

## **QUARTERLY ACTIVITIES REPORT**

### **For the period ending September 2012**

#### **CORPORATE**

- ✓ **Exploration activities under budget, on schedule and resource targets achieved.**
- ✓ **Cash on hand \$18.266m**
- ✓ **Mr Ruoshui Wang (representative of Beijing Guoli) invited to join the Board of Cuesta Coal subject to shareholder approval at the AGM**

#### **PRIORITY PROJECTS**

- ✓ **West Bowen Project**
  - Moorlands Deposit - 45% Resource Upgrade from 27.3Mt to 39.5Mt JORC Inferred announced 20 August
  - Resource definition drilling commenced early October with promising intersections validating prospective open cut target area
  - Cuesta's priority project, to transition to an advanced project
- ✓ **Eastern Galilee Project**
  - Coal Intersected over 15 km<sup>2</sup>, maiden resource targeted for February / March 2013
  - Joint Venture and Farm-In Agreement with QCI (Galilee) Pty Ltd announced on 8 August for the Snake Creek Project in the Eastern Galilee Basin
- ✓ **West Emerald Project**
  - Metallurgical Coal target identified

#### **PROSPECTIVE PROJECTS**

- Amberley Deposit - Resource Upgrade from 5.1Mt to 54.7Mt JORC Inferred announced 6th September



## 1. QUARTERLY OVERVIEW

The quarter ended 30 September 2012 was a busy period of corporate and operational activity for Cuesta.

Cuesta is actively pursuing a four pronged targeted exploration strategy of the following projects which is designed to deliver a pipeline of growth opportunities for the company;

1. The Moorlands Deposit in the Western Bowen Basin offers a medium term small scale thermal coal development opportunity;
2. The Thorn Hill Deposit in the Surat Basin offers a medium term development opportunity;
3. The West Emerald Project in the Western Bowen Basin offers a longer term metallurgical coal opportunity; and
4. The Yellow Jacket Project offers a longer term large scale thermal coal development opportunity in the Eastern Galilee Basin.

The above mentioned strategy is similar to that which has been successfully applied by start-up iron ore producers in Western Australia and is one which Cuesta believes it can implement in the Queensland coal industry. The low strip ratio potential of the Moorlands Deposit, its close proximity to infrastructure and satellite targets in the wider West Bowen Project Portfolio, is ideally suited to this strategy.

Exploration activities during the September quarter have focused on the 100% owned Moorlands Deposit and the 100% owned Yellow Jacket Project. Encouraging intersections have been encountered in both projects.

Resource upgrades were achieved at the Moorlands and Amberley deposits as a result of previous drilling activities by the Company at the respective projects. The results of the resource upgrades are explained in detail in sections 2.1 and 2.5.

Desktop geological studies continued at the West Emerald and Montrose Projects to focus on priority metallurgical coal targets for 2013 drilling.

Cuesta continues to investigate infrastructure options principally for the Moorlands Deposit.

Corporately, a \$3 million Farm-In and Joint Venture Agreement was reached with QCI (Galilee) Pty Limited subject to successful granting of the tenements. Under the terms of the agreement, QCI is able to earn up to a 51% interest in the two tenements through \$3 million of expenditure in two separate tranches. QCI can earn 25% interest through the staged development and expenditure of \$1.5 million and a further 26% through the expenditure of a further \$1.5 million.

Cuesta maintains a strong cash position with no debt funding and minimal working capital liabilities on its balance sheet. At the end of September 2012, Cuesta had cash and cash equivalents of \$18.266m.

Project	Status
<b>West Bowen (Moorlands Deposit)</b>	<p>39.5Mt of Thermal Coal (Inferred Resource in accordance with JORC code (2004) guidelines).</p> <p>Moorlands low stripping ratio open cut target identified and focus of exploration activities.</p> <p>Coring underway to obtain coal quality data for input into 3D geological model and resource estimate.</p>
<b>East Wandoan (Thorn Hill Deposit)</b>	<p>44.6Mt of Thermal Coal (22.5Mt Inferred Resource and 22.1Mt Indicated Resource in accordance with JORC code (2004) guidelines).</p> <p>8.2 : 1 stripping ratio open cut resource defined from near surface to a depth of 100m</p> <p>Further exploration planning underway to expand resource and obtain washability data in 2013 drilling program.</p>
<b>Eastern Galilee (Yellow Jacket Project)</b>	<p>200-1000Mt Thermal Coal exploration target at the Yellow Jacket Project</p> <p>Coal has now been intersected over ~ 15km<sup>2</sup>, at depths less than 130m from the surface, with two seams present across all the drilled area.</p> <p>The prospect remains open to the east and south east.</p> <p>Cored drilling to occur in coming weeks will obtain primarily coal quality data, but also indicative geotechnical information and other geological information.</p>
<b>West Emerald</b>	<p>50-200Mt Coking / PCI / Thermal Coal exploration target</p> <p>Desktop study focusing on historic drilling data and geophysical analysis to prioritise target areas for 2013 activities</p> <p>Geological assessment being finalised, and will be released to the market in the coming quarter.</p>
<b>Other Projects</b>	<p>Amberley Project</p> <ul style="list-style-type: none"> <li>• 54.7Mt of Thermal Coal Inferred Resource, in accordance with the JORC code (2004) guidelines.</li> <li>• Geological assessment being finalized for step-out and infill drilling for 2013.</li> </ul> <p>Montrose</p> <ul style="list-style-type: none"> <li>• 0-70 Mt Exploration Target for Metallurgical Coal</li> <li>• Desktop Study commenced and target for completion in 8 – 12 weeks</li> </ul>

## 2. PRIORITY PROJECTS ACTIVITY REVIEW

### 2.1 West Bowen Project

#### ***Moorlands Deposit EPC 1738 (CQC: 100%)***

The West Bowen Coal Project stretches over an area of 1,000km<sup>2</sup> and is located 25km west of Clermont, Queensland. It consists of EPC 1738, 1891, and EPCA 2008, which are located 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.

#### **Quarterly Activities**

During the quarter, activities on the Moorlands Deposit focused on resource definition drilling which commenced in early October.

On 18 October Cuesta announced an update on the exploration activities at the Moorlands Deposit.

Key highlights of the drilling activities are as follows:

- 13 holes completed to date totalling 1932m, all holes geophysically logged
- 8 drill holes have > 15m of cumulative coal thickness at shallow depths
- B8 seam intersected in thicknesses between 8m and 12m
- B9 seam intersected in thicknesses between 3m and 4m
- 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 39.5Mt

#### **Completed Work**

A total of 13 open PCD holes have been completed and geophysically logged as at 18<sup>th</sup> October 2012, refer to Table 1 below. Coal thickness intersections and lateral distribution of the coal measures have further substantiated expectations. Also indicated in Table 1 are holes ML002 and ML014 which were drilled in 2011.

