Cuesta Coal Limited
ACN: 153 351 994

PO Box 2437
Brisbane QLD 4001

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

Tel: +61 7 3327 8100
Fax: +61 7 3870 0076

www.cuestacoal.com.au

11 August 2016

ASX Market Announcements Office
ASX Limited
20 Bridge Street
SYDNEY NSW 2000

Cuesta Coal Limited ACN 153 351 994
ASX Code: CQC

Dear Sir or Madam

Takeover Bid for Cuesta Coal Limited (ASX: CQC): Target's Statement

In accordance with item 14 of subsection 633(1) of the Corporations Act 2001 (Cth), attached is a copy of the target's statement of Cuesta Coal Limited (ACN 153 351 994) (Cuesta) dated 11 August 2016 (Target's Statement) in response to the off-market takeover bid by Longluck Investments (Australia) Pty Ltd ACN 154 567 530 (Longluck), a wholly owned subsidiary of Beijing Guoli Energy Investment Co., Limited, for all the ordinary shares in Cuesta.

The Target's Statement has today been lodged with the Australian Securities and Investments Commission and sent to Longluck.

Dispatch of the Target's Statement to Cuesta's shareholders will be completed today.

Yours faithfully

Lifeng (Laura) Mu
Company Secretary
Cuesta Coal Limited

For further information contact:

Mr Matthew Crawford
Interim Chairman
Cuesta Coal Limited
(07) 3327 8100

Ms Lifeng (Laura) Mu
Company Secretary
Cuesta Coal Limited
(07) 3327 8100

CUESTA COAL

TARGET'S STATEMENT

THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION.

You should read the entire document. If you are in doubt as to what you should do, you should obtain independent advice from your investment, financial, tax or other professional adviser.

Your Cuesta Directors (other than the Longluck Nominee Directors) unanimously recommend that, in the absence of a superior proposal, you

ACCEPT

the Offer by Longluck Investment (Australia) Pty Ltd to acquire all of your Shares in Cuesta Coal Limited for $0.02485 cash per Share.

If you have any questions about the Offer, please call the Offer Information Line established by Longluck Investment (Australia) Pty Ltd on 1300 640 327 (callers within Australia) or +61 3 9415 4035 (callers outside of Australia).

Corporate Adviser

integra ADVISORY

Legal Adviser

THOMSON GEER LAWYERS

Important Notices

Nature of this document

This Target's Statement is dated 11 August 2016 and is given by Cuesta Coal Limited (**Cuesta**) under Part 6.5 Division 3 of the Corporations Act in response to the Replacement Bidder's Statement by Longluck Investment (Australia) Pty Ltd (**Longluck**) dated 28 July 2016.

Cuesta Shareholder information

If Cuesta Shareholders have any queries in relation to Longluck's Offer, they may call the Cuesta Shareholder Information Line established by Longluck on 1300 640 327 (callers within Australia) or +61 3 9415 4035 (callers outside of Australia).

ASIC and ASX disclaimer

A copy of this Target's Statement has been lodged with ASIC and ASX. None of ASIC or ASX, nor any of their respective officers, takes any responsibility for the contents of this Target's Statement.

Defined terms and interpretation

Capitalised terms used in this Target's Statement are defined in Section 15 of this Target's Statement. Section 15 also sets out some rules of interpretation which apply to this Target's Statement.

No account of personal circumstances

This Target's Statement should not be taken as personal financial, investment or tax advice, as each Shareholder's deliberations and decision will depend upon their own financial situation, tax position, investment objectives and particular needs.

Your Cuesta Directors encourage you to read this Target's Statement in its entirety and obtain independent advice from your investment, financial, tax or other professional adviser before making a decision whether or not to accept the Offer.

Forward looking statements

Some of the statements in this Target's Statement may be in the nature of forward looking statements. All statements other than statements of historical fact are forward looking statements. You should be aware that forward looking statements are only predictions and are inherently subject to uncertainties, in that they may be affected by a variety of known and unknown risks, variables and other important factors, many of which are beyond the control of Cuesta. Actual values or results, performance or achievements may differ materially from those expressed or implied by such statements. The risks, variables and other factors that may affect the forward looking statements include matters specific to the sectors in which Cuesta operates, as well as economic and financial market conditions; legislative, fiscal or regulatory developments; and risks associated with the business and operations of Cuesta.

None of Cuesta, any of its officers or employees, nor any person named in this Target's Statement with their consent, or any person involved in the preparation of this Target's Statement, makes any representation or warranty, (express or implied), or gives any assurance as to the accuracy or likelihood of fulfilment of any forward looking statements, or any events or results expressed or implied in any forward looking statements, except to the extent required by law. You are cautioned not to place undue reliance on any such statements. The forward looking statements in this Target's Statement reflect views held only as at the date of this Target's Statement.

Information on Longluck

All of the information concerning Longluck contained in this Target’s Statement has been obtained from publicly available sources including public documents filed by Longluck. None of the information in this Target’s Statement relating to Longluck has been verified by Longluck or independently verified by Cuesta or its Directors for the purposes of this Target’s Statement. Accordingly, to the extent permitted by law, Cuesta makes no representation or warranty, (either express or implied), as to the accuracy or completeness of this information. The information on Longluck in this Target’s Statement should not be considered comprehensive.

Foreign jurisdictions

The release, publication or distribution of this Target’s Statement in jurisdictions other than Australia may be restricted by law or regulation in such other jurisdictions, and persons who come into possession of it should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws or regulations. This Target’s Statement has been prepared in accordance with Australian law, and the information contained in this Target’s Statement may not be the same as that which would have been disclosed if this Target’s Statement had been prepared in accordance with the laws and regulations outside Australia.

Charts and diagrams

Any diagrams, charts, graphs and tables appearing in this Target’s Statement are illustrative only and may not be drawn to scale. Unless stated otherwise, all data contained in diagrams, charts, graphs and tables is based on information available at the date of this Target’s Statement.

Privacy

Cuesta has collected your information from the register of Cuesta Shareholders for the purpose of providing you with this Target's Statement. The type of information Cuesta has collected about you includes your name, contact details and information on your shareholding (as applicable) in Cuesta. Without this information, Cuesta would be hindered in its ability to issue this Target's Statement. The Corporations Act requires the name and address of Shareholders to be held in a public register. Your information may be disclosed on a confidential basis to external service providers (including the Cuesta Share Registry and print and mail service providers) and may be required to be disclosed to regulators such as ASIC.

Further information on your shareholding

If you would like details of information about Shares you hold in Cuesta, please contact the Cuesta Share Registry on 1300 855 080 (within Australia) or +61 3 9415 4000 (outside Australia).

Further information relating to the Offer can be obtained from the Cuesta website at www.cuestacoal.com.au.

Table of Contents

Key Dates

Offer Period opens	1 August 2016
Date of this Target's Statement	11 August 2016
Offer Period closes (unless extended or withdrawn)	5 September 2016

Letter from Cuesta's Chairman

11 August 2016

Dear Shareholder,

Longluck's Offer

On 6 July 2016, Cuesta announced an off-market takeover offer by Longluck Investment (Australia) Pty Ltd (**Longluck**) to acquire all of the Cuesta Shares on issue in which Longluck does not already have a Relevant Interest, for cash consideration of $0.02485 per Share (the **Offer**).

Longluck has been a longstanding Shareholder in Cuesta with its parent company, Beijing Guoli Energy Investment Co. Ltd, making an initial investment in Cuesta in 2011 prior to the IPO of Cuesta in 2012. Subsequently Longluck has supported Cuesta by participating in two further capital raisings, in 2013 and 2014 and provided loan funding during 2015 and 2016.

With a 53.42% Shareholding in Cuesta prior to the date of the Offer, Longluck has effective control of Cuesta.

Independent Board Committee

For the purpose of evaluating and responding to the Offer, Cuesta established an independent board committee (**IBC**). The IBC is comprised of the Directors who are independent of and not a nominee of Longluck, being Matthew Crawford and Chunhui Tian. Cuesta appointed Integra Advisory as corporate adviser and Thomson Geer as legal adviser to advise the IBC in relation to the Offer.

Independent Expert

Because of the level of Longluck's pre-Offer shareholding, it was a requirement of the Corporations Act that an independent expert be appointed to prepare a report to opine on the Offer. Cuesta appointed BDO Corporate Finance (East Coast) Pty Ltd (the **Independent Expert**) and Xstract Mining Consultants Pty Ltd (the **Specialist**).

The Independent Expert has opined on whether the Offer is fair and reasonable to Shareholders (other than Longluck and its Associates) and prepared a report for Shareholders (the **Independent Expert's Report**). A copy of the Independent Expert's Report is included in Annexure A of this Target's Statement.

The Independent Expert has concluded that the Offer is fair and reasonable to Shareholders not associated with Longluck. As outlined in section 8 of the Independent Expert's Report, an offer is 'fair' if the value of the offer price or consideration is equal to or greater than the value of the securities subject to the offer. The Independent Expert has determined the fair market value of a Cuesta Share before the Offer (on a controlling interests basis) to be between $0.01103 and $0.05281. Accordingly, the Offer from Longluck falls within this range and is therefore considered 'fair'. As outlined in section 9 of the Independent Expert's Report, an offer is 'reasonable' if it is fair. Consequently the Independent Expert has formed the opinion that the Offer is both fair and reasonable.

IBC Recommendation

The IBC has carefully considered the Offer and unanimously recommends that you ACCEPT the Offer, subject to there being no superior proposal.

Your Cuesta Directors will accept, or procure the acceptance of, the Offer in respect of the Cuesta Shares that they or their associates own or control or otherwise have a Relevant Interest in, subject to there being no superior proposal.

In making its recommendation, the IBC has carefully considered the following matters:

- the Independent Expert has concluded that the Offer is fair and reasonable to Cuesta Shareholders not associated with Longluck;
- the cash Offer of $0.02485 per Share represents a significant premium to the recent trading price of Cuesta Shares on ASX up to and including 10 June 2016 which was the last trading day on ASX prior to Cuesta's Shares being placed in trading halt, prior to the announcement of the Offer, including:

  - a 69% premium to the 1-month volume weighted average price of $0.0147 per Share; and
  - a 107% premium to the 3-month volume weighted average price of $0.0120 per Share;
- Cuesta Shareholders are being offered certainty of value through the 100% cash consideration;
- as at the date of this Target's Statement, no superior proposal has emerged; and
- there are risks in not accepting the Offer, including if Longluck does not become entitled to proceed to compulsory acquisition and if no superior proposal emerges, the price of Cuesta Shares will likely trade below the Offer Price of $0.02485 per Share.

See Section 9 of this Target's Statement for more details of these risk factors.

The IBC recommends that you read this Target's Statement (including the Independent Expert's Report contained in Annexure A) in its entirety and in conjunction with the Replacement Bidder's Statement you have received from Longluck.

If you wish to accept the Offer, you should follow the instructions in the Replacement Bidder's Statement and on the Acceptance Form. The Offer is scheduled to close at 7:00pm (Sydney time) on 5 September 2016, unless extended or withdrawn.

If you have any questions in relation to the Offer, I encourage you to seek independent advice from your investment, financial, tax or other professional adviser, or contact the Shareholder Information Line established by Longluck on 1300 640 327 (callers within Australia) or +61 3 9415 4035 (callers outside of Australia).

I would also like to take this opportunity to thank you for your support of Cuesta.

Yours sincerely,

Matthew Crawford
Interim Chairman
Cuesta Coal Limited

1 Independent Directors' of Cuesta

1.1 Directors of Cuesta

The directors of Cuesta as at the date of this Target Statement are Matthew Crawford (Chairman), Chunhui Tian, Ruoshui Wang and Guoqiang Luo.

Ruoshui Wang and Guoqiang Luo are nominees of Longluck (**Longluck Nominated Directors**). As such, the Longluck Nominated Directors are not independent of Longluck. For this reason, the Longluck Nominated Directors have not participated in the consideration of the Offer and believe it is inappropriate to make a recommendation in respect of the Offer.

Therefore, the independent Directors of Cuesta are Matthew Crawford and Chunhui Tian (**Independent Directors**).

1.2 The IBC

The directors of Cuesta established the IBC, comprising the Independent Directors, to evaluate and respond to the Offer.

2 Reasons You Should ACCEPT the Offer

The IBC has considered the advantages and disadvantages of the Offer and the Independent Directors unanimously recommend that you ACCEPT the Offer made to you unless a superior proposal emerges. The reasons for this recommendation are:

1	The Independent Expert has concluded that the Offer is **fair and reasonable** to Cuesta Shareholders not associated with Longluck
2	The Offer Price represents a significant premium to the recent trading price of Cuesta Shares on ASX prior to the announcement of the Offer
3	The Offer provides certainty of value through 100% cash consideration
4	The Offer has the unanimous support of the Independent Directors
5	No superior proposal has emerged
6	If Longluck does not become entitled to proceed to compulsory acquisition and if no superior proposal emerges, the price of Cuesta Shares will likely trade below the Offer Price of $0.02485 per Share
7	There are other risks in not accepting the Offer, including potential issues associated with Cuesta's high level of debt and ability to service or repay this debt

The Directors acknowledge that there are risks associated with holding Cuesta Shares, which are highlighted in Section 9 of this Target's Statement.

2.1 The Independent Expert has concluded that the Offer is fair and reasonable

Cuesta appointed the Independent Expert to prepare the Independent Expert's Report in connection with the Offer.

The Independent Expert has assessed the value of a Cuesta Share prior to the Offer, on a controlling interest basis, to be in the range of $0.01103 and $0.05281. The Offer of $0.02485 per Share falls within the valuation range as assessed by the Independent Expert.

The Independent Expert has therefore concluded that the Offer is **fair** to Cuesta Shareholders not associated with Longluck.

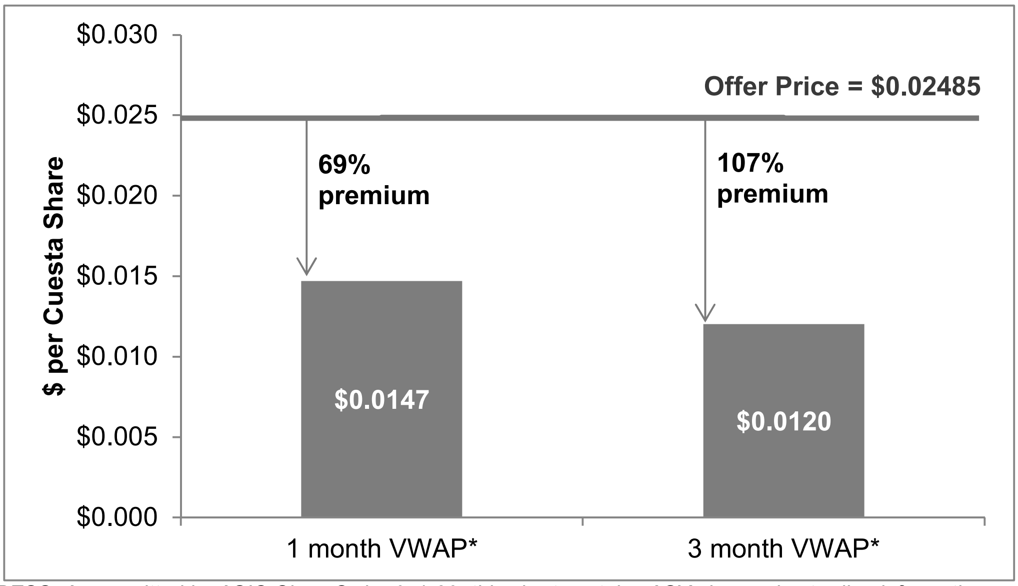
As outlined in section 9 of the Independent Expert's Report, an offer is 'reasonable' if it is fair. Consequently, in addition to concluding that the Offer is fair, the Independent Expert has concluded that the Offer is **reasonable** to Cuesta Shareholders not associated with Longluck**.** A summary of the factors considered in the reasonableness assessment is included in section 9 of the Independent Expert's Report.

The Independent Expert's Report is contained in Annexure A.

2.2 The Offer Price represents a significant premium to the recent trading price of Cuesta Shares prior to the announcement of the Offer

The 100% cash Offer represents a significant premium to the levels at which Cuesta Shares were trading on ASX prior to the announcement of the Offer. The Offer Price of $0.02485 cash per Share represents a premium to the volume-weighted average price (**VWAP**) of Shares across various periods to 10 June 2016, which was the last trading day on ASX prior to Cuesta's Shares being placed in trading halt prior to the announcement of the Bid Implementation Agreement, as shown in Figure 1.

Figure 1: Volume weighted average prices of Cuesta Shares versus Offer Price



Source: IRESS. As permitted by ASIC Class Order 07/429, this chart contains ASX share price trading information sourced from IRESS Limited who has not consented to the use of the reference to this trading information in the Target's Statement.
** Up to and including 10 June 2016, being the last trading day on ASX prior to Cuesta's Shares being placed in trading halt prior to the date the Offer was announced.*

2.3 The Offer provides certainty of value through 100% cash consideration

The all-cash Offer Price of $0.02485 per Share provides Cuesta Shareholders the opportunity to realise cash for their Cuesta Shares if the Offer becomes Unconditional.

If you accept the Offer and the Offer becomes Unconditional, the cash consideration in the form of a cheque (less any withholding tax referred to in clause 6.3 of Part 1of the Bidders Statement) will be mailed to you by the earlier of:

- 21 days after the end of the Offer Period; and
- one month after the Offer is accepted by you.

In addition, by accepting the Offer, you will not incur brokerage fees, which may otherwise be incurred if you were to sell your Cuesta Shares on market.

2.4 The Offer has the unanimous recommendation of the Independent Directors

The Independent Directors have carefully considered the Offer and unanimously recommend that Cuesta Shareholders ACCEPT the Offer, subject to there being no superior proposal.

The Directors will ACCEPT, or procure the acceptance of, the Offer in respect of any Shares in Cuesta that they, or their Associates, own or control or otherwise have a Relevant Interest in, subject to there being no superior proposal in accordance with the terms of the Bid Implementation Agreement.

2.5 No superior proposal to the Offer has emerged

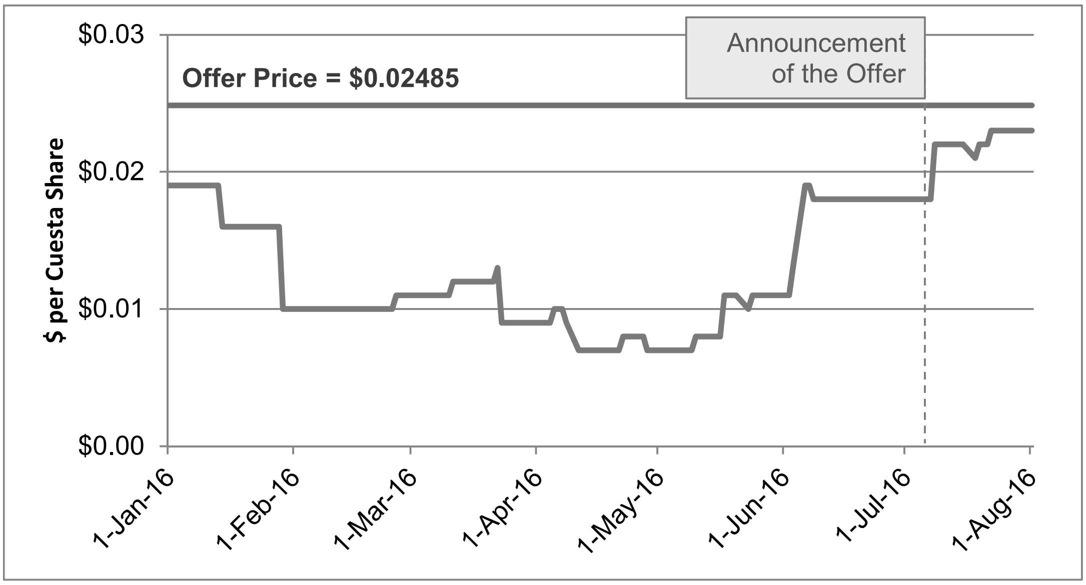
As at the date of this Target's Statement, the Cuesta Directors have not received any alternative or superior proposals from a third party.

2.6 If Longluck does not become entitled to proceed to compulsory acquisition, and no superior proposal emerges, the price of Cuesta Shares will likely trade below the Offer Price of $0.02485 cash per Share offered by Longluck

If Longluck does not acquire all of the Cuesta Shares and no superior proposal is received by Cuesta, the Independent Directors believe that Cuesta's Share price may fall to levels significantly below the Offer Price.

Cuesta's Share price, both prior to and after the Offer was announced up to and including 1 August 2016, is shown in the chart below along with the Offer Price.

Figure 2: Trading history of Cuesta Shares and the value of the Offer



Source: IRESS. As permitted by ASIC Class Order 07/429, this chart contains ASX share price trading information sourced from IRESS who has not consented to the use of the reference to this trading information in the Target's Statement.

2.7 There are other risks in not accepting the Offer

If you retain your Cuesta Shares, you will continue to be exposed to the risks associated with being a Cuesta Shareholder.

The risks in not accepting the Offer include, but are not limited to, any potential issues associated with Cuesta's high level of debt.

Cuesta has a number of loans in place which have been provided by Longluck, totalling in excess of $5.8 million and due for repayment from November 2016. In conjunction with the Bid Implementation Agreement, Longluck has agreed to loan an additional amount of $500,000 to cover the reasonable outgoings of the Company in relation to the Offer for the three month period commencing 1 July 2016. Refer to Section 7 for further details of the loans to Longluck and the financial position of Cuesta.

To the extent the Offer does not proceed, there is no guarantee that the Company will be able to secure additional funding in order to repay its existing loans, or to fund future capital requirements, or it may only be able to do so on less favourable terms.

Furthermore, the Offer is subject to a number of Conditions, including the minimum acceptance Condition that Longluck acquire a Relevant Interest in at least of 90% of the Cuesta Shares. If Longluck were to waive the minimum acceptance Condition, then it is possible that Longluck may increase its shareholding in Cuesta without Longluck having the ability to compulsorily acquire the remaining Cuesta Shares.

For further information on the risks associated with not accepting the Offer, refer to Section 9 of this Target's Statement.

3 Offer Considerations and Risks

This Section sets out some reasons why Shareholders may choose not to follow the unanimous recommendation of the Independent Directors to accept the Offer and instead decline to accept the Offer.

3.1 Possible reasons not to accept the Offer

(a) You may disagree with the recommendation of the Independent Directors and the Independent Expert's conclusion

You may hold a different view to the Independent Directors and the Independent Expert and believe that the Offer Price of $0.02485 per Share is inadequate.

(b) You may wish to remain a Cuesta Shareholder

If you accept the Offer and the Offer becomes Unconditional, you will no longer be entitled to participate in the future financial performance of Cuesta, or exercise the rights (including voting rights) of being a Cuesta Shareholder.

(c) The tax consequences of acceptance of the Offer may not be favourable to you given your financial position

Acceptance of the Offer by Cuesta Shareholders is likely to have tax implications. You should carefully read and consider the potential Australian taxation consequences of accepting the Offer as set out in Part 1 Section 6 of the Replacement Bidder's Statement. Cuesta Shareholders should not rely on the taxation considerations set out in Part 1 Section 6 of the Replacement Bidder's Statement as being advice on their own affairs. Shareholders should consult with their own independent taxation advisers regarding the taxation implications of accepting the Offer given their particular circumstances.

(d) You may consider that there is the potential for a superior proposal to be made for Cuesta Shares

It is possible that a superior proposal to the Offer could materialise in the future. However, as at the date of this Target's Statement, no alternative proposal has been received.

3.2 Risks associated with accepting the Offer

(a) You will only receive the cash consideration if all the Conditions are satisfied or waived

The Offer is subject to the Conditions, as described in Part 2 of Section 7 of the Replacement Bidder's Statement and Section 11 of this Target's Statement. All Conditions must be satisfied or waived by Longluck before Cuesta Shareholders who accept the Offer will receive the cash consideration. If you accept the Offer and any Condition is not satisfied or waived, Longluck will not acquire your Cuesta Shares and you will not receive the cash consideration. In the meantime, Cuesta Shareholders who accept the Offer will be unable to trade their Cuesta Shares, or withdraw their acceptance (other than in accordance with their statutory rights).

(b) If a superior proposal is announced you will not be able to withdraw your acceptance of the Offer

If a superior proposal to the Offer is announced, Cuesta Shareholders who accept the Offer will not be able to withdraw their acceptance of the Offer and accept a superior proposal unless:

- the Offer is still subject to a Condition; and
- the Offer is varied in a way that postpones, for more than one month, the time when Longluck must meet its obligations under the Offer; or
- the Offer lapses while still subject to a Condition, or is withdrawn.

At the date of this Target's Statement, the Independent Directors are not aware of any superior proposal.

4 Independent Directors' Recommendation

4.1 Independent Directors' recommendation

Your Independent Directors unanimously recommend that you ACCEPT the Offer in the absence of a superior proposal. Your Independent Directors further recommend that you do this promptly to ensure that your acceptance is received before 7:00pm (Sydney time) on 5 September 2016. You should not assume that the Offer Period will be extended.

In considering whether to accept the Offer, the Independent Directors encourage you to:

- read and carefully consider the whole of this Target's Statement and the Replacement Bidder's Statement;
- have regard to your individual risk profile, portfolio strategy, tax position and financial circumstances; and
- obtain independent advice from your investment, financial, tax or other professional adviser on the effect of accepting the Offer.

4.2 Your Independent Directors' reasons for their recommendation

Your Independent Directors' reasons for their above recommendation are set out in Section 2 of this Target's Statement.

4.3 Intentions of the Independent Directors in relation to the Offer

Each of the Independent Directors intends to ACCEPT, or procure the acceptance of, the Offer in respect of the Cuesta Shares that they or their Associates own or control or otherwise have a Relevant Interest in, subject to there being no superior proposal in accordance with the requirements of the Bid Implementation Agreement. Details of the interest of each Cuesta Director in Cuesta Shares are set out in Section 12 of this Target's Statement.

5 Summary of the Offer and Your Choices as a Shareholder

5.1 Summary of the Offer

Longluck is offering to acquire all of your Cuesta Shares. The Offer Price is $0.02485 cash for each Cuesta Share.

5.2 Your choices as a Cuesta Shareholder

As a Cuesta Shareholder you have three choices currently available to you:

(a) Accept the Offer

Cuesta Shareholders may elect to accept the Offer in respect of their Cuesta Shares. If the Offer becomes Unconditional, Shareholders will receive $0.02485 cash consideration for each Share for which a valid acceptance has been received.

Additional details of the Offer are set out in Section 10 of this Target's Statement. Part 2 Section 3 of the Replacement Bidder's Statement contains details of how to accept the Offer.

As at the date of this Target's Statement, Longluck is offering $0.02485 cash for each Cuesta Share you hold. In accordance with the Corporations Act, if Longluck improves the consideration under the Offer, all Cuesta Shareholders, whether or not they have accepted the Offer at that time, will be entitled to receive the improved consideration.

(b) Sell your Cuesta Shares on market

Cuesta Shareholders may elect to sell some or all of their Cuesta Shares on ASX if they have not already accepted the Offer in respect of those Cuesta Shares.

The price you will receive for your Cuesta Shares will depend on the prevailing market price of the Cuesta Shares at the time of sale. You should be aware that the market price of Cuesta Shares may rise or fall throughout the Offer Period and following the close of the Offer. You should also note that:

- you will need to pay any brokerage fees which may be payable on such a sale; and
- you will not benefit from any increase in the price payable under the Offer or from any alternative offer made by another bidder for your Cuesta Shares, if such an offer is made.

