the Rights will vest if Ms Mu remains Chief Financial Officer until 1 July 2015, being the three months of the Issue date, 1 April 2015;
- 750,000 of the Rights will vest if Ms Mu remains Chief Financial Officer until 1 April 2016, being the first anniversary of the Issue date; and
- 750,000 of the Rights will vest if Ms Mu remains Chief Financial Officer until 1 April 2017, being the second anniversary of the Issue date.

The following amounts have been recognised in section B, details of remuneration and in the financial statements in respect of the performance rights;

Name	2015 \$	2014 \$
Brian Johnson	173,506	212,873
Blair Richardson	145,513	-
Lifeng (Laura) Mu	44,167	-
Megan McPherson	72,756	-
	<u>435,942</u>	<u>212,873</u>

Shareholding

The number of shares in the parent entity held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

2015	Number of shares				Balance at the end of the year / Date of resignation
	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	
<i>Ordinary Shares</i>					
Brian Johnson	1,000,000	1,000,000	-	-	2,000,000
Brice Mutton ⁽¹⁾	5,134,488	-	-	-	5,134,488
Patrick Elliott ⁽¹⁾	17,334,667	-	-	-	17,334,667
Huaxi Zheng	-	-	-	-	-
Hanping Liu	-	-	-	-	-
Yong Xiao	-	-	-	-	-
Sunming Zhou	-	-	-	-	-
Ying Tian	-	-	-	-	-
Sihua Meng	-	-	-	-	-
Xiukong Qian	-	-	-	-	-
Matthew Crawford ⁽²⁾	31,689,884	-	-	-	31,689,884
Ruoshui Wang	-	-	-	-	-
Keith McKnight ⁽²⁾⁽³⁾	30,951,680	-	-	-	30,951,680
Blair Richardson	-	1,000,000	-	-	1,000,000
Lifeng (Laura) Mu	-	-	-	-	-
Megan McPherson	25,000	500,000	-	-	525,000

⁽¹⁾ Represents number of shares held at resignation date.

⁽²⁾ Includes shares held and acquired by Albion Ballymore Pty Ltd of which Mr Crawford and Mr McKnight have a 50% interest.

⁽³⁾ Keith McKnight ceased to be a Director on 19 June 2015 but remains as Chief Operating Officer and as such was a Key Management Personnel for the whole year.

Remuneration report (audited)- (continued)

2014	Number of shares				
	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
<i>Ordinary Shares</i>					
Brian Johnson	-	-	1,000,000	-	1,000,000
Brice Mutton	3,734,488	-	1,400,000	-	5,134,488
Patrick Elliott	17,334,667	-	-	-	17,334,667
Huaxi Zheng	-	-	-	-	-
Ruoshui Wang	-	-	-	-	-
Hanping Liu	-	-	-	-	-
Yong Xiao	-	-	-	-	-
Sihua Meng	-	-	-	-	-
Matthew Crawford ⁽¹⁾	25,872,517	-	5,817,367	-	31,689,884
Keith McKnight ⁽¹⁾	25,231,680	-	5,720,000	-	30,951,680
Blair Richardson	-	-	-	-	-
Megan McPherson	25,000	-	-	-	25,000

⁽¹⁾ Includes shares held and acquired by Albion Ballymore Pty Ltd of which Mr Crawford and Mr McKnight have a 50% interest.

The number of options over ordinary shares in the parent entity held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties is set out below;

2015	Number of Options				Balance at the end of the year/ Date of resignation
	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	
<i>Options over ordinary shares</i>					
Brian Johnson	-	-	-	-	-
Brice Mutton ⁽¹⁾	1,700,000	-	-	-	1,700,000
Patrick Elliott ⁽¹⁾	26,668,000	-	-	-	26,668,000
Huaxi Zheng	-	-	-	-	-
Hanping Liu	-	-	-	-	-
Yong Xiao	-	-	-	-	-
Sunming Zhou	-	-	-	-	-
Ying Tian	-	-	-	-	-
Sihua Meng	-	-	-	-	-
Xiukong Qian	-	-	-	-	-
Matthew Crawford ⁽²⁾	9,328,572	-	-	-	9,328,572
Ruoshui Wang	-	-	-	-	-
Keith McKnight ⁽²⁾⁽³⁾	8,757,144	-	-	-	8,757,144
Blair Richardson	-	-	-	-	-
Lifeng (Laura) Mu	-	-	-	-	-
Megan McPherson	-	-	-	-	-

⁽¹⁾ Represents number of options held at resignation date.

⁽²⁾ Includes options held and acquired by Albion Ballymore Pty Ltd of which Mr Crawford and Mr McKnight have a 50% interest.

⁽³⁾ Keith McKnight ceased to be a Director on 19 June 2015 but remains as Chief Operating Officer and as such was a Key Management Personnel for the whole year.

Remuneration report (audited)- (continued)

2015	Number of options		
	Vested and exercisable	Vested and un-exercisable	Vested at the end of the year / Date of resignation
<i>Options over ordinary shares</i>			
Brian Johnson	-	-	-
Brice Mutton ⁽¹⁾	1,700,000	-	1,700,000
Patrick Elliott ⁽¹⁾	26,668,000	-	26,668,000
Huaixi Zheng	-	-	-
Hanping Liu	-	-	-
Yong Xiao	-	-	-
Sunming Zhou	-	-	-
Ying Tian	-	-	-
Sihua Meng	-	-	-
Xiukong Qian	-	-	-
Matthew Crawford ⁽²⁾	9,328,572	-	9,328,572
Ruoshui Wang	-	-	-
Keith McKnight ^{(2) (3)}	8,757,144	-	8,757,144
Blair Richardson	-	-	-
Laura Mu	-	-	-
Megan McPherson	-	-	-

⁽¹⁾ Represents number of options held at resignation date.

⁽²⁾ Includes options held and acquired by Albion Ballymore Pty Ltd of which Mr Crawford and Mr McKnight have a 50% interest.

⁽³⁾ Keith McKnight ceased to be a Director on 19 June 2015 but remains as Chief Operating Officer and as such was a Key Management Personnel for the whole year.

2014	Number of options			
	Balance at the start of the year	Granted	Exercised	Balance at the end of the year
<i>Options over ordinary shares</i>				
Brian Johnson	-	-	-	-
Brice Mutton	1,233,333	466,667	-	1,700,000
Patrick Elliott	26,668,000	-	-	26,668,000
Huaixi Zheng	-	-	-	-
Ruoshui Wang	-	-	-	-
Hanping Liu	-	-	-	-
Yong Xiao	-	-	-	-
Sihua Meng	-	-	-	-
Matthew Crawford ⁽¹⁾	7,461,905	1,866,667	-	9,328,572
Keith McKnight ⁽¹⁾	6,890,477	1,866,667	-	8,757,144
Blair Richardson	-	-	-	-
Megan McPherson	-	-	-	-

⁽¹⁾ Includes options held and acquired by Albion Ballymore Pty Ltd of which Mr Crawford and Mr McKnight have a 50% interest.

Remuneration report (audited)- (continued)

2014	Number of options		
	Vested and exercisable	Vested and unexercisable	Vested at the end of the year
<i>Options over ordinary shares</i>			
Brian Johnson	-	-	-
Brice Mutton	1,700,000	-	1,700,000
Patrick Elliott	26,668,000	-	26,668,000
Huaxi Zheng	-	-	-
Ruoshui Wang	-	-	-
Hanping Liu	-	-	-
Yong Xiao	-	-	-
Matthew Crawford ⁽¹⁾	9,328,572	-	9,328,572
Keith McKnight ⁽¹⁾	8,757,144	-	8,757,144
Blair Richardson	-	-	-
Megan McPherson	-	-	-

⁽¹⁾ Includes options held and acquired by Albion Ballymore Pty Ltd of which Mr Crawford and Mr McKnight have a 50% interest.

Options have an average exercise price of \$0.20 to \$0.25.

The Directors and their related parties executed restriction agreements in relation to the options held. The escrow period expired on 4 May 2014.