Table 1: Coal Intersection in the 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
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

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.

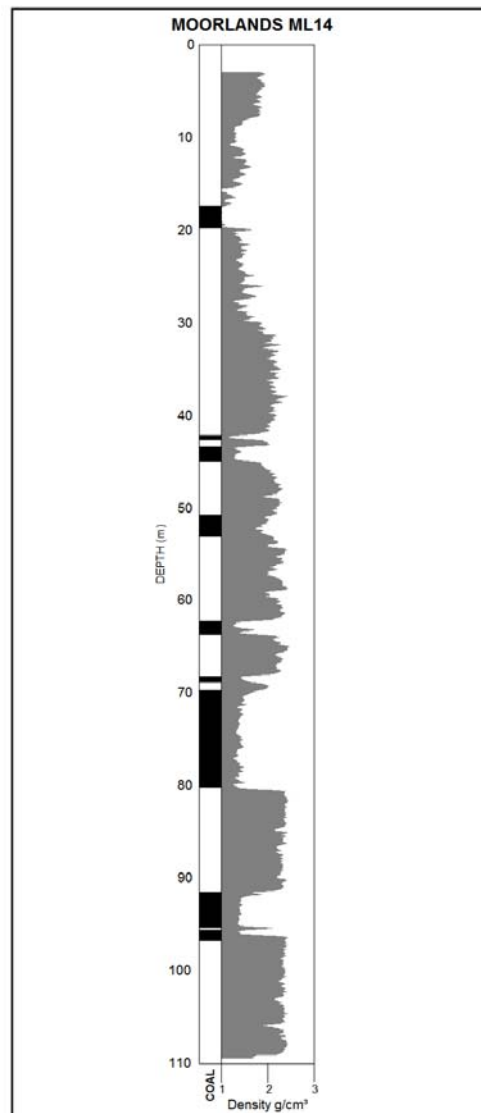


Figure 1: Down hole geophysics (density) of ML014 and coal seams in the Moorlands Open Cut Area

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

The B4 and B6 seams, which are higher in sequence (i.e. closer to surface), are currently excluded from the resource calculation. Coring activities will enable Cuesta to include these in the geological model.

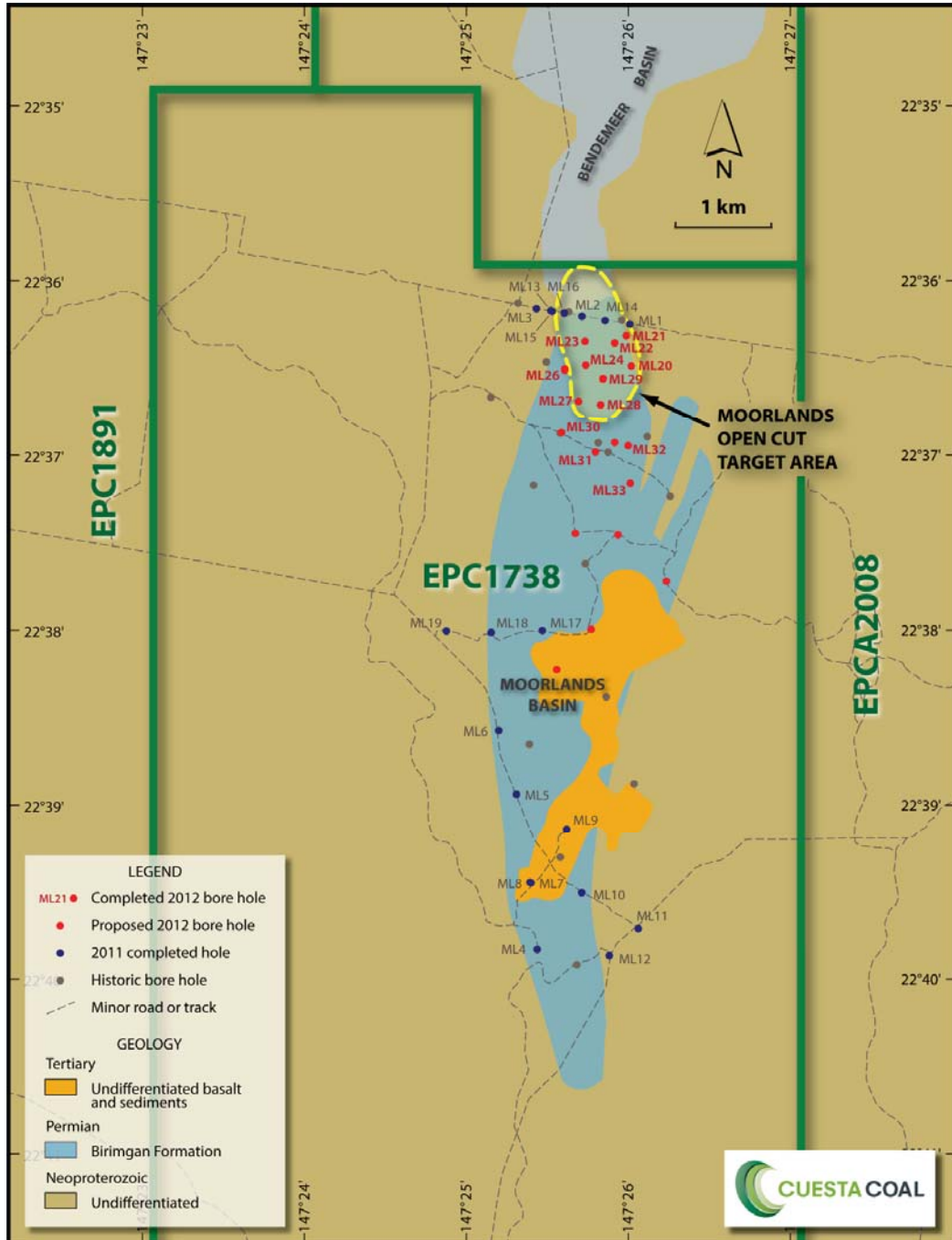


Figure 2: Map of Moorlands Deposit Drill hole locations and outline of Moorlands Open Cut Target Area





Figure 3: Coring by twinning open PCD hole ML002 a partial section of the B8 seam is shown



Figure 4: Coring by twinning open PCD hole ML002, the B9 seam is shown

A longer term underground opportunity is present to the south of the open cut target area, where there has been extensive historic drilling and where coal quality is reasonably understood through 15 historic cored holes drilled by the GSQ in the 1980s.