The latest price for Cuesta Shares may be obtained from the ASX website at www.asx.com.au.

Cuesta Shareholders who wish to sell their Cuesta Shares on ASX should contact their broker for information on how to effect that sale.

(c) Do nothing

Cuesta Shareholders who do not wish to accept the Offer or sell their Cuesta Shares on market can do nothing.

Cuesta Shareholders should note that if the Offer becomes Unconditional and Longluck has a Relevant Interest in at least 90% of the Cuesta Shares during or at the end of the Offer Period, Longluck has indicated that it intends to compulsorily acquire the Cuesta Shares that Longluck does not already own. In that situation, you may be paid for your Cuesta Shares later than Cuesta Shareholders who accept the Offer.

6 Frequently Asked Questions

This Section answers some commonly asked questions about the Offer. It is not intended to address all relevant issues for Shareholders. This Section should be read together with all other parts of this Target's Statement and the Replacement Bidder's Statement.

Question	Answer
The Offer	
What is being offered to me?	Longluck is offering $0.02485 cash for each Cuesta Share held by you. You may only accept the Offer in respect of all of the Cuesta Shares held by you.
What are the Independent Directors recommending?	The Independent Directors unanimously recommend that you ACCEPT the Offer, subject to there being no superior proposal. The reasons for your Directors' recommendation are set out in Section 2 of this Target's Statement.
What do the Directors intend to do with their Cuesta Shares?	Each Director intends to accept or procure the acceptance of the Offer in respect of the Cuesta Shares they own or control unless a superior proposal emerges.
What is the opinion of the Independent Expert?	Cuesta engaged BDO to provide an Independent Expert's Report. BDO has assessed the value of Cuesta between $0.01103 and $0.05281 per Share and concluded that the Offer is **fair and reasonable** to Cuesta Shareholders who are not associated with Longluck. See Annexure A of this Target's Statement for the full Independent Expert's Report.
When will I receive payment if I accept the Offer?	If you accept the Offer and the Offer becomes Unconditional, the cash consideration in the form of a cheque (less any withholding tax referred to in clause 6.3 of Part 1of the Bidders Statement) will be mailed to you by the earlier of: • 21 days after the end of the Offer Period; and • one month after the Offer is accepted by you.
What are the Conditions to the Offer?	The Offer is conditional upon the satisfaction of the Conditions. These Conditions include that Longluck acquire a Relevant Interest in at least 90% of Cuesta's Shares on issue before the end of the Offer Period. Details of the Conditions are set out in full in Part 2 Section 7 of the Replacement Bidder's Statement and summarised in Section 11 of this Target's Statement. A summary of the key terms of the Bid Implementation Agreement is contained in Part 1 Section 7.2 of the Replacement Bidder's Statement.
What happens if the Conditions are not satisfied or waived?	If the Conditions are not satisfied or waived, the Offer will lapse and any acceptances will be cancelled. You would then retain or be free to sell your Cuesta Shares even if you had accepted the Offer.
When does the Offer close?	The Offer is presently scheduled to close at 7:00pm (Sydney time) on 5 September 2016 (unless extended or withdrawn). Section 10(e) of this Target's Statement provides further details regarding the circumstances in which the Offer Period can be extended.
Can Longluck extend the Offer?	Yes, Longluck can extend the Offer in accordance with the Corporations Act. However, Longluck has no obligation to do so.

Question	Answer
Options for Cuesta Shareholders	
What choices do I have as a Shareholder?	As a Shareholder, you have the following choices in respect of your Shares: • accept the Offer in respect of all of your Cuesta Shares; • sell your Cuesta Shares on ASX (unless you have previously accepted the Offer made to you and you have not validly withdrawn your acceptance); or • do nothing in relation to the Offer. If you have already sold all your Cuesta Shares, no action is required. There are several implications in relation to each of the choices above. A summary of the key implications is set out in Section 5 of this Target's Statement.
How to respond to the Offer	
How do I accept the Offer?	To accept the Offer, you should follow the instructions set out in Part 2 Section 3 of the Replacement Bidder's Statement and printed on the Acceptance Form that accompanies the Replacement Bidder's Statement.
How do I reject the Offer?	To reject the Offer, you should do nothing. If you decide to do nothing, you should be aware of the rights of Longluck to compulsorily acquire your Shares in certain circumstances. Refer to Section 11(c) of this Target's Statement for more information on compulsory acquisition.
Can I accept the Offer for part of my shareholding?	No. You cannot accept the Offer for part of your shareholding. You may only accept the Offer made to you for all of the Cuesta Shares held by you.
Can I sell my Shares on-market?	You can sell all or some of your Shares on ASX unless you have accepted the Offer in respect of those Shares. If you sell your Shares on ASX: • you may incur brokerage charges; • you will lose the ability to accept the Offer or any other offer which may eventuate; • you may receive more or less for your Shares than the Offer Price; and • you will be paid on the second Business Day after the sale.
What are the consequences of accepting the Offer now?	By accepting the Offer whilst it remains subject to Conditions, you will: • give up your right to sell any Cuesta Shares you hold on the ASX; and • give up your right to otherwise deal with any Cuesta Shares you hold whilst the Offer remains open. If you accept the Offer made to you and it becomes Unconditional, you will receive $0.02485 for each Cuesta Share you hold.
If I accept the Offer now, can I withdraw my acceptance?	You can only withdraw your acceptance in limited circumstances, which are if Longluck varies the Offer in a way that postpones, for more than one month, the time at which Longluck needs to meet its obligations under the Offer. See Section 10(f) of this Target's Statement for more details.
What are the tax implications of	A general outline of the tax implications of accepting the Offer is set out in Part 1 Section 6 of the Replacement Bidder's Statement.

Question	Answer
accepting the Offer?	As the outline is general in nature, you should consult your taxation adviser for detailed taxation advice before making a decision as to whether or not to accept the offer.
Do I pay brokerage if I accept?	No brokerage or stamp duty will be payable as a result of your acceptance of the Offer.
What happens if I do nothing?	You will remain a Cuesta Shareholder. However, Longluck has stated that if it becomes entitled to compulsorily acquire Cuesta Shares, it may do so. See Section 11(c) of this Target's Statement for more details.
Other Questions	
What is the Replacement Bidder's Statement?	The Replacement Bidder's Statement was prepared by Longluck and describes the terms of the Offer for your Cuesta Shares and other information that Longluck considers relevant to your decision as to whether or not to accept the Offer made to you. You should read the Replacement Bidder's Statement together with this Target's Statement in their entirety and, if required, obtain independent advice from your investment, financial, tax or other professional adviser.
What is the Target's Statement?	This Target's Statement is the formal response by the Cuesta IBC to the Offer, as required by the Corporations Act. This document has been prepared by Cuesta and contains important information to help you decide whether or not to accept the Offer.
Is there a number that I can call if I have further queries in relation to the Offer?	If you have any further questions about the Offer, please contact the Shareholder Information Line which has been established by Longluck on 1300 640 327 (callers within Australia) or +61 3 9415 4035 (callers outside of Australia).

7 Information Relating to Cuesta

7.1 Overview of Cuesta

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 targeting first coal production from its flagship Moorlands Project within a 3 year timeframe. As at the date of this Target's Statement, Cuesta has two employees, following the redundancies of a number of employees including Matthew Crawford, Keith McKnight and Ruoshui Wang announced to the ASX on 25 July 2016. The employees are assisted by two specialised consultants to maintain the tenements of the Company, which are set out in Section 7.4.

7.2 Cuesta project overview

This section provides an overview of Cuesta's key projects. Further information in relation to Cuesta and its projects is included in the Independent Expert's Report at Annexure A.

(a) 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 Mining Lease Application process is currently underway for the project.

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

(b) EASTERN GALILEE

Cuesta's Eastern Galilee Project is located mid-way between Charters Towers and Hughenden in Queensland, along the eastern margin of the Galilee Basin. Cuesta is targeting thermal coal in the Late Permian Betts Creek Beds.

(c) WEST EMERALD

The West Emerald project is located 25 kilometres west and northwest of the town of Emerald, in the Denison Trough. Cuesta is targeting Reid's Dome Bed Coal Measures containing thermal and Pulverized Coal Injection (PCI) coals, specifically in extensions of major deposits in the area being Rio Tinto's Valeria deposit and Shenhuo Group's Taroborah deposit.

(d) OTHER PROJECTS

(1) AMBERLEY

The Amberley project is located approximately eight kilometres south east of the Jeebropilly Coal Mine and five kilometres from the formerly producing Ebenezer Mine, which has produced both domestic and export quality thermal coal.

(2) THORN HILL

This is located in the Surat Basin, approximately 25 kilometres northeast of Wandoan.

7.3 Wellington Dispute

On 17 June 2016 Cuesta announced that on 13 June 2016 it was served with a notice of claim filed in the Supreme Court of Queensland in respect of the Wellington Dispute. The IBC refers Cuesta

Shareholders to the 17 June 2016 ASX announcement for additional information regarding the Wellington Dispute.

On 12 July 2016 Cuesta lodged a formal defence to the Wellington Dispute in the Supreme Court of Queensland which was consistent with the ASX announcement dated 17 June 2016.

7.4 List of Tenements

Table 1: CQC Tenements

Tenement	Project	Location (QLD)	Cuesta interest owned
EPC 775	Moorlands	Bowen Basin	100%
EPC 776	Moorlands	Bowen Basin	100%
EPC1738	Moorlands	Bowen Basin	100%
EPC 1891	Moorlands	Bowen Basin	100%
EPC 2008	Moorlands	Bowen Basin	100%
EPC 2013	Moorlands	Bowen Basin	100%
EPC 1955	East Wandoan	Surat Basin	90%
EPC 2237	East Wandoan	Surat Basin	100%
EPC 1987	East Wandoan	Surat Basin	90%
EPC 1802	Eastern Galilee	Galilee Basin	100%
EPC 1983	Eastern Galilee	Galilee Basin	100%
EPC 1957	Eastern Galilee	Galilee Basin	90%
EPC 2079	Eastern Galilee	Galilee Basin	100%
EPC 2080	Eastern Galilee	Galilee Basin	100%
EPC 2689	Eastern Galilee	Galilee Basin	100%
EPC 1821	West Emerald	Bowen Basin	100%
EPC 1977	West Emerald	Bowen Basin	100%
EPC 2323	West Emerald	Bowen Basin	100%
EPC 1825	West Emerald	Bowen Basin	100%
EPC1826	West Emerald	Bowen Basin	100%
EPC 1868	West Emerald	Bowen Basin	100%
EPC 2093	West Emerald	Bowen Basin	100%
EPC 2127	Amberley	Clarence-Moreton Basin	100%
EPC 2128	Montrose	Styx / Bowen Basin	100%
EPC 1809	Callide	Callide Basin	100%

7.5 Cuesta financial information

The unaudited financial results of Cuesta for the financial year ended 30 June 2016 and the audited financial results of Cuesta for the financial year ended 30 June 2015 are summarised in Table 2 below.

Table 2: Financial Performance

INCOME STATEMENT FOR THE PERIOD ENDED 30 JUNE		
	2016	**2015**
	$'000s	**$'000s**
	(unaudited)	**(audited)**
Other income	53	985
Expenses:		
Auditor's remuneration	(84)	(131)
Depreciation and amortisation expense	(44)	(68)
Director's fees	(170)	(311)
Employee expenses	(2,296)	(1,530)
Finance costs	(306)	(83)
Insurance expenses	(79)	(59)
Occupancy expenses	(41)	(65)
Share based payments	(43)	(273)
Travel expenses	(121)	(245)
Write off of intangible asset	0	(1,575)
Other expenses	(2,085)	(321)
Loss before income tax	**(5,216)**	**(3,676)**
Income tax expense	0	0
Loss after tax for the year	**(5,216)**	**(3,676)**

We note the following in relation to the financial performance of Cuesta:

- other income in 2016 relates to interest received from cash and cash equivalents;
- employee expenses in 2016 include redundancy costs associated with the recent redundancies;
- finance costs in 2016 relate to the interest expense incurred on the $5.5 million of loans outstanding to Longluck (refer Table 3);
- the write off of intangible assets in 2015 relates to costs incurred for port and rail reservation; and
- other expenses in 2016 include write-offs of exploration expenditure for EPCs not renewed or relinquished.

The unaudited balance sheet of Cuesta as at 30 June 2016 and the audited balance sheet of Cuesta Coal as at 30 June 2015 is summarised in Table 3 below.

Table 3: Financial Position

BALANCE SHEET AS AT 30 JUNE		
	2016 **$'000s** **(unaudited)**	**2015** **$'000s** **(audited)**
CURRENT ASSETS		
Cash and cash equivalents	1,039	3,942
Trade and other receivables	110	218
Other current assets	4	4
TOTAL CURRENT ASSETS	**1,153**	**4,164**
NON-CURRENT ASSETS		
Property, plant and equipment	126	164
Exploration and evaluation expenditure	64,750	64,683
TOTAL NON-CURRENT ASSETS	**64,876**	**64,847**
TOTAL ASSETS	**66,029**	**69,011**
CURRENT LIABILITIES		
Trade and other payables	1,095	1,159
Borrowings	5,863	1,000
Employee benefits	72	141
TOTAL CURRENT LIABILITIES	**7,030**	**2,300**
NON-CURRENT LIABILITIES		
Borrowings	-	2,557
TOTAL NON-CURRENT LIABILITIES	**-**	**2,557**
TOTAL LIABILITIES	**7,030**	**4,857**
NET ASSETS	**58,999**	**64,154**
EQUITY		
Issued capital	78,739	78,426
Reserves	3,162	3,414
Retained earnings	(22,902)	-17,686
TOTAL EQUITY	**58,999**	**64,154**

We note the following in relation to Cuesta's financial position:

- trade and other payables in 2016 comprise non-interest bearing payables which will be due in the next six months;
- current borrowings in 2016 comprise the following unsecured loans to Longluck including interest on those loans capitalised to date:
  - $1 million, with a term of 6 months from 9 May 2016 and an applicable interest rate of 7.5% per annum;
  - $1 million, repayable on 29 December 2016 and an applicable interest rate of 7.5% per annum;

    - $1 million, repayable on 23 January 2017 and an applicable interest rate of 7.5% per annum;
    - $2.5 million, repayable on 12 February 2017 and an applicable interest rate of 6.0% per annum; and

- On 3 August 2016, Longluck agreed to provide an additional loan to Cuesta for an amount equal to $500,000 to cover the payment of operational costs or costs associated with the Offer. The terms under which Longluck proposes to make this loan are as follows:
    - the term of the loan will be 6 months from 3 August 2016;
    - Cuesta will be permitted to drawdown on the funds on and from 3 August 2016 but only with the prior approval of Longluck; and
    - interest will be charged on loaned amounts at a rate of 7.5% per annum.

  The Independent Directors note that the advancement of any funds by Longluck under this loan arrangement is entirely discretional and there is no guarantee that any funds will be loaned to Cuesta.

The relevant Cuesta disclosures are available on Cuesta's website at www.cuestacoal.com.au and on the ASX website at www.asx.com.au (under the company code "CQC").

For more information on Cuesta, please visit www.cuestacoal.com.au

8 Information Relating to Longluck

Longluck is a wholly owned subsidiary of Beijing Guoli Energy Investment Co., Ltd. Longluck is a company incorporated in Australia on 16 December 2011.

Beijing Guoli Energy Investment Co., Ltd is a limited liability company registered with the Beijing Administration of Industry and Commerce in 1993. In accordance with its last audited financial statement for the year ended 31 December 2015, the Beijing Guoli group, comprising Beijing Guoli Energy Investment Co., Ltd and its Subsidiaries, had consolidated total assets of approximately RMB 2.8 billion (A$570 million at the prevailing Reserve Bank of Australia exchange rate on 30 June 2016).

For more information on Longluck, please refer to Part 1 Section 1 of the Replacement Bidder's Statement.

9 Risk Factors

If you retain your Cuesta Shares, you will continue to be exposed to the risks associated with being a Cuesta Shareholder. Holding a Cuesta Share provides an economic interest in the ongoing operating activities of Cuesta. However, there is no guarantee that Cuesta will become profitable in the future, as the business is affected by many risk factors. These risk factors include risks which apply to listed investments generally, as well as risk factors which are specific to Cuesta, some of which are set out below.

(a) General market risks

The value of Cuesta Shares will be influenced by a number of factors that are common to most listed investments. At any point in time, these may include:

- the Australian and international economic outlook;
- movements in the general level of prices on international and the local stock markets;
- changes in economic conditions including commodity prices, inflation, recessions and interest rates; and
- changes in Government fiscal, monetary and regulatory policies.

(b) Company specific risks

Financing risk

As detailed in Section 7, Cuesta has a number of loans outstanding to Longluck with one of these due for repayment in November 2016. In addition to these loans, Longluck has (in conjunction with the Bid Implementation Agreement) agreed to loan an additional amount equal to $500,000 to cover reasonable expenses incurred by Cuesta in relation to the Offer during the three month period from 1 July 2016 to 30 September 2016. As detailed in in Section 7 this additional loan is not guaranteed and is entirely discretional on the approval of Longluck.

There is no assurance that Cuesta will be able to raise the financing that is required to repay its existing loan obligations in accordance with their respective terms, nor the repayment of any funds loaned to Cuesta by Longluck during the Offer Period.

Cuesta is likely to require material cash resources in order to fund the development of its projects. No assurance can be given that adequate future funding will be available from mining operations or from external sources on favourable terms (or at all). Any additional equity financing may dilute shareholdings. If adequate funds are not available on acceptable terms Cuesta may not be able to further develop its projects.

There is a risk that Cuesta will not be able to continue as a going concern if it is unable to raise the funds necessary to meet its debt and working capital obligations.

Illiquidity

As detailed above, Longluck currently holds 53.42% of all Cuesta Shares. If you retain your Cuesta Shares and Longluck's holding increases under the Offer but does not reach the required level to compulsorily acquire all of the outstanding Cuesta Shares you will remain as minority Shareholders of Cuesta.

The possible implications of continuing to be a minority Cuesta Shareholder include that:

- the price for your Cuesta Shares in the future may not include any takeover premium which is currently being offered by Longluck; and
- the liquidity of Cuesta Shares may be lower than at present.

Geological, Development and Operating Risk

Coal exploration and mine development are high risk undertakings. Such risks include (but are not limited to) risks associated with the maintenance of required tenure and land access, mineral exploration success or lack thereof, unexpected geological or mining conditions, the estimation of deposit coal grades, equipment and/or service failures, increased or unexpected rehabilitation costs, interruptions due to transportation delays, industrial and environmental accidents, industrial disputes, unexpected shortages or increases in the costs of consumables and spare parts, availability and reliability of contractors, availability of water, availability and cost of power, gas and other utilities, adverse weather conditions and other natural disasters and other general operating risks. Many of these risks are outside of the Company's control.

Cuesta has an interest in a number of coal permits, which are at various stages of exploration and evaluation. The Moorlands Project is Cuesta's most advanced project. Accordingly, Cuesta's Share price and future financial performance are substantially exposed to the Moorlands Project, in the absence of Cuesta developing its other exploration projects or acquiring additional projects.

There can be no assurance that Cuesta will have success identifying Reserves or mining coal at its Moorlands Project or any other project.

Resources and Reserve estimates

Resource and Reserve estimates are expressions of judgements based on knowledge, experience and industry practice. Estimates which were valid when originally calculated may alter significantly when new information or techniques become available. In addition, by their very nature, Resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. As further information becomes available through additional fieldwork and analysis, the estimates are likely to change. This may result in alterations to development and mining plans which may, in turn, adversely affect the Company's operations (in particular development of the Moorlands Project).

Occupational Health and Safety Risk

The mining industry is an inherently hazardous industry, and is subject to increasing occupational health and safety responsibility and liability. The potential for significant loss and liability is a constant risk. If Cuesta fails to comply with necessary occupational health and safety legislative requirements, it could result in fines, penalties and compensation for damages as well as reputational damage.

Environmental Risk

The operations of Cuesta are subject to state and federal laws in Australia concerning the environment. Whilst Cuesta conducts its activities to the highest standard of environmental obligations including in compliance with environmental laws, there are certain risks inherent in Cuesta's activities which could subject Cuesta to environmental liability.

Transport and Port Capacity Risk

The successful delivery of Cuesta's development projects is reliant on access to existing rail and port infrastructure and also government and private sector delivery of various proposed transport infrastructure developments/expansions. The timing of the access and also development of this infrastructure and the future cost of access to new and existing infrastructure is outside of Cuesta's control. Delays in the development of this infrastructure or increases in the cost of access to this infrastructure could have a material adverse effect on the ability of Cuesta to develop its coal projects. Any failure by Cuesta to secure appropriate capacity on existing and planned infrastructure, should Cuesta progress to production could have a material adverse effect on Cuesta's business, financial condition and results of operations.

Regulatory and Political Risk

Government regulations and political factors, including those relating to prices, taxes, royalties, land tenure, security of mineral rights tenure, land use, the environment, and community constraints, including potential land claims or restrictions on exploration or development are all key considerations in mineral projects. The effects of these factors cannot be accurately predicted and any combination of one or other of the above may impede the operation or development of a project and even render it uneconomic.

Wellington Dispute

As stated above in Section 0 and as announced to the ASX on 17 June 2016, Cuesta is currently subject to the Wellington Dispute. No assurances can be given in relation to the outcome of the Wellington Dispute. If Cuesta is not able to successfully defend the Wellington Dispute, Cuesta may be exposed to additional litigation in respect of the factual circumstances involving the Wellington Dispute, which may have an adverse result on the Company and the Cuesta Shareholders.

10 Additional Information on the Offer

Longluck served Cuesta with a copy of the Replacement Bidder's Statement, which contains the Offer, on 28 July 2016. A copy of that Replacement Bidder's Statement has been dispatched to all Cuesta Shareholders prior to this Target's Statement being dispatched to Cuesta Shareholders.

Longluck is offering to acquire all of your Cuesta Shares, including any Rights attaching to those Shares, on the terms and conditions set out in the Replacement Bidder's Statement.

You can only accept the Offer for all of your Shares.

(a) Offer Price

Longluck is offering $0.02485 cash for each of your Cuesta Shares.

(b) Offer Period and acceptance

The Offer is open for acceptance from 1 August 2016 until 7:00 pm (Sydney time), on 5 September 2016, unless it is withdrawn or the Offer Period is extended in accordance with the Corporations Act.

(c) How to accept the Offer

If you choose to accept the Offer, then your acceptance must be received by Longluck before the end of the Offer Period. Instructions on how to accept the Offer are set out in Part 2 Section 3 of the Replacement Bidder's Statement and on the Acceptance Form that accompanies the Replacement Bidder's Statement. If you want to accept the Offer, you should follow these instructions carefully to ensure that your acceptance is valid.

(d) Effect of acceptance

If you accept the Offer and it becomes Unconditional, you will be entitled to be paid the Offer Price by Longluck in accordance with the terms of the Offer (see Part 2 Section 2.2 of the Replacement Bidder's Statement for further information on timing of payment of the Offer Price).

The effect of acceptance of the Offer is explained in more detail in Part 2 Section 5 of the Replacement Bidder's Statement. You should read those provisions in full to understand the effect that acceptance will have on your ability to exercise the rights attaching to your Cuesta Shares and the representations and warranties that you are deemed by Longluck to give to it by accepting the Offer.

It is worth noting that accepting the Offer would (subject to the possible withdrawal rights set out below):

- prevent you from participating in any competing superior proposal that may emerge;
- see you relinquish all of your Cuesta Shares to Longluck with no right to payment until the Offer becomes Unconditional; and
- prevent you from otherwise selling your Cuesta Shares.

(e) Extension of the Offer Period

If the Offer becomes Unconditional, Longluck may extend the Offer Period at any time before the end of the Offer Period.

However, until all Conditions are satisfied or waived, Longluck may only extend the Offer Period at any time before it gives Cuesta a Notice of Status of Conditions. Longluck has stated in Part 2 Section 7.5 of the Replacement Bidder's Statement that it will give a Notice of Status of Conditions on 29 August 2016.

Longluck may only extend the Offer Period after it gives its Notice of Status of Conditions in limited circumstances.

There will be an automatic extension of the Offer Period if, within the last 7 days of the Offer Period, Longluck increases the Offer Price. The extension will be for 14 days after the relevant event occurs.

(f) Your withdrawal rights

If you accept the Offer, you will have a right to withdraw your acceptance in some circumstances. Those withdrawal rights comprise general statutory withdrawal rights under the Corporations Act. In summary, under the Corporations Act, you may withdraw your acceptance of the Offer if Longluck varies its Offer in a way that postpones, for more than one month, the time at which Longluck needs to meet its obligations under the Offer. This will usually occur if Longluck extends the Offer Period by more than one month and the Offer is still subject to Conditions.

In those circumstances, you will have a period of one month after the date that the Offer is extended to withdraw your acceptance. Your statutory withdrawal rights will terminate upon the expiry of that one month period, although if the Offer Period is then further extended you may receive further statutory withdrawal rights.

(g) Withdrawal of the Offer by Longluck

Longluck may be able to withdraw the Offer if it obtains the written consent of ASIC, subject to the conditions (if any) specified in such consent.

11 Conditions of the Offer and Compulsory Acquisition

(a) Conditions

The Offer is subject to the following Conditions:

- Foreign Investment Review Board (FIRB) approval;
- Chinese regulatory approval;
- 90% minimum acceptance;
- no prescribed occurrences;
- no material adverse change occurring;
- no regulatory actions which restrains, prohibits or impedes the Offer; and
- no material transactions occurring without Longluck approval.

Full details of the Conditions are set out in Part 2 Section 7 of the Replacement Bidder's Statement. Longluck provided Cuesta with a notice dated 28 July 2016 that the condition for FIRB approval, as set out in Part 2 Section 7.1(a) of the Replacement Bidder's Statement, has been fulfilled.

(b) Notice of Status of Conditions

The Replacement Bidder's Statement indicates that Longluck will give Cuesta a Notice of Status of Conditions on 29 August 2016 (subject to extension in accordance with the Corporations Act). Longluck is required to set out in its Notice of Status of Conditions:

- confirmation of satisfaction or waiver of any or all of the Conditions; and
- Longluck's voting power in Cuesta at that time.

If the Offer Period is extended before the Notice of Status of Conditions is to be given, the date on which Longluck must give its Notice of Status of Conditions will be taken to be postponed for the same period. In the event of such an extension, Longluck is required, as soon as reasonably practicable after the extension, to notify Cuesta of the new date for giving the Notice of Status Conditions.

If a Condition is satisfied during the Offer Period but before the date on which the Notice of Status of Conditions is required to be given, Longluck must, as soon as practicable, give Cuesta a notice stating that the Condition has been satisfied.

(c) Compulsory acquisition

(1) Post bid compulsory acquisition

Longluck has stated in Part 1 Section 7.1 of the Replacement Bidder's Statement that if it becomes entitled to proceed to compulsory acquisition of the outstanding Cuesta Shares in accordance with Part 6A.1 of the Corporations Act, it may (but has yet determined that it will) proceed with such compulsory acquisition.

Under this compulsory acquisition regime, Longluck will be entitled to compulsorily acquire any outstanding Cuesta Shares for which it has not received acceptances on the same terms as apply under the Offer if, during or at the end of the Offer Period, Longluck (taken together with its Associates):

- has a Relevant Interest in at least 90% (by number) of Cuesta Shares; and
- has acquired at least 75% (by number) of Cuesta Shares for which it has made an Offer.