Additional information

The factors that are considered to affect shareholders return are summarised below:

	Financial years ending			
	2015	2014	2013	2012
Loss after tax (\$'000)	(3,676)	(4,738)	(2,631)	(4,666)
Loss per share (Cents)	(0.73)	(1.40)	(1.30)	(5.62)
Share price at year end (Cents)	0.04	0.09	0.07	0.10

This concludes the remuneration report, which has been audited.

Shares under option

Unissued ordinary shares of Cuesta Coal Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
8 December 2011	29 October 2015	\$0.25	600,000
Various	31 December 2015	\$0.20	8,035,718
Various	31 December 2015	\$0.25	64,429,904
18 October 2013	18 October 2017	\$0.08	25,000,000

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

Shares issued on the exercise of options

No shares were issued on the exercise of options granted during the year ended 30 June 2015.

Indemnity and insurance of officers

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of liability and the amount of the premium.

Indemnity and insurance of auditor

The company has not, during or since the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 20 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed below do not compromise the external auditor's independence for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor, and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Cuesta Coal Limited
Directors' report
30 June 2015

	2015	2014
	\$	\$
<i>Audit services – BDO East Coast Partnership</i>		
Audit or review of the financial statements	68,500	73,944
<i>Non-audit services – BDO East Coast Partnership</i>		
Taxation compliance matters	62,165	39,695
Investigating Accountant's Report for prospectus and due diligence	35,025	38,775
Total	<u>165,690</u>	<u>152,414</u>

Officers of the company who are former audit partners of BDO East Coast Partnership

There are no officers of the company who are former audit partners of BDO East Coast Partnership.

Rounding of amounts

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

Auditor's independence declaration

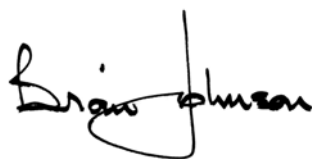
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

Auditor

BDO East Coast Partnership continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors



Brian Johnson
Chairman



Matthew Crawford
Managing Director

30 September 2015

Brisbane

DECLARATION OF INDEPENDENCE BY GARETH FEW TO THE DIRECTORS OF CUESTA COAL LIMITED

As lead auditor of Cuesta Coal Limited for the year ended 30 June 2015, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Cuesta Coal Limited and the entities it controlled during the period.



Gareth Few
Partner

BDO East Coast Partnership

Sydney, 30 September 2015

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General information

The financial report covers Cuesta Coal Limited as a consolidated entity consisting of Cuesta Coal Limited and the entities it controlled. The financial report is presented in Australian dollars, which is Cuesta Coal Limited's functional and presentation currency.

The financial report consists of the financial statements, notes to the financial statements and the directors' declaration.

Cuesta Coal Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office and Principal place of business

Suite 3B, Level 1
165 Moggill Road
Taringa QLD 4068

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial report.

The financial report was authorised for issue, in accordance with a resolution of directors, on 30 September 2015. The directors have the power to amend and reissue the financial report.

Readers please note:

The presentation of these financial statements reflects the accounting required as a result of Cuesta Coal Limited acquiring Blackwood Coal Pty Limited, which for accounting purposes, was a reverse acquisition. While Cuesta Coal Limited remains the parent entity for the Group, Blackwood Coal Pty Limited is that parent entity for the purpose of consolidating the financial statements.

Amounts shown in Note 23 "Parent entity information" continue to reflect the financial statements of the legal parent, Cuesta Coal Limited.

Cuesta Coal Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2015

		Consolidated	
	Note	2015	2014
		\$'000	\$'000
Other income	2	985	207
Expenses			
Accountancy fees		(7)	(92)
Auditors' remuneration	20	(131)	(114)
Occupancy expenses	3	(65)	(94)
Corporate development expenses	3	(51)	(161)
Depreciation and amortisation expense		(68)	(52)
Directors' fees	3	(311)	(564)
Share based payments	28	(273)	(190)
Employee expenses		(1,530)	(642)
Finance costs	3	(83)	(35)
Insurance expenses		(59)	(58)
Investor relations & promotion expenses		(17)	(100)
Loss on modification of share based payment	3	-	(1,664)
Other expenses		(246)	(401)
Travel expenses		(245)	(106)
Write off of exploration applications not granted	3	-	(1,099)
Write off of intangible asset	3	(1,575)	-
Loss before income tax		(3,676)	(5,165)
Income tax benefit	4	-	427
Loss after income tax expense for the year		(3,676)	(4,738)
Other comprehensive income for the year		-	-
Total comprehensive income for the year		(3,676)	(4,738)
Total comprehensive income for the year is attributable to:			
Owners of Cuesta Coal Limited		(3,676)	(4,738)
		Cents	Cents
Loss per share for loss attributable to the owners of Cuesta Coal Limited			
Basic loss per share	27	(0.73)	(1.40)
Diluted loss per share	27	(0.73)	(1.40)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Cuesta Coal Limited
Statement of financial position
As at 30 June 2015

		Consolidated	
	Note	2015	2014
		\$'000	\$'000
Assets			
Current assets			
Cash and cash equivalents	5	3,942	2,022
Trade and other receivables	6	218	831
Other current assets	7	4	230
Total current assets		<u>4,164</u>	<u>3,083</u>
Non-current assets			
Plant and equipment	8	164	220
Exploration and evaluation expenditure	9	64,683	56,056
Total non-current assets		<u>64,847</u>	<u>56,276</u>
Total assets		<u>69,011</u>	<u>59,359</u>
Liabilities			
Current liabilities			
Trade and other payable	10	1,159	756
Derivatives	11	-	840
Borrowings	12	1,000	4,897
Employee benefits	13	141	58
Total current liabilities		<u>2,300</u>	<u>6,551</u>
Non-current liabilities			
Borrowings	12	2,557	-
Total non-current liabilities		<u>2,557</u>	<u>-</u>
Total liabilities		<u>4,857</u>	<u>6,551</u>
Net assets		<u>64,154</u>	<u>52,808</u>
Equity			
Issued capital	14	78,426	63,600
Reserves	15	3,414	3,218
Accumulated losses	16	(17,686)	(14,010)
Total equity		<u>64,154</u>	<u>52,808</u>

The above statement of financial position should be read in conjunction with the accompanying notes.

Cuesta Coal Limited
Statement of changes in equity
For the year ended 30 June 2015

		Reserves			
	Issued Capital \$'000	Options Reserve \$'000	Share-based Payments Reserve \$'000	Accumulated Losses \$'000	Total \$'000
At 1 July 2013	41,964	12	5,196	(9,272)	37,900
Loss for the year	-	-	-	(4,738)	(4,738)
Total comprehensive income for the year	-	-	-	(4,738)	(4,738)
<u>Transaction with owners in their capacity as owners</u>					
Shares issued, net of transaction costs	19,769	-	-	-	19,769
Shares issued in relation to share-based payments	1,867	-	(2,203)	-	(336)
Share-based payments	-	-	213	-	213
Total transactions with owners and other transfers	21,636	-	(1,990)	-	19,646
Balance at 30 June 2014	63,600	12	3,206	(14,010)	52,808
At 1 July 2014	63,600	12	3,206	(14,010)	52,808
Loss for the year	-	-	-	(3,676)	(3,676)
Total comprehensive income for the year	-	-	-	(3,676)	(3,676)
<u>Transaction with owners in their capacity as owners</u>					
Shares issued, net of transaction costs	14,587	-	-	-	14,587
Shares issued in relation to share-based payments	239	-	(239)	-	-
Share-based payments	-	-	435	-	435
Total transactions with owners and other transfers	14,826	-	196	-	15,022
Balance at 30 June 2015	78,426	12	3,402	(17,686)	64,154

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Cuesta Coal Limited
Statement of cash flows
For the year ended 30 June 2015