**Table 2: Coal Intersection in the 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

Cuesta has completed 4 open PCD holes as shown in Table 2. A further 4 open holes remain to be drilled in the south of the Moorlands Open Cut Target Area and will be conducted at the completion of the coring activities, these holes will be in the longer term underground target area.

**Remaining Planned Work for 2012**

Coring commenced on the 16th October, a total of 6 holes are planned to be cored by twinning open PCD holes ML2, ML14, ML21, ML23, ML27 and ML29 as shown on Figure 2.

These holes have been selected for coring, as up to 6 seams have been intersected in the sequence at these locations, allowing for sufficient coal quality information to be obtained for each of the seams.

Coal quality analysis will also include coal washability testing to determine washability yields and final product quality. Washability work will determine which coal seams require beneficiation through a wash plant with their respective recovery yields, and which seams can be excluded as this will be a key driver in the project economics in future mine scoping studies.

**2.2 East Wandoan Project**

***Thorn Hill Deposit (CQC: 90%)***

The East Wandoan Project stretches over an area of 1089km<sup>2</sup> and is situated approximately 15km east of the township of Wandoan, Queensland. It comprises EPCs 1955, 1987 and 2237, situated along the north-eastern fringe of the Surat Basin. Cuesta is exploring for shallow units of the lower Walloon Coal Measures, referred to as the Taroom Coal Measures.

**Quarterly Activities**

2012 drilling occurred in the first half of the year. Minimal activities occurred at the Thorn Hill Deposit during the past quarter.

An investigation is underway by the Cuesta technical team to investigate the possibility of reducing the resource calculation minimum seam thickness from 0.3m as other similar deposits within the Surat Basin have a lower seam thickness cut off.

A site inspection was conducted to ensure all rehabilitation works were completed satisfactorily following the completion of drilling in the previous quarter.



The Company will continue to monitor infrastructure development in the Surat Basin and the impact it will have on the Thorn Hill Deposit future mine development, to determine the amount of funds to be invested in the project in the immediate future.

Key highlights of the deposit are as follows:

- 44.6Mt of total coal resources identified in its 2012 drilling campaign
  - 22.1Mt in the Indicated Resource category, and
  - 22.5Mt in the Inferred Resource category
- Resource defined from near surface to a depth of 150m
- Further exploration planning underway for 2013 drill season

Cuesta intends to conduct further drilling during 2013 with an aim to increase the size and JORC category of the resource.

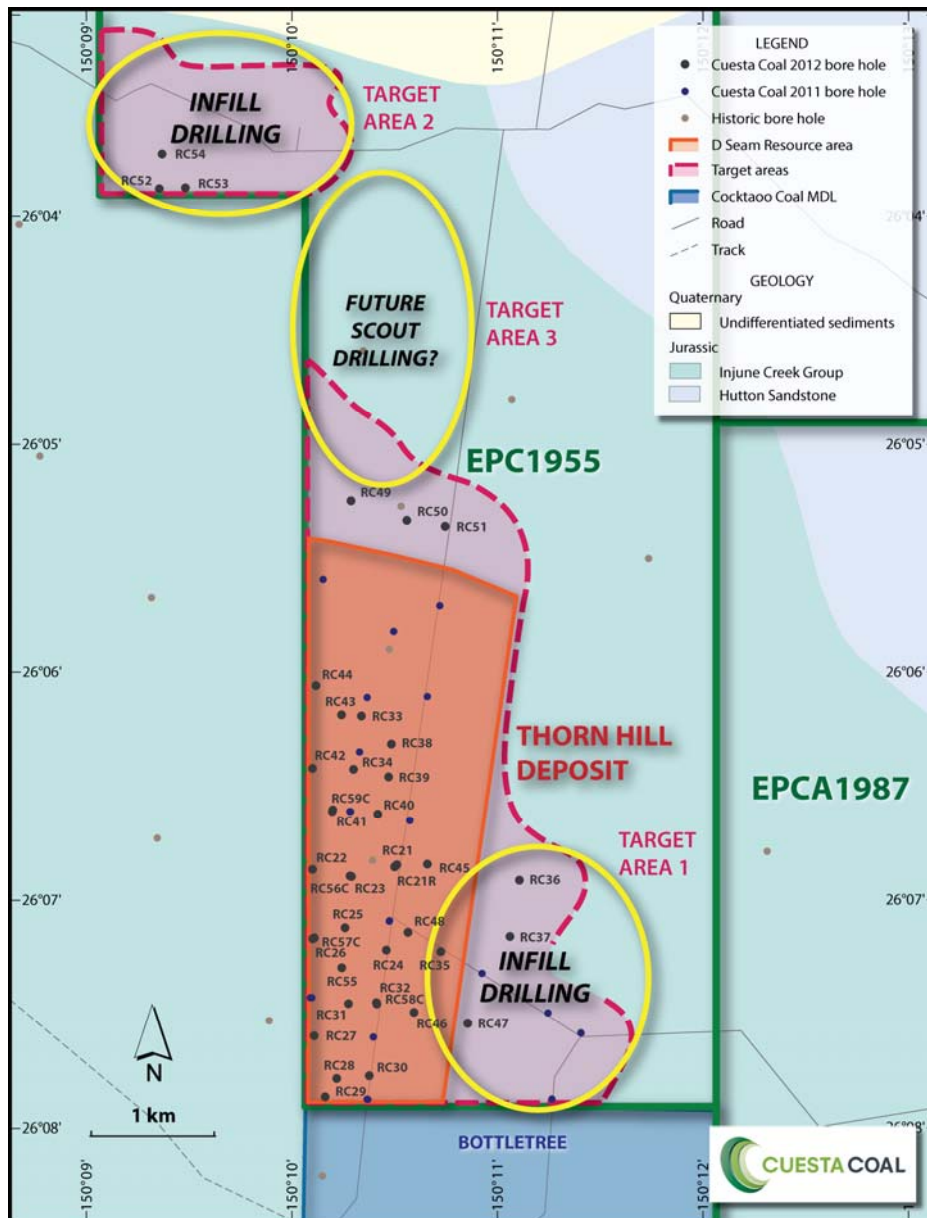


Figure 5: Map showing target areas for Infill Drilling and Scout Drilling at EPC 1955

### 2.3 Eastern Galilee Project

The Eastern Galilee Project covers a total area of approximately 4,000km<sup>2</sup> extending in a south-easterly direction from the township of Pentland, located midway between Charters Towers and Hughenden in Queensland.