If Longluck is entitled to proceed to compulsory acquisition based on these requirements, Longluck will have one month from the end of the Offer Period within which to give compulsory acquisition notices to Cuesta Shareholders who have not accepted the Offer, but it may choose to commence compulsory acquisition as soon as the relevant thresholds are satisfied.

A Cuesta Shareholder has statutory rights to challenge compulsory acquisition, but this will require the relevant Shareholder to establish to the satisfaction of a court that the terms of the Offer do not represent fair value for Cuesta Shares.

Cuesta Shareholders should be aware that if they do not accept the Offer and their Cuesta Shares are compulsorily acquired under Part 6A.2 of the Corporations Act, those Cuesta Shareholders may face a delay in receiving the consideration for their Cuesta Shares compared with Cuesta Shareholders who have accepted the Offer.

See Part 1 Section 7.1 of the Replacement Bidder's Statement for further details in respect of Longluck’s intentions if it becomes entitled to proceed with compulsory acquisition of the outstanding Cuesta Shares.

12 Directors' Interests and Contracts

(a) Details of Directors

The Directors of Cuesta as at the date of this Target's Statement are:

Name	Position
Matthew Crawford	Interim Chairman
Chunhui Tian	Non-executive Director
Ruoshui Wang	Non-executive Director
Guoqiang Luo	Non-executive Director

(b) Directors' interests in Longluck securities

No Director had a Relevant Interest in any securities of Longluck as at the date of this Target's Statement.

(c) Directors' interests in Cuesta securities

Except as set out below, no Director has a Relevant Interest in any securities of Cuesta as at the date of this Target's Statement.

Director	Ordinary Shares held directly or indirectly
Matthew Crawford	31,689,884
Chunhui Tian	Nil
Ruoshui Wang	Nil
Guoqiang Luo	Nil

(d) Dealing in Cuesta securities

No Director or Associate of Cuesta, nor Cuesta itself, has acquired or disposed of a Relevant Interest in any Cuesta securities in the period commencing 1 April 2016 (being the date which is 4 months prior to the date of the Offer) and ending on the day immediately before the date of this Target's Statement

(e) Conditional agreements

No Director is a party to any agreement or arrangement with any other person in connection with or conditional on the outcome of the Offer.

(f) Payments and benefits

As a result of the Offer, no benefit (other than a benefit permitted by section 200F or 200G of the Corporations Act) will or may be given to a Director in connection with their retirement from office in Cuesta or a related body corporate of Cuesta.

13 Additional Considerations

(a) Cuesta Share Capital

As at 11 August 2016, Cuesta's issued capital comprised:

- 528,420,448 Shares;
- 25,000,000 options to acquire ordinary Shares; and
- 1,750,000 performance rights.

Cuesta has no other securities on issue.

(b) Details of Substantial Shareholders

As at the day immediately before the date of this Target's Statement, the following Shareholders have notified substantial shareholdings to Cuesta:

Name	No. of units
Longluck	282,297,735
Country Rosy Limited	75,000,000
Albion Ballymore Pty Ltd	47,068,346

(c) Trading Update

On 28 July 2016, Cuesta announced to ASX its Quarterly Activities Report for the period ending 30 June 2016.

A copy of the Quarterly Activities Report can be found on the Company's website: www.cuestacoal.com.au.

(d) Changes in financial position

As stated above in Section 7.5, on 1 July 2016 Longluck agreed to lend an additional amount up to $500,000 to Cuesta in its absolute discretion to meet reasonable expenses incurred by Cuesta in relation to the Offer. There is no guarantee that any funds will be loaned to Cuesta under this arrangement.

(e) Tax considerations for Cuesta Shareholders

Part 1 Section 6 of the Replacement Bidder's Statement provides a brief guide to the potential Australian tax consequences of accepting the Offer.

Cuesta Shareholders should consult their own tax adviser for tax advice tailored to their own particular circumstances. Cuesta Shareholders should not solely rely on Part 1 Section 6 of the Replacement Bidder's Statement in relation to the tax implications of accepting the Offer. In particular, Cuesta Shareholders who are subject to tax outside Australia should obtain their own advice as to the tax consequences for them of the Offer, which may be different to those applicable to Australian resident Cuesta Shareholders.

(f) Bid Implementation Agreement

On 6 July 2016, Cuesta and Longluck entered into the Bid Implementation Agreement in relation to the Offer. The key terms of the Bid Implementation Agreement are summarised in Part 1 Section 7.2 of the Replacement Bidder's Statement.

A full copy of the Bid Implementation Agreement is available on the Company's website: www.cuestacoal.com.au

(g) Reliance on information obtained from Longluck or public sources

All of the information concerning Longluck contained in this Target's Statement has been obtained from publicly available sources including public documents filed by Longluck. None of the information in this Target's Statement relating to Longluck has been verified by Longluck or independently verified by Cuesta or its Directors for the purposes of this Target's Statement. Accordingly, to the extent permitted by law, Cuesta makes no representation or warranty (either express or implied) as to the accuracy or completeness of this information. The information on Longluck in this Target's Statement should not be considered comprehensive.

(h) Continuous disclosure

Cuesta is a "disclosing entity" under the Corporations Act and is subject to regular reporting and disclosure obligations under the Corporations Act and the ASX Listing Rules. These obligations require Cuesta to notify ASX of information about specified matters and events as they occur for the purpose of making that information available to the market. In particular, Cuesta has an obligation (subject to limited exceptions) to notify ASX immediately on becoming aware of any information which a reasonable person would expect to have a material effect on the price or value of Cuesta Shares.

Copies of the documents filed with ASX may be obtained from the ASX website at www.asx.com.au and www.cuestacoal.com.au.

Copies of documents lodged with ASIC in relation to Cuesta may be obtained from, or inspected at, an ASIC office.

(i) Other information

This Target's Statement is required to include all the information Cuesta Shareholders and their professional advisers would reasonably require to make an informed assessment of whether to accept the Offer, but:

- only to the extent to which it is reasonable for investors and their professional advisers to expect to find this information in this Target's Statement; and
- only if the information is known to any of the Cuesta Directors.

The Cuesta Directors are of the opinion that the information that Cuesta Shareholders and their professional advisers would reasonably require to make an informed assessment of whether to accept the Offer is:

- the information contained in the Replacement Bidder's Statement (to the extent that the information is not inconsistent with or superseded by information in this Target's Statement);
- the information contained in Cuesta's 2015 Annual Report; and
- the information contained in this Target's Statement.

The Cuesta Directors have assumed, for the purposes of preparing this Target's Statement, that the information contained in the Replacement Bidder's Statement is accurate (unless they have expressly indicated otherwise in this Target's Statement). The Cuesta IBC does not take any responsibility for the contents of the Replacement Bidder's Statement and is not to be taken as endorsing, in any way, any or all statements contained in it.

In deciding what information should be included in this Target's Statement, the Cuesta Directors have had regard to:

- the nature of the Cuesta Shares;
- the matters Cuesta Shareholders may reasonably be expected to know;

- the fact that certain matters may reasonably be expected to be known to the professional advisers of Cuesta Shareholders; and
- the time available to Cuesta to prepare this Target's Statement.

(j) Approval of the Target's Statement

The copy of this Target's Statement that is to be lodged with ASIC has been approved by a resolution passed by the Directors.

This Target's Statement is dated 11 August 2016, which is the date on which it was lodged with ASIC.

Matthew Crawford
Interim Chairman
Cuesta Coal Limited

14 Consents

BDO has given and has not, before this Target's Statement is lodged with ASIC, withdrawn, its consent to:

- be named in this Target's Statement in the form and context in which it is named;
- the inclusion of its report in the form and context in which it is included in this Target's Statement; and
- the inclusion of other statements in this Target's Statement that are based on or referable to statements made in that report in the form and context in which they are included.

BDO has not caused or authorised the issue of this Target's Statement.

Xstract has given and has not, before this Target's Statement is lodged with ASIC, withdrawn, its consent to:

- be named in this Target's Statement in the form and context in which it is named;
- the inclusion of its report in the form and context in which it is included in this Target's Statement; and
- the inclusion of other statements in this Target's Statement that are based on or referable to statements made in that report in the form and context in which they are included.

Xstract has not caused or authorised the issue of this Target's Statement.

As at the date of this Target's Statement, Integra Advisory Partners Pty Ltd as corporate adviser to Cuesta has consented to being named in this Target's Statement in the form and context in which it is named and has not withdrawn that consent. Integra Advisory Partners Pty Ltd has not caused or authorised the issue of this Target's Statement.

As at the date of this Target's Statement, Thomson Geer as legal adviser to Cuesta has consented to being named in this Target's Statement in the form and context in which it is named and has not withdrawn that consent. Thomson Geer has not caused or authorised the issue of this Target's Statement.

As permitted by ASIC Class Order 13/523, this Target's Statement may include or be accompanied by certain statements:

- fairly representing a statement by an official person; or
- from a public official document or published book, journal or comparable publication.

Pursuant to that Class Order, the consent of persons to whom such statements are attributed is not required for inclusion of those statements in this Target's Statement.

As permitted by ASIC Class Order 07/429, this Target's Statement includes references to ASX trading data. Pursuant to that Class Order, the consent of the person who prepared the trading data is not required for inclusion of that trading data in this Target's Statement.

15 Glossary and Interpretation

(a) Definitions

The following definitions apply in this Target's Statement unless the context requires otherwise:

Acceptance Form means the Acceptance Form provided to you by Longluck with its Replacement Bidder's Statement containing instructions on how to accept the Offer.

ASIC means the Australian Shares and Investments Commission.

Associate has the meaning given in Division 2 of Part 1.2 of the Corporations Act.

ASX means ASX Limited or the market operated by it (as the context requires).

Bid Implementation Agreement means the bid implementation agreement between Cuesta and Longluck dated 6 July 2016.

Bidder's Statement means the original bidder's statement served on Cuesta by Longluck on 18 July 2016 in relation to the Offer, as amended by the First Supplementary Bidder's Statement dated 28 July 2016 and replaced by the Replacement Bidder's Statement.

Business Day means a day which is not a Saturday, Sunday or a public holiday in Sydney.

Cuesta or **Company** means Cuesta Coal Limited (ACN 153 351 994).

Cuesta Director or **Director** means a director of Cuesta.

Cuesta Share or **Share** means a fully paid ordinary share in Cuesta.

Cuesta Shareholder or **Shareholder** means a person who is registered as the holder of a Cuesta Share in the Cuesta register of members.

Cuesta Share Registry means Computershare Investor Services Pty Limited.

Conditions means the bid conditions described in Part 2 Section 7.1(a) of the Replacement Bidder's Statement.

Corporations Act means the *Corporations Act 2001* (Cth).

IBC means the independent board committee of independent Cuesta Directors, comprising the Independent Directors.

Independent Directors means Matthew Crawford and Chunhui Tian.

Independent Expert or **BDO** means BDO Corporate Finance (East Coast) Pty Ltd.

Independent Expert's Report means the report of the Independent Expert contained in Annexure A.

FY16 means the financial year ending 30 June 2016.

Longluck means Longluck Investment (Australia) Pty Ltd ACN 154 567 530.

Longluck Nominated Directors means Ruoshui Wang and Guoqiang Luo.

Notice of Status of Conditions means Longluck's notice disclosing the status of the Conditions of the Offer, which is required to be given under section 630(3) of the Corporations Act.

Offer or the **Longluck Offer** means the takeover bid by Longluck to acquire all of the Cuesta Shares on the terms and conditions set out in the Replacement Bidder's Statement.

Offer Price means $0.02485 per Cuesta Share.

Offer Period means the period within which the Offer is open for acceptance in accordance with the Replacement Bidder's Statement and the Corporations Act.

Relevant Interest has the meaning given to that term in section 9 of the Corporations Act.

Replacement Bidder's Statement means the replacement bidders statement served by Longluck on Cuesta on 28 July 2016 and which replaces the Bidder's Statement.

Rights means all accretions, rights or benefits of whatever kind attaching or arising from Cuesta Shares directly or indirectly at or after 6 July 2016 (being the date on which the intention to make the Offer was announced by Longluck), (including, but not limited to, all dividends or other distributions and all rights to receive them or rights to receive or subscribe for shares, shares, notes, bonds, options or other securities declared, paid or issued by Cuesta or any of its subsidiaries).

Specialist or **Xstract** means Xstract Mining Consultants Pty Ltd.

Target's Statement means this document, being the statement of Cuesta under Part 6.5 of the Corporations Act in relation to the Offer.

Unconditional means free from all Conditions.

VWAP means volume weighted average price.

Wellington Dispute means the dispute arising out of the circumstances set out in the Statement of claim No. 5591/2016 as filed with the Supreme Court of Queensland.

(b) Interpretation

The following rules of interpretation apply unless the context requires otherwise:

(1) A term not specifically defined in this Target's Statement has the meaning given to it (if any) in the Corporations Act (as is appropriate to the context).

(2) A gender includes all genders.

(3) The singular includes the plural, and the converse also applies.

(4) A reference to a person includes a corporation, trust, partnership, unincorporated body or other entity, whether or not it comprises a separate legal entity.

(5) A reference to legislation or to a provision of legislation includes any modification or re-enactment of it, any legislative provision substituted for it and any regulations and statutory instruments issued under it.

(6) A reference to a person includes a reference to the person's executors, administrators, successors, substitutes (including, but not limited to, persons taking by novation) and assigns.

(7) A reference to a right or obligation of any two or more people comprising a single party confers that right, or imposes that obligation, as the case may be, on each of them severally and each two or more of them jointly. A reference to that party is a reference to each of those people separately (so that, for example, a representation or warranty by that party is given by each of them separately).

(8) A reference to an agreement or document is to the agreement or document as amended, supplemented, novated or replaced.

(9) Headings used in this Target's Statement are for ease of reference only and do not affect the meaning or interpretation of this Target's Statement.

(10) A reference to a Section or Annexure is to a section of, or annexure to, this Target's Statement unless otherwise specified.

(11) If a word or phrase is defined, its other grammatical forms have a corresponding meaning.

(12) $, A$ or AUD is a reference to the lawful currency of Australia.

(13) A reference to time is a reference to Australian Eastern Standard Time.

(14) All numbers in this Target's Statement, unless otherwise stated, have been rounded to two decimal places.

Shareholder Information

CUESTA COAL LIMITED ACN 153 351 994

Registered Office

Suite 3B
Level 1, 165 Moggill Road
Taringa QLD 4068
www.cuestacoal.com.au

Share Registry

Computershare Investor Services Pty Limited
Level 4
60 Carrington Street
Sydney NSW 2000
www.computershare.com

Independent Expert

BDO East Coast Partnership
Level 11
1 Margaret Street
Sydney NSW 2000
www.bdo.com.au

Corporate Adviser

Integra Advisory Partners Pty Ltd
210 Alice Street
Brisbane, QLD, 4000
www.integraadvisory.com.au

Legal Adviser

Thomson Geer
Level 25
1 O'Connell Street
Sydney NSW 2000
www.tglaw.com.au

Annexure A – Independent Expert's Report

INDEPENDENT EXPERT'S REPORT

Cuesta Coal Limited

In relation to an off-market takeover bid by Longluck Investment (Australia) to acquire all CQC Shares for $0.02485 cash per Share

8 August 2016

BDO

Tel: +61 2 9251 4100
Fax: +61 2 9240 9821
www.bdo.com.au

Level 11, 1 Margaret St
SYDNEY NSW 2000
Australia

This Financial Services Guide is issued in relation to an independent expert's report (**Report** or **IER**) prepared by BDO Corporate Finance (East Coast) Pty Ltd (ABN 70 050 038 170) (**BDOCF, we, us or our**) at the request of the independent directors (**Independent Directors**) of Cuesta Coal Limited (**CQC** or the **Company**) in relation to whether the conditional off-market takeover bid by Longluck Investment (Australia) Pty Limited (**Longluck**) for the shares in CQC that it does not already own, for cash consideration of $0.02485 per CQC Share (the **Transaction**) as discussed below is fair and reasonable to CQC's non-associated shareholders (**Non-associated Shareholders**).

The Report is intended to accompany the Target's Statement that is to be provided by the directors of CQC.

Engagement

The IER is intended to accompany the Target's Statement that is to be provided by the Independent Directors of CQC to assist the Non-associated Shareholders in determining whether or not to accept or reject the off-market takeover bid by Longluck.

Financial Services Guide

BDOCF holds an Australian Financial Services Licence (License No: 247420) (**Licence**). As a result of our IER being provided to you BDOCF is required to issue to you, as a retail client, a Financial Services Guide (**FSG**). The FSG includes information on the use of general financial product advice and is issued so as to comply with our obligations as holder of an Australian Financial Services Licence.

Financial services BDOCF is licensed to provide

The Licence authorises BDOCF to provide reports for the purposes of acting for and on behalf of clients in relation to proposed or actual mergers, acquisitions, takeovers, corporate restructures or share issues, to carry on a financial services business to provide general financial product advice for securities and certain derivatives (limited to old law securities, options contracts and warrants) to retail and wholesale clients.

BDOCF provides financial product advice by virtue of an engagement to issue the IER in connection with the issue of securities of another person.

Our IER includes a description of the circumstances of our engagement and identifies the party who has engaged us. You have not engaged us directly but will be provided with a copy of our IER (as a retail client) because of your connection with the matters on which our IER has been issued.

Our IER is provided on our own behalf as an Australian Financial Services Licensee authorised to provide the financial product advice contained in the IER.

General financial product advice

Our IER provides general financial product advice only, and does not provide personal financial product advice, because it has been prepared without taking into account your particular personal circumstances or objectives (either financial or otherwise), your financial position or your needs.

Some individuals may place a different emphasis on various aspects of potential investments.

An individual's decision in relation to voting on the Offer described in the Target's Statement may be influenced by their particular circumstances and, therefore, individuals should seek independent advice.

Benefits that BDOCF may receive

BDOCF will receive a fee based on the time spent in the preparation of the IER in the amount of approximately $35,000 (plus GST and disbursements). BDOCF will not receive any fee contingent upon the outcome of the Offer, and accordingly, does not have any pecuniary or other interests that could reasonably be regarded as being capable of affecting its ability to give an unbiased opinion in relation to the Offer.

Remuneration or other benefits received by our employees

All our employees receive a salary. Employees may be eligible for bonuses based on overall productivity and contribution to the operation of BDOCF or related entities but any bonuses are not directly connected with any assignment and in particular are not directly related to the engagement for which our IER was provided.

Referrals

BDOCF does not pay commissions or provide any other benefits to any parties or person for referring customers to us in connection with the reports that BDOCF is licensed to provide.

Associations and relationships

BDOCF is the licensed corporate finance arm of BDO East Coast Partnership, Chartered Accountants and Business Advisers. The directors of BDOCF may also be partners in BDO East Coast Partnership, Chartered Accountants and Business Advisers.

BDO East Coast Partnership, Chartered Accountants and Business Advisers are comprised of a number of related entities that provide audit, accounting, tax and financial advisory services to a wide range of clients.

BDOCF's contact details are as set out on our letterhead.

BDOCF is unaware of any matter or circumstance that would preclude it from preparing the IER on the grounds of independence under regulatory or professional requirements. In particular, BDOCF has had regard to the provisions of applicable pronouncements and other guidance statements relating to professional independence issued by Australian professional accounting bodies and Australian Securities and Investments Commission (**ASIC**).

Complaints resolution

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to
The Complaints Officer, BDO Corporate Finance (East Coast) Pty Ltd, Level 11, 1 Margaret Street, Sydney NSW 2000.

On receipt of a written complaint we will record the complaint, acknowledge receipt of the complaint and seek to resolve the complaint as soon as practical. If we cannot reach a satisfactory resolution, you can raise your concerns with the Financial Ombudsman Service Limited (**FOS**). FOS is an independent body established to provide advice and assistance in helping resolve complaints relating to the financial services industry. BDOCF is a member of FOS. FOS may be contacted directly via the details set out below.

Financial Ombudsman Service Limited

GPO Box 3

Melbourne VIC 3001

Toll free: 1300 78 08 08

Email: info@fos.org.au

Tel: +61 2 9251 4100
Fax: +61 2 9240 9821
www.bdo.com.au

Level 11, 1 Margaret St
SYDNEY NSW 2000
Australia

The Directors
Cuesta Coal Limited
Suite 3B, 165 Moggill Road
Taringa QLD 4068

8 August 2016

Dear Directors

INDEPENDENT EXPERT'S REPORT IN RELATION TO THE CONDITIONAL OFF-MARKET TAKEOVER BID

Introduction

BDO Corporate Finance (East Coast) Pty Ltd (ABN 70 050 038 170) (**BDOCF**, **we, us or our**) has been engaged by the independent directors (**Independent Directors**) of Cuesta Coal Limited (**CQC or the Company**) to prepare an independent expert's report (**Report** or **IER**), setting out our opinion as to whether the conditional off-market takeover bid by Longluck Investment (Australia) Pty Limited (**Longluck**) for the CQC Shares it does not have a Relevant Interest in, for cash consideration of $0.02485 per CQC Share (**Transaction**) as discussed below is fair and reasonable to CQC's non-associated shareholders (**Non-associated Shareholders**).

CQC is listed on the Australian Securities Exchange (**ASX**) and engages in coal exploration across the West Bowen, Surat, Clarence/Moreton and Galilee Basins of Queensland, Australia.

Longluck, incorporated on 16 December 2011, is a wholly owned subsidiary of Beijing Guoli Energy Investment Co. Ltd (**Beijing Guoli**). Longluck was incorporated to serve as an Australian corporate vehicle for Beijing Guoli's Australian investments.

Transaction

On 6 July 2016, CQC announced an off-market takeover offer by Longluck under which:

- Longluck will acquire all of the CQC Shares on issue in which Longluck does not already have a Relevant Interest, for a cash consideration of $0.02485 per share.
- The parties have agreed to various conditions in the Bid Implementation Agreement (BIA) as provided below:
    - Australian Foreign Investment Review Board and Chinese regulatory approvals
    - 90% minimum acceptance
    - No Prescribed Occurrence, Additional Prescribed Occurrence or Material Adverse Change occurring (as described in the BIA and Replacement Bidder's Statement)
    - No material transactions occurring without Longluck's prior written consent
    - No regulatory actions which restrains, prohibits or impedes the proposed Transaction
- Full details of the Conditions are set out in Part 2 Section 7 of the Bidder's Statement.
- A summary of the terms of the Transaction are set out in Section 1 of this Report. Full details of the Transaction are set out in the Bidder's Statement dated 18 July 2016 and Replacement Bidder's Statement dated 28 July 2016. The IER will opine whether the Offer is fair and reasonable for Non-associated Shareholders of CQC.

Purpose of Report

Pursuant to section 640 of the Corporations Act 2001 (Cth) (**the Act**), if the bidder's voting power in the target is 30% or more, or if a director of the bidder is a director of the target, a target's statement given in accordance with section 638 of the Act must include, or be accompanied by, a report by an expert that states whether, in the expert's opinion, the takeover offer is fair and reasonable and gives the reasons for forming that opinion.

We also note that Longluck's voting power in the target is greater than 30% and that Longluck and CQC have a common director.

Consequently, the Independent Directors of CQC have appointed BDOCF to prepare an IER expressing our opinion as to whether or not the Offer is fair and reasonable to the Non-associated Shareholders pursuant to section 640 and item 7 of Section 611 of the Act.

This Report is to accompany the Target's Statement provided to the Non-associated Shareholders to assist them in their considerations of whether or not to accept or reject the Offer.

Summary of opinion

We have considered the terms of the Offer as outlined in the body of this Report and have concluded that the Offer is fair and reasonable to the Non-associated Shareholders.

A summary of our analysis in forming the above opinion is provided below.

Fairness assessment

In undertaking our fairness opinion we have had regard to Australian Securities and Investments Commission (**ASIC**) Regulatory Guide 111 *Content of expert reports* (**RG 111**).

RG 111 indicates that an offer is 'fair' if the value of the offer price or consideration is equal to or greater than the value of the securities the subject of the offer. The value of the securities the subject of the offer is determined assuming:

- A knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length.
- 100% ownership of the target company, irrespective of the percentage holding of the bidder or its associates in the target company.

The Offer will be fair to the Non-associated Shareholders if the Consideration is equal to or greater than the value of the securities the subject of the offer (fair market value of a CQC Share pre-transaction on a control basis).

The result of our fairness analysis is summarised below.

Table 1: Fairness assessment (per CQC Share)

$ Per share	Ref	Low	High
Fair market value of a CQC Share prior to the Offer (control basis)	7.2	0.01103	0.05281
Consideration	7.2	0.02485	0.02485

Source: BDOCF analysis

As the Consideration is within the range of assessed fair market values of a CQC Share before the Offer, we have concluded that the Offer is fair to the Non-associated Shareholders.

Reasonableness Assessment

In accordance with RG 111 an offer is reasonable if it is fair. It might also be reasonable if, despite being not fair, the expert believes that there are sufficient reasons for Non-associated Shareholders to accept the offer in the absence of a superior offer.

Whilst the Transaction is fair, we have assessed the reasonableness of the Transaction by considering the factors arising thereto.

In our opinion the Transaction is reasonable to the Non-associated Shareholders. We have considered the factors which the Non-associated Shareholders may consider in their assessment of the Transaction. A summary of the factors considered in our reasonableness assessment are as follows:

Table 2: Summary of factors considered in the reasonableness assessment

Advantages	
Premium over latest closing price	The Consideration of $0.02485 represents a 53% premium to the 10 day VWAP up to and including 10 June 2016, being the last trading day on ASX prior to CQC's shares being placed in trading halt prior to the date the Offer was announced, of $0.0162. If Longluck does not acquire all of CQC and no superior proposal is received by CQC, the Independent Directors believe that CQC's share price may fall to levels significantly below the Consideration.
Liquidity and avenue to reinvestment of capital	Trading in CQC Shares has been illiquid with only 2.1% of shares traded over the 12 months to 10 June 2016, including 204 of 255 days where no trading occurred at all. If the Offer is accepted and CQC Shareholders receive the cash consideration, this provides the CQC Shareholders with an opportunity to realise value for their shares which otherwise may be limited.
Certainty	The Offer provides CQC Shareholders with timing and value certainty of 100% cash consideration and removes their exposure to risks (in particular, the high gearing level) and uncertainties inherent in the continuing operation of CQC.
No alternative proposals	The Directors of CQC have advised that they have not received any alternative or superior proposals at the date of this Report.
Disadvantages	
No longer benefiting in any potential upside achieved by CQC	If the Offer is approved and implemented, CQC Shareholders will forgo their interest in CQC. Depending on the individual, this may diminish or remove their exposure to the Industry, eliminate the opportunity to benefit from a superior offer from another party and entitlement to potential future dividend income from CQC. It also eliminates any potential benefit from participating in any new business initiatives.
Cash consideration only Offer	The Offer is subject to the Conditions, as described in Section 11 of the Target's Statement. All Conditions must be satisfied or waived by Longluck before CQC Shareholders who accept the Offer will receive the cash consideration. If CQC Shareholders accept the Offer and any Condition is not satisfied or waived, Longluck will not acquire the CQC Shares and the CQC Shareholder will not receive the cash consideration. In the meantime, CQC Shareholders who accept the Offer will be unable to trade their CQC Shares, or withdraw their acceptance (other than in accordance with their statutory rights).
Non withdrawal of acceptance of Offer	If a superior proposal to the Offer is announced, CQC Shareholders who accept the Offer will not be able to withdraw their acceptance of the Offer and accept a superior proposal unless: • the Offer is still subject to a Condition; and • the Offer is varied in a way that postpones, for more than one month, the time when Longluck must meet its obligations under the Offer; or • the Offer lapses while still subject to a Condition, or is withdrawn. At the date of this Target's Statement, the Independent Directors are not aware of any superior proposal. Each Director intends to accept or procure the acceptance of the Offer in respect of the CQC Shares they own or control unless a superior proposal emerges. For the purpose of evaluating and responding to the Offer, Cuesta established an Independent Board Committee (**IBC**). The IBC is comprised of the Directors who are independent of and not a nominee of Longluck, being Mr. Matthew Crawford and Ms. Chunhui Tian. The IBC has carefully considered the Offer and unanimously recommends CQC Shareholders to accept the Offer, subject to there being no superior proposal.