Note	Consolidated	
	2015 \$'000	2014 \$'000
Cash flows from operating activities		
Payments to suppliers and employees	(2,297)	(2,265)
Interest received	116	160
R & D tax claim received	427	369
Finance costs paid	<u>(26)</u>	<u>(35)</u>
Net cash used in operating activities	26 <u>(1,780)</u>	<u>(1,771)</u>
Cash flows from investing activities		
Payments for plant and equipment	(12)	(71)
Payment for the Infrastructure fee	(1,000)	-
Payment for exploration and evaluation expenditure and exploration licence applications	<u>(8,375)</u>	<u>(13,978)</u>
Net cash used in investing activities	<u>(9,387)</u>	<u>(14,049)</u>
Cash flows from financing activities		
Proceeds from share issue	15,000	20,400
Proceeds from borrowings	3,500	-
Payment for redemption of convertible notes	(5,000)	(5,000)
Transaction costs for issue of shares	<u>(413)</u>	<u>(631)</u>
Net cash provided by financing activities	<u>13,087</u>	<u>14,769</u>
Net increase/(decrease) in cash and cash equivalents	1,920	(1,051)
Cash and cash equivalents at the beginning of the financial year	<u>2,022</u>	<u>3,073</u>
Cash and cash equivalents at the end of the financial year	5 <u><u>3,942</u></u>	<u><u>2,022</u></u>

The above statement of cash flows should be read in conjunction with the accompanying notes.

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Any significant impact on the accounting policies of the consolidated entity from the adoption of these Accounting Standards and Interpretations are disclosed below. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

AASB 2012–3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities

The amendments are applicable to annual reporting periods beginning on or after 1 January 2014. The amendments add application guidance to address inconsistencies in the application of the offsetting criteria in AASB 132 'Financial Instruments: Presentation', by clarifying the meaning of "currently has a legally enforceable right of set-off"; and clarifies that some gross settlement systems may be considered to be equivalent to net settlement. The adoption of the amendments from 1 July 2014 did not have a material impact on the Group.

AASB 2013–3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets

These amendments are applicable to annual reporting periods beginning on or after 1 January 2014. The disclosure requirements of AASB 136 'Impairment of Assets' have been enhanced to require additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposals. Additionally, if measured using a present value technique, the discount rate is required to be disclosed. The adoption of the amendments from 1 July 2014 did not have a material impact on the Group.

Annual improvements project – 2010–2012 cycle (AASB 2014–1 Part A)

These amendments are applicable to annual reporting periods beginning on or after 1 January 2014. Amendments to clarify minor points in various accounting standards, including AASB 2, AASB 3, AASB 8, AASB 13, AASB 116, AASB 138 and AASB 124. The adoption of the amendments from 1 July 2014 did not have a material impact on the Group.

Basis of Preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

The financial statements are presented in English and Australian Dollars, which is the Group's functional and presentation currency.

Note 1. Significant accounting policies (continued)

Parent Entity

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the legal parent entity is disclosed in note 23.

Acquisition of Subsidiaries and Businesses

Acquisition of subsidiaries and businesses are accounted for based on the following accounting methods depending on the nature of the acquisition.

Business combination

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred by the acquirer, the liabilities assumed by the acquirer to former owners of the acquiree and the equity issued by the acquirer, and the amount of any non-controlling interest in the acquiree.

For each business combination, the acquirer measures the non-controlling interest in the acquiree at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree. If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured at fair value as at the acquisition date through profit or loss.

Acquisition from entities under common control

Transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group's controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within the Group's equity. Any cash paid for the acquisition is recognised as an investment cost.

Acquisition of subsidiaries deemed not carrying on a business

The acquisition of subsidiaries that are deemed not to be carrying on a business, and do not meet the conditions of AASB 3 *Business Combinations*, are recognised at cost and are treated as asset acquisitions depending on the nature of the assets acquired.

Reverse acquisitions

Cuesta Coal Limited was incorporated on 27 September 2011 to acquire Blackwood Coal Pty Limited and its controlled entities ("Blackwood Coal"). As a consequence of the previous shareholders of Blackwood Coal becoming the major shareholders of the Group the transaction is deemed to be a reverse acquisition for accounting purposes. Therefore while Cuesta Coal Limited remains the legal parent company of the Group, Blackwood Coal Pty Limited is the parent company for the purpose of consolidating the financial statements.

The consolidated financial statements together with Cuesta Coal Limited therefore reflect a continuation of the consolidated financial statements of Blackwood Coal.

The acquisition of Blackwood Coal by Cuesta Coal Limited does not meet the conditions of AASB 3 *Business Combinations* and therefore the transaction is recorded at cost. No goodwill or any adjustment to fair value is recognised on the acquisition. The assets and liabilities acquired are recognised at the carrying amounts recognised previously by Blackwood Coal.

Note 1. Significant accounting policies (continued)

Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Group as at 30 June 2015 and the results of all subsidiaries for the period then ended. Cuesta Coal Limited and its legal subsidiaries together are referred to in these financial statements as the 'consolidated entity', 'Group' and/or 'Cuesta'. However, as indicated above, following the reverse-takeover Blackwood Coal Pty Limited is the parent company for the purposes of consolidating the financial statements.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Revenue

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other Revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Income Tax

The income tax expense (revenue) for the period comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the period as well unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are recognised outside profit or loss.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount or the related asset or liability.

Note 1. Significant accounting policies (continued)

Income Tax (continued)

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

The Group formed a tax consolidated group in effective July 2011. All entities in the tax consolidated group will enter into a tax sharing agreement in due course to limit the joint and several liabilities of the wholly owned entities in the case of a default by the head entity, Cuesta Coal Limited. The entities will also enter into a tax funding agreement under which the wholly owned entities will fully compensate the head entity for any current tax payable assumed and are compensated by the head entity for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to the head entity under the tax consolidation legislation.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Trade and Other Receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

Other receivables are recognised at amortised cost, less any provision for impairment.

Plant and Equipment

Each class of plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment is measured on the cost basis and is therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount. A formal assessment of the recoverable amount is made when impairment indicators are present.

The cost of plant and equipment constructed within the consolidated entity includes the cost of materials, direct labour, borrowings costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit or loss during the period in which they are incurred.

Note 1. Significant accounting policies (continued)

Depreciation

The depreciable amount of all plant and equipment is depreciated either on a diminishing value basis or on a straight-line basis over the asset's useful life to the Group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the estimated useful lives of the improvements.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the profit or loss. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

The depreciation rates used for each class of asset are;

Class of plant and equipment	Depreciation rate
Leasehold improvements	2.5%
Computer equipment	10-66%
Furniture and office equipment	10-40%

Financial Instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the Group commits itself to either purchase or sell the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified "at fair value through profit or loss" in which case transaction costs are expensed to profit or loss immediately.

Classification and Subsequent Measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest rate method or cost. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate and adjustment to the carrying value with a consequential recognition of an income or expense item in the profit or loss.

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

The Group does not designate any interests in subsidiaries, associates or joint ventures entities as being subject to the requirements of Accounting Standards specifically applicable to financial instruments.

Note 1. Significant accounting policies (continued)

Financial Instruments (continued)

(i) Financial assets at fair value through profit or loss

Financial assets are classified at "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

(iii) Held to maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

(iv) Available for sale financial assets

Available for sale financial assets are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature, or they are designed as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with changes in such fair value (i.e. gains or losses) recognised in other comprehensive income (except for impairment losses and foreign exchange gains and losses). When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

(i) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

(ii) Derivative financial liabilities

Derivative financial liabilities are subsequently measured at fair value with changes in such fair value (i.e. gains or losses) recognised in profit or loss.

Impairment

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in profit or loss. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the Group no longer has any significant continuing involvement in the risks and benefits associated with the assets. Financial liabilities are derecognised where related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Note 1. Significant accounting policies (continued)

Impairment of Non-Financial Assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the consolidated entity will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

Employee Benefits

Wages and salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Share-based payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

Note 1. Significant accounting policies (continued)

Employee Benefits (continued)

The costs of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The costs of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- During the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- From the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in the profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Exploration and Evaluation Expenditure

Exploration and evaluation expenditure incurred is capitalised in respect of each identifiable area of interest. These costs are only capitalised to the extent that they are expected to be recovered through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the period in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

Note 1. Significant accounting policies (continued)

Exploration and Evaluation Expenditure (continued)

A regular review is undertaken of each area of interest to determine the appropriateness of continued capitalisation for that area of interest.