Cuesta holds five tenements in total consisting of EPC 1802 (“Yellow Jacket Project”), 1957 (90%) and EPCa’s 1983, 2688 and 2699.

Two of the tenement applications (EPCAs 2079, 2080) are under a Farm-In and Joint Venture Agreement with QCI (Galilee) Pty Limited (QCI). Subject to successful granting of the tenements, QCI can earn 51% through expending \$3 million on exploration.

The target objective is to identify multiple deposits of open cut coal measures sized between 200 and 1,000Mt. The coal will be of the Late Permian Betts Creek Beds Sequence; regionally this sequence contains net coal thickness greater than ten metres in substantial tonnages.

In its drilling activities during 2011 and 2012, Cuesta has intersected coal over an extensive area on EPC 1802, which it has called the Yellow Jacket Project.

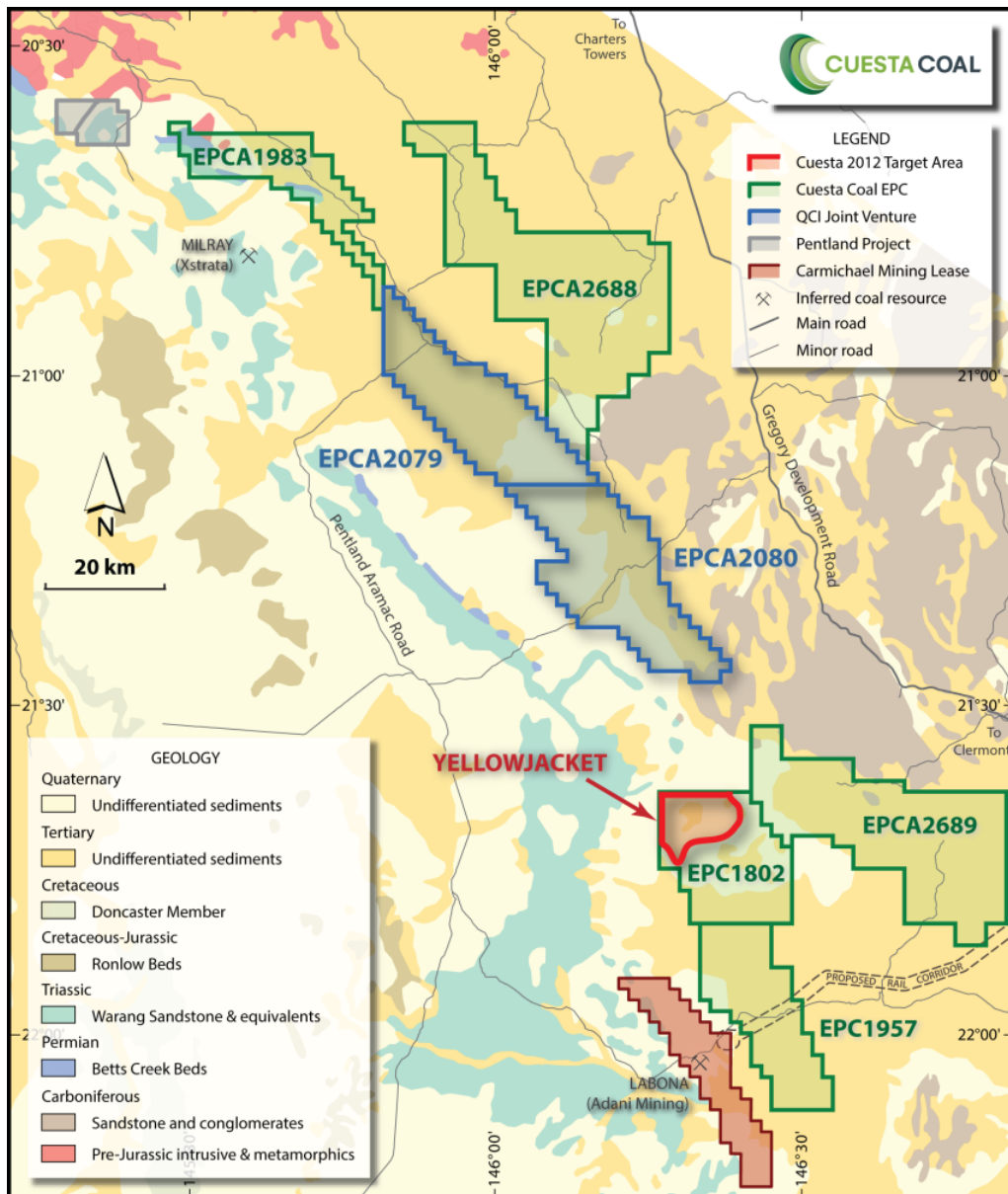


Figure 6: Map showing Eastern Galilee Tenements

**Yellow Jacket - EPC 1802 (CQC: 100%)****Quarterly Activities**

The Yellow Jacket Project has been the main focus of exploration activities at the Eastern Galilee Project.

Key highlights of the drilling activities are as follows:

- Coal has now been intersected over ~15km<sup>2</sup>, east of the conventionally known Galilee Basin crop line. The area and coal occurrence was recently named by the company as the “Yellow Jacket prospect”.
- Discovery of coal for the first time in this frontier region was initially announced by Cuesta (pre ASX listing) on the 5th September 2011m, via an Argonaut Resources NL (ARE) ASX release.
- In the current program, Cuesta has now completed 12 Open PCD open holes totalling 1,975m, all to target depth.
- Coal lies less than 130m from the surface, with two seams present across all the drilled area. The prospect remains open to the east and south east. Cuesta Coal management has increased the scope of its drilling activities to test these areas
- EPC 1802 which includes the Yellow Jacket project has an Exploration Target of 200–1,000Mt.
- Cored drilling to occur in coming weeks will obtain primarily coal quality data, but also indicative geotechnical information and other geological information.
- A closed spaced gravity survey was completed over Yellow Jacket and wider target area to test its effectiveness to define coal and for its potential application across other extensive Eastern Galilee targets and tenure.

**Completed Work**

Since 2012 drilling commenced on the 27<sup>th</sup> August 2012, Cuesta has drilled a total of 12 PCD open holes totalling 1,975m to target depth, all holes have been geophysically logged. Six (6) PCD open holes have also been pre-collared and will be drilled to target depth over the next 4 – 6 weeks (Figure 7).