Other factors	
Risks associated with an investment in CQC	If the Offer is not accepted, CQC Shareholders will continue to be exposed to the risks associated with being a CQC Shareholder. The risks in not accepting the Offer include, but are not limited to, any potential issues associated with CQC's high level of debt.

Source: BDOCF analysis

Other matters

Shareholders' individual circumstances

Our analysis has been undertaken, and our conclusions are expressed at an aggregate level. Accordingly, we have not considered the effect of the Offer on the particular circumstances of individual CQC Shareholders. Some individual CQC Shareholders may place a different emphasis on various aspects of the Offer from that adopted in this IER. Accordingly, individual CQC Shareholders may reach different conclusions as to whether or not the Offer is fair and reasonable in their individual circumstances.

The decision of an individual CQC Shareholder in relation to the Offer may be influenced by their particular circumstances and accordingly CQC Shareholders are advised to seek their own independent advice.

Approval or rejection of the Offer is a matter for individual CQC Shareholders based on their expectations as to the expected value and future prospects and market conditions together with their particular circumstances, including risk profile, liquidity preference, portfolio strategy and tax position. CQC Shareholders should carefully consider the Target's Statement and Replacement Bidder's Statement. CQC Shareholders who are in doubt as to the action they should take in relation to the Offer should consult their professional adviser. Capitalised terms used in this Report have the meanings set out in the glossary.

Current market conditions

Our opinion is based on economic, market and other conditions prevailing at the date of this IER. Such conditions can change significantly over relatively short periods of time.

Changes in those conditions may result in any valuation or other opinion becoming quickly outdated and in need of revision. We reserve the right to revise any valuation or other opinion, in light of material information existing at the valuation date that subsequently becomes known to us.

Sources of information

Appendix 2 to the IER sets out details of information referred to and relied upon by us during the course of preparing this IER and forming our opinion.

The statements and opinions contained in this IER are given in good faith and are based upon our consideration and assessment of information provided by CQC.

Under the terms of our engagement, CQC agreed to indemnify the partners, directors and staff (as appropriate) of BDO East Coast Partnership and BDOCF and their associated entities, against any claim, liability, loss or expense, costs or damage, arising out of reliance on any information or documentation provided by CQC which is false or misleading or omits any material particulars, or arising from failure to supply relevant information.

Limitations

This IER has been prepared at the request of the Directors for the sole benefit of the Independent Directors and Non-associated Shareholders to assist them in their decision to accept or reject the Offer. This IER is to accompany the Target's Statement to be sent to Non-associated Shareholders to consider the Offer and was not prepared for any other purpose.

Accordingly, this IER and the information contained herein may not be relied upon by anyone other than the Directors and Non-associated Shareholders without our written consent. We accept no responsibility to any person other than the Directors and Non-associated Shareholders in relation to this IER.

This IER should not be used for any other purpose and we do not accept any responsibility for its use outside this purpose. Except in accordance with the stated purpose, no extract, quote or copy of our IER, in whole or in part, should be reproduced without our written consent, as to the form and context in which it may appear.

We have consented to the inclusion of the IER with the Target's Statement. Apart from this IER, we are not responsible for the contents of the Target's Statement or any other document associated with the Offer. We acknowledge that this IER may be lodged with regulatory authorities.

Summary

This summary should be read in conjunction with the attached IER that sets out in full, the purpose, scope, basis of evaluation, limitations, information relied upon, analysis and our findings.

Glossary

A glossary of terms used throughout this IER is set out in **Appendix 1**.

Financial Services Guide

BDOCF holds an Australian Financial Services Licence which authorises us to provide reports for the purposes of acting for and on behalf of clients in relation to proposed or actual mergers, acquisitions, takeovers, corporate restructures or share issues. A financial services guide is attached to this IER.

Yours faithfully

BDO CORPORATE FINANCE (EAST COAST) PTY LTD

Dan Taylor
Director

David McCourt
Director

BDO

TABLE OF CONTENTS

1. PURPOSE AND BACKGROUND

1.1. Purpose

We have been appointed by the Independent Directors to prepare an IER setting out our opinion as to whether the Offer is fair and reasonable to the Non-associated Shareholders.

This IER is to accompany the Target's Statement required to be provided to CQC Shareholders. It has been prepared to assist and enable the Non-associated Shareholders assess the merits of the Offer and to decide whether to accept or reject the Offer.

A summary of the background to the terms of the Offer is set out below.

1.2. Transaction overview

On 6 July 2016, CQC announced a conditional off-market takeover offer by Longluck under which:

- Longluck will acquire all of the Cuesta Shares on issue in which Longluck does not already have a Relevant Interest, for a cash consideration of $0.02485 per share.
- The parties have agreed to various conditions in the Bid Implementation Agreement (**BIA**) as provided below:
  - Australian Foreign Investment Review Board and Chinese regulatory approvals
  - 90% minimum acceptance
  - No Prescribed Occurrence, Additional Prescribed Occurrence or Material Adverse Change occurring
  - No material transactions occurring without Longluck's prior written consent
  - No regulatory actions which restrains, prohibits or impedes the proposed Transaction
- Full details of the Conditions are set out in Part 2 Section 7 of the Replacement Bidder's Statement.
- Full details of the Transaction are set out in the Bidder's Statement and Replacement Bidder's Statement which has been dispatched to CQC shareholders.

2. SCOPE AND LIMITATIONS

2.1. Scope

The scope of the procedures we undertook in forming our opinion on whether the Offer is fair and reasonable to the Non-Associated Shareholders has been limited to those procedures we believe are required in order to form our opinion. Our procedures did not include verification work nor constitute an audit or assurance engagement in accordance with Australian Auditing and Assurance Standards.

The assessment of whether the Offer is fair and reasonable to the Non-associated Shareholders involved determining the fair market value of various securities, assets and liabilities.

For the purposes of our opinion, the term “fair market value” is defined as the price that would be negotiated in an open and unrestricted market between a knowledgeable, willing, but not anxious purchaser and a knowledgeable, willing, but not anxious vendor, acting at arm’s length.

2.2. Summary of Regulatory Requirements

The Independent Directors have engaged us to prepare a Report in relation to the Offer to satisfy the requirements of Section 640 of the Act which states that:

“*If:*

(a) the bidder's voting power in the target is 30% or more; or

(b) for a bidder who is, or includes, an individual--the bidder is a director of the target; or

(c) for a bidder who is, or includes, a body corporate--a director of the bidder is a director of the target;

a target's statement given in accordance with section 638 must include, or be accompanied by, a report by an expert that states whether, in the expert's opinion, the takeover offers are fair and reasonable and gives the reasons for forming that opinion.”

Longluck’s voting power in the target is greater than 30% and Longluck and CQC have a common director. As a result, we have been engaged to prepare this IER.

2.3. Basis of Assessment

In determining whether the Offer is fair and reasonable to the Non-associated Shareholders we have had regard to:

- RG 111 *Content of expert reports*
- Regulatory Guide 112 *Independence of experts* (**RG 112**).

In particular, RG 111 establishes guidelines in respect of independent expert reports under the Act.

RG 111 establishes two distinct criteria for an expert analysing a related party transaction. The tests are:

- Is the offer ‘fair’?
- Is it ‘reasonable’?

That is, the terms fair and reasonable are regarded as separate elements and are not regarded as a compound phrase.

Fair

RG 111.11 indicates that an offer is ‘fair’ if the value of the offer price or consideration is equal to or greater than the value of the securities the subject of the offer. The value of the securities the subject of the offer is determined assuming:

- A knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm’s length.
- 100% ownership of the target company, irrespective of the percentage holding of the bidder or its associates in the target company.

The Offer will be fair if the Consideration is equal to or greater than the value of the securities the subject of the offer (fair market value of a CQC share pre-transaction on a control basis).

Reasonable

In accordance with paragraph 12 of RG 111, an offer is 'reasonable' if it is 'fair'. An offer could be considered 'reasonable' if there are valid reasons to approve it (in the absence of any higher bid before the close of the offer), notwithstanding that it may not be regarded as 'fair'.

RG 111.13 sets out some of the factors that an expert might consider in assessing the reasonableness of an offer, including:

- The bidder's pre-existing voting power in securities in the target.
- Other significant security holding blocks in the target.
- The liquidity of the market in the target's securities.
- Taxation losses, cash flow or other benefits through achieving 100% ownership of the target.
- Any special value of the target to the bidder, such as particular technology, the potential to write off outstanding loans from the target, etc.
- The likely market price if the offer is unsuccessful.
- The value to an alternative bidder and likelihood of an alternative offer being made.

RG 111.15 further clarifies that the fair value of the target securities should be determined on the basis of a knowledgeable and willing, but not anxious, seller that is able to consider alternative options to the bid (e.g. an orderly realisation of the target's assets) in an event where the target is in financial distress. An offer price which is 'not fair' may be reasonable if the alternative methods are less attractive to the shareholders than a successful offer.

General requirements in relation to the IER

In preparing the IER, ASIC requires the independent expert when deciding on the form of analysis for a report, to bear in mind that the main purpose of the report is to adequately deal with the concerns that could reasonably be anticipated of those persons affected by the Offer. In preparing the IER we considered the necessary legal requirements and guidance of the Act, ASIC Regulatory Guides and commercial practice.

The IER also includes the following information and disclosures:

- Particulars of any relationship, pecuniary or otherwise, whether existing presently or at any time within the last two years, between BDO East Coast Partnership or BDOCF and any of the parties to the Offer.
- The nature of any fee or pecuniary interest or benefit, whether direct or indirect, that we have received or will or may receive for or in connection with the preparation of the IER.
- We have been appointed as independent expert for the purposes of providing an IER for the Target's Statement.
- That we have relied on information provided by the board of Directors of CQC (**Board**) and management of CQC and that we have not carried out any form of audit or independent verification of the information provided.
- That we have received representations from the Board in relation to the completeness and accuracy of the information provided to us for the purpose of our IER.

Prior to accepting this engagement, we considered our independence in regard to CQC with reference to RG 112.

2.4. Special Value

We have not considered special value in forming our opinion. Special value is the amount that a potential acquirer may be prepared to pay for a business in excess of the fair market value. This premium represents the value to the particular potential acquirer of potential economies of scale, reduction in competition, other synergies and cost savings arising from the acquisition under consideration not available to likely purchasers generally. Special value is not normally considered in the assessment of fair market value as it relates to the individual circumstances of special purchasers.

2.5. Reliance on Information

This IER is based upon financial and other information provided by the Board and management of CQC. We have considered and relied upon this information. Unless there are indications to the contrary, we have assumed that the information provided was reliable, complete and not misleading, and material facts were not withheld. The information provided was evaluated through analysis, inquiry and review for the purpose of forming an opinion as to whether the Offer is fair and reasonable to the Non-associated Shareholders.

We do not warrant that our inquiries have identified or verified all of the matters which an audit, extensive examination or “due diligence” investigation might disclose. In any event, an opinion as to whether a corporate transaction is fair and reasonable is in the nature of an overall opinion rather than an audit or detailed investigation.

It is understood that the accounting information provided to us was prepared in accordance with generally accepted accounting principles.

Where we relied on the views and judgement of management the information was evaluated through analysis, inquiry and review to the extent practical. However, such information is often not capable of direct external verification or validation.

Under the terms of our engagement, CQC has agreed to indemnify BDOCF and BDO East Coast Partnership, and their partners, directors, employees, officers and agents (as applicable) against any claim, liability, loss or expense, costs or damage, arising out of reliance on any information or documentation provided, which is false or misleading or omits any material particulars, or arising from failure to supply relevant documentation or information.

2.6. Limitations

We acknowledge that this IER may be lodged by the Board with regulatory and statutory bodies and will be included in the Target’s Statement to be sent to the CQC Shareholders. The Board acknowledges that our IER has been prepared solely for the purposes noted in the Target’s Statement and accordingly we disclaim any responsibility from reliance on the IER in regard to its use for any other purpose. Except in accordance with the stated purposes, no extract, quote or copy of the IER, in whole or in part, should be reproduced without our prior written consent, as to the form and context in which it may appear.

It was not our role to undertake, and we have not undertaken any commercial, technical, financial, legal, taxation or other due diligence, other similar investigative activities in respect of CQC. We understand that the Board has been advised by legal, accounting, tax and other appropriate advisors in relation to such matters as necessary. We provide no warranty or guarantee as to the existence, extent, adequacy, effectiveness and/or completeness of any due diligence or other similar investigative activities by the Board or their advisors.

We note that the IER does not deal with the individual investment circumstances of CQC Shareholders and no opinion has been provided in relation to same. Some individual CQC Shareholders may place a different emphasis on various aspects of the Offer from that adopted in our IER. Accordingly, individuals may reach different conclusions on whether or not the Offer is fair and reasonable. An individual CQC Shareholder’s decision in relation to the Offer may be influenced by their particular circumstances and, therefore, Non-associated Shareholders are advised to seek their own independent advice.

Apart from the IER, we are not responsible for the contents of the Target’s Statement or any other document. We have provided consent for inclusion of the IER in the Target’s Statement. Our consent and the Target’s Statement acknowledge that we have not been involved with the issue of the Target’s Statement and that we accept no responsibility for the Target’s Statement apart from the IER.

2.7. Assumptions

In forming our opinion, we have made certain assumptions and outline these in our IER including:

- Assumptions outlined in the fairness section.
- That matters such as title to all relevant assets, compliance with laws and regulations and contracts in place are in good standing, and will remain so, and that there are no material legal proceedings, other than as publicly disclosed.
- Information sent out in relation to the Offer to CQC Shareholders or any regulatory or statutory body is complete, accurate and fairly presented in all material respects.
- Publicly available information relied on by us is accurate, complete and not misleading.
- If the Offer is implemented, that it will be implemented in accordance with the stated terms.
- The legal mechanisms to implement the Offer are correct and effective.
- There are no undue changes to the terms and conditions of the Offer or complex issues unknown to us.

3. PROFILE OF CQC

3.1. Overview

CQC was incorporated in September 2011 and subsequently listed on the ASX on 4 May 2012 as a coal exploration and development company. The Company currently has a pipeline of coal projects ranging from development to greenfield exploration, with a focus on the development of the flagship Moorlands Project located in the Western Bowen Basin of Queensland.

CQC has a total JORC resource of 781Mt across four project areas, including 318Mt at the Moorlands Project.

3.2. Projects

Set out below is a brief description of CQC's key projects:

Table 3: Current projects

Mine Site	Description
Moorlands	• The Moorlands Project is an open-cut export thermal coal development project, located in the Western Bowen Basin of Queensland. • The Moorlands Project has a JORC Resource of 318Mt including 113Mt in the Measured category. The mining lease application process is currently underway for the project. • The Moorlands Resource has a coal bearing strike length of approximately 12km. Shallow coal is present in thick seams amenable to a simple truck and shovel mining operation. • The project is currently in the mine feasibility stage.
Eastern Galilee	• The Eastern Galilee Project is located along the eastern margin of the Galilee Basin. In its drilling activities during 2011, 2012 and 2013, Cuesta intersected coal over 15km2 in EPC 1802, now known as the Yellow Jacket Project. This work has identified occurrences of Coal Measures further to the east of the previously known Permian Coal boundary. • In October 2013, Cuesta announced a Maiden Inferred JORC Resource of 364Mt at Yellow Jacket (EPC 1802). • Cuesta and QCI (Galilee) Pty Ltd entered into a Farm-In and Joint Venture Agreement where QCI can earn a 51% interest through a $3m expenditure on EPCs 2079 and 2080. Following the expenditure of approximately $1.1m QCI (Galilee) Pty Ltd opted out of the Farm-In and Joint Venture Agreement. Cuesta retains 100% of EPCs 2079 and 2080. • The Eastern Gailee Project is currently in the resources definition stage.
West Emerald	• The West Emerald Project is located in the Denison Trough. Cuesta is targeting Reid's Dome Bed Coal Measures containing thermal and pulverized coal injection (PCI) coals, specifically in extensions of major deposits in the area being Rio Tinto's Valeria deposit (762Mt) and Shenhuo Group's Taroborah deposit (188.2Mt). • Historic coal intersections have encountered coal measures on the Cuesta Coal Tenements. • The West Emerald project is currently in the exploration stage.
Amberley	• The Amberley project is located approximately eight kilometres south east of the Jeebropilly Coal Mine and five kilometres from the formerly producing Ebenezer Mine, which has produced both domestic and export quality thermal coal. Cuesta is targeting thermal coal in the Walloon Coal Measures and in 2012 identified an Inferred JORC Resource 54.6Mt.
Thorn Hill	• This is located in the Surat Basin, approximately 25 kilometres northeast of Wandoan. The Thorn Hill Deposit has an Inferred JORC Resource of 44.6Mt identified in Cuesta's 2012 drilling program.

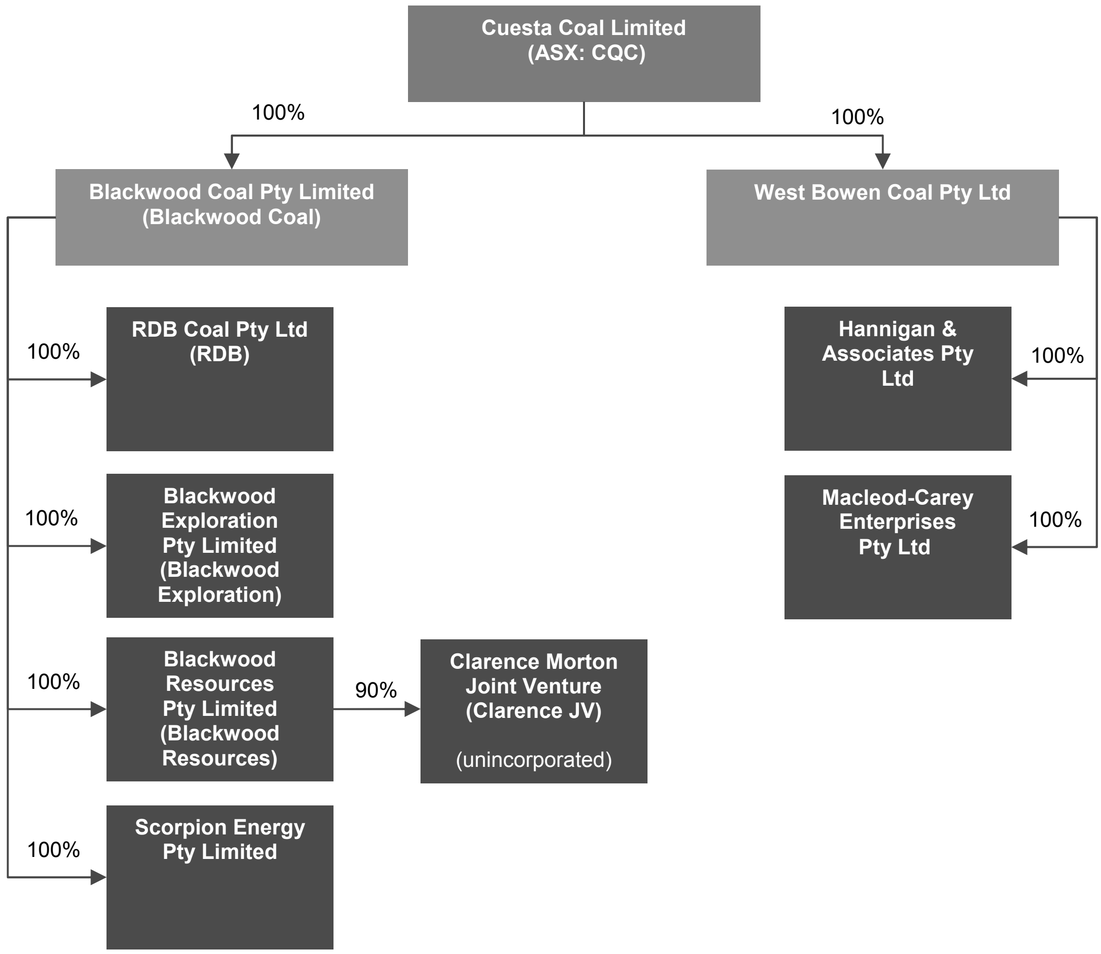
Source: CQC management, CQC website

3.3. Corporate Structure

The corporate structure of CQC is set out below:

Figure 1

Corporate Structure



Source: CQC management

Set out below are further details of CQC's key activities over FY2015 and FY2016.

- Completion and settlement of $15 million placement to major shareholder Longluck, a wholly owned subsidiary of Beijing Guoli Energy Investment Co., Ltd (**Beijing Guoli**).
- Execution of unsecured loan agreements totalling $5.5 million 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.

3.4. Wellington Dispute

- On 13 June 2016 CQC was served with a notice of claim filed in the Supreme Court of Queensland by interests associated with Owen and Reginald Wellington and Ronald Fox (**Claimants**), the previous owner of EPC 1802, and an assignee of such an interest respectively.
- The Claimants are seeking a declaration and related orders against CQC in respect of a series of contracts and deeds entered into between 2010 and 2013 governing the terms of sale of EPC 1802 to Blackwood Exploration Pty Ltd (a subsidiary of CQC) as purchaser.
- On 12 July 2016 CQC lodged a formal defence to the Wellington Dispute in the Supreme Court of Queensland which was consistent with the ASX announcement dated 17 June 2016.

4.1. Historical Financial Information

4.1.1. Financial Performance

The historical income statements of CQC for the financial years ended 30 June 2015 (**FY15**) and 30 June 2016 (**FY16**) are set out in the table below.

Table 4: Statement of profit or loss

$'000 unless stated otherwise	FY2015 Audited	FY2016 Unaudited
Other income	985	53
Expenses		
Auditor's remuneration	(131)	(84)
Depreciation and amortisation expense	(68)	(44)
Directors' fees	(311)	(170)
Employees expenses	(1,530)	(2,296)
Finance costs	(83)	(306)
Insurance expenses	(59)	(79)
Occupancy expenses	(65)	(41)
Share based payments	(273)	(43)
Travel expenses	(245)	(121)
Write off of intangible asset	(1,575)	0
Other expenses	(321)	(2,085)
Loss before income tax	(3,676)	(5,216)
Income tax expense	-	0
Loss after tax for the year	(3,676)	(5,216)

Source: CQC Management

We note the following in relation to the above:

- Other income relates to interest received from cash and cash equivalents and the fair value gain on an embedded derivative. A fair value gain of $840,000 on an embedded derivative was recorded in FY15. Income in FY16 of $53,000 relates to interest received from cash and cash equivalents.
- Management has advised that employee expense of $2.3 million in FY16 includes redundancy costs.
- Finance costs of approximately $0.3 million incurred in FY16 relates to interest expense incurred on the $5.5 million loans outstanding to Longluck.
- An intangible asset write off of $1.6 million incurred in FY15 relates to a Memorandum of Understanding entered with a third party for the right to reserve future rail and port capacity by 30 June 2015. The total amount of reservation fees were written off because of the expiration of the reservation right.
- Other expenses in FY16 include the write-down of previously capitalised costs on EPC's that were not renewed in the year of $1.587 million.

BDO

4.1.2. Historical Statements of Financial Position

The statement of financial position of CQC as at 30 June 2016 are set out below:

Table 5: Statements of financial position

$'000 unless stated otherwise	As at 30 June 2016 Unaudited
Current assets	
Cash and cash equivalents	1,039
Trade and other receivables	110
Other current assets	4
Total current assets	1,153
Non current assets	
Plant and equipment	126
Exploration and evaluation expenditure	64,750
Total non current assets	64,876
Total assets	66,029
Current liabilities	
Trade and other payables	(1,095)
Current borrowings	(5,863)
Employee benefits	(72)
Total current liabilities	(7,030)
Total liabilities	(7,030)
Net assets	58,999
Equity	
Issued capital	78,739
Reserves	3,162
Accumulated losses	(22,902)
Total equity	58,999
Key performance indicators	
Return on assets	(7.9%)
Return on equity	(8.8%)
Debt to assets	8.9%

Source: CQC Management Accounts 30 June 2016

We note the following in relation to the above:

- Cash and cash equivalents relate to cash at bank and on hand. We note that CQC's maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalents.
- Other current assets are mainly made up of exploration licence applications.
- PPE comprises leasehold improvements, computer equipment, furniture and office equipment.
- Exploration and evaluation expenditure is recorded at cost and the 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.
- Current borrowings of approximately $5.8 million as at 30 June 2016 comprise the following unsecured loans to Longluck including interest on those loans capitalised to date:

Table 6: Total borrowings as at 30 June 2016

Loan facility	Principal (A$)	Interest accrued	Total	Drawdown date	Repayment date	Annual interest rate (%)
1	2,500,000	206,713	2,706,713	13/2/2015	12/2/2017	6.00
2	1,000,000	10,861	1,010,864	9/5/2016	8/11/16	7.50
3	1,000,000	75,204	1,075,204	30/6/2015	29/12/2016	7.50
4	1,000,000	70,286	1,070,286	24/7/2015	23/1/2017	7.50
		363,064	**5,863,064**			

Source: CQC Management

- Total borrowings including accrued interest amount to $5.9 million as at 30 June 2016.

4.2. Capital Structure and Ownership

As at 18 March 2016, CQC had the following securities on issue:

Table7: CQC securities on issue

Security	No. of Securities on Issue	Details
CQC Shares on issue	528,420,448	Ordinary shares entitle the shareholder of CQC 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.
Unlisted Options	25,000,000	Various lots of options with exercise prices ranging from $0.08 to $0.25 each expiring at various dates
Performance Rights	3,750,000	-

Source: CQC management, Appendix 3B dated 7 May 2016

The top 10 shareholders as at 30 June 2015 had the following holdings:

Table 8: Top 10 shareholders

Rank	Shareholder	Securities Outstanding	% ownership
1	Longluck Investment (Australia (Pty) Ltd	282,297,735	53.75%
2	Country Rosy Limited	75,000,000	14.28%
3	Albion Ballymore Pty Ltd	47,068,346	8.96%
4	Argonaut Resources NL	16,734,667	3.19%
5	New Mangrove Resources Pty Ltd	8,127,406	1.55%
6	Waytop Investments Limited	6,764,644	1.29%
7	Anycall Pty Ltd <Richer Superannuation Fund A/C>	5,713,232	1.09%
8	ACN Mining Pty Limited	5,400,000	1.03%
9	Mr Brice Mutton + Mrs Gai Mutton <Brice Mutton Super Fund A/C>	5,134,488	0.98%
10	Inhowse Pty Ltd	4,086,364	0.78%
	Subtotal	**456,326,882**	**86.89%**
	Other Shareholders	**68,878,206**	**13.11%**
	Total securities outstanding	**525,205,088**	**100.00%**

Source: CQC management

The top 10 shareholders own a total equity interest of approximately 87% in the Company.