Costs of site restoration are currently expensed as incurred due to the minimal scouting nature of drilling currently being carried out. Once extensive drill campaigns are planned, costs of site restoration will be provided over the life of the project from when exploration commences and will be included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with local laws and regulations and clauses of the permits.

Such costs will be determined using estimates of future costs, current legal requirements and technology on a discounted basis.

Any changes in the estimates for the costs will be accounted for on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs will be determined on the basis that the restoration will be completed within one year of abandoning the site.

Exploration licence applications

Exploration licence applications acquired under a sales and purchase agreement, and costs incurred in relation to the applications are recognised in the Statement of Financial Position as other current assets until the licence is granted. When the exploration licences are granted, they will be reclassified to exploration and evaluation.

Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefit will result and that outflow can be reliably measured.

Provisions recognised represent the best estimate of the amounts required to settle the obligation at the end of the reporting period.

Restoration provision

Where applicable, a provision for material restoration is recognised on a gradual basis over the life of the mining licences and exploration and evaluation expenditure. The amount recognised includes costs of reclamation and site rehabilitation after taking into account restoration works that are carried out during exploration. Costs are determined from estimated future costs on a discounted basis.

Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

On issue of the convertible notes the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a non-current liability on an amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds are allocated to the conversion option that is recognised and included in shareholders equity as a convertible note reserve, net of transaction costs. The carrying amount of the conversion option is not remeasured in the subsequent years. The corresponding interest on convertible notes is expensed to profit or loss.

Note 1. Significant accounting policies (continued)

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets (including exploration and evaluation assets) that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the profit or loss in the period in which they are incurred.

Trade and Other Payables

Trade and other payables represent the liabilities for goods and services received by the Group that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

Deferred consideration

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of acquisition. The discount rate used is based on bond rates under comparable terms and conditions.

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

The Group formed a GST group effective January 2012 with Cuesta Coal Limited as the representative member of the group. The members of the Cuesta Coal GST Group will be executing an indirect tax sharing agreement with Cuesta Coal Limited to limit their respective liabilities. Post grouping, Cuesta Coal Limited as the representative member will be responsible for completing the activity statements on behalf of the group members.

Contributed Equity

Ordinary shares are classified as equity.

Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any relevant GST impact. The costs of an equity transaction that is abandoned are recognised as an expense.

Earnings Per Share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit/loss attributable to the owners of Cuesta Coal Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial period, adjusted for bonus elements in ordinary shares issued during the financial period.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Note 1. Significant accounting policies (continued)

Share-based Payment

The goods or services are measured by reference to the fair value of the goods or services received, or where this is not possible, indirectly, by reference to the equity instrument acquired. The fair value of equity instrument is measured at grant date.

Performance rights

From time to time the Group may issue Performance Rights. These are equity payments, contingent on a specific future event occurring.

Performance rights granted to Directors and employees are capitalised to exploration and evaluation expenditure to the extent of their services performed on those activities.

Going Concern

The Group recorded a net loss after tax from operations of \$3,676,000 for the year ended 30 June 2015 (2014: \$4,738,000), had cash outflows from operations of \$1,780,000 (2014: \$1,771,000). In addition, the cash flow forecast prepared the Directors for the period up to 30 September 2016 indicates that the Group will also need to raise further funding either through debt or equity. These conditions give rise to a material uncertainty which may cast significant doubt over the Group's ability to continue as a going concern.

The Directors believe that the Group will be able to continue as a going concern on the following basis:-

- a) The Group has received an additional \$1 million loan from its major shareholder post 30 June 2015; and
- b) The Directors believe that they can raise the additional funds for ongoing activities, as required, as the Group has been successful in raising funds in the past.

On this basis the Directors are of the opinion that the financial statements can be prepared on a going concern basis and the Group will be able to pay its debts as and when they fall due and payable.

Should the Group be unable to continue as a going concern it may be required to realise its assets and discharge its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount of liabilities that might result should the Group be unable to continue as a going concern and meet its debts as and when the fall due.

Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Note 1. Significant accounting policies (continued)

Exploration and evaluation expenditure (Non-current asset)

Exploration and evaluation costs have been capitalised on the basis that the consolidated entity will commence commercial production in the future, from which time the costs will be amortised in proportion to the depletion of the mineral resources. Key judgements are applied in considering costs to be capitalised which includes determining expenditures directly related to these activities and allocating overheads between those that are expensed and capitalised. In addition, costs are only capitalised that are expected to be recovered either through successful development or sale of the relevant mining interest. Factors that could impact the future commercial production at the mine include the level of reserves and resources, future technology changes, which could impact the cost of mining, future legal changes and changes in commodity prices. To the extent that capitalised costs are determined not to be recoverable in the future, they will be written off in the period in which this determination is made.

Share-based payment transactions

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Rounding of amounts

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2015.

AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The consolidated entity will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the consolidated entity.

Note 1. Significant accounting policies (continued)

New Accounting Standards and Interpretations not yet mandatory or early adopted (continued)

AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2017. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The consolidated entity will adopt this standard from 1 July 2017 but the impact of its adoption is yet to be assessed by the consolidated entity.

Note 2. Other income

	Consolidated	
	2015	2014
	\$'000	\$'000
Fair value gain on embedded derivative	840	27
Interest income	137	162
Others	<u>8</u>	<u>18</u>
Other income	<u><u>985</u></u>	<u><u>207</u></u>

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Consolidated
2015 **2014**
\$'000 **\$'000**

Note 3. Expenses

Interest expense:

Interest payable- deferred consideration
General interest charges

-	30	
83	5	

Total interest expense

83	35	
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Rental expense on operating leases:

Total rental expense

65	94	
65	94	

Significant expense

The following significant expense items are relevant in explaining the financial performance:

Write off of costs incurred for port and rail reservation
Costs incurred for abandoned/ failed exploration and evaluation transaction
Corporate consulting fees
Directors' remuneration
-payable in cash
-performance shares (expensed)
Employee benefit - defined contribution plan
Loss on modification of share based payment

1,575	-	
-	1,099	
51	161	
311	564	
156	190	
107	52	
-	1,664	

The write off of the costs incurred for port and rail reservation relates to a Memorandum Of Understanding ("MOU") entered with a third party for the right to reserve future rail and port capacity by 30 June 2015. The total amount of reservation fee was written off because of the expiration of the reservation right.

Note 4. Income tax expense

The prima facie tax on loss from ordinary activities is reconciled to the income tax as follows:

Net loss for the year

(3,676)	(4,738)	
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Tax at the statutory tax rate of 30% (2014: 30%)

(1,102)	(1,421)	
---------	---------	--

Tax effect amounts which are not deductible/(taxable) in calculating taxable income:

- Other non deductible items
- Other deductible items

206	522	
(3,761)	(3,362)	

Tax effect of losses not brought to account

4,657	4,261	
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Research and development tax concession

-	427	
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Income tax benefit / (expense)

-	427	
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Total income tax losses for which no deferred tax asset has been recognised

15,525	14,631	
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Note 4. Income tax expense (continued)

The potential future income tax benefits arising from tax losses and temporary difference has not been recognised as an asset because it is not probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised.

The potential future income tax benefit will be obtained if:

- i. The relevant Company derives future assessable income of a nature an amount sufficient to enable the benefit to be realised; and
- ii. The relevant Company and/ or Group continues to comply with the conditions for deductibility imposed by the law.

No changes in tax legislation adversely affect the Company and/or the Group in realising the benefit.