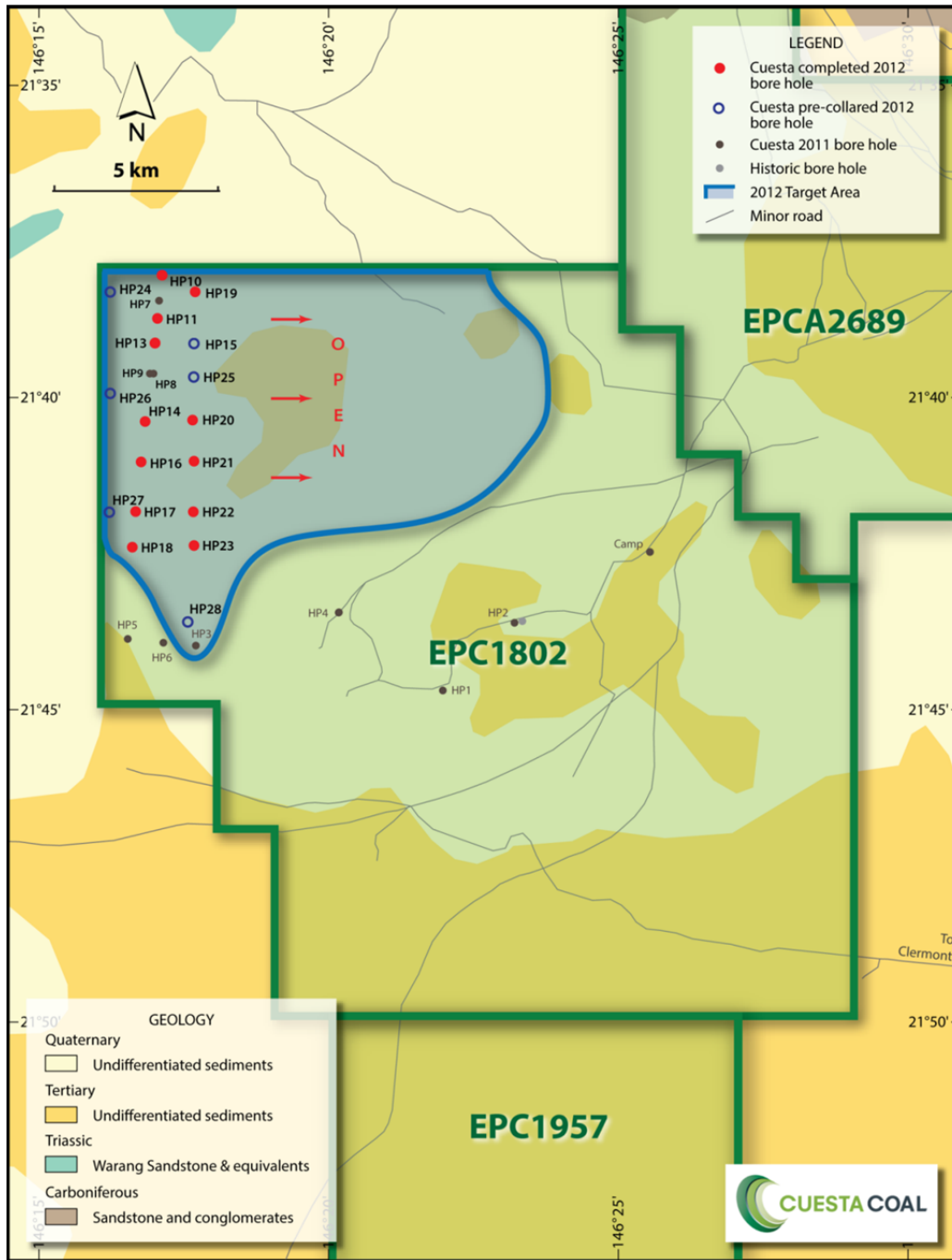


Figure 7: Drill hole locations on the Yellow Jacket Project, Eastern Galilee Basin

Drilling has consistently intersected two coal seams across the drilled area, with coal less than 130m from the surface. Coal has been intersected over an area of ~15km<sup>2</sup> in all but one hole, confirming the south western extent of the coal measures, as predicted from initial interpretation (Figures 8 and 9). Importantly, coal remains open to the east and south east.





Figure 8: PCD Open Hole HP0023 chip samples, collected from recent drilling



Figure 9: PCD Open Hole chip samples, HP0028 Coal Intersected from 66 to 72m



There are two distinct coal seam horizons; the upper seam is well developed to the north, thinning to the south, whereas the lower seam tends to thicken to the south and east. The preliminary correlation of these seams indicate a very low angle of dip to the north west.

Cumulative coal thicknesses for holes in the northern part of the Yellow Jacket target area exceed 5m commencing 90m below surface with a general thickening and shallowing of the coal seams to the south, where a total of 8m has been encountered from 65m below surface.

In addition to the drilling activities, a close spaced gravity survey was conducted on the target area to test and calibrate the effectiveness of gravity to assist defining the coal bearing strata and continuity. If successful, gravity acquisition will potentially have wide ranging application in assisting the high grading of other target areas within Cuesta's extensive Eastern Galilee tenure.

### **Remaining Work Program**

Further exploration activities at Yellow Jacket will be completed over the quarter.

The activities will consist of:

- Coring will be completed to obtain coal quality data which will enable identification and quality of the individual coal seams and plies.
- Preliminary geotechnical data and information is also planned from one (1) only fully cored hole. The core will also allow tests for a positive identification of the age of the Yellow Jacket coal occurrence and possible correlation with seams elsewhere in the Galilee Basin.
- Increased scope to include an additional 3 - 6 shallow PCD open holes in the east and south east of the Yellow Jacket Project wider target area, as initial interpretation has indicated thickening and shallowing (less than 100m from the surface) of the coal measures.
- Step-out drilling of 3 - 4 PCD open holes will occur 1.5km to the east of the most eastern drill traverse to identify if the coal measures continue to occur and if so, provision has been made to further extend another 1.5km.

The results of these activities will importantly assist in the planning of infill drilling and further extension drilling for the 2013 drill season.

The drilling campaign will be followed immediately by detailed geological assessment, 3D geological and coal quality modelling, towards completing a maiden resource estimation statement.

## **2.4 West Emerald Project (CQC: 100%)**

The West Emerald project lies at the northern tip of the Denison Trough in the Western Bowen Basin. Exploration will target coal seams in the Lower Permian Reids Dome Beds and Upper Permian Aldebaran Sandstone sequence.

The West Emerald Project, comprising a total of 8 essentially contiguous tenements, is targeting extensions of the Valeria and Taroborah Deposits, with EPCa 2093 focusing on extensions of the Valeria Deposit.

