

ASX Announcement

Encouraging intersections confirm target area at the Moorlands Deposit

- 13 holes completed to date totalling 1932 m, all holes geophysically logged
- 8 drill holes have > 15 m of cumulative coal thickness at shallow depths
- B8 seam intersected in thicknesses between 8 m and 12 m
- The defined “Moorlands Open Cut Target Area “ further confirmed by this priority drilling in northern section of Deposit
- Coring has commenced on 6 holes for coal analysis and coal washability testing in the Open Cut Target Area
- The Moorlands Deposit has a current JORC Inferred Coal Resource of 39.5 Mt
- The Moorlands Deposit is located 14 km West of Blair Athol coal mine owned by Rio Tinto

18 October 2012: Cuesta Coal Limited (ASX: CQC) (“Cuesta”) is pleased to announce an update to the exploration activities at the Moorlands Deposit (EPC 1738) located at the company’s 100% owned West Bowen Project in the Western Bowen Basin, Queensland.

Completed Work

Since the announcement on the 9th of October 2012, a total of 13 open holes have been completed and geophysically logged (Table 1). Coal thickness intersections and lateral distribution of the coal measures have further substantiated expectations.

The drilling activities have indicated that a shallow (less than 120m from surface) open cut target exists (Figure 1). This open cut target area will be a priority focus for Cuesta and the exploration and development activities at the Moorlands Deposit.

It has been interpreted from the geophysical logs that the B8 and B9 seams are of primary importance being 8 m – 12 m and 3 m – 4 m thick respectively.

A longer term underground opportunity is present to the south of the open cut target area.

Remaining Planned Work for 2012

Coring commenced on the 16th of October as shown in Figure 2, a total of 6 holes are targeted to be cored by twinning open PCD holes ML 2, ML 14, ML 21, ML 23, ML 27 and ML29 as shown on Figure 1.

These holes have been selected for coring, as up to 6 seams have been intersected in the sequence, allowing for sufficient coal quality information to be obtained for each of the seams, for input into the geological 3D model and for future revised resource estimates.

Coal quality data will also include coal washability testing to determine washability yields and final product quality. The company's intention from the coal analysis and washability work is to determine which coal seams require beneficiation through a wash plant and their recovery yields and which seams can be excluded as this will be a key driver in the project economics in future mine scoping studies.

A total of 4 open holes remain to the south of the Moorlands Open Cut Target Area will be conducted at the completion of the coring activities, these holes will be in the longer term underground target area.

Cuesta Coal's Managing Director, Matt Crawford said:

"Cuesta is very encouraged by the progress made to date at the Moorlands Deposit and verifies the geological interpretation of the deposit. The focus of our exploration activities continues to be in the north of the deposit thickest coal seams and being closest to the surface occurs.

"The objective of the program is to fully drill out the northern target area to better understand the coal quality data and increase the size and confidence of the resource base at the Moorlands Deposit.

"We look forward to updating our shareholders on the activities as the program progresses at Moorlands and also the Yellow Jacket Project drilling activities."

About the West Bowen Project

The West Bowen Coal Project stretches over an area of 1,000km² and is located 25km west of Clermont, Queensland. It consist of EPC 1738 and 1891 and EPCA 2008, which sit in close proximity to the Rio Tinto Blair Athol Open Cut Coal Mine which has operated since 1984 and produced up to 12Mt of thermal coal per annum.

Cuesta's Inferred Mineral Resource of 39.5Mt in accordance with the JORC code (2004) guidelines is located within EPC 1738, known as the Moorlands Deposit. This resource is contained within a discrete Permian sub-basin situated approximately 14km northwest from the Blair Athol Mine.

Cuesta is conducting detailed geological desktop assessments to identify additional coal bearing targets to the Moorlands Deposit, primarily in EPC 1891 with an aim to conduct scout drilling in 2013.

ENDS



About Cuesta Coal

Cuesta Coal Limited ("Cuesta") listed on the Australian Stock Exchange on the 4th of May 2012 raising \$20 million to fund an aggressive 2 year exploration, mine scoping and feasibility study program on four key projects areas in the Queensland Coal Basins.

Cuesta has assembled a diverse portfolio of thermal and coking coal exploration prospects within the Bowen, Surat and Galilee basins, the company's core projects are well situated geographically with over 11,000km² of exploration ground in total.

Cuesta's balanced portfolio consists of a pipeline of projects ranging from advanced exploration requiring resource definition drilling, to conceptual lateral opportunities requiring scout drilling. The projects are located in close proximity to current and future planned infrastructure.

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Competent Person Statement

The information in this report/statement relates to the resource of EPC 1738 and is based on information reviewed by Lyndon Pass, who is a member of the Australasian Institute of Mining and Metallurgy. He is a full time employee of Encompass Mining Pty Ltd.

Lyndon Pass has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking, to qualify as a 'Competent Person' as defined in the 2004 edition of the Australasian Code for the Reporting of Mineral Resources and Ore Reserves. Lyndon Pass consents to the inclusion in this report of matters based on this information in the form and context in which it appears.

Sections of information contained in this report that relate to Exploration Results were compiled or supervised by Timothy Spencer, who is a Member of the Australasian Institute of Mining and Metallurgy and is Exploration Manager to Cuesta Coal Limited. Mr Spencer 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 Spencer consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

All statements contained in the announcement as to exploration targets are conceptual in nature. There has been insufficient exploration undertaken to date to define a coal resource and identification of a resource will be totally dependent on the outcome of further exploration. Any statement as to exploration targets has been made consistent with the requirements of the 'Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves' published by the Joint Ore Reserves Committee (JORC).