4.3. Share price analysis

The table below summarises trades over the last 12 months to 10 June 2016, being the date of the trading halt preceding the transaction announcement.

Table 9: Volume weighted average share price of daily trades

	High	Low	VWAP	Total Volume Traded	Annualised Turnover (Note 1)
	($)	($)	($)	('000s)	(%)
As at 10 June 2016 (Trading halt)	-	-	n/a	-	n/a
10 days to 10 Jun 2016	0.021	0.011	0.0162	2,427.5	0.46
1 month to 10 Jun 2016	0.021	0.011	0.0145	3,507.9	0.67
3 months to 10 Jun 2016	0.021	0.008	0.0120	7,516.2	1.43
6 months to 10 Jun 2016	0.021	0.007	0.0121	8,110.6	1.54
12 months to 10 Jun 2016	0.050	0.007	0.0157	11,241.2	2.14

Sources: Capital IQ; BDOCF analysis

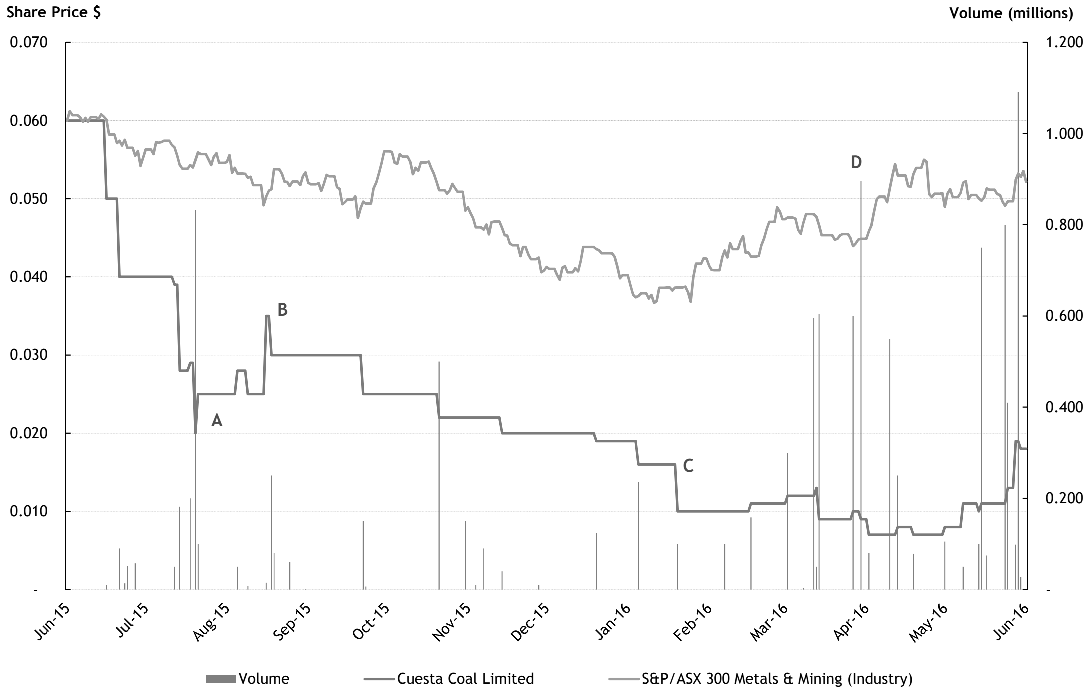
Note 1: Annualised turnover is calculated as period turnover divided by trading days in the period, multiplied by trading days in the year.

Legend: VWAP denotes volume weighted average share price.

We note the following with respect to the above:

- CQC shares traded between $0.007 per share and $0.050 per share.
- On 9 days over the period analysed, the daily volume traded was greater than 500,000 shares. These spikes in volume are charted below. Whilst on some days announcements to the ASX were made (which provides possible reasons for the unusual trading activity), reasons for the unusual trading activity were not always traceable to any particular event.
- Volume weighted average prices (**VWAP**) are observed to have relatively small movements across the selected time periods, falling within a range of $0.012 to $0.0162.

Figure 2: Daily closing share prices and volumes from 10 June 2015 to 10 June 2016



Sources: Capital IQ; BDOCF analysis

CQC Share prices have underperformed the S&P/ASX 300 Metals and Mining Index over the trading period to 10 June 2016.

5. INDUSTRY OVERVIEW

5.1. Coal overview

Coal is a combustible sedimentary rock formed over a considerable time period. Coal is broadly categorised into 2 types:

- **Black coal** – High energy content, harder than brown coal and suitable for export. Black coal can be further divided into:
  - **Thermal (steaming) coal**. A type of black coal that is used to generate electricity in power stations where it is pulverised and burnt to heat steam generating boilers. The major producers are Australia, China, South Africa, Colombia, Russia, United States and Indonesia.
  - **Metallurgical (coking) coal**. Relatively scarce and tends to attract a higher price than thermal coals. A type of black coal is used for making coke, which is then used in the production of pig iron. The major producers are Australia, Canada and United States.
- **Brown coal** – Low in energy and contains high ash content. Not suitable for export and is used to generate electricity in power stations located at or near the mines.

Depending on the geology of the deposit, coal is mined using surface/opencut or underground mining techniques. Approximately 80% of Australian coal is produced from opencut mines. Opencut mines tend to have lower mining costs and generally recover a higher proportion of the coal deposit than underground mining.

5.2. Industry revenue

In Australia, the black coal mining industry (**Industry**) is expected to generate revenue of approximately $37.2 billion in 2016. Industry revenue is forecast to grow at an annualised 3.5% over the five years through 2020-2021, to reach $44.2 billion (*Source: IBISWorld Black Coal Mining Industry Report - July 2016*).

5.3. Key external drivers

Set out below are the key external drivers of the Industry:

- Domestic price of black coal – When black coal prices increase, local miners generate more revenue per tonne of black coal mined
- World price of coal – This has a direct effect on Industry revenue.
- Demand from electricity generation – Demand for thermal coal is affected by trends in the level of electricity production and in the development of black coal fired power plants.
- Demand from iron and steel manufacturing – Demand for coking coal in Australia depends on trends in steel production.
- Exchange rate – Coal prices are set in US dollars. Fluctuations in the AUD/USD exchange rate affect the Australian dollar return available to Australian producers. In 2016-17, the Australian dollar is forecast to depreciate, providing an opportunity for the industry to expand.
- Pubic concerns over environmental issues – The increased community awareness and concern over the heavy emissions produced by black coal in electricity generation is expected to negatively influence industry operators.

5.4. Major participants

Major participants in the Industry along with their expected market share in 2016 are as follows:

- BHP Billiton Limited (11.6%)
- Rio Tinto Limited (9.2%)
- Mitsubishi Development Pty Ltd (9.0%)
- Anglo American Australia Limited (7.8%)

5.5. Industry outlook

As at the time of drafting this Report, the general outlook of the Industry in Australia is as follows:

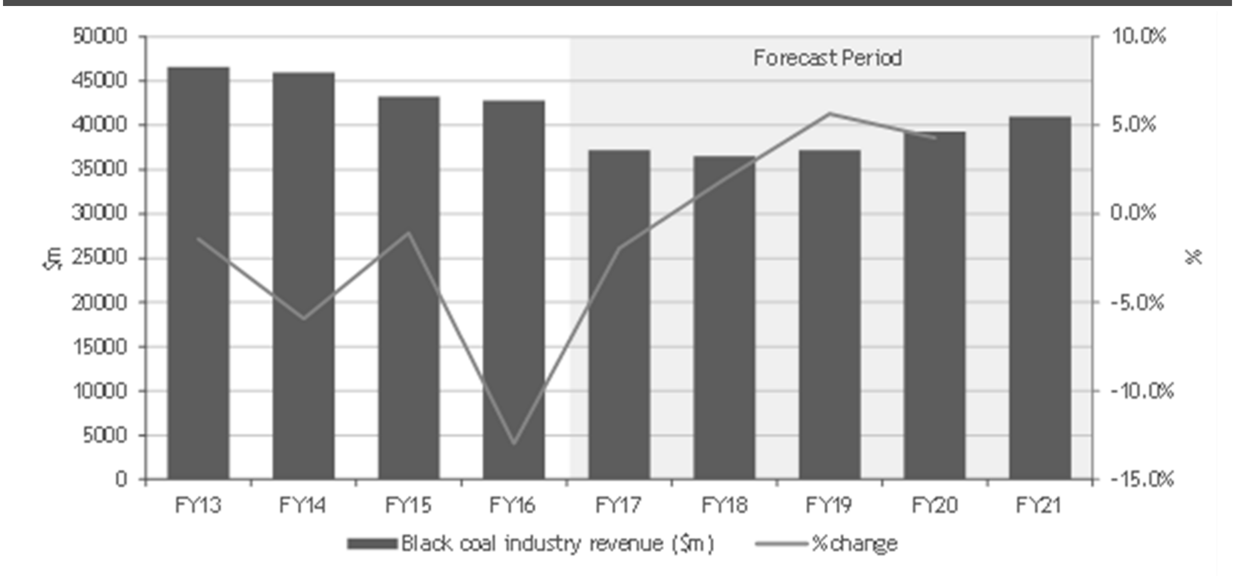
The industry is expected to improve over the next 5 years, on the back of rising production volumes and steadier local coal prices. However, many coal mining firms have focused on improving the efficiency and productivity of their existing mines, rather than establishing new operations in recent years.

- The increase export prices for Australian coal over the next 5 years, coupled with increasing production, is expected to support the industry's growth over the next 5 years.
- Improving global economic conditions and growing demand from the construction and industrial industries in emerging economies such as China and India are set to underpin this growth. In its 2015 Energy Outlook Report, the International Energy Agency (IEA) forecast coal consumption to rise in South East Asia, China and India. This increased demand is expected to benefit larger coal miners characterised by low costs, economies of scale and established operations, which have caused many smaller coal miners or explorers such as CQC, to diversify, merge or be the subject of takeovers.
- The lower Australian dollar is also expected to bolster the competitiveness of domestic black coal miners in the global market.

Set out below an illustration of the Industry forecast revenue over the next 5 years.

Figure 2: Black coal mining industry revenue

Industry revenue (historical and forecast)



Source: IBISWorld, Black Coal Mining in Australia (April 2016)

5.6. Conclusion

Over the last five years, the number of large industry participants have begun to decline as it has become increasing expensive and difficult to access large black coal reserves. Smaller industry participants and explorers have been closing or radically scaling back operations, while other miners have focused on improving the productivity of their existing mines.

The increase in export demand from developing economies is expected to be underpinned by rising coal prices in the medium term. Despite the expected growth in productivity, the majority of production is forecast to come from currently producing mines and the cost of establishing new mines will make it difficult for proposed mines and coal explorers such as CQC to become economically feasible.

6. VALUATION METHODOLOGY

6.1. Valuation requirements

We have formed our opinion in relation to fairness by comparing the:

- Fair market value of an CQC Share before the Offer (including a premium for control); and
- The Consideration.

The Offer is fair if the Consideration is equal to or greater than the fair market value of a CQC Share before the Offer (including a premium for control).

6.2. Valuation methods

In assessing the fairness of the Transaction, we have determined the value of CQC. We have considered the following valuation methods:

- Capitalisation of earnings (**COE**)
- Discounted cash flow (**DCF**)
- Net asset value (**NAV**)
- Quoted market price basis (**QMP**).

Set out in Appendix 3 is a summary description of the valuation methodologies we have considered.

Set out below is a discussion of the valuation method we consider appropriate for the purposes of undertaking our valuation assessment of CQC.

6.3. Selected valuation method for CQC

The fair market value of net assets is based on a sum-of-parts of the assets and liabilities set out in CQC's unaudited balance sheet as at 30 June 2016 together with capitalised corporate costs.

The following assets and liabilities have been assessed independently and aggregated to arrive at the equity value of CQC prior to the Transaction:

- The fair market value of the tenements of CQC as assessed in the independent valuation report by Xstract Mining Consultants Pty Ltd (**Xstract**) dated 20 July 2016 (CQC Tenements Report). CQC engaged Xstract to prepare a valuation of the tenements of CQC in accordance with the VALMIN Code. A copy of the CQC Tenements Report is provided in **Appendix 4**.
- The fair market value of other assets and liabilities of CQC.
- Capitalised overheads and costs associated with the Transaction.

We have not considered the QMP methodology due to the illiquid nature of trading in CQC Shares.

6.4. Other valuation considerations

6.4.1. Future events

The business of CQC to be considered in this fairness assessment is that which exists as at the current date.

Growth opportunities which may result from business initiatives, acquisitions and the like (which are not capable of estimation), are not within the scope of this fairness assessment.

6.4.2. Special value

We have not considered special value in forming our opinion.

6.4.3. Valuation in accordance with APES 225

This engagement has been conducted in accordance with professional standard APES 225 Valuation Services, as issued by the Australian Professional and Ethical Standards Board.

7. VALUATION OF CQC BEFORE THE TRANSACTION

7.1. Overview

To determine the fair market value of CQC on a control basis before the Transaction, we have considered the following:

- CQC will remain a going concern and will be able to organise an equity raising to repay the unsecured loans to Longluck and fund any required working capital.
- No material contingent liabilities exist as at the time of drafting this Report.

7.2. Valuation Summary

Our assessment of the fair market value of CQC is set out below:

Table 10: Valuation summary of the fair market value of CQC Shares prior to the Transaction

$'000s unless stated otherwise	Ref	Low	High
Net assets	7.3	**58,999**	**58,999**
Add/(less):			
Less: Exploration licence applications	7.4	(4)	(4)
Less: Exploration expenditure	7.4	(64,750)	(64,750)
Add: Fair market value of CQC's tenements	7.5	16,700	38,600
Less: Fair market value of performance rights		-	-
Add: Book value of convertible notes		-	-
Less: Fair market value of convertible notes		-	-
Less: Capitalised overheads	7.6	(5,000)	(4,750)
Less: Transaction costs	7.7	(100)	(100)
Equity value of CQC (control)		**5,845**	**27,995**
Number of Shares ('000s)	7.8	530,170	530,170
Equity value of CQC per Share (control) ($)		**0.01103**	**0.05281**
Cash consideration		0.02485	0.02485
Premium/discount		125%	(53)%

Source: BDO analysis

Based on the above, we have estimated the fair market value of a CQC Share on a controlling interest basis before the Transaction to range between $0.01103 to $0.05281.

7.3. Net assets

We have relied on the book value of the net assets of CQC as at 30 June 2016 as our starting point for the valuation (refer Section 3.4).

7.4. Book value of exploration licence applications and exploration expenditure

We have included the fair market values of the tenements set out in the CQC Tenements Report as part of our valuation. Accordingly, we have deducted the book value of these assets from the net assets of CQC.

7.5. Fair market value of CQC tenements

CQC has engaged Xstract to prepare the CQC Tenements Report in accordance with the VALMIN Code for the purpose of this Report. Xstract has a history of preparing similar reports for various listed entities on the ASX. We have reviewed the CQC Tenements Report and are satisfied that the methodologies adopted are in accordance with industry practices.

Xstract has assessed the fair market values of the following tenements:

Table 11: Valuation summary of CQC's tenements determined by Xstract

$'million unless stated otherwise	Low	High	Preferred	Valuation methods adopted
Moorlands	**13.4**	**28.4**	**19.2**	
- Conceptual mine plan Resource	7.7	16.7	12.0	DCF
- Resource outside the mine plan	5.6	11.2	7.0	Comparable Market Transaction method
- Exploration	0.1	0.5	0.2	Comparable Market Transaction method
East Gailee	**2.4**	**7.3**	**3.2**	
- Resource	2.2	6.6	3.0	Comparable Market Transaction method
- Exploration	0.2	0.6	0.3	Geoscientific and Comparable Market Transaction methods
East Wandoan	**0.2**	**0.8**	**0.3**	
- Resource	0.2	0.6	0.3	Comparable Market Transaction method
- Exploration	0.0	0.2	0.1	Geoscientific and Comparable Market Transaction methods
West Emerald	**0.0**	**0.2**	**0.1**	
Amberley - Resources	**0.5**	**1.6**	**0.7**	Geoscientific and Comparable Market Transaction methods
Other -Exploration	**0.1**	**0.3**	**0.1**	
Total (rounded)	**16.7**	**38.6**	**23.8**	

Source: CQC Tenements Report

We note that Xstract has included in the assessment of the above tenements, the fair market values of exploration licence applications and applied a 20% valuation discount to permits under application to reflect the ownership status.

Based on the above, Xstract has assessed the fair market value of the tenements on a 100% equity interest basis ranging from $16.7 million to $38.6 million. If a point estimate of fair market value for the CQC tenements was required, we would use Xstract's preferred fair market value of $23.8 million. Using this point estimate provides a controlling value per CQC Share of $0.02489, which is materially the same as the Consideration.

7.6. Capitalised corporate costs

The corporate costs of CQC are not included in the fair market value of the Company's tenements.
In assessing the value of CQC on a going concern basis, an appropriate capitalised allowance for corporate overheads. These costs include, but are not limited to:

- Compliance costs such as reporting and taxation costs
- Professional and consultant fees
- Insurance
- Salaries and wages of administration staff
- Directors' fees.

Based on our review of the income statement and discussions with CQC management, we have assessed required ongoing corporate overheads to range from $950,000 to $1 million per year (pre-tax).

We have assessed a multiple of 5.0x to be appropriate in capitalising the corporate costs. On this basis, we have included in the valuation of CQC capitalised corporate costs of between $4.75 million to $5.00 million.

7.7. Transaction costs

CQC management have advised that the Company will incur costs associated with the Transaction approximately $100,000 (including GST). These costs relate to legal fees, advisory fees, consultancy fees, printing and registry costs, geologist's valuation fees and fees associated with the preparation of this Report.

These costs will be incurred by CQC regardless of whether the Transaction proceeds. As such, we have considered an adjustment for the amount of $100,000 (including GST) to reflect these costs.

7.8. Number of Shares

The number of CQC Shares is determined as follows:

Table 12: CQC Securities on Issue

	Ref	No. outstanding ('000s)	Included in calculation
Ordinary shares on issue	4.2	528,420	528,420
Director Performance Rights	(i)	3,750	1,750
Unlisted options	(ii)	25,000	0
Total		**555,170**	**530,170**

Source: BDO analysis

- Of the 3.75 million Director Performance Rights, we have been advised that 2.0 million of these have expired.
- The Unlisted Options are exercisable at various times and at various prices as provided in section 4.2. Given that the exercise price for all of the Unlisted Options is above the Consideration, we have assumed that all of these options will not be exercised.

8. FAIRNESS ASSESSMENT

In undertaking our fairness opinion we have had regard to Australian Securities and Investments Commission (**ASIC**) Regulatory Guide 111 Content of expert reports.

RG 111.11 indicates that an offer is 'fair' if the value of the offer price or consideration is equal to or greater than the value of the securities the subject of the offer. The comparison must be made assuming:

- A knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length.
- 100% ownership of the target company, irrespective of the percentage holding of the bidder or its associates in the target company.

The Consideration offered to CQC Shareholders is $0.02485 per share.

The Offer will be fair if the Consideration is equal to or greater than fair market value of an CQC Share pre-transaction on a control basis.

8.1. Fairness assessment

The result of our fairness analysis under the guidance provided by ASIC is summarised below.

Table 13: Fairness assessment

$ per share	Ref	Low	High
Fair market value of a share in CQC prior to the Offer (control basis)	7.2	0.01103	0.05281
Consideration	7.2	0.02485	0.02485

Source: BDOCF analysis

The Consideration of $0.02485 per CQC Share falls within the range of fair market values of a CQC Share pre-transaction.

8.2. Overall fairness conclusion

Based on the assessment above, the Offer is fair to the Non-associated Shareholders.

9. REASONABLENESS ASSESSMENT

In accordance with RG 111 an offer is reasonable if it is fair. On this basis, the Transaction is reasonable for Non-associated Shareholders. Set out below is a summary of the factors we have considered in our reasonableness assessment.

9.1. Advantages

9.1.1. Premium over latest closing price

The Consideration of $0.02485 represents a 53% premium to the 10 day VWAP prior to the announcement date of $0.0162. If Longluck's Offer is not successful and no superior proposal is received by CQC, the Independent Directors believe that CQC's share price may fall to levels significantly below the Consideration.

9.1.2. Liquidity and avenue to reinvestment of capital

Trading in CQC Shares has been illiquid with only 2.1% of shares traded over the 12 months to 10 June 2016, with no trading occurring on 204 out of the last 255 days. If the Offer is successful and CQC Shareholders receive the cash consideration, this provides the CQC Shareholders with an opportunity to realise value for their shares which otherwise may be limited.

9.1.3. Certainty

The Offer provides CQC Shareholders with timing and value certainty of 100% cash consideration and removes their exposure to risks (in particular, the high gearing level) and uncertainties inherent in the continuing operation of CQC.

9.1.4. No alternative proposals

We have been advised that the Directors of CQC have not received any alternative or superior proposals at the date of this Report.

9.1.5. Other risks

The Directors believe that there are there are associated risks in not accepting the Offer, including potential issues related to CQC's high level of debt and ability to service or repay this debt.

9.2. Disadvantages

9.2.1. No longer benefiting in any potential upside achieved by CQC

If the Offer is accepted, CQC Shareholders will forgo their interest in CQC. Depending on the individual, this may diminish or remove their exposure to the Industry, eliminate the opportunity to benefit from a superior offer from another party and entitlement to potential future dividend income from CQC. It also eliminates any potential benefit from participating in potential new business initiatives by CQC.

9.2.2. Cash consideration only offer

The Offer is subject to the Conditions, as described in Section 11 of the Target's Statement. All Conditions must be satisfied or waived by Longluck before CQC Shareholders who accept the Offer will receive the cash consideration. If CQC Shareholders accept the Offer and any Condition is not satisfied or waived, Longluck will not acquire the CQC Shares and the CQC Shareholder will not receive the cash consideration. In the meantime, CQC Shareholders who accept the Offer will be unable to trade their CQC Shares, or withdraw their acceptance (other than in accordance with their statutory rights).

9.2.3. Non withdrawal of acceptance of Offer

If a superior proposal to the Offer is announced, CQC Shareholders who accept the Offer will not be able to withdraw their acceptance of the Offer and accept a superior proposal unless:

- the Offer is still subject to a Condition; and
- the Offer is varied in a way that postpones, for more than one month, the time when Longluck must meet its obligations under the Offer; or
- the Offer lapses while still subject to a Condition, or is withdrawn.

At the date of this Target's Statement, the Independent Directors are not aware of any superior proposal.

Each Director intends to accept or procure the acceptance of the Offer in respect of the Cuesta Shares they own or control unless a superior proposal emerges.

For the purpose of evaluating and responding to the Offer, Cuesta established an Independent Board Committee (**IBC**). The IBC is comprised of the Directors who are independent of and not a nominee of Longluck, being Mr Matthew Crawford and Mr Chenhui Tian. The IBC has carefully considered the Offer and unanimously recommends CQC Shareholders to accept the offer, subject to there being no superior proposal.

9.3. Other factors

9.3.1. If the Offer is not accepted

If the Offer is not accepted, CQC Shareholders will continue to be exposed to the risks associated with being a CQC Shareholder. The risks in not accepting the Offer include, but are not limited to, any potential issues associated with CQC's high level of debt.

CQC has a number of loans in place which have been provided by Longluck, totalling in excess of $5.8 million which are due for repayment from November 2016 (refer to Section 7 of the Target's Statement for further detail). In addition to these loans, in conjunction with the BIA, Longluck has agreed to loan CQC a maximum of $500,000 to fund the payment of operational costs or costs associated with the takeover. The actual amount to be loaned is at the discretion of Longluck and any amount loaned will be repayable within 6 months from 3 August 2016 at a rate of 7.5% per annum.

To the extent the Offer does not proceed, given the uncertain industry outlook especially faced by smaller coal miners such as CQC, there is no guarantee that the Company will be able to secure additional funding in order to repay its existing loans, or to fund future capital requirements, or it may only be able to do so on less favourable terms.

Furthermore, the Offer is subject to a number of Conditions, including the minimum acceptance Condition that Longluck acquire a Relevant Interest in at least of 90% of the CQC Shares. If Longluck were to waive the minimum acceptance Condition, then it is possible that Longluck may increase its shareholding in CQC without Longluck having the ability to compulsorily acquire the remaining CQC Shares.

For further information on the risks associated with not accepting the Offer, refer to Section 9 of the Target's Statement.

9.4. Conclusion

Based on the above, we conclude that the Offer is fair and reasonable to the Non-associated Shareholders.

10. QUALIFICATIONS, DECLARATIONS AND CONSENTS

10.1. Qualifications

BDOCF is the licensed corporate finance arm of BDO East Coast Partnership, Chartered Accountants and Business Advisers. BDOCF provides advice in relation to all aspects of valuations and has extensive experience in the valuation of corporate entities and provision of expert's reports.

Mr Dan Taylor, B.Com and CA, is a director of BDOCF. Mr Taylor is also a partner of BDO East Coast Partnership. Mr Taylor is the director responsible for the preparation of this IER.

Mr Taylor has over 20 years' experience in Corporate Finance. He has undertaken numerous specialist Corporate Finance activities including company valuations, due diligence investigations, preparation and review of business feasibility studies, preparation of independent expert's reports, preparation of information memoranda and other corporate investigations. Accordingly, Mr Taylor is considered to have the appropriate experience and professional qualifications to provide the advice offered.

Mr David McCourt, BBus, CA, is a director of BDOCF. Mr McCourt is also a partner of BDO East Coast Partnership. Mr McCourt has been responsible for the review of this IER.

Mr McCourt has over 16 years experience in a number of specialist corporate advisory activities including company valuations, financial modelling, preparation and review of business feasibility studies, accounting, advising on mergers and acquisitions and advising on independent expert reports. Accordingly, Mr McCourt is considered to have the appropriate experience and professional qualifications to provide the advice offered.

10.2. Independence

We are not aware of any matter or circumstance that would preclude us from preparing this IER on the grounds of independence either under regulatory or professional requirements. In particular, we have had regard to the provisions of applicable pronouncements and other guidance statements relating to professional independence issued by Australian professional accounting bodies and ASIC.

Prior to accepting this engagement, we considered our independence in regard to CQC with reference to RG 112. BDO Corporate Finance (East Coast) Pty Limited and BDO East Coast Partnership have provided a range of services to CQC including acting as the independent external auditor and undertaking income and payroll tax compliance work in the previous 2 years. BDOCF have also prepared an IER in relation to the issue of shares to Longluck in the past two years.

It is our opinion that the above mentioned existing and historical relationships do not impact on our ability to provide an independent and unbiased report in the context of the Transaction. In our opinion we are independent of CQC.

We will receive a fee of up to $35,000, plus Goods and Services Tax for the preparation of this IER. We will not receive any fee contingent upon the outcome of the Offer, and accordingly, does not have any pecuniary or other interests that could reasonably be regarded as being capable of affecting its ability to give an unbiased opinion in relation to the Offer.

3 drafts of this IER were provided to the Board and their advisors for review of factual accuracy. Certain changes were made to the IER as a result of the circulation of the draft IERs. However, no changes were made to the methodology, conclusions, or recommendations made to the CQC Shareholders as a result of issuing the draft IERs.

10.3. Disclaimer

This IER has been prepared at the request of the Independent Directors and was not prepared for any purpose other than that stated in this IER. This IER has been prepared for the sole benefit of the Independent Directors and CQC Shareholders. Accordingly, this IER and the information contained herein may not be relied upon by anyone other than the Independent Directors and CQC Shareholders without our written consent. We accept no responsibility to any person other than the Independent Directors and CQC Shareholders in relation to this IER.