### **Quarterly Activities**

During the quarter, Cuesta concentrated on desktop activities for the West Emerald Project. Initially, Cuesta conducted an internal review of all historic drill data, before geophysical consultants were engaged to review and interpret gravity and magnetic data over the project area. The target coal sequence in this region is the Reids Dome Beds.



The above work will be complimented by advanced geological studies of this part of the poorly defined Denison Trough and will include review of all historical drilling data in the project area. Preliminary evaluation of these studies has high graded the northern and central areas. The combined data will be utilised to prioritise drill targets for the 2013 drill season.

Cuesta has previously announced to the market that a metallurgical coal target exists in EPCa 2093, which may also contain coking coal which needs to be verified by drilling and coking coal analysis.

Results of the desktop review are due to be completed in the next 4 – 6 weeks and will be released to the market.

## **2.5 Amberley Project**

### ***Amberley Deposit (CQC: 100%)***

EPC 2127 comprises 12 sub-blocks within the mining district of South Brisbane, and is located 5km south of Amberley RAAF Base near Ipswich, Queensland. The project is located approximately 8km south east of the Jeebropilly coal mine and 5km from the soon to be re-commissioned Ebenezer Mine.

### **Quarterly Activities**

During the quarter, Cuesta announced a resource upgrade to 54.7Mt of Inferred Coal Resource in accordance with the JORC code (2004) guidelines at its 100% owned Amberley Deposit (EPC 2127) in the Clarence Moreton Basin, Queensland.

Key Highlights of the drilling activities are as follows:

- 54.7Mt JORC Inferred Coal Resource - Increased from 5.1Mt
- Resources defined to a depth of 150m

During May and June of this year, Cuesta completed a 14 open and 3 cored drilling campaign totalling 2,040m of drilling, which was combined with approximately 44 historic drill holes to produce the revised resource calculation of the deposit. All holes completed to target depth were geophysically logged.

Coal measures in this region are banded Walloon Coal measures. The Amberley Project deposit is situated along strike extensions of existing known coal deposits and is found in eight seam groups – UNA, UNB, A, B, C, D, E & F. Cuesta's drilling intersected between 2 to 8 seams with individual seam plie thickness varying from 0.1m to 1.9m, sufficient confidence in seam correlation was achieved.

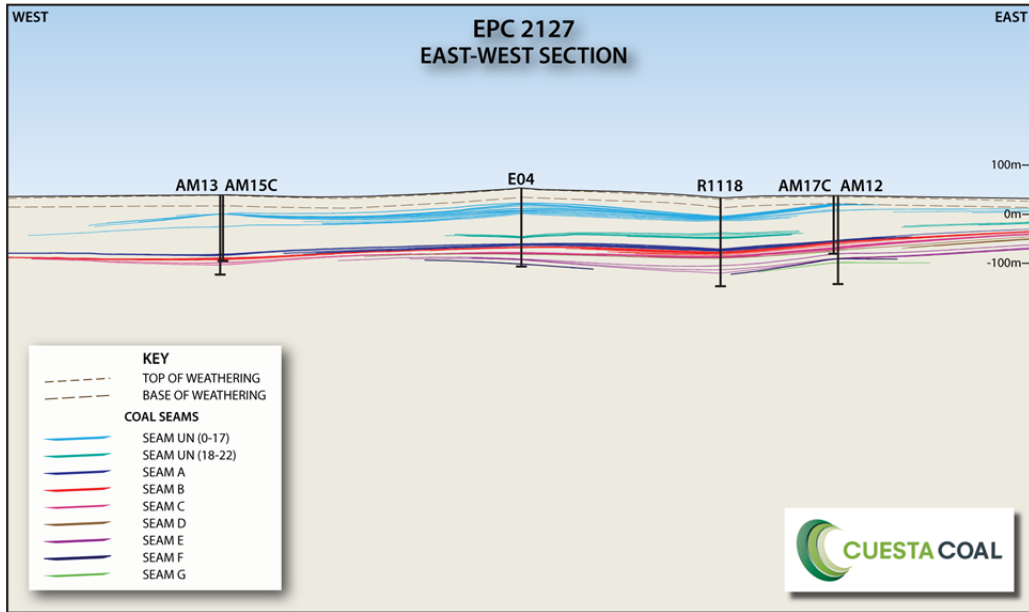


Figure 10: Amberley Deposit East West Section

The location of the coal resource is shown in Figure 12. Raw coal quality (Table 6) is in line with expectations indicating with washing both a domestic and export quality coal could be generated. Future project work will include, step out drilling from the current resource area to expand the resource further, infill drilling to upgrade the resource category and optimise stripping ratios and also large diameter coring to conduct washability tests and assess geotechnical parameters.