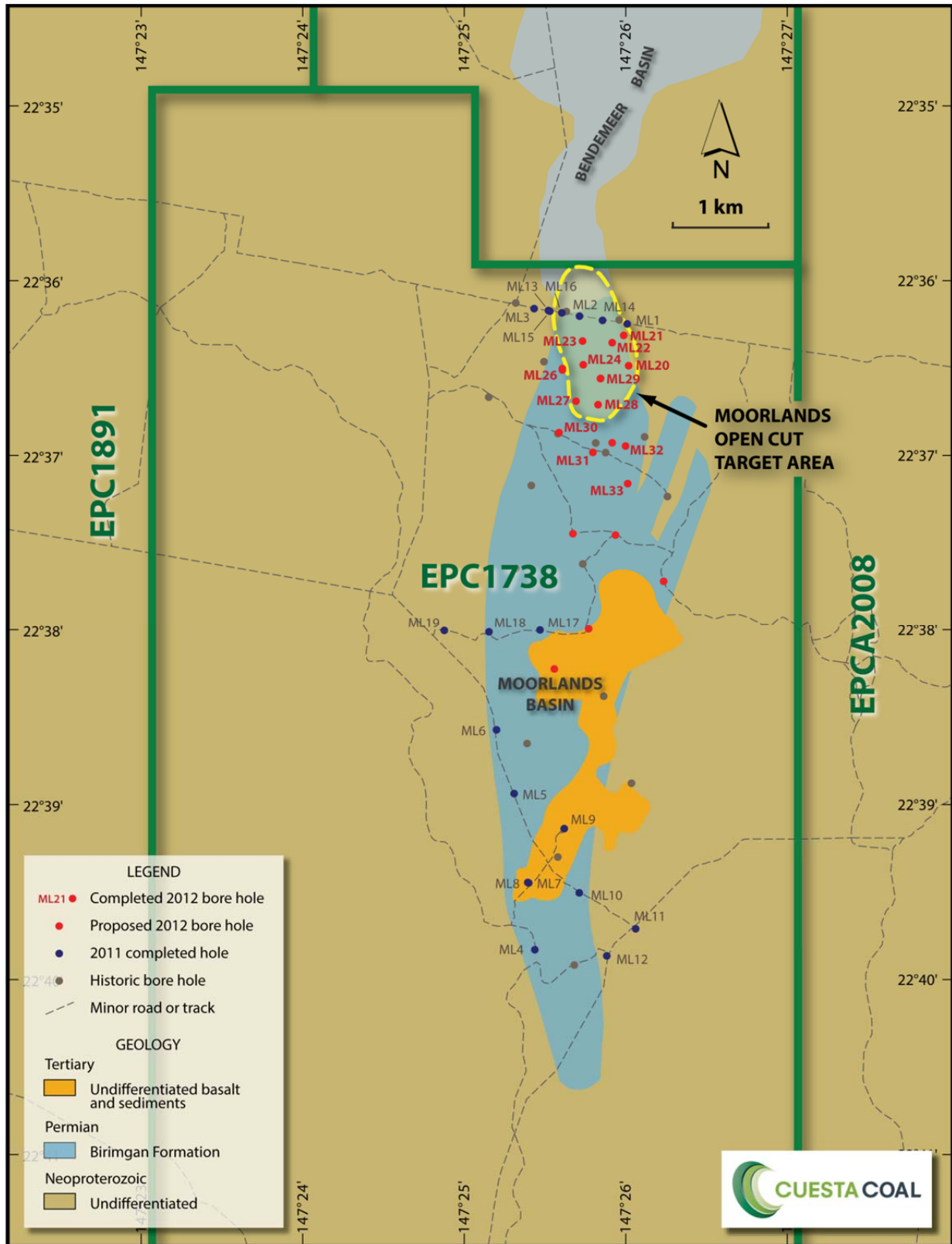


Figure 1: Map of Moorlands Deposit Drill hole locations and outline of Moorlands Open Cut Target Area



Figure 2: Coring by twinning open PCD hole ML0014, the B4 seam is shown in the photograph



Figure 2: Coring by twinning open PCD hole ML0014, the B7 and part of the B8 seam is shown in the photograph



Figure 4: PCD Open Hole ML0024 Cuttings



Figure 5: PCD Open Hole ML0028 Cuttings

Open Cut Target Area							
Hole ID	Year Drilled	Easting	Northing	TD(m)	RL(m)	Depth to Base of Coal (m)	Cumulative Coal (m)
ML020	2012	544566	7499794	180	351.0	116.6	8.33
ML021	2012	544513	7500114	180	356.0	117.9	10.62
ML022	2012	544392	7500037	120	355.0	83.2	18.4
ML023	2012	544077	7500056	114	359.0	98.4	23.15
ML024	2012	544083	7499807	114	350.0	89.6	17
ML026	2012	543862	7499753	222	370.0	-	0
ML027	2012	544007	7499422	120	362.0	72.5	16.48
ML028	2012	544240	7499383	108	363.0	63.0	18.6
ML029	2012	544265	7499660	108	360.0	79.0	18.15
ML0002	2011	544051	7500315	164	339.0	105.0	22.36
ML0014	2011	544290	7500276	110	343.3	96.2	20.87

Table 1: Coal Intersection in the Open Cut Target Area

Underground Target Area 2012 Drilling							
Hole ID	Year Drilled	Easting	Northing	TD(m)	RL(m)	Depth to Base of Coal (m)	Cumulative Coal (m)
ML030	2012	543825	7499090	180	358.0	144.0	2.7
ML031	2012	544183	7498880	150	353.0	108.5	4.35
ML032	2012	544530	7498947	150	367.0	83.6	3.4
ML033	2012	544551	7498550	186	376.0	170.0	3

Table 2: Coal Intersection in the Underground Target Area