The statements and opinions contained in this IER are given in good faith and are based upon our consideration and assessment of information provided by the Board, executives and management of all the entities.

APPENDIX 1: GLOSSARY

All defined terms have the meaning given to that term in the Target's Statement, unless otherwise defined below:

Term	Definition
Act	Corporations Act 2001 (Cth)
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
BDOCF, we, us or our	BDO Corporate Finance (East Coast) Pty Ltd (ABN 70 050 038 170)
Beijing Guoli	Beijing Guoli Energy Investment Co. Ltd
Board	Board of directors of CQC
CQC or the Company	Cuesta Coal Limited
CQC Share	A fully paid ordinary share in CQC
CQC Shareholders	Shareholders of CQC
CQC Tenements Report	The fair market value of the tenements of CQC as assessed in the independent valuation report by Xstract dated 20 July 2016
COE	Capitalisation of earnings method
Consideration	Cash Cconsideration of $0.02485 per CQC Share
DCF	Discounted cash flow method
Directors	Directors of CQC
EPC	Exploration permit for coal
FOS	Financial Ombudsman Service Limited
FSG	Financial Services Guide
FYxx	Financial year ended 30 June 20xx
IBC	Independent Board Committee
Independent Directors	Independent Directors of CQC
Industry	Black coal mining industry
JORC	The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves
Licence	Australian Financial Services Licence No: 247420
NAV	Net asset value method
NE	Normalised earnings
Non-associated Shareholders	Non-associated shareholders of CQC
NPV	Net present value
Offer	Off-market takeover offer at an offer price of $0.02485 per share by Longluck for CQC shares it does not already own
QMP	Quoted market price basis
Report or IER	Independent expert's report
RG 74	ASIC Regulatory Guide 74: Acquisitions approved by members
RG 111	ASIC Regulatory Guide 111: Content of expert reports
RG 112	ASIC Regulatory Guide 112: Independence of experts
Target's Statement	Target's statement issued by the Directors of CQC
VWAP	Volume weighted average price
Xstract	Xstract Mining Consultants Pty Ltd

Source: *BDOCF*

APPENDIX 2: SOURCES OF INFORMATION

In preparing this IER, we had access to and relied upon the following principal sources of information:

- CQC Tenements Report prepared by Xstract dated 20 July 2016
- CQC ASX announcements
- CQC website, http://www.cuestacoal.com.au/
- Bid Implementation Agreement between CQC and Longluck dated 6 July 2016
- Bidder's Statement served on CQC by Longluck on 18 July 2016 in relation to the Offer and Replacement Bidder's Statement dated 28 July 2016
- Target's Statement issued by CQC under Part 6.5 of the Corporations Act in relation to the Offer.
- Discussions with CQC management
- Industry data from publicly available resources
- Information and research sourced from Bloomberg and Capital IQ
- Information generally available and provided by major Australian economic forecasting bodies

APPENDIX 3: VALUATION METHODS - BUSINESSES AND ASSETS

In conducting our assessment of the fair market value of CQC shares the following commonly used business valuation methods have been considered:

Discounted Cash Flow Method

The DCF method is based on the premise that the value of a business or any asset is represented by the present value of its future cash flows. It requires two essential elements:

- the forecast of future cash flows of the business asset for a number of years (usually five to 10 years); and
- the discount rate that reflects the riskiness of those cash flows used to discount the forecast cash flows back to net present value.

DCF is appropriate where:

- the businesses' earnings are capable of being forecast for a reasonable period (preferably 5 to 10 years) with reasonable accuracy;
- earnings or cash flows are expected to fluctuate significantly from year to year;
- the business or asset has a finite life;
- the business is in a 'start up' or in early stages of development;
- the business has irregular capital expenditure requirements;
- the business involves infrastructure projects with major capital expenditure requirements; or
- the business is currently making losses but is expected to recover.

Capitalisation of Earnings Method

This method involves the capitalisation of normalised earnings by an appropriate multiple. Normalised earnings are the assessed sustainable profits that can be derived by the vendor's business and excludes any one off profits or losses. An appropriate earnings multiple is assessed by reference to market evidence as to the earnings multiples of comparable companies.

This method is suitable for the valuation of businesses with indefinite trading lives and where earnings are relatively stable or a reliable trend in earnings is evident.

Net Asset Value

Asset based valuations involve the determination of the fair market value of a business based on the net realisable value of the assets used in the business.

Valuation of net realisable assets involves:

- separating the business or entity into components which can be readily sold, such as individual business Shares or collection of individual items of plant and equipment and other net assets; and
- ascribing a value to each based on the net amount that could be obtained for this asset if sold.

The net realisable value of the assets can be determined on the basis of:

- *orderly realisation*: this method estimates fair market value by determining the net assets of the underlying business including an allowance for the reasonable costs of carrying out the sale of assets, taxation charges and the time value of money assuming the business is wound up in an orderly manner. This is not a valuation on the basis of a forced sale where the assets might be sold at values materially different from their fair market value;
- *liquidation*: this is a valuation on the basis of a forced sale where the assets might be sold at values materially different from their fair market value; or
- *going concern*: the net assets on a going concern basis estimate the market value of the net assets but does not take into account any realisation costs. This method is often considered appropriate for the

valuation of an investment or property holding company. Adjustments may need to be made to the book value of assets and liabilities to reflect their going concern value.

The net realisable value of a trading company's assets will generally provide the lowest possible value for the business. The difference between the value of the company's identifiable net assets (including identifiable intangibles) and the value obtained by capitalising earnings is attributable to goodwill.

The net realisable value of assets is relevant where a company is making sustained losses or profits but at a level less than the required rate of return, where it is close to liquidation, where it is a holding company, or where all its assets are liquid. It is also relevant to businesses which are being segmented and divested and to value assets that are surplus to the core operating business. The net realisable assets methodology is also used as a check for the value derived using other methods.

These approaches ignore the possibility that the company's value could exceed the realisable value of its assets.

Quoted Market Prices

The application of the price that a company's shares trade on the ASX is an appropriate basis for valuation where:

- the shares trade in an efficient market place where 'willing' buyers and sellers readily trade the company's shares; and
- the market for the company's shares is active and liquid.

APPENDIX 4: CQC TENEMENTS REPORT

Cuesta Coal Limited

Technical Specialist Report

Prepared for:

Cuesta Coal Limited

Effective Date: 20 July 2016

Project Manager:

Shaun Barry
BSc (Hons), MSc (Mineral Economics)
MAusIMM (CP), MRICS
(Chartered Valuation Surveyor)
Associate Consultant – Corporate Advisory
Xstract Mining Consultants, Brisbane

Contributing authors:

I De Klerk[1]
R Nordstrom[2]

Peer review of technical work by:

K Irving[3]

Document information:

Project reference:	XSTP16023
Reporting standard/s:	JORC Code 2012; VALMIN Code 2015
Effective date:	July 2016
Status:	Published
File:	XSTP16023_Cuesta_Technical Specialist Report_20160726_FINAL

[1] Principal Consultant – Geology, Xstract Mining Consultants, Brisbane

[2] Principal Consultant, Mining, Xstract Mining Consultants, Brisbane

[3] General Manager and Principal Consultant – Mining, Xstract Mining Consultants, Brisbane

Xstract Mining Consultants Pty Ltd
ABN: 62 129 791 279

XstractGroup.com
Xstract - Excellence from the outset

Brisbane, Australia
Level 6, 545 Queen Street
BRSBANE QLD 4000
PO Box 10312
BRISBANE ADELAIDE STREET QLD 4000
T +61 7 3221 2366 | F +61 7 3221 2235

Perth, Australia
Level 11, 140 St Georges Terrace
PERTH WA 6000
PO Box Z5426
PERTH WA 6831
T +61 8 9327 9500 | F +61 8 9481 8700

Adelaide, Australia
T +61 8 7087 2152
Newcastle, Australia
T +61 61 7 3221 2366
Ulaanbaatar, Mongolia
T +976 7744 0000

London, United Kingdom
T +44 207 002 1012

Internet
www.xstractgroup.com
enquiries@xstractgroup.com

Contents

Tables

Figures

Appendices

Key abbreviations

%	Percent
ADB	Air dry basis
AIG	Australian Institute of Geoscientists
AR	As received basis
AQC	Allied Queensland Coalfields Ltd
AusIMM	Australasian Institute of Mining and Metallurgy
ASL	Above sea level
ASPs	Alternative State Provisions
ASX	Australian Securities Exchange
AUD	Australian dollar(s)
BAC	Base acquisition cost
bcm	Bank cubic metre(s)
BDO	BDO (East Coast) Pty Ltd
BHC	Base holding cost
Blackwood	Blackwood Coal Pty Limited
Bt	Billion tonne(s)
CIMVAL	Canadian 2003 Edition of the Standards and Guidelines for Valuation of Mineral Properties
Company	Cuesta Coal Limited
Cuesta	Cuesta Coal Limited
CHPP	Coal handling and preparation plant
CRA	CRA Exploration
DAF	Dry, Ash Free
DB	Dry basis
DCF	Discounted cash flow
EPC	Exploration Permit for Coal
EPCA	Exploration Permit for Coal Application
ETS	Cap and trade mechanism
GAR	Gross as received
ha	Hectare(s)
Hannigan	Hannigan and Associates Pty Ltd
IP	Intellectual property
JORC Code	2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves
k	Thousand(s)
Kcal/kg	Kilocalories per kilogram
km	Kilometre(s)
km^2	Square kilometre(s)
LOM	Life of Mine
M	Million(s)

m	Metre(s)
Mbcm	Million bank cubic metre(s)
MJ/kg	Mega joules per kilogram
mm	Millimetre(s)
MRA	Mineral Resources Act 1989
MV	Market Value
Mt	Million tonne(s)
Mtpa	Million tonnes per annum
NPV	Net present value
NTA	Commonwealth Native Title Act 1993
Orion	Orion Coal Pty Ltd
PRDt	Product tonnes
ROM	Run of Mine
ROMt	Run of Mine tonnes
SAMVAL	South African Code for the Reporting of Mineral Asset Valuation
t	Tonne(s)
USD	United States of America dollar(s)
VALMIN Code	2015 edition of the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports
Xstract	Xstract Mining Consultants Pty Ltd

1 Executive summary

Xstract Mining Consultants Pty Ltd ("Xstract") was requested by Cuesta Coal Limited ("Cuesta" or the Company) to prepare a Technical Specialist Report outlining our valuation opinion of certain coal assets located in the Bowen, Surat, Galilee and Styx Basins of Queensland, Australia. Xstract understands that its report is to be used by BDO (East Coast) Pty Ltd ("BDO") as part of an Independent Experts Report relating to a proposed transaction in Cuesta shares.

Cuesta's coal assets comprise 25 exploration permits, which range in terms of project development status from early to advanced exploration as defined in the 2015 VALMIN Code. The most advanced asset is the Moorlands Project where Cuesta has made four mining lease applications, which host Measured, Indicated and Inferred Coal Resources totalling 318 Mt. Cuesta's total stated Coal Resource is 781 Mt as summarised in Table 1-1.

Table 1-1: Cuesta's Coal Resources

	Coal Resources (Mt)			
Deposit	**Measured**	**Indicated**	**Inferred**	**Total**
Moorlands[1]	113	128	76	**318**
East Wandoan[2]		22	23	**45**
Amberley[3]			55	**55**
East Galilee[4]			364	**364**
Total	**113**	**151**	**518**	**781**

[1] as at 26 February 2015
[2] as at October 2012
[3] as at November 2012
[4] as at 29 October 2013

Xstract has adopted various valuation methods to estimate the current market value of Cuesta's coal assets. Using these methods, Xstract estimates the market value of Cuesta's coal assets resides between AUD17 M and AUD39 M, with a preferred value of AUD24 M, as summarised in Table 1-2. The wide range in value reflects current uncertainty in the coal market as well as uncertainty in technical assumptions.

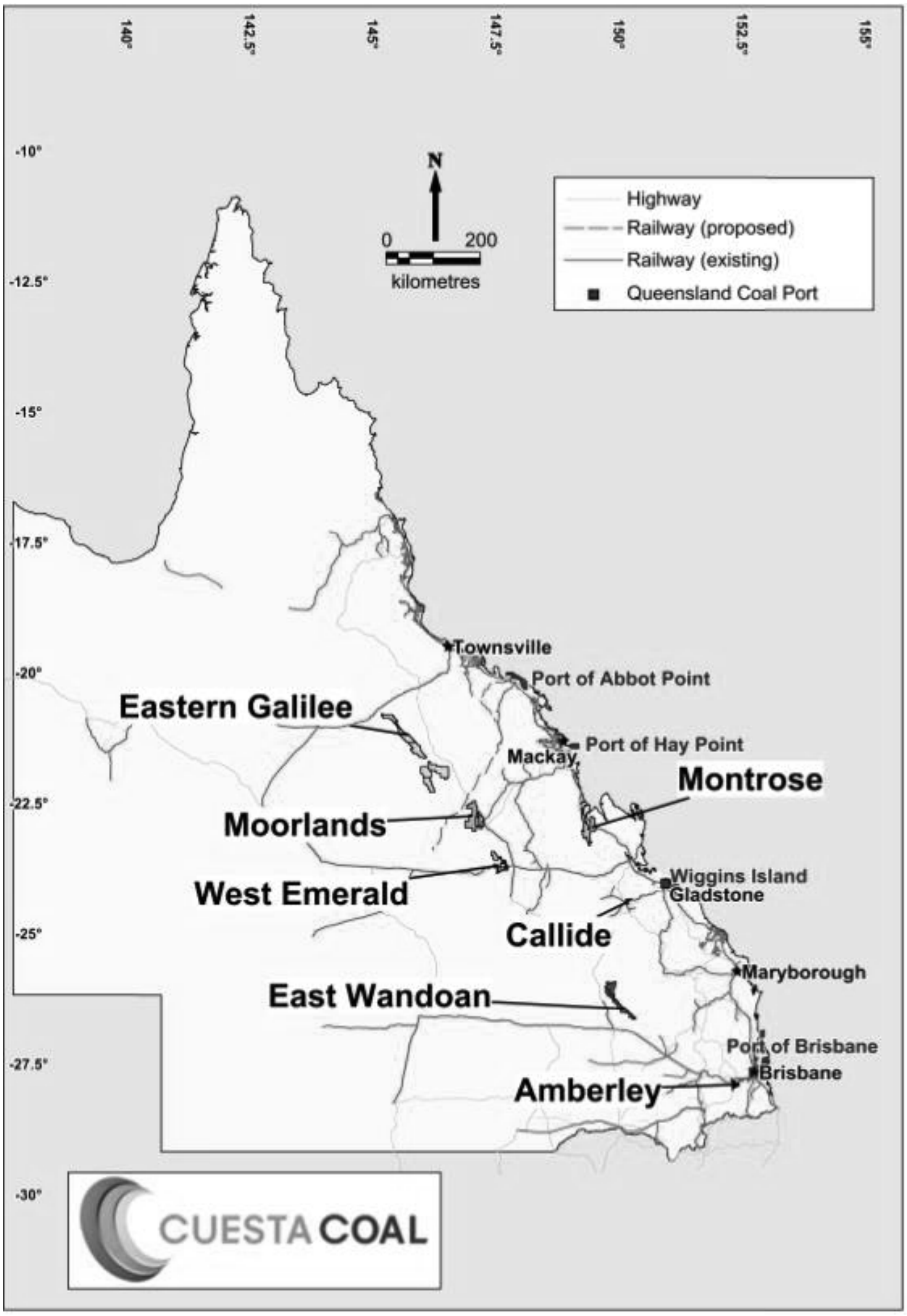
Table 1-2: Valuation summary of Cuesta's coal assets

Project		Low (AUD M)	High (AUD M)	Preferred (AUD M)
Moorlands		**13.4**	**28.4**	**19.2**
	Resource in the Conceptual mine plan	7.7	16.7	12.0
	Resource outside the mine plan	5.6	11.2	7.0
	Exploration	0.1	0.5	0.2
East Galilee		**2.4**	**7.3**	**3.2**
	Resources	2.2	6.6	3.0
	Exploration	0.2	0.6	0.3
East Wandoan		**0.2**	**0.8**	**0.3**
	Resources	0.2	0.6	0.3
	Exploration	0.0	0.2	0.1
West Emerald		**0.0**	**0.2**	**0.1**
Amberley	Resources	**0.5**	**1.6**	**0.7**
Other	Exploration	**0.1**	**0.3**	**0.1**
TOTAL		**16.7**	**38.6**	**23.8**

2 Introduction

At Cuesta's request, Xstract has prepared a Technical Specialist report relating to the Company's coal assets located in the major coal-bearing basins of Queensland. This report is designed to assist BDO (East Coast) Pty Ltd's ("BDO") evaluation of a proposed transaction involving a takeover offer by Longluck Investment (Australia) Pty Ltd ("Longluck") for the shares in Cuesta they do not already own. Longluck is a wholly owned subsidiary of Beijing Guoli Energy Investment. Xstract understands that its Technical Specialist report will be included as an appendix to BDO's Independent Expert's Report to assess the merits of this transaction.

Figure 2.1: Cuesta's coal assets



Source: Cuesta

Cuesta's assets comprise 25 granted Exploration Permits for Coal ("EPC") divided into seven project areas, which are considered by the Company to be prospective primarily for thermal coals. The Moorlands Project is the most advanced project within Cuesta's coal portfolio and has four Mining Lease Applications ("MLA") in progress.

Xstract has independently reviewed Cuesta's coal assets and the results are incorporated into this report. This report considers the market value of Cuesta's coal assets on an attributable equity basis. Xstract has not provided an opinion on the fairness or reasonableness of the proposed transaction.

2.1 Background

Cuesta was formed in September 2011 to acquire all the securities in Blackwood Coal Pty Limited ("Blackwood"), a privately held, Queensland-focused coal exploration company, prior to a public listing on the Australian Securities Exchange ("ASX") in May 2012. Blackwood was established in November 2009 with a portfolio of EPCs/EPCAs in Queensland's Bowen, Surat/Clarence Moreton and Galilee coal basins and a pipeline of early stage to advanced exploration stage projects.

In December 2012, Cuesta acquired the Bendemeer coal deposit (then known as the Orion Coal Project) for a cash payment of AUD18.2 M from Hannigan & Associates to complement its Moorlands deposit immediately along strike to the south. These amalgamated areas are now known collectively as the Moorlands Project.

During 2013, Cuesta placed shares with Beijing Guoli Energy Investment Company ("Beijing Guoli") and Hanford Holdings Limited in order to raise funds to progress it priority Moorlands Project. Beijing Guoli has since become a major shareholder of Cuesta.

2.2 Scope

The purpose of Xstract's report is to provide an independent summary and assessment of the technical attributes and value that might reasonably be expected to be applied by the market for the company's entire suite of (predominantly thermal) coal assets.

Xstract's valuation encompasses the following:

- Location, access and supporting infrastructure
- Geological setting, structure and stratigraphy
- Exploration status and recommendations
- Coal Resources
- Conceptual mine plans
- Coal processing and transport infrastructure
- Environmental and social constraints
- Key risks and opportunities
- Valuation using appropriate methods in line with the current techno-economic status of the asset.

The conclusions expressed in this valuation report have an effective date of 20 July 2016. The valuation is only appropriate for this date and may change in time in response to variations in economic, market, legal, or political factors, in addition to ongoing exploration results. All monetary values outlined in this report are expressed in Australian dollars ("AUD") unless otherwise stated.

2.3 Reporting standard

This report has been prepared in line with the following codes:

- The 2015 edition of the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports ("VALMIN Code")
- The 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ("JORC Code").

For the purposes of this report, value is defined as market value ("MV"), being the amount for which a mineral asset should change hands between a willing buyer and a willing seller in an arm's length transaction where each party is assumed to have acted knowledgeably, prudently and without compulsion.

2.4 Data sources

In developing our assumptions for this report, Xstract has relied upon information provided by Cuesta, information available in the public domain and technical information made available from Xstract's Brisbane office. Key sources are outlined in this report and all data included in the preparation of this report has been detailed in the references section.

In the execution of its mandate, Xstract reviewed all relevant pertinent technical and corporate information made available by the management of Cuesta, which has been accepted in good faith as being true, accurate and complete, after having made due enquiry. Specifically, Xstract has reviewed the prospectus, annual reports, ASX announcements, project development studies and JORC Code resource estimates provided by Cuesta.

2.5 Reliance on other experts

Xstract has not relied on any third party opinion in compiling this report. The technical personnel responsible for compiling this report are based entirely in Xstract's Brisbane office.

For the technical assessment outlined in this report, none of the Xstract personnel involved in the valuation undertook a site visit to the projects subject to this valuation. However, as Xstract has previously undertaken extensive technical evaluation work of coal assets in the Galilee, Bowen, Surat, Clarence Morton, and Tarong Basins and other coal basins in Queensland, it has a good understanding of the assets and has no reason to question the validity of the technical information supplied. Furthermore, the coal projects are at a relatively early stage of assessment and little perceived benefit was anticipated from an inspection.

2.6 Competent Person

Xstract's consultants involved in the preparation of this report are Independent Specialists as defined by the VALMIN Code. They are also members of either the Australasian Institute of Mining and Metallurgy ("AusIMM") or the Australian Institute of Geoscientists ("AIG"), for which compliance with the JORC and VALMIN Codes is mandatory. Xstract's Competent Persons involved in the preparation of this report are members in good standing with one or more of these professional institutions and have the required qualifications and experience as defined in the JORC and VALMIN Codes to conduct this technical assessment and valuation.

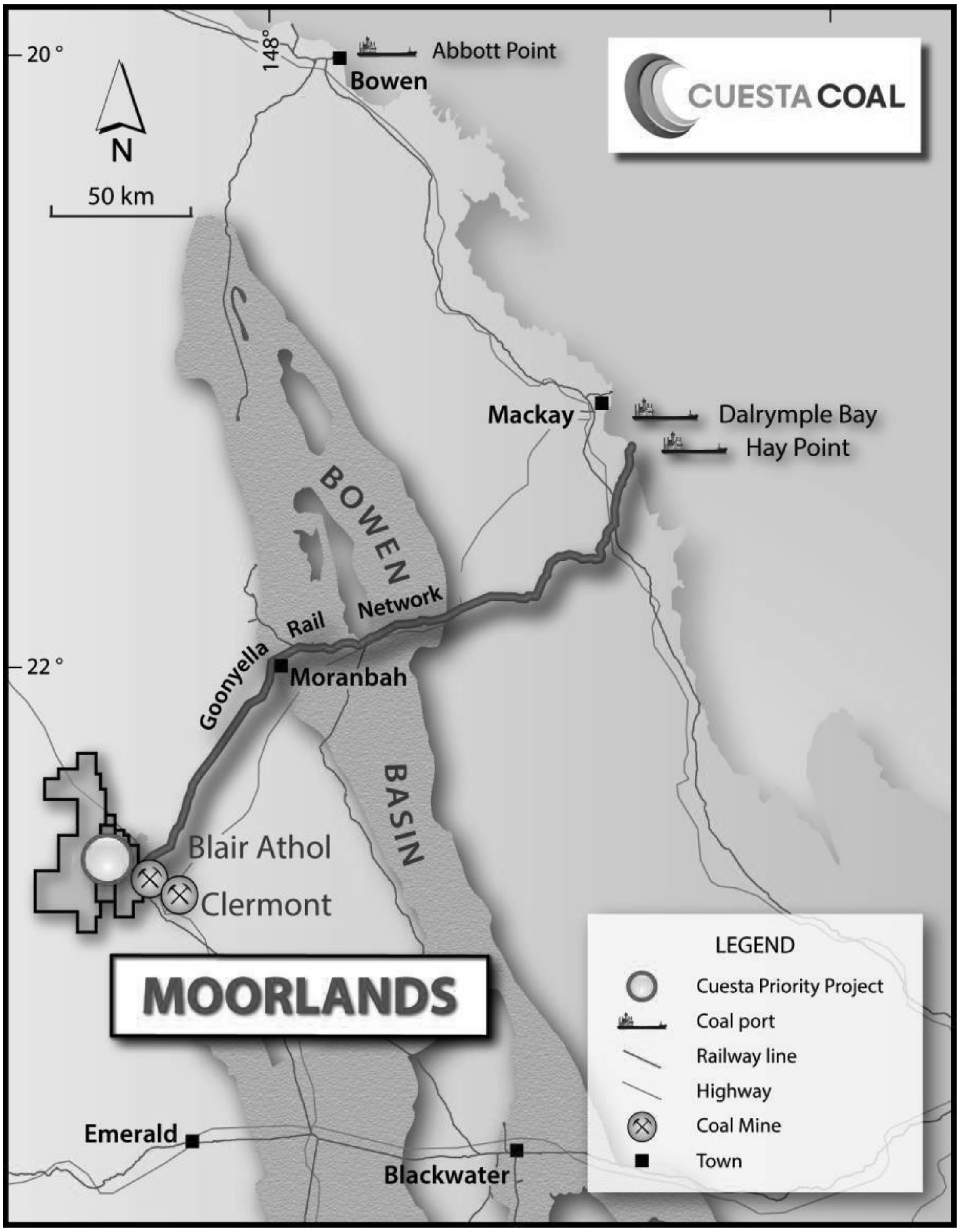
Xstract is an independent advisory company. Its consultants have extensive experience in preparing competent persons, mineral specialist, independent geologist and valuation reports for mineral exploration and production companies. The authors of this report are qualified to express their professional opinions on the values of the mineral assets described.

3 Moorlands Project

3.1 Location and access

Cuesta's Moorlands Project lies along a north western extension to the Bowen Basin in the Parish of Barcombe, Belyando Shire, Queensland. It is situated 38 km northwest of the town of Clermont and 20 km northwest of Blair Athol and Clermont thermal coal deposits (Figure 3.1).

Figure 3.1: Location of Moorlands Project



Source: Cuesta Coal

Access to the property is gained along the Gregory Developmental Road, a bitumen road connecting Georgetown to Springsure in central Queensland. The Project is traversed by numerous private station tracks providing access for exploration activity.

3.2 Ownership, status and agreements

The Moorlands Project comprises six granted EPC's and four MLA's. The EPC's cover 376 sub-blocks for a combined area of approximately 1,178 km^2.

The Moorlands Basin hosts the Moorlands coal deposit, covered by the permits, EPC775, EPC776 and EPC1738. The first two are due for renewal on 21 November 2018, while EPC 1738 is due for renewal on27 March 2019.

Table 3-1 summarises the status of Cuesta's Moorlands Project exploration permits. They are all held under wholly owned subsidiaries Hanningan & Associates Pty Ltd, Blackwood Coal Pty Ltd and Scorpion Energy Pty Ltd.