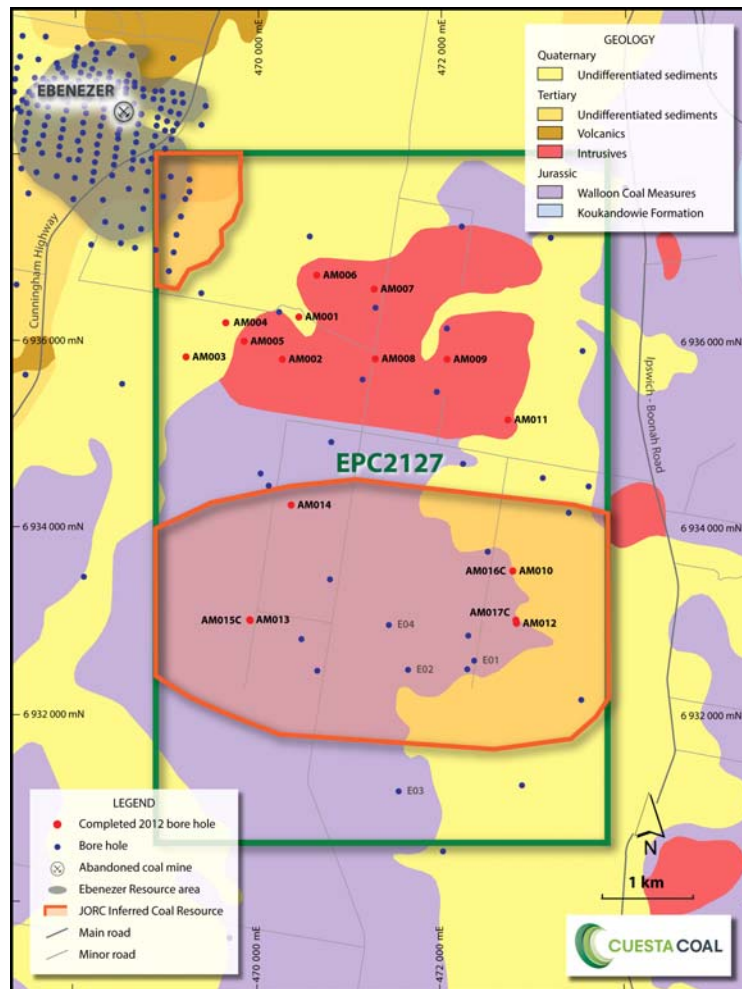


Figure 12: Amberley Deposit Resource Areas

**Table 6: Amberley Deposit Raw Coal Quality Data**

Seam Group	Proximate Analysis (%ad)				Total Sulphur (%ad)	Calorific Value (MJ/kg ad)	Relative Density (g/cc ad)
	Inherent Moisture	Ash	Volatile Matter	Fixed Carbon			
UNA	7.2	42.7	26.8	23.3	0.34	16.14	1.69
UNB	5.4	26.0	34.4	34.2	0.33	22.92	1.51
A	5.4	28.6	34.1	31.9	0.38	21.94	1.52
B	5.6	27.2	33.9	33.3	0.38	22.30	1.52
C	5.0	31.2	34.1	29.8	0.48	20.92	1.57
D	2.2	39.7	30.2	27.9	0.44	18.83	1.64
E	-	-	-	-	-	-	-
F	-	-	-	-	-	-	-

*Raw quality summary based on quality results from drillholes AM015C, AM016C and AM017C*

### 3. JOINT VENTURES

#### 3.1 Joint Venture and Farm-In Agreement with QCI (Galilee) Pty Ltd

- QCI right to earn up to 51% through \$3 million expenditure
- JV for EPCA 2079 & EPCA 2080, over 1,028km<sup>2</sup> in the Eastern Galilee basin
- QCI to manage and develop the tenements with a collaborative JV committee
- Exploration targeting shallow economic deposits of thermal coal

Cuesta has entered into a Joint Venture (JV) with QCI (Galilee) Pty Ltd (QCI), a wholly owned subsidiary of Hancock Prospecting Pty Limited (HPPL), over two coal tenement applications, EPCA 2079 & EPCA 2080, which are located in the Eastern Galilee basin and cover 1,028km<sup>2</sup> (see Figure 14).

Exploration activity in the tenements will target Permian Thermal Coal of the Betts Creek Beds or equivalents. QCI has applications in the vicinity.

Under the terms of the agreement, QCI is able to earn up to a 51% interest in the two tenements through \$3 million of expenditure in two separate tranches. QCI can earn 25% interest through the staged development and expenditure of \$1.5 million and a further 26% through the expenditure of a further \$1.5 million.

The JV is conditional on Cuesta being granted the tenements which are currently under application and are expected to be approved in the coming months. A JV Committee will be established with representation from both companies. Initially, desktop studies will be used to prioritise target areas in the lead up to seismic and drilling activities.

Cuesta retains a 100% interest in four EPC applications and a 90% interest in EPC 1957 in the Eastern Galilee Basin.

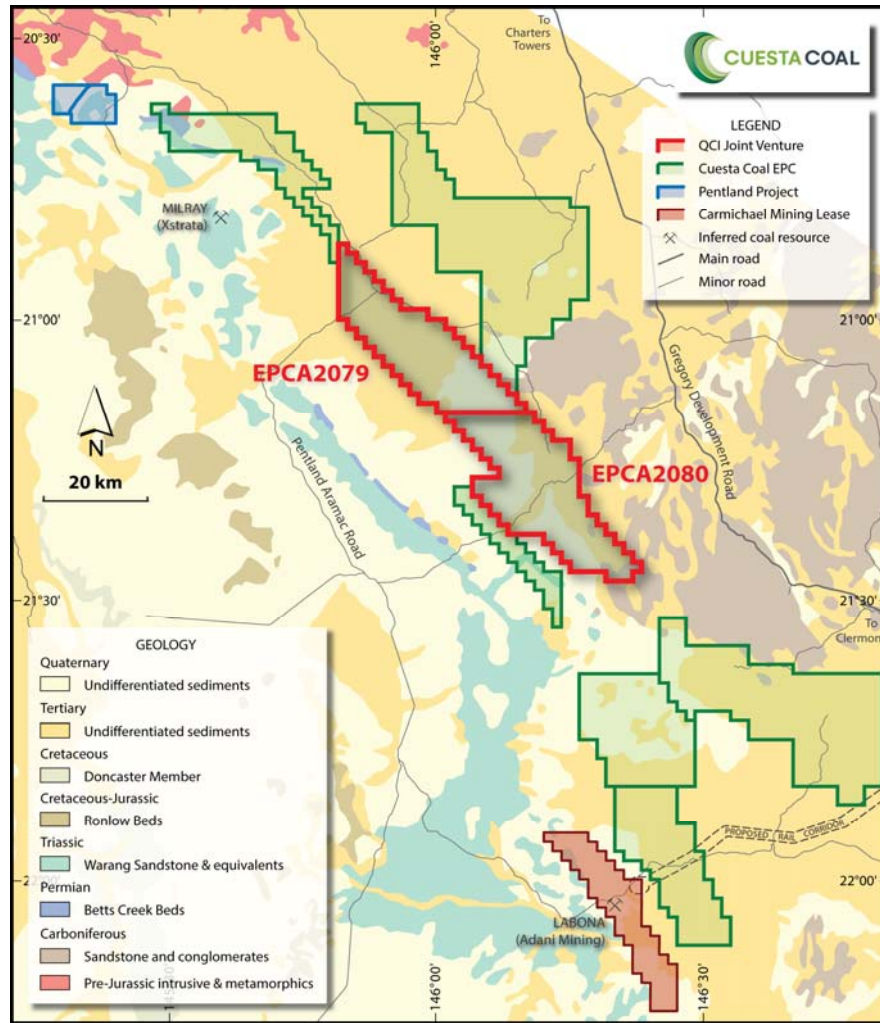


Figure 13: Map of Cuesta and QCI Joint Venture tenements in the Eastern Galilee Basin

#### 4. OTHER PROJECTS ACTIVITY REVIEW

Initial desktop reviews were commenced on the other projects within the Cuesta Coal Portfolio of tenements and this will be an ongoing activity for the company over the coming 6 to 12 months.

The key focus will be at Montrose and Bauple as both of those projects have metallurgical coal potential.

#### 5. TENEMENT GRANTING

The following tenements were granted during the quarter.