Note 5. Current assets - cash and cash equivalents

	Consolidated	
	2015	2014
	\$'000	\$'000
Cash at bank and on hand	<u>3,942</u>	<u>2,022</u>
	<u><u>3,942</u></u>	<u><u>2,022</u></u>

Risk Exposure

The Group's exposure to interest rate risk is discussed in note 18. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalents mentioned in the above.

Reconciliation to cash and cash equivalents at the end of the financial year

The above figures are reconciled to cash and cash equivalents at the end of the financial year as shown in the Statement of Cash Flows as follows:

	Consolidated	
	2015	2014
	\$'000	\$'000
Cash and cash equivalents	<u>3,942</u>	<u>2,022</u>
Balance as per Statement of Cash Flows	<u><u>3,942</u></u>	<u><u>2,022</u></u>

Note 6. Current assets - trade and other receivables

GST receivable	25	186
Research and development tax concession	-	427
Prepayments	100	150
Other receivables	<u>93</u>	<u>68</u>
	<u><u>218</u></u>	<u><u>831</u></u>

Note 6. Current assets – trade and other receivables (continued)

Fair value and credit risk

Due to the short-term nature of the trade and other receivables, their carrying amount is assumed to approximate their fair value.

The maximum exposure to credit risk at the end of the reporting period in the carrying amount of each class of receivables mentioned above. Refer to note 18 for more information on the risk management policy of the consolidated entity and credit quality of the receivables.

Note 7. Current assets - other

	Consolidated	
	2015	2014
	\$'000	\$'000
Deposit for exploration licence applications	4	230
	<u>4</u>	<u>230</u>

Note 8. Non-current assets - plant and equipment

Plant and equipment- at cost	380	368
Less: Accumulated depreciation	(216)	(148)
	<u>164</u>	<u>220</u>

Reconciliations

Reconciliations of the carrying amount at the beginning and end of the current and previous financial year are set out below:

	Plant and equipment \$'000	Total \$'000
Consolidated		
Balance at 1 July 2013	201	201
Additions	71	71
Less: Accumulated depreciation	(52)	(52)
Balance at 30 June 2014	<u>220</u>	<u>220</u>
 Additions	 12	 12
Less: Accumulated depreciation	(68)	(68)
Balance at 30 June 2015	<u>164</u>	<u>164</u>

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Note 9. Non-current assets - exploration and evaluation expenditure

	Consolidated	
	2015	2014
	\$'000	\$'000
Exploration and evaluation expenditure - at cost	<u>64,683</u>	<u>56,056</u>

Reconciliations

Reconciliations of the carrying amount at the beginning and end of the current and previous financial year are set out below:

	Exploration and evaluation expenditure \$'000	Total \$'000
Consolidated		
Balance at 1 July 2013	45,033	45,033
Additions	10,422	10,422
Additions- capitalised convertible note interest	<u>601</u>	<u>601</u>
Balance at 30 June 2014	56,056	56,056
Additions	8,559	8,559
Additions- capitalised convertible note interest	<u>68</u>	<u>68</u>
Balance at 30 June 2015	<u>64,683</u>	<u>64,683</u>

Recoverability of the carrying amount of the exploration and evaluation expenditure is dependent on successful development and commercial exploration, or alternatively, sale of the respective areas of interest.

Note 10. Current liabilities - trade and other payables

	Consolidated	
	2015	2014
	\$'000	\$'000
Trade payables	459	582
Sundry payables and accrued expenses	125	133
Infrastructure reservation fee payable	575	-
Interest payable on convertible notes	<u>-</u>	<u>41</u>
	<u>1,159</u>	<u>756</u>

Refer to note 18 for further information on financial instruments.

Refer to note 3 for further information on infrastructure reservation fee

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Note 11. Derivatives

	Consolidated	
	2015	2014
	\$'000	\$'000
Derivative element of convertible notes	-	840

The conversion element of the Convertible Notes (as disclosed in Note 12) was accounted for as a derivative financial instrument liability on the basis the conversion was calculated at 90% of the volume weight average trading price of the Company's shares over the 10 business days preceding the conversion date. The assessed fair value of the derivative was calculated using the term of the convertible notes and risk free rate at the reporting date.

The derivative was deemed to be settled when the Company redeemed the Convertible Notes on 15 August 2014.

Note 12. Borrowings

	Consolidated	
	2015	2014
	\$'000	\$'000
Current		
Convertible notes - secured	-	4,897
Financing - Loan	1,000	-
	<u>1,000</u>	<u>4,897</u>
Non-current		
Financing - Loan	2,557	-
	<u>2,557</u>	<u>-</u>

On 23 June 2015, Cuesta Coal Limited executed an unsecured loan agreement with its major shareholder Longluck Investment (Australia) Pty Ltd in the amount of \$2,000,000. Interest is payable at 7.5% per annum with a term of 6 months. On 30 June 2015, the first tranche of loan amounted to \$1,000,000 was drawn down. The second tranche of \$1,000,000 was drawn down on 24 July 2015.

As announced on 10 March 2015, Cuesta Coal Limited executed an unsecured loan agreement with its major shareholder Longluck Investment (Australia) Pty Ltd in the amount of \$2,500,000. Interest is payable at 6% per annum. On 25 June 2015, an agreement was reached to extend the repayment date to 12 August 2016.

On 11 December 2012, Cuesta Coal Limited executed a Share Sale Agreement (**SSA**) to acquire Hannigan & Associates Pty Limited (**Hannigan**) for a total consideration of \$18,200,000. Hannigan is the holder of EPC 775 & EPC 776, collectively known as the Orion Coal Project which is located immediately north of the Moorlands Deposit (EPC 1738). Under the terms of the transaction, a \$5,000,000 deposit was paid before 21 December 2012.

On 28 February 2013, Cuesta Coal Limited completed the acquisition via a cash payment of \$3,200,000 and the issue of 10,000,000 secured Convertible Notes.

5,000,000 Convertible Notes were redeemed on 24 July 2013 pursuant to the Share Sale Agreement (SSA) executed with Longluck Investment (Australia) Pty Ltd.

The remaining 5,000,000 Convertible Notes were redeemed on 15 August 2014 pursuant to the Share Sale Agreement (SSA) executed with Longluck Investment (Australia) Pty Ltd on 19 May 2014.

Note 13. Current liabilities- employee benefits

	Consolidated	
	2015	2014
	\$'000	\$'000
Employee benefits	<u>141</u>	<u>58</u>

The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the consolidated entity does not have an unconditional right to defer settlement. The Company expects all employees to take the full amount of accrued leave within the next 12 months.

Note 14. Equity - issued capital

			Consolidated	
	2015	2014	2015	2014
	Shares	Shares	\$'000	\$'000
Ordinary shares - fully paid	<u>524,420,448</u>	<u>376,289,380</u>	<u>78,426</u>	<u>63,600</u>

Movements in ordinary share capital

Details	Date	No of shares	\$'000
At the beginning of the year	1 July 2013	219,622,713	41,964
Issue of shares- Longluck	24 July 2013	66,666,667	12,000
Issue of shares- Directors	29 October 2013	14,000,000	1,750
Issue of shares- Hanford Holdings	1 November 2013	50,000,000	5,500
Issue of shares- Hanford Holdings	20 December 2013	25,000,000	2,900
Issue of shares- Directors	11 April 2014	1,000,000	117
Transaction costs for the year			<u>(631)</u>
Balance	30 June 2014	376,289,380	63,600
Issue of shares- Longluck	15 August 2014	82,524,272	8,500
Issue of shares- Longluck	8 September 2014	63,106,796	6,500
Issue of shares- Key Management Personnel	31 October 2014	1,500,000	122
Issue of shares- Directors	30 March 2015	1,000,000	117
Transaction costs for the year			<u>(413)</u>
Balance	30 June 2015	<u>524,420,448</u>	<u>78,426</u>

Note 14. Equity – issued capital (continued)

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The shares have no par value.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back

There is no current on-market share buy-back.

Capital risk management

The consolidated entity's objective when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and to maintain an optimum capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure the consolidated entity may return capital to shareholders or issue new shares.