Table 3-1: Status of the Moorlands exploration permits

Number	Ownership	Status	Expiry	Sub-blocks	Area (km^2)
EPC775	Hanningan & Associates Pty Ltd	Granted	21 Nov 2018	9	28
EPC776	Hanningan & Associates Pty Ltd	Granted	21 Nov 2018	8	25
EPC1738	Blackwood Coal Pty Ltd	Granted	27 Mar 2019	42	132
EPC1891	Blackwood Coal Pty Ltd	Granted	19 Aug 2018	240	751
EPC2013	Hanningan & Associates Pty Ltd	Granted	30 Apr 2019	63	197
EPC2008	Scorpion Energy Pty Ltd	Granted	31 May 2020	14	44
			Total	**376**	**1,178**

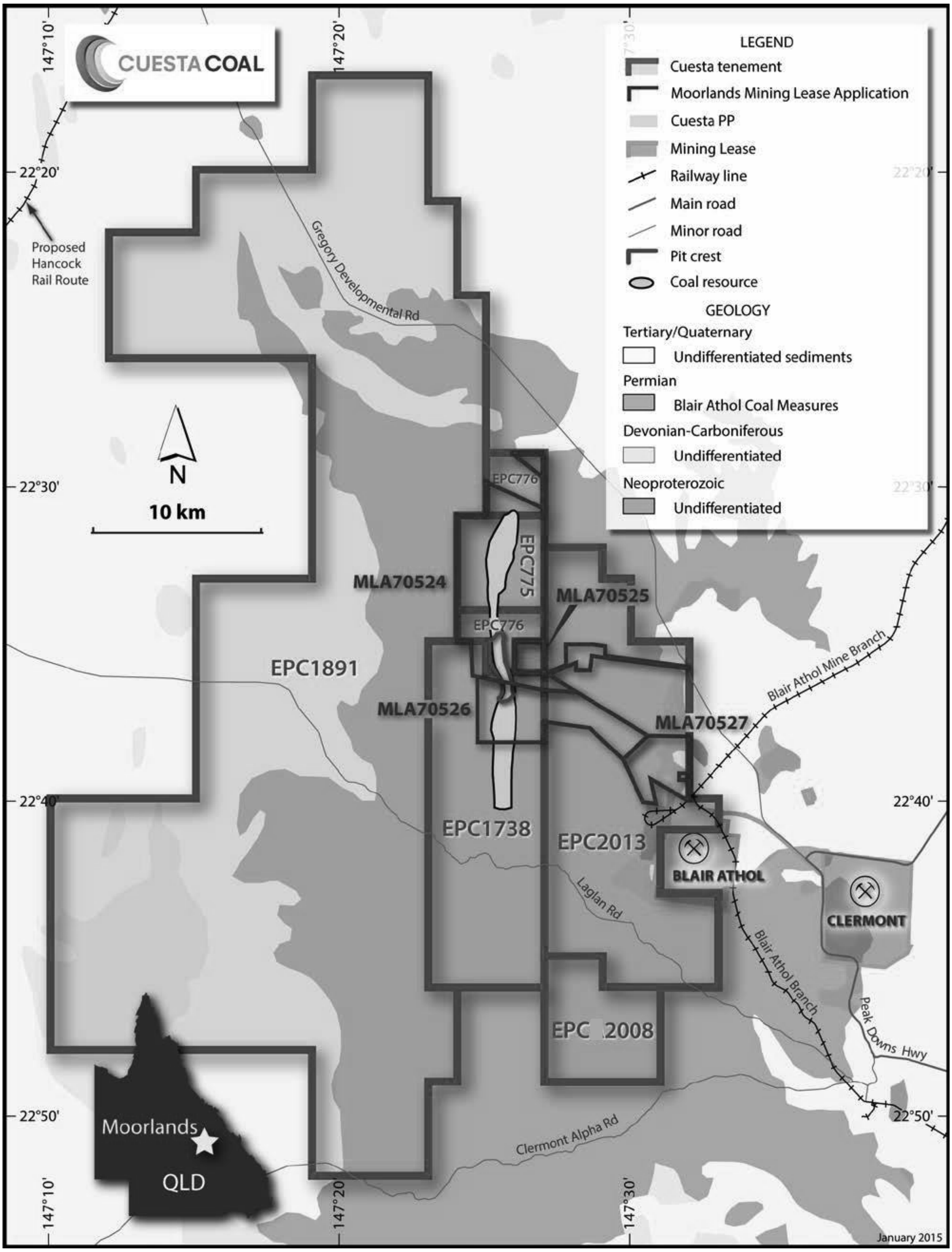
MLA70524 and MLA70526 were lodged for the purpose of mining the Moorlands deposit. MLA70525 and MLA70527 have been lodge for required infrastructure for the mining project.

Table 3-2 summarises the status of the Moorlands mining permits. They are all held under the wholly owned subsidiaries Hanningan & Associates Pty Ltd

Table 3-2: Status of the Moorlands mining permits

Number		Status	Lodged	Area (km^2)
MLA70524	Hanningan & Associates Pty Ltd	Application	5 Sep 2014	55.13
MLA70525	Hanningan & Associates Pty Ltd	Application	5 Sep 2014	3.16
MLA70526	Hanningan & Associates Pty Ltd	Application	5 Sep 2014	24.13
MLA70527	Hanningan & Associates Pty Ltd	Application	5 Sep 2014	11.04
			Total	**93.46**

Figure 3.2: Moorlands Project tenement plan



Source: Cuesta

3.3 Infrastructure

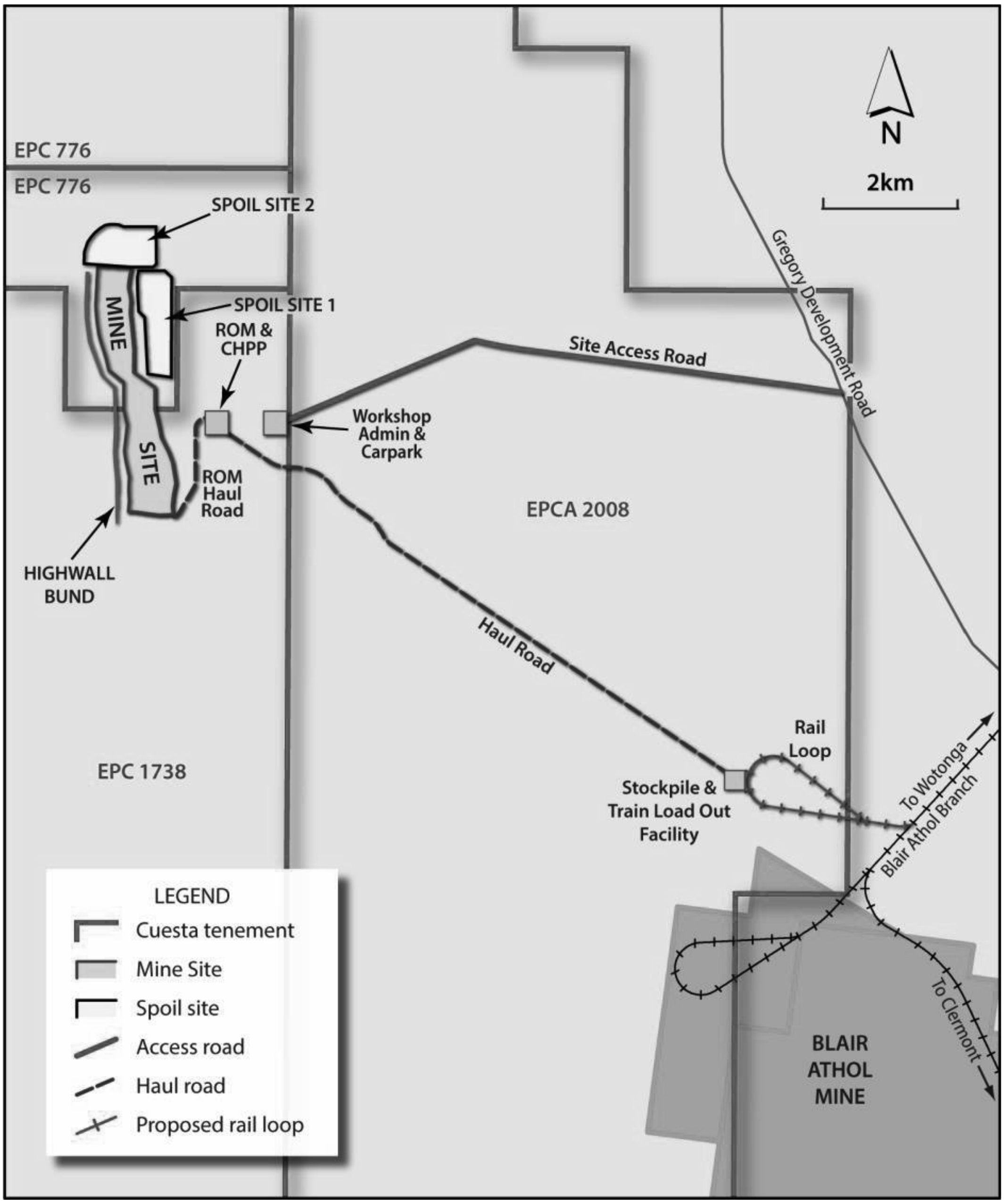
Water, electricity and rail access infrastructure are all in close proximity to the Moorlands Project area. Road access is from the Gregory Development road that passes along the eastern boundary of the project area from Claremont to Charter Towers in the north.

3.3.1 Power and water

The closest water supply is Fairbairn Dam, located 25 km southwest of the town of Emerald. The Fairbairn Dam has a surface area of approximately 15,000 ha when full and holds 1.3 million megalitres of water. Localised water alternatives include harvesting water during flood periods and dewatering the open pit.

Powerlink supplies electricity locally, a state government corporation that owns, operates and maintains Queensland's transmission network. Proposed large-scale coal mine developments in the Galilee Basin in close proximity to the Moorlands Project are expected to result in a substantial increase in regional electricity demand over time. To meet this emerging growth, Powerlink plans to extend its existing network into the region that can also supply the Moorlands Project.

Figure 3.3: Moorlands Project Infrastructure



Source: Cuesta

3.3.2 Rail

Any future coal production from Moorlands has the option of being exported through ports at Dalrymple Bay, Abbot Point or Hay Point. The existing Blair Athol rail loop lies 20 km to the southeast (Figure 3.3).

It is currently proposed to haul the coal product some 11 km along a dedicated haul road to a train load-out facility at a rail loop and spur connected to Wotonga-Blair Athol Branch, which provides the project with access to the Goonyella rail system.

The Goonyella rail system currently services more than 30 coal mines and is the shortest and preferred route to port. It serviced Blair Athol (to the east of Cuesta's project area) until recently, the Gregory Branch junction to the south, Hay Point to the east and the North Goonyella mine to the north. Its nominal rail capacity is 132 million tonnes per annum ("Mtpa"), with a current utilisation of approximately 112 Mtpa.

In mid-2013, Aurizon completed an investment of AUD130 M in the Goonyella Rail Expansion Project to lift coal haulage capacity from 129 Mtpa to 140 Mtpa.

3.3.3 Port

As the Goonyella System is the preferred rail option, Dalrymple Bay or Abbott Point are the preferred ports for exporting Moorlands coal. However, Dalrymple Bay is the closest port and it would therefore be a more feasible option. The Company would be required to negotiate access with current users in order to export from the facility.

3.4 History

A total of 270 exploration boreholes (see Figure 3.4) have been drilled over a number of campaigns beginning in the 1990s on the Moorlands Project to define the Coal Resources. All exploration boreholes completed to date were drilled vertically and many were geophysically logged.

3.4.1 Orion Resources (early 1990s)

In 1993, Orion Resources completed two scout holes during its gold-focussed exploration program in the central northern part of Cuesta's current project area. No anomalous gold values were returned, however coal was encountered at shallow depths in both holes. The data generated from these holes has not been used for modelling or resource estimation purposes, as they were not accurately located or logged.

3.4.2 Rio Tinto (mid to late 1990s)

In the mid-1990s, Rio Tinto completed approximately 57 holes (predominantly 120 mm diameter rotary air blast (RAB) holes with water injection) in and around the northern part of the Moorlands Project.

At the same time, four diamond core (generally 63 to 100 mm in diameter) holes were completed, two to the northern part of the current project and two to the south.

3.4.3 Hannigan and Associates (from 2002 to 2012)

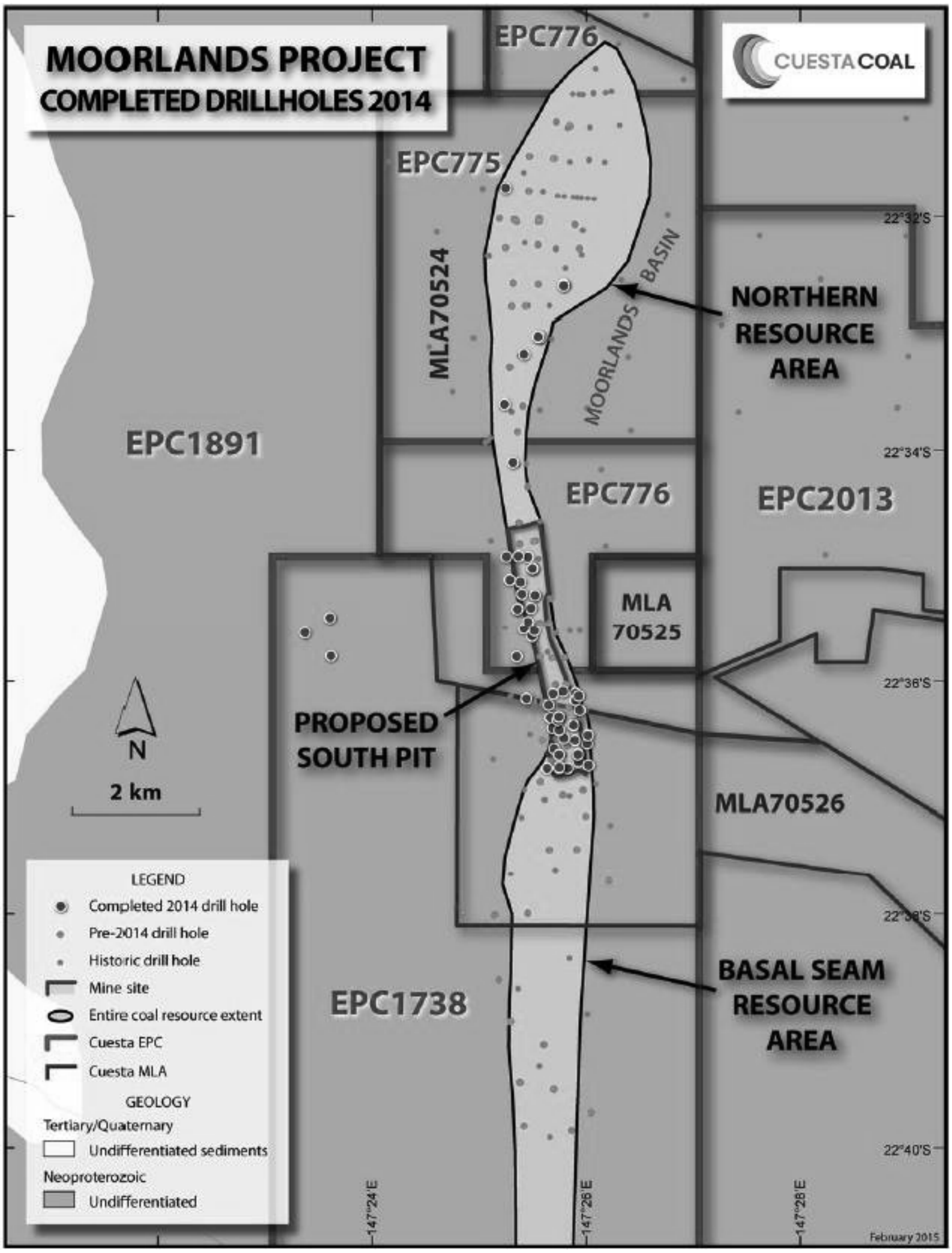
Since 2002, Hannigan and Associates drilled 33 RAB holes with water injection and two partially cored holes (in the north and centre of the project). The holes were geophysically logged.

3.4.4 Cuesta (from 2011)

Since 2011, Cuesta has drilled an additional 174 exploration boreholes at the Moorlands Project comprising 131 open chip holes and 43 cored/partially-cored holes (including two large diameter cored holes for detail sizing, washability and coal product testing).

Cuesta's 2014 drilling programme focussed mainly on improving structural and coal quality confidence in the proposed South Pit area, which is now almost entirely at a Measured status of resource confidence.

Figure 3.4: Shows Moorlands Project resource area with exploration boreholes and Cuesta tenement status



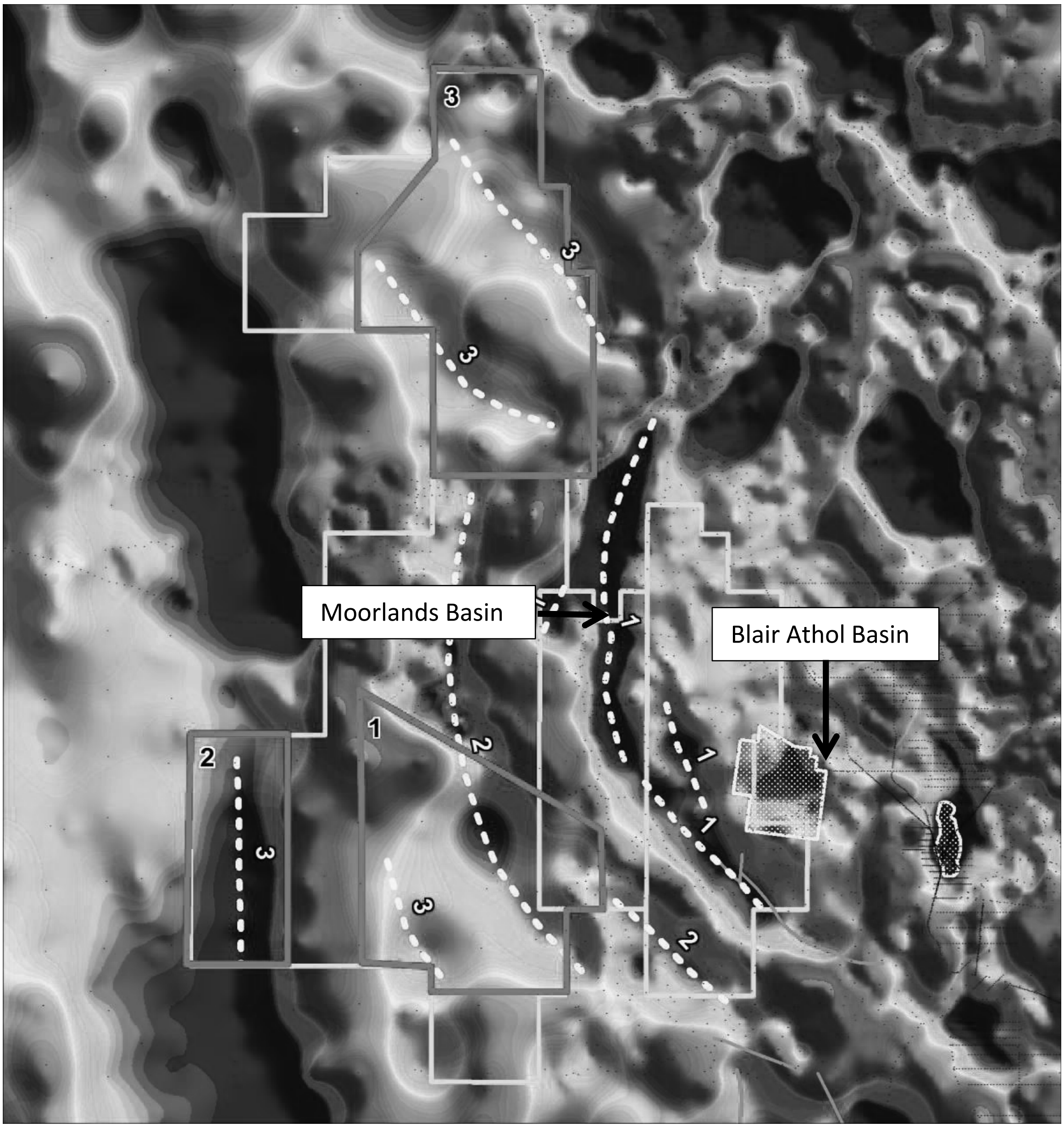
Source: Cuesta Coal Limited

3.5 Geological setting

3.5.1 Regional geology

The coal deposits at Moorlands lie within an early-Permian aged sedimentary sub-basin representing an outlier to the Bowen Basin, and hosted within the older, Cambrian aged, Anakie Metamorphic Group. The basin comprises an elongate, north-south trending, fault-bounded graben structure filled with up to 350 m of coal-bearing sedimentary units of the Birimgan Formation (equivalent to the Blair Athol Coal Measures). The basin is referred to as the Moorlands Basin and extends over approximately 20 km in length by up to 3 km wide.

Figure 3.5: Gravity map showing the Moorlands Basin



Source: Cuesta Coal Limited

The Moorlands Basin is located approximately 25 km northwest of the former Blair Athol coal mining operation as illustrated in the gravity map in Figure 3.5.

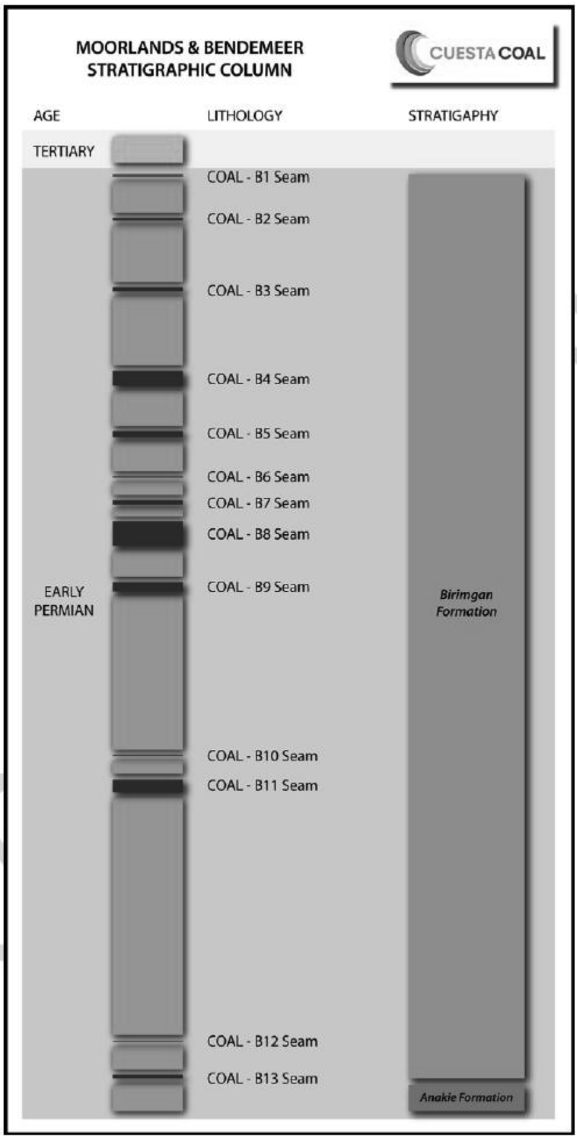
The Birimgan Formation comprises sandstone, mudstone and conglomerates units, which host up to 13 coal seams considered suitable for a thermal coal product. These sediments unconformably overlie phyllites and schists of the Anakie Metamorphic Group. The structural margins of the basin are fault-controlled such that the sequence is structurally complex and dips steeply at the margins, particularly the western margin. The Birimgan Formation is unconformably overlain by Cenozoic conglomerate, silcrete, basalt and various recent semi-consolidated sedimentary units, which are up to 60 m in thickness.

3.5.2 Local geology

Up to 13 coal seams have been identified at Cuesta's Moorlands Project (shown in Figure 3.6), designated in descending order B1 to B13, with seams often comprising more than one ply. Seams B11, B12 and B13 are equivalent to the Monteagle, Kalbar1 and Kalbar2 seams respectively. These lower seams are better developed at the southern end of the basin.

The seams of key economic interest include B4, B8, and B9, and are best developed in the central and northern parts of the basin.

Figure 3.6: Typical coal seam stratigraphy



Source: Cuesta Coal Limited

The upper part of the coal measures contains predominantly mudstone and fine- to medium-grained sandstone, generally upwards fining. Most of the coal seams (B4 to B8) are found within this sequence.

The lower part of the coal measures, below Seam B8, is dominated by coarser sandstone units. The substantial seams B9 and B11 are present towards the top of this coarser-grained sequence. There is some evidence that seams lower in the sequence, such as B12 and B13, have thickened and are possibly of economic interest at the southern end of the basin.

The coal measures lie unconformably on an eroded surface of older slates, phyllites and schists, which belong to the Anakie Metamorphic Group. These metamorphic rocks also sub-crop beneath the Cenozoic cover to the north, west and southeast of the Moorlands deposit.

The Cenozoic sediments consist of mudstone-dominated Tertiary rocks with interbedded sandstones and conglomerates and, near the main modern drainage channels, sands and coarser materials of Quaternary age. The thickness of the Cenozoic sediments above the coal measures varies from 15 to 30 m in the northeast and south of the basin, and 40 to 60 m in the centre. The depth of weathering, including palaeo-weathering of the top part of the Permian strata, is also thicker along the central axis of the basin, reaching a maximum of up to 75 m in some locations. At the northeast and southwest ends of the basin the minimum weathered thicknesses are in the range 40 m to 50 m.

The current interpretation of the geological structure is that the Permian sediments have been folded about a north-easterly trending synclinal axis, which is overridden in parts of the west by a low angle thrust fault trending northwest. Close to the thrust the Permian sediments are considerably disturbed, often steeply dipping, and in places possibly overturned.

The basin extends well to the east of the limit of coal of interest into an area where the coal seams have been eroded and only basal sandstones remain.

In the central part of the Moorlands Basin, only a narrow band of coal is present to the east of the bounding thrust fault and structures within the coal measures are known to be complex.

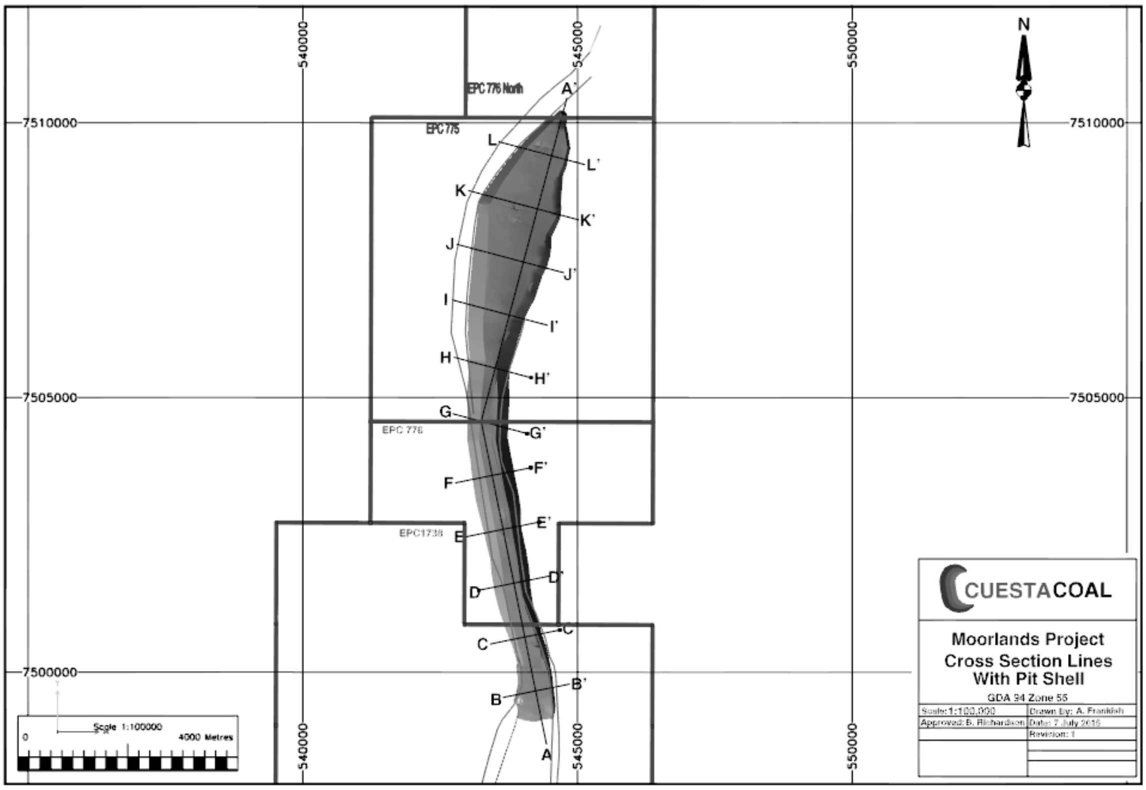
Currently available data indicates dips along the north-eastern margin of the deposit to be approximately 15° to 17° to the west, with the dip shallowing towards the central synclinal axis.