- EPC 1891 as part of the West Bowen Project
- EPC 1987 as part of the East Wandoan Project
- EPC 1826 as part of the West Emerald Project
- EPC 2167 as part of the Eromanga Project
- EPC 2168 as part of the Eromanga Project

No new applications for tenure were submitted.





## 6. INFRASTRUCTURE

As stated previously, Cuesta has engaged Balance Resources Pty Ltd to investigate potential infrastructure options, including port, rail, power and water, for its key projects. A full report has been generated outlining options and strategy. As part of this strategy Cuesta has:

- i. Submitted an EOI for 1.2Mtpa allocation at the Port of Brisbane for its Amberley Project
- ii. Aims to enter into an exclusive arrangement to negotiate secondary market port and rail allocation for its Moorlands deposit.

## 7. HEALTH & SAFETY

Cuesta is pleased to report that it continues to maintain its strong commitment to health and safety.

A training matrix has been established and staff members are attending a variety of training courses and will be an ongoing requirement.

## 8. CORPORATE

### 8.1 Financial

During the quarter, Cuesta received a BAS refund of \$469k together with a R & D tax concession of \$205k. Cuesta made payments of \$1.371m for exploration activities and \$536k in administrative expenses.

The total payments for the quarter were approximately \$281k under budget.

At the end of the September 2012 quarter Cuesta had cash and cash equivalents of \$18.266m.

### 8.2 Board Appointment

During the quarter, Cuesta strengthened its Board of Directors with an additional representative of Beijing Guoli, with the appointment of Mr Ruoshui Wang as a Non-Executive Director subject to shareholder approval at the AGM.

Mr. Wang is a senior executive with Beijing Guoli and he has over 15 years' experience managing overseas investments in coal, real estate and agricultural projects.

Mr. Wang has been with Guoli for over 10 years and has held a number of roles including Director of the 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.

Mr. Wang was instrumental in negotiating Guoli's \$20 million investment in Cuesta Coal and has been active in strengthening the relationship between the two Companies which will support Cuesta's ongoing development.

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

Mr. Wang's appointment will take effect following shareholder approval at the company's Annual General Meeting in November.

### 8.3 Vendor Payments

During the last quarter no payments were made to vendors.

The amount of \$2,221,622 (GST exclusive) and \$87,500 (GST exclusive) is payable upon the granting of tenements to ACN Mining and Mining One Investments Pty Ltd.

The \$87,500 (GST exclusive) payment will be paid to Mining One Investments Pty Limited this coming quarter and this will complete that transaction.

## 9. CONTACTS

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## 10. COMPETENT PERSONS STATEMENT

A report entitled 'Moorlands Project (EPC 1738) – Resource Estimate dated August 2012', 'East Wandoan Project JORC Resources dated 2nd February 2012' and 'Amberley Project (EPC 2127) – Resource Estimate' dated 2nd of February 2012, have been compiled 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 Moorlands, East Wandoan and Amberley deposit. 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 Moorlands, East Wandoan and Amberley 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).

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 employed full-time by Cuesta Coal Limited as Exploration Manager. 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.



Sections of information contained in this report that relate to Exploration Results and Targets were compiled or supervised by Brice Mutton, who is a Fellow of the Australasian Institute of Mining and Metallurgy and is Technical Director of Cuesta Coal Limited. Mr Mutton 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 Mutton 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).

## **11. ABOUT CUESTA COAL LIMITED (ASX CODE: CQC)**

Cuesta Coal Limited ("Cuesta") listed on the Australian Stock Exchange on 4th 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 11,000km<sup>2</sup> 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.

# Appendix 5B

## Mining exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10

Name of entity

Cuesta Coal Limited

ABN

36 153 351 994

Quarter ended ("current quarter")

September 2012

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (3 months) \$A'000
1.1 Receipts from product sales and related debtors		
1.2 Payments for (a) exploration & evaluation	(1,371)	(1,371)
(b) development	-	-
(c) production	-	-
(d) administration	(536)	(536)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	250	250
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 GST Refund	469	469
R & D Tax Refund	205	205
	(983)	(983)
<b>Net Operating Cash Flows</b>		
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(4)	(4)
1.9 Proceeds from sale of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
	(4)	(4)
<b>Net investing cash flows</b>		
1.13 Total operating and investing cash flows (carried forward)	(987)	(987)

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(987)	(987)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	<b>Net financing cash flows</b>	-	-
	<b>Net increase (decrease) in cash held</b>	(987)	(987)
1.20	Cash at beginning of quarter/year to date	19,253	19,253
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	18,266	18,266

**Payments to directors of the entity and associates of the directors**  
**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	242
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Payment of Directors' Fees, Executive Directors salaries and consultancy fees payable to Directors' related entities.

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

n/a

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

n/a

**Financing facilities available**

*Add notes as necessary for an understanding of the position.*

+ See chapter 19 for defined terms.



**Appendix 5B**  
**Mining exploration entity quarterly report**

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

**Estimated cash outflows for next quarter**

	\$A'000
4.1 Exploration and evaluation	2,313
4.2 Development	-
4.3 Production	-
4.4 Administration	662
<b>Total</b>	<b>2,975</b>

**Reconciliation of cash**

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	2,215	19,202
5.2 Deposits at call	16,051	51
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>18,266</b>	<b>19,253</b>

**Changes in interests in mining tenements**

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed		Exploration Permit for Coal ("EPC")		
6.2 Interests in mining tenements acquired or increased	EPC 2167	Exploration Permit for Coal ("EPC")	0%	100%
	EPC 2168		0%	100%
	EPC 1826		0%	100%
	EPC 1891		0%	100%
	EPC 1987		0%	90%

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

**Issued and quoted securities at end of current quarter**

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preference securities</b> <i>(description)</i>	Nil	Nil		
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	191,622,713	150,891,074		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	-	-		
7.5 <b>+Convertible debt securities</b> <i>(description)</i>	Nil	Nil		
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> <i>(description and conversion factor)</i>	8,035,718		<i>Exercise price</i>	<i>Expiry date</i>
	50,429,904		\$0.20 per Option	31 December 2015
	600,000		\$0.25 per Option	31 December 2015
7.8 Issued during quarter			\$0.25 per Option	29 October 2015
7.9 Exercised during quarter	-	-		
7.10 Expired during quarter	-	-		

+ See chapter 19 for defined terms.

7.11	<b>Debentures</b> <i>(totals only)</i>	-	-
7.12	<b>Unsecured notes</b> <i>(totals only)</i>	-	

## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here:

(Director)

Date: 29 October 2012

Print name: Matthew P Crawford

## Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.