The consolidated entity will look to raise capital when an opportunity to invest in further assets is seen as value adding to the current parent entity's share price at the time of the investment.

Note 15. Equity - reserves

	Consolidated 2015 \$'000	2014 \$'000
Option reserve	12	12
Share-based payment reserve	<u>3,402</u>	<u>3,206</u>
	<u>3,414</u>	<u>3,218</u>

\$'000	Options \$'000	Share-based payments \$'000	Total \$'000
Consolidated			
Balance at 1 July 2013	12	5,196	5,208
Modification to share-based payments arrangement made in the prior years	-	(336)	(336)
Share-based payments		96	96
Transfer from share-based payment reserve to share capital - shares issued to directors	<u>-</u>	<u>(1,750)</u>	<u>(1,750)</u>
Balance at 30 June 2014	12	3,206	3,218
Share-based payments	-	435	435
Transfer from share-based payment reserve to share capital - shares issued to directors and key management Personnel	<u>-</u>	<u>(239)</u>	<u>(239)</u>
Balance at 30 June 2015	<u>12</u>	<u>3,402</u>	<u>3,414</u>

Option reserve

The reserve is used to recognise the fair value of options issued as part of the consideration paid in respect of vendor agreements.

Note 15. Equity – reserves (continued)

Share-based payment reserve

The reserve is used to recognise increments and decrements in the fair value of deferred consideration in respect of vendor agreements and performance shares granted to Directors/Key Management Personnel. The reserve reduces when those share based payments are paid/ issued.

Note 16. Equity – accumulated losses

	Consolidated	
	2015	2014
	\$'000	\$'000
Accumulated losses at the beginning of the financial year	(14,010)	(9,272)
Loss for the year	<u>(3,676)</u>	<u>(4,738)</u>
Accumulated losses at the end of the financial year	<u><u>(17,686)</u></u>	<u><u>(14,010)</u></u>

Note 17. Equity – Share under options

Unissued ordinary shares of Cuesta Coal Limited under option at the balance date are as follows:

Grant Date	Expiry Date	Exercise Price	No of Shares under option
8 December 2011	29 October 2015	\$0.25	600,000
Various	31 December 2015	\$0.20	8,035,718
Various	31 December 2015	\$0.25	64,429,904
18 October 2013	18 October 2017	\$0.08	25,000,000

Note 18. Financial instruments

Financial risk management objectives

The consolidated entity's activities expose it to a variety of financial risks: market risk (including price risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity.

Risk management is carried out by senior executives under policies approved by the Board of Directors ('Board'). These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits.

Market risk

Price risk

The consolidated entity is currently in the exploration phase therefore movements in commodity prices would not have a material impact on the profit or loss for the year.

Note 18. Financial instruments (continued)

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

The consolidated entity has no significant concentrations of credit risk with any single counterparty or group of counterparties.

Liquidity risk

Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

The Group's financial liabilities mainly consist of trade and other payables, borrowings and those are expected to be paid within the next 12 months.

Interest rate risk

The consolidated entity's statement of profit or loss and other comprehensive income is affected by changes in interest rate due to the impact of such changes on interest income from cash and cash equivalents. The interest rate of borrowings is fixed therefore changes in interest rate would not have a material impact on the profit or loss for the year.

At balance date, the consolidated entity's had the following financial instrument exposed to variable interest rate risk which is not designated as cash flow hedges:

	Weighted average interest rate %	Consolidated	
		2015 \$'000	2014 \$'000
Financial asset			
Cash and cash equivalents	2.5%	3,942	2,022
		<u>3,942</u>	<u>2,022</u>

Remaining contractual maturities

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position:

Consolidated- 2015	Weighted average interest rate %	1 year or less \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Remaining contractual maturities \$'000
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables		459	-	-	-	459
Other payables		125	-	-	-	125
Infrastructure reservation fee payable		575	-	-	-	575
<i>Interest bearing fixed rate</i>						
Loan payable	6.43	1,037	2,725	-	-	3,762
Total non-derivatives		<u>2,196</u>	<u>2,725</u>	-	-	<u>4,921</u>

Note 18. Financial instruments (continued)

Consolidated- 2014	Weighted average interest rate	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
	%	\$'000	\$'000	\$'000	\$'000	\$'000
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables		582	-	-	-	582
Other payables		243	-	-	-	243
<i>Interest bearing fixed rate</i>						
Convertible note payable	9.33	5,000	-	-	-	5,000
Total non-derivatives		5,825	-	-	-	5,825

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Note 19. Key management personnel disclosures

Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	Consolidated 2015 \$'000	2014 \$'000
Short-term employee benefits	1,797	1,446
Post-employment benefits	129	53
Long-term benefits	-	-
Share-based payments	435	213
	<u>2,361</u>	<u>1,712</u>

Detailed remuneration disclosures are provided in the Remuneration Report on pages 22 to 33 of the Director's report.

Note 20. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by BDO East Coast Partnership, the auditor of the Company, and its network firms:

	Consolidated 2015 \$	2014 \$
<i>Audit services – BDO East Coast Partnership</i>		
Audit or review of the financial statements	68,500	73,944
<i>Other services – BDO East Coast Partnership</i>		
Taxation compliance matters	62,165	39,695
Investigating Accountant's Report for prospectus and due diligence	35,025	38,775
Less: Fees capitalised as share issue costs	(35,025)	(38,775)
Amount recognised in statement of profit or loss and other comprehensive income	<u>130,665</u>	<u>113,639</u>

Note 21. Commitments and contingent liability

	Consolidated	
	2015	2014
	\$'000	\$'000
<i>Lease commitments - operating</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	341	61
One to five years	-	-
More than five years	-	-
	<u>341</u>	<u>61</u>

The Company executed an operating lease for office in Taringa, QLD in September 2012. The lease is a non-cancellable 3 year property lease with an option to renew for a further 3 years. The expiry date in September 2015, extension to this lease for 2 years has been negotiated with annual rental fee remain unchanged. Currently the annual rent is \$90,912 per annum plus outgoings.

Contingent liability – termination fee

The Company entered into an Asset Sale Agreement with a third party to purchase assets to handle and prepare coal extraction for a consideration of \$8 million as part of the development of the Moorlands Project. Under the terms of the Asset Sale Agreement, the Company needs to submit a purchase notice to complete the acquisition of the assets by 30 October 2015, otherwise the vendor is entitled to be paid a termination fee of \$250,000 if the Company cancels this contract. As at the date of this report, the Company has yet to provide the seller with the purchase notice.

Note 22. Related party transactions

Parent entity

Cuesta Coal Limited is the parent entity of the consolidated entity from a legal perspective. For accounting purposes, Blackwood Coal Pty Ltd is the deemed ultimate parent of the Consolidated Entity in line with reverse acquisition accounting as determined under the consolidated entity's accounting policies.

Ultimate parent entity

The Parent entity is controlled by Longluck Investment (Australia) Pty Ltd with a 53.70% interest in Cuesta Coal Limited and incorporated in Australia. The ultimate beneficial owner of Longluck is Beijing Guoli Energy Investment Co. Ltd in China.

Subsidiaries

Interests in subsidiaries are set out in note 24.

Key management personnel

Disclosures relating to key management personnel are set out in note 19 and the remuneration report in the directors' report.

Transactions with related parties

All transactions with related parties are outlined below:

As announced on 10 March 2015, Cuesta Coal Limited executed an unsecured loan agreement with its major shareholder Longluck Investment (Australia) Pty Ltd in the amount of \$2,500,000. Interest is payable at 6% per annum. On 25 June 2015, an agreement was reached to extend the repayment date to 12 August 2016.

Cuesta Coal Limited
Notes to the financial statements
30 June 2015

Note 22. Related party transactions (continued)

On 23 June 2015, Cuesta Coal Limited executed an unsecured loan agreement with its major shareholder Longluck Investment (Australia) Pty Ltd in the amount of \$2,000,000. Interest is payable at 7.5% per annum with a term of 6 months. On 30 June 2015, the first tranche of loan amounted to \$1,000,000 was drawn down. The second tranche of \$1,000,000 was drawn down on 24 July 2015.

Note 23. Parent entity information

Cuesta Coal Limited (legal parent entity) was incorporated on 27 September 2011. Cuesta Coal Limited is the ultimate parent entity and the parent entity of the consolidated entity from a legal perspective.

Set out below is the supplementary information about the parent entity.

Statement of comprehensive income

	Parent Entity	
	2015	2014
	\$'000	\$'000
Net loss for the period	<u>(100)</u>	<u>608</u>
Total comprehensive income for the period	<u>(100)</u>	<u>608</u>

Statement of financial position

Total current assets	<u>91</u>	<u>126</u>
Total assets	<u>75,797</u>	<u>62,906</u>
Total current liabilities	<u>1,011</u>	<u>5,799</u>
Total liabilities	<u>3,568</u>	<u>5,799</u>
Equity		
Issued capital	77,880	63,055
Reserves	(4,957)	(5,154)
Accumulated losses	<u>(694)</u>	<u>(794)</u>
Total equity	<u><u>72,229</u></u>	<u><u>57,107</u></u>

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2015 (2014: nil).

Contingent liabilities

The parent entity had no other contingent liabilities as at 30 June 2015 other than those disclosed in Note 21 (2014: nil).

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2015 (2014: nil).

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1.

Note 24. Subsidiaries

(a) Ultimate parent

Cuesta Coal Limited is the ultimate parent entity and the parent entity of the consolidated entity from a legal perspective. For accounting purposes, Blackwood Coal Pty Ltd is the deemed ultimate parent of the consolidated entity in line with reverse acquisition accounting.

(b) Corporate structure

The legal corporate structure of the consolidated entity is set out below;

Name of entity	Country of incorporation	Equity holding	
		2015 %	2014 %
<i>Parent entity</i>			
Cuesta Coal Limited	Australia		
<i>Subsidiaries</i>			
Blackwood Coal Pty Ltd	Australia	100.00	100.00
Blackwood Resources Pty Ltd	Australia	100.00	100.00
Blackwood Exploration Pty Ltd	Australia	100.00	100.00
RDB Coal Pty Ltd	Australia	100.00	100.00
Scorpion Energy Pty Ltd	Australia	100.00	100.00
West Bowen Coal Pty Ltd	Australia	100.00	100.00
Hannigan & Associates Pty Ltd	Australia	100.00	100.00
Macleod-Carey & Associates Pty Ltd	Australia	100.00	100.00
Cuesta Coal Exploration Pty Ltd	Australia	100.00	100.00
Cuesta Coal Management Pty Ltd	Australia	100.00	100.00
Cuesta Rural Holdings Pty Ltd	Australia	100.00	100.00

Blackwood Coal Pty Limited

Cuesta Coal Limited was incorporated on 27 September 2011. In December 2011, the Company completed its acquisition of Blackwood Coal Pty Ltd and its controlled entities ("Blackwood Coal"). As a consequence of the previous shareholders of Blackwood Coal becoming the major shareholders of the Group the transaction is deemed to be a reverse acquisition for accounting purposes. Therefore while Cuesta Coal Limited remains the legal parent of the Group, Blackwood Coal Pty Ltd is the parent for the purpose of consolidating the financial statements.

Note 25. Events after the reporting period

On 28 July 2015, Cuesta Coal Limited announced that the second tranche of loan amounted to \$1,000,000 was drawn down on 24 July 2015. This is an unsecured loan from its major shareholder Longluck Investment (Australia) Pty Ltd. Interest is payable at 7.5% per annum with a term of 6 months.

Note 26. Reconciliation of loss after income tax to net cash from operating activities

	Consolidated	
	2015	2014
	\$'000	\$'000
Loss after income tax expense for the year	(3,676)	(4,738)
Adjustments for:		
Depreciation and amortisation	68	52
Gain on embedded derivative	(840)	(27)
Fair value of deferred consideration	-	1,664
Loss on abandoned/ failed transactions	(8)	1,099
Share-based payments	273	190
Write off of intangible asset	1,575	-
Interest payable on short-term loan	57	-
Change in operating assets and liabilities:		
(Increase) / Decrease in trade and other receivables	701	(61)
(Decrease) / Increase in trade and other payables	70	50
	<u>(1,780)</u>	<u>(1,436)</u>
Net cash used in operating activities	<u>(1,780)</u>	<u>(1,436)</u>

Note 27. Loss per share

	Consolidated	
	2015	2014
	\$'000	\$'000
<i>Loss per share</i>		
Loss after income tax	<u>(3,676)</u>	<u>(4,738)</u>
Loss after income tax attributable to the owners of Cuesta Coal Limited	<u>(3,676)</u>	<u>(4,738)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic loss per share	501,069,869	337,940,511
Adjustments for calculation of diluted loss per share:		
Options	<u>-</u>	<u>-</u>
Weighted average number of ordinary shares used in calculating diluted loss per share	<u>501,069,869</u>	<u>337,940,511</u>
	Cents	Cents
Basic loss per share	(0.73)	(1.40)
Diluted loss per share	(0.73)	(1.40)

Options are considered potential ordinary shares for the purposes of diluted loss per share. However at 30 June 2015 and 30 June 2014, based on the circumstances of the consolidated entity, the options are not considered dilutive and therefore have not been used in the calculation of diluted loss per share.

Note 28. Share-based payments

The first tranche of performance rights issued to the Chairman vested on 12 March 2014, being the first anniversary of the Chairman's appointment. The shares were issued on 11 April 2014. A total share-based payment of \$212,873 has been recognised in the financial statements for the year ended 30 June 2014 in relation to these performance rights.

The second tranche of performance rights issued to the Chairman vested on 12 March 2015, being the second anniversary of the Chairman's appointment. The shares were issued on 30 March 2015. A total share-based payment of \$173,506 has been recognised in the financial statements in relation to these performance rights.

The first tranche of performance rights issued to the Mr Blair Richardson and Ms Megan McPherson vested and issued on 31 October 2014. A total share-based payment of \$218,269 has been recognised in the financial statements in relation to these performance rights.

In March 2015 an offer of performance rights was made to the Ms Lifeng (Laura) Mu. The first tranche of performance rights will be vested on 1 July 2015. A total share-based payment of \$44,167 has been recognised in the financial statements in relation to these performance rights.

Note 29. Operating segments

The consolidated entity has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors in assessing performance and determining the allocation of performance. The consolidated entity is managed primarily based on geographic basis, that is, the location of the respective areas of interest (tenements) in Australia. Operating segments are determined on the basis of the financial information reported to the Board which is at the consolidated entity level. The consolidated entity does not have any products or services from which it derives revenue.

Accordingly, management currently identifies the consolidated entity as having only one reportable segment, being the exploration for coal in Queensland. There have been no changes in the operating segment during the year. Accordingly, all significant operating decisions are based upon analysis of the consolidated entity as one segment. The financial results from this segment are equivalent to the financial statements of the consolidated entity as a whole.

Note 30. Fair value measurement

Fair value hierarchy

The following tables detail the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

The Group do not have any Level 1, 2 or 3 fair value financial instruments at 30 June 2015.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Consolidated – 2014				
<i>Liabilities</i>				
Derivatives	-	840	-	840
Total liabilities	-	840	-	840

Derivative financial instruments have been valued using quoted market rates. This valuation technique maximises the use of observable market data where it is available and relies as little as possible on entity specific estimates.

Note 30. Fair value measurement (continued)

Fair value of financial instruments

The consolidated entity also has a number of financial instruments which are not measured at fair value in the Statement of Financial Position. For all these financial instruments, the fair values are not materially different to their carrying amounts, since the interest receivable/payable is either close to current market rates or the instruments are short-term in nature.

Cuesta Coal Limited
Directors' declaration

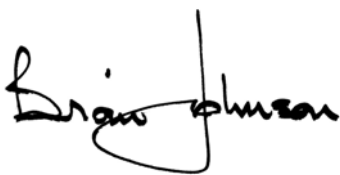
In the directors' opinion:

1. the attached financial statements and notes thereto comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
2. the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
3. the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the financial year ended on that date; and
4. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors



Brian Johnson
Chairman



Matthew Crawford
Managing Director

30 September 2015
Brisbane

INDEPENDENT AUDITOR'S REPORT

To the members of Cuesta Coal Limited

Report on the Financial Report

We have audited the accompanying financial report of Cuesta Coal Limited, which comprises the statement of financial position as at 30 June 2015, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Cuesta Coal Limited, would be in the same terms if given to the directors as at the time of this auditor's report.



Opinion

In our opinion:

- (a) the financial report of Cuesta Coal Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Emphasis of matter

Without modifying our opinion, we draw attention to Note 1 in the financial report, which indicates that the ability of the consolidated entity to continue as a going concern is dependent upon the future successful raising of necessary funding for ongoing activities. This condition, along with other matters as set out in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the Remuneration Report included under the heading 'Remuneration Report' of the directors' report for the year ended 30 June 2015. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Cuesta Coal Limited for the year ended 30 June 2015 complies with section 300A of the *Corporations Act 2001*.

BDO East Coast Partnership

Gareth Few
Partner

Sydney, 30 September 2015

Cuesta Coal Limited
Shareholder information
30 June 2015

The shareholder information set out below was applicable as at 31 August 2015.

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

	Number of holders of ordinary shares
1 to 1,000	9
1,001 to 5,000	12
5,001 to 10,000	97
10,001 to 100,000	164
100,001 and over	124
	<hr/>
	406
	<hr/>
Holding less than a marketable parcel	145
	<hr/>

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares	% of total shares issued
	Number held	
Longluck Investment (Australia) Pty Ltd	282,297,735	53.75%
Country Rosy Limited	75,000,000	14.28%
Albion Ballymore Pty Ltd	47,068,346	8.96%
Argonaut Resources NL	16,734,667	3.19%
New Mangrove Resources Pty Ltd	8,127,406	1.55%
Waytop Investments Limited	6,764,644	1.29%
Anycall Pty Ltd <Richer Superannuation Fund A/C>	5,713,232	1.09%
ACN Mining Pty Limited	5,400,000	1.03%
Mr Brice Mutton + Mrs Gai Mutton <Brice Mutton Super Fund A/C>	5,134,488	0.98%
Inhowse Pty Ltd	4,086,364	0.78%
New Mangrove Minerals Pty Ltd	3,925,000	0.75%
HSBC Custody Nominees (Australia) Limited	3,420,113	0.65%
Mr John Michael Moore<The Mike Moore S/F A/C>	2,801,744	0.53%
Silver Ledge Pty Ltd <The Silver Ledge>	2,555,614	0.48%
Flannery Foundation Pty Ltd <The Flannery Foundation A/C>	2,000,000	0.38%
Mr Brian Johnson	2,000,000	0.38%
Auresco Pty Ltd <The Avanis A/C>	1,912,242	0.36%
Mr Raed Itaoui + Mrs Rachel Lee Itaoui	1,743,134	0.33%
Angolet Pty Ltd	1,600,000	0.30%
Terstan Nominees Pty Ltd <Morrows P/L Super Fund A/C>	1,600,000	0.30%
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	479,769,021	91.36
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Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares issued (ex. Price \$0.25, expire 29 October 2015)	600,000	3
Options over ordinary shares issued (ex. Price \$0.20, expire 31 December 2015)	8,035,718	39
Options over ordinary shares issued (ex. Price \$0.25, expire 31 December 2015)	64,429,904	25
Options over ordinary shares issued (ex. Price \$0.08, expire 18 October 2017)	25,000,000	3
Director performance rights	3,000,000	1
Key management performance rights	5,250,000	3

Substantial holders in the company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
Longluck Investment (Australia) Pty Ltd	282,297,735	53.75
Country Rosy Limited	75,000,000	14.28
Matthew Phillip Crawford	31,689,884	6.03
Keith James McKnight	30,951,680	5.89

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares

Subject to any rights or restrictions for the time being attached to any class or classes of Shares, at a meeting of members each member has one vote on a show of hands and one vote per Share on a poll. The person who holds a share which is not fully paid shall be entitled to a fraction of a vote equal to that proportion of a vote that the amount paid on the relevant share bears to the total issue price of the share. Voting may be in person or by proxy, attorney or body corporate representative.

There are no other classes of equity securities with attaching voting rights.

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Tenements

Tenement number	Project	Location	Grant Date	Interest owned
EPC 775	Moorlands	Bowen Basin - QLD	22-Nov-2002	100.00%
EPC 776	Moorlands	Bowen Basin - QLD	22-Nov-2002	100.00%
EPC 1738	Moorlands	Bowen Basin - QLD	28-Mar-2011	100.00%
EPC 1891	Moorlands	Bowen Basin - QLD	22-Aug-2012	100.00%
EPC 2008	Moorlands	Bowen Basin - QLD	1-Jun-2015	100.00%
EPC 1955	East Wandoan	Surat Basin - QLD	30-Mar-2010	90.00%
EPC 2237	East Wandoan	Surat Basin - QLD	28-Mar-2011	100.00%
EPC 1987	East Wandoan	Surat Basin - QLD	29-Sept-2012	90.00%
EPC 1802	Eastern Galilee	Galilee Basin - QLD	29-Oct-2010	100.00%
EPC 1983	Eastern Galilee	Galilee Basin - QLD	13-Oct-2013	100.00%
EPC 1957	Eastern Galilee	Galilee Basin - QLD	8-Feb-2012	90.00%
EPC 2079	Eastern Galilee	Galilee Basin - QLD	3-Mar-2013	100.00%
EPC 2080	Eastern Galilee	Galilee Basin - QLD	10-Feb-2013	100.00%
EPC 2688	Eastern Galilee	Galilee Basin - QLD	1-May-2014	100.00%
EPC 2689	Eastern Galilee	Galilee Basin - QLD	10-Dec-2014	100.00%
EPC 1821	West Emerald	Bowen Basin - QLD	15-Apr-2011	100.00%
EPC 1977	West Emerald	Bowen Basin - QLD	19-Apr-2011	100.00%
EPC 2323	West Emerald	Bowen Basin - QLD	27-Jun-2011	100.00%
EPC 1825	West Emerald	Bowen Basin - QLD	21-May-2013	100.00%
EPC 1826	West Emerald	Bowen Basin - QLD	31-Jul-2012	100.00%
EPC 1868	West Emerald	Bowen Basin - QLD	26-Jun-2013	100.00%
EPC 2093	West Emerald	Bowen Basin - QLD	23-Jul-2013	100.00%
EPC 2127	Amberley	Clarence-Moreton Basin - QLD	12-Oct-2011	100.00%
EPC 2128	Montrose	Styx/ Bowen Basin - QLD	5-Feb-2012	100.00%
EPC 1979	East Acland	Clarence-Moreton Basin - QLD	12-Oct-2010	90.00%
EPC 2181	Bauple	Maryborough Basin - QLD	22-Oct-2012	100.00%
EPC 1809	Callide	Callide Basin - QLD	21-Oct-2013	100.00%

CORPORATE DIRECTORY

Directors	Brian Johnson Guoqiang Luo Matthew Crawford Ruoshui Wang Yong Xiao
Company Secretary	Laura Mu
Registered (Head) Office	Suite 3B Level 1, 165 Moggill Road Taringa QLD 4068 Phone: (07) 3327 8100 Fax: (07) 3870 0076
Share register	Computershare Investor Services Pty Ltd Level 4 60 Carrington Street Sydney NSW 2000
Auditor	BDO East Coast Partnership Level 11 1 Margaret Street Sydney NSW 2000
Solicitors	Thomson Geer Level 25 1 O'Connell Street Sydney NSW 2000
Stock exchange listing	Cuesta Coal Limited shares are listed on the Australian Securities Exchange (ASX Code: CQC)
Website address	www.cuestacoal.com.au