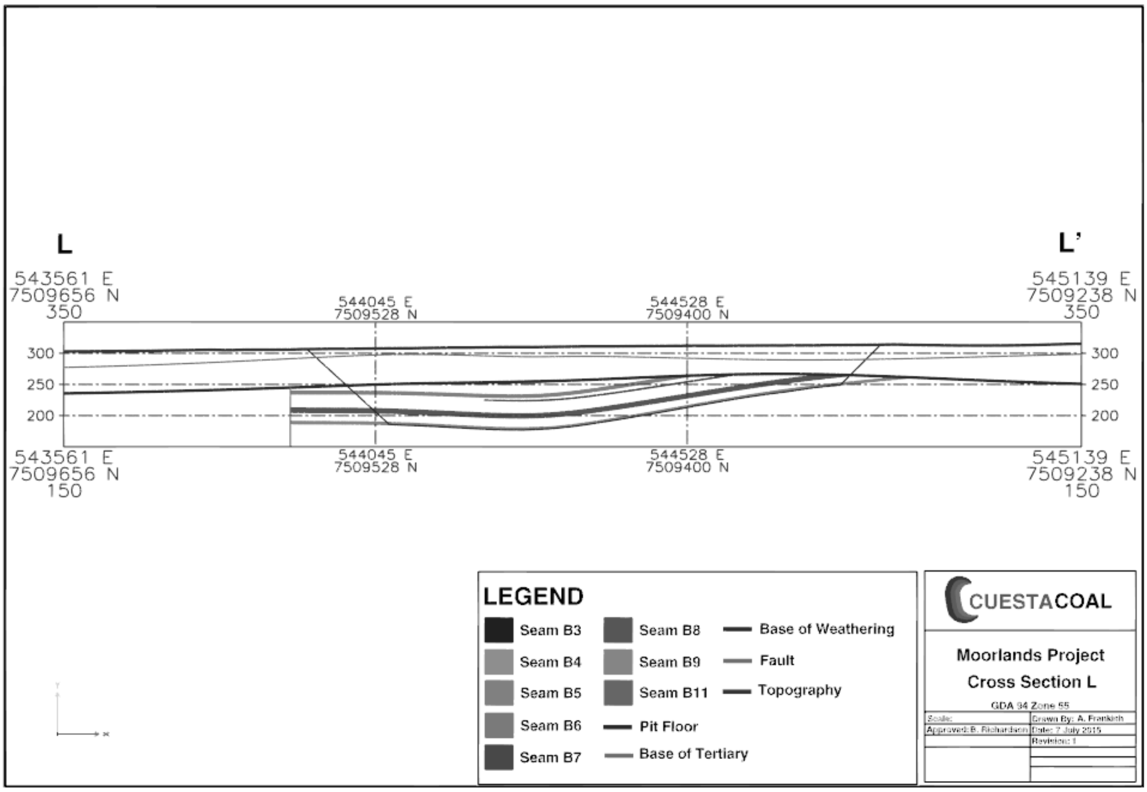
Along the western margin of the deposit the dips are dominantly eastward dipping, and are steep (>70°) and the vertical thicknesses of coal seams intersected are correspondingly large.

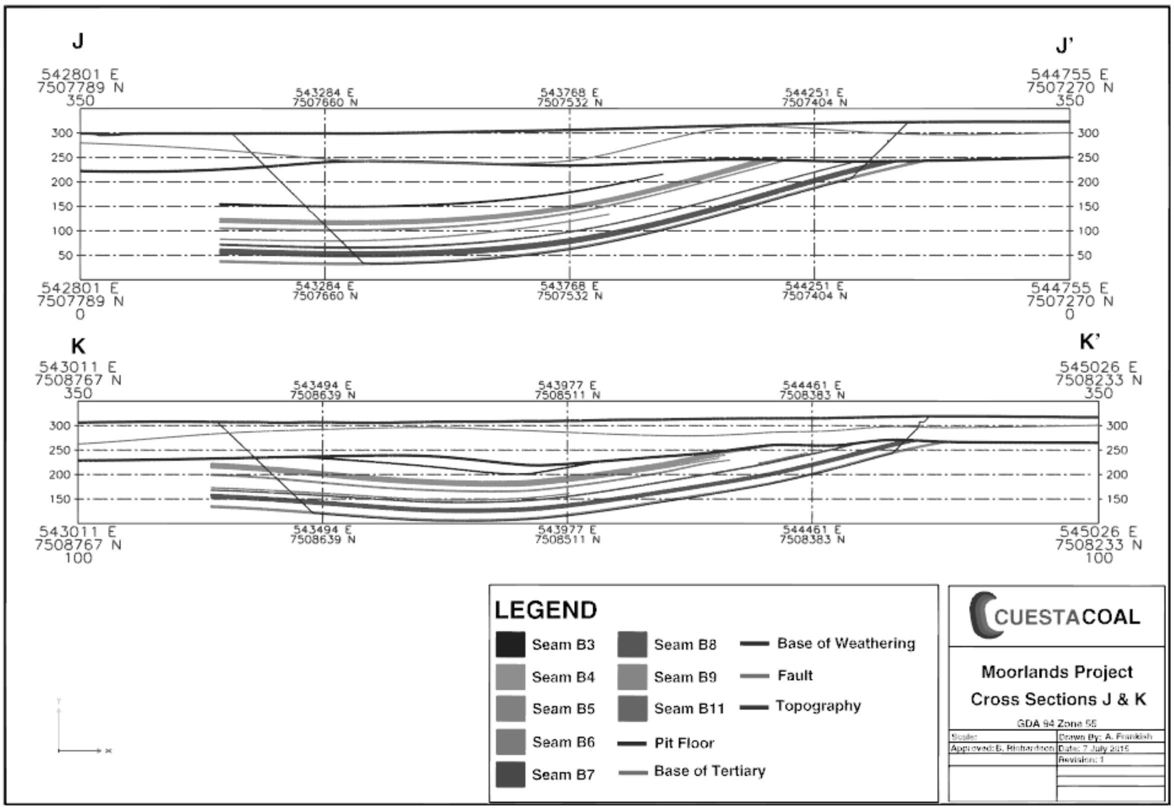
At the southern end of the basin, two significant coal seams are recognised, the Monteagle seam (equivalent to B11) and the Kalbar seams, which occurs approximately 120 m lower in the stratigraphic sequence (equivalent to B12 and B13).

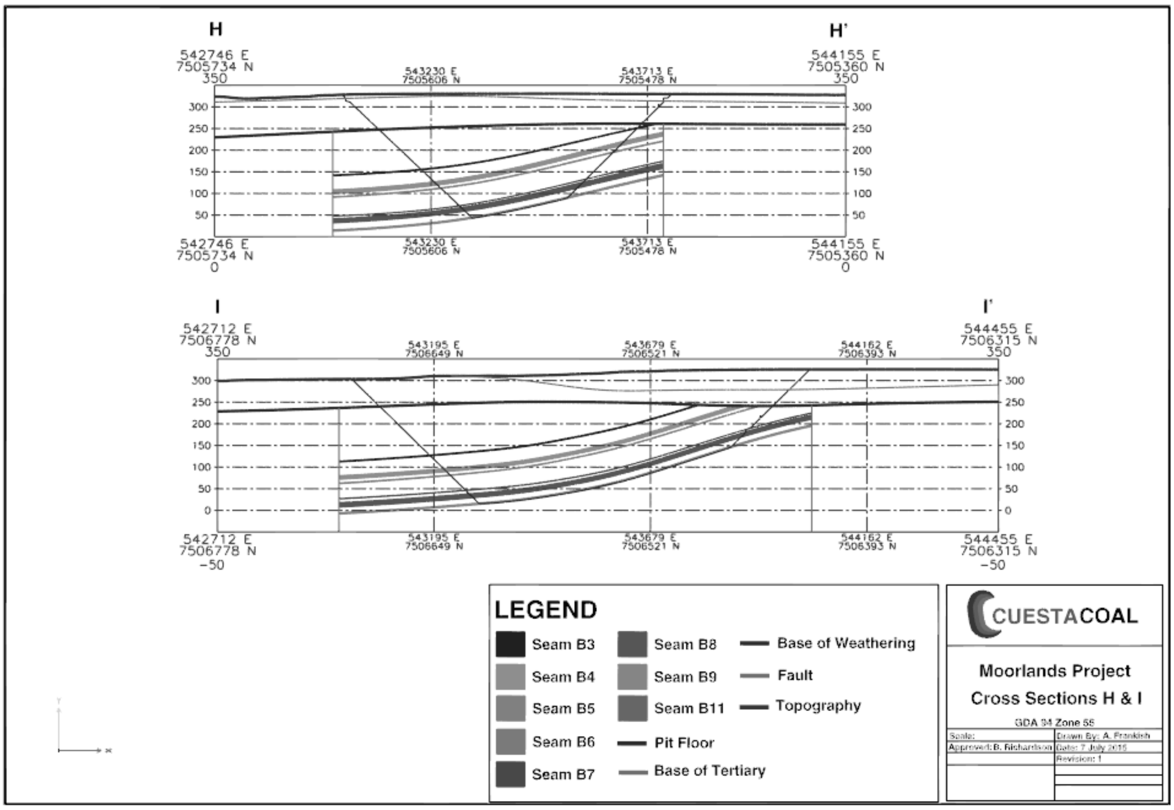
The cross-sections presented below illustrate the synclinal nature and general disposition of coal seam structure within the Moorlands Basin.

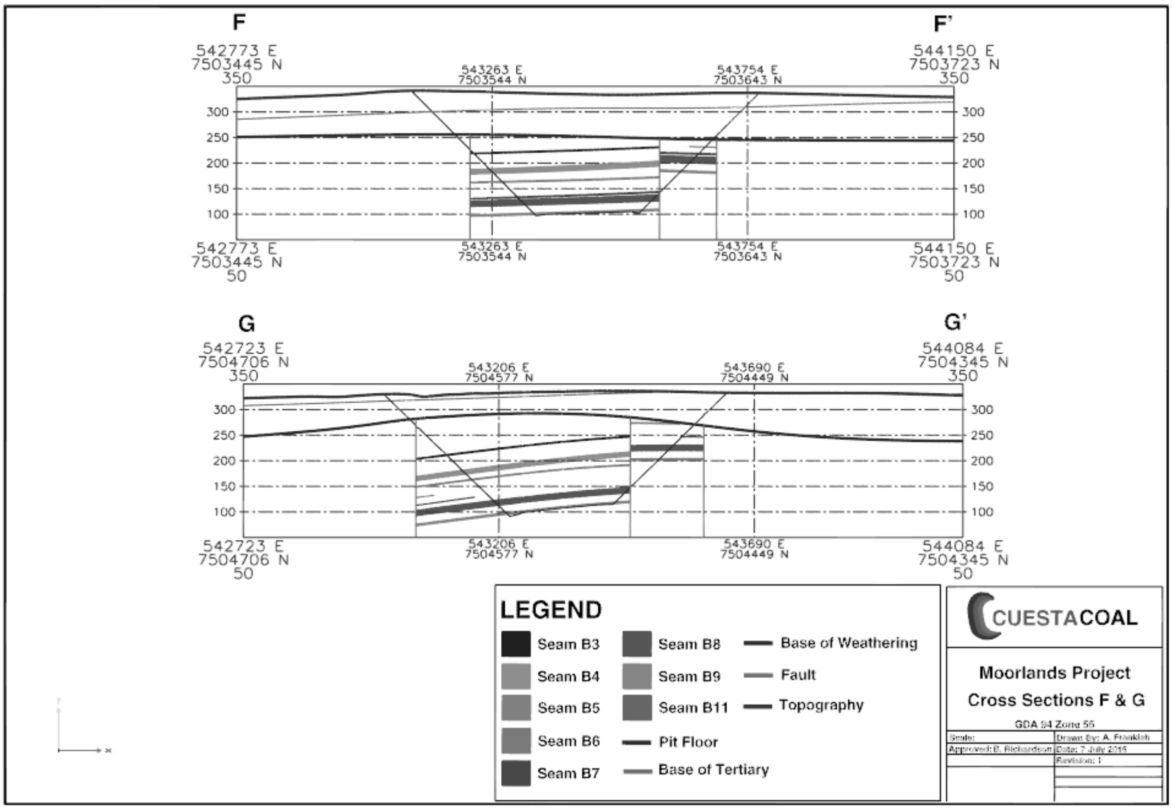
Figure 3.7: Shows the Moorlands Basin cross-sections

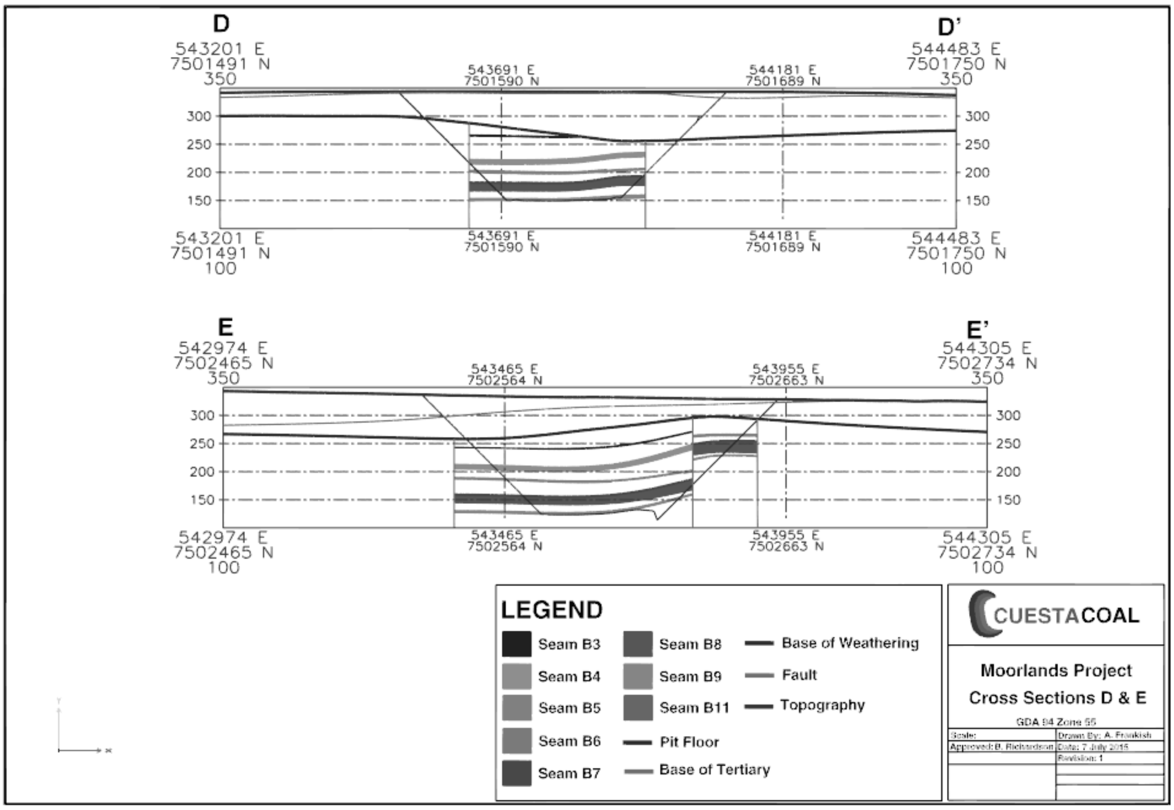


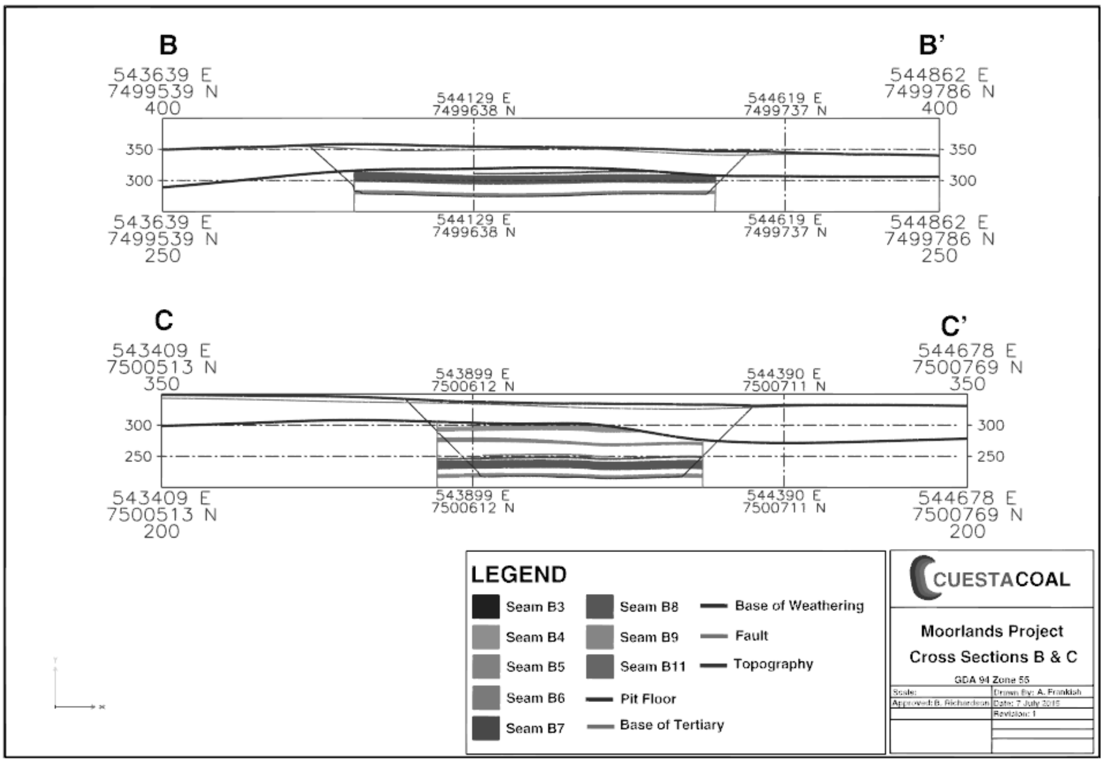



J
J'
542801 E
7507789 N
544755 E
7507270 N
K
K'
543011 E
7508767 N
545026 E
7508233 N
LEGEND
Seam B3
Seam B4
Seam B5
Seam B6
Seam B7
Seam B8
Seam B9
Seam B11
Pit Floor
Base of Tertiary
Base of Weathering
Fault
Topography
CUESTACOAL
Moorlands Project
Cross Sections J & K
GDA 94 Zone 55
Drawn By: A. Frankish
Approved: B. Richardson
Date: 7 July 2015
Revision: 1


H
H'
542746 E
7505734 N
544155 E
7505360 N
I
I'
542712 E
7506778 N
544455 E
7506315 N
LEGEND
Seam B3
Seam B4
Seam B5
Seam B6
Seam B7
Seam B8
Seam B9
Seam B11
Pit Floor
Base of Tertiary
Base of Weathering
Fault
Topography
CUESTACOAL
Moorlands Project
Cross Sections H & I
GDA 94 Zone 55
Drawn By: A. Frankish
Approved: B. Richardson
Date: 7 July 2015
Revision: 1


F
F'
542773 E
7503445 N
350
543263 E
7503544 N
543754 E
7503643 N
544150 E
7503723 N
350
50
G
G'
542723 E
7504706 N
350
543206 E
7504577 N
543690 E
7504449 N
544084 E
7504345 N
350
50
LEGEND
Seam B3
Seam B4
Seam B5
Seam B6
Seam B7
Seam B8
Seam B9
Seam B11
Pit Floor
Base of Tertiary
Base of Weathering
Fault
Topography
CUESTACOAL
Moorlands Project
Cross Sections F & G
GDA 94 Zone 55


D
D'
543201 E
7501491 N
350
543691 E
7501590 N
544181 E
7501689 N
544483 E
7501750 N
350
100
E
E'
542974 E
7502465 N
350
543465 E
7502564 N
543955 E
7502663 N
544305 E
7502734 N
350
100
LEGEND
Seam B3
Seam B4
Seam B5
Seam B6
Seam B7
Seam B8
Seam B9
Seam B11
Pit Floor
Base of Tertiary
Base of Weathering
Fault
Topography
CUESTACOAL
Moorlands Project
Cross Sections D & E
GDA 94 Zone 55



3.5.3 Coal seams

The following is a brief description of the coal seams with the relevant thicknesses shown in Table 3-3.

B1: Has only occurred in two chip holes and is not well defined. Thickness was 0.5m and 0.47m.

B2: Has only occurred in three chip holes and is not well defined.

B3: Has occurred in 10 holes with one core sampled for coal quality. It is a dull to minor bright coal with siltstone and claystone interburden.

B4: Is broken in to three plies, the B4 Upper (B4U), B4 Middle (B4M) and the B4 Lower (B4L), the plies are consistent across the resource. B4U contains dull minor bright coal with minor tuffaceous clay bands. The B4M is a dull and dull & bright coal with thin a clay band. The B4L is a dull minor bright to bright & dull interbanded coal with thin clay and tuffaceous bands.

B5: Is broken in to three plies, the B5 Upper (B5U), B5 Middle (B5M) and the B5 Lower (B5L). The plies have a tendency to coalesce to form one seam towards the south. The B5U is a dull minor bright to bright & dull interbanded coal. The B5M is a dull minor bright to dull & bright banded coal. The B5L is a dull minor bright to bright & dull interbanded coal.

B6: The B6 is not continuous across the basin. Where the B6 occurs it ranges from a carbonaceous siltstone with coaly fragments to a dull coal.

B7: Is divided in to two plies, the B7 Upper (B7U) and the B7 Lower (B7L). The plies are consistent across the resource. The B7U is a dull minor bright to dull and bright coal. The B7L is dull minor bright to inferior coal.

B8: The B8 is divided in five plies the B8 Upper (B8U), B8 Middle Upper (B8MU), B8 Middle Lower (B8ML), B8 Lower Upper (B8LU) and B8 Lower Lower (B8LL), the plies are consistent across the resource. The B8U is a dull to dull minor bright coal. The B8MU is a dull and bright banded coal with a thin claystone base. The B8ML is a dull and bright banded coal with a thin inferior coal or claystone band in the middle of the unit. The B8LU is a dull and bright banded to dull minor bright coal. The B8LL is dull minor bright coal to dull and bright coal with thin claystone and tuffaceous bands.

B9: The B9 is divided in to three plies, B9 Upper (B9U), B9 Middle (B9M) and B9 Lower (B9L). The plies have a tendency to coalesce to form one seam towards the south. The B9U

B10: The B10 has only been intersected by chip holes and is not well defined. The B10 is not continuous across the basin.

B11: The B11 is clean seam with no non coal bands, it is bright with minor dull bands to bright and interbanded coal.

B12: The B12 has only occurred in chip holes in the southern end of the basin and is not well defined across the resource due to its depth.

B13: The B12 has only occurred in chip holes in the southern end of the basin and is not well defined across the resource due to its depth

Table 3-3: Average seam and ply thicknesses within the proposed South Pit area (see Figure 3.4)

Seam	Average Thickness (m)	Ply	Average Thickness (m)
B1	0.48		
B2	1.17		
B3	1.87		
B4		B4U	1.94
		B4M	1.93
		B4L	3.09
B5		B5U	0.58
		B5M	1.66
		B5L	0.74
B6	0.44		
B7		B7U	0.95
		B7L	0.55
B8		B8U	0.85
		B8MU	2.35
		B8ML	3.40
		B8LU	4.11
		B8LL	0.88
B9		B9U	0.52
		B9M	3.07
		B9L	0.82
B10	0.50		
B11	6.04		
B12	0.41		
B13	2.46		

Source: Cuesta Coal Limited

3.6 Coal Resources

Coal Resources, estimated in accordance with the JORC Code (2012), for the Moorlands Project were last updated by Encompass Mining in February 2015 (refer Table 3-4). Coal Resources were estimated and reported for the B3, B4, B5, B7, B8, B9, B11, B12 and B13 seams as shown in Table 3-4. The Coal Resources, estimated over EPCs 775, 776 and 1738 total 318 Mt, comprising 113 Mt Measured, 128 Mt Indicated and 76 Mt Inferred.

Table 3-4: Moorlands Project Coal Resources (as at 26 February 2015)

Coal Resources (Mt)				
Seam	**Measured**	**Indicated**	**Inferred**	**Total**
B3	-	10.1	2.1	12.3
B4	28.9	44.5	10.8	84.2
B5	9.3	8.9	1.6	19.8
B7	7.5	5.1	0.5	13.0
B8	49.0	44.9	7.1	101.0
B9	18.7	14.9	1.9	35.5
B11	-	-	26.9	26.9
B12	-	-	6.2	6.2
B13	-	-	19.1	19.1
Total	**113.4**	**128.4**	**76.2**	**318.0**

Source: Coal Resource update by Encompass Mining – February 2015

The raw coal quality reported by seam, for the seams of economic interest over the total resource area, is presented in Table 3-5.

Table 3-5: Raw coal quality at Moorlands (ADB)

Seam	Moisture (%)	Ash (%)	Volatiles (%)	Carbon (%)	Energy (MJ/kg)	Sulphur (%)	Relative Density
B4	10.4	20.3	29.2	40.1	21.76	0.64	1.52
B5	10.4	15.6	31.8	42.2	23.71	1.20	1.46
B7	9.7	24.3	26.3	39.7	20.66	0.53	1.56
B8	8.5	19.6	27.2	44.7	22.63	0.49	1.52
B9	9.6	16.4	31.1	42.8	23.37	0.68	1.47
B11	11.0	13.7	31.1	44.2	23.91	1.32	1.40
B13	8.2	14.1	34.3	43.5	25.29	1.13	1.48

Source: Coal Resource update by Encompass Mining – February 2014

Detailed in-situ raw coal qualities for the seams/plies considered for mining within the proposed South Pit area are shown in Table 3-6. Approximately 59 Mt, of the total estimated Coal Resources of 318 Mt, are contained within the developed pit shell for South Pit.

Table 3-6: Average raw coal qualities for seams/plies in the South Pit area

Seam/ Ply	Moisture (% AR)	Moisture (% ADB)	Ash (% ADB)	Volatiles (% ADB)	T Sulph (% ADB)	CV (kcal/kg ADB)
B3	17.8	9.0	49.7	18.9	0.42	2,819
B4U	15.3	8.9	30.5	25.2	0.59	4,445
B4M	18.3	10.7	12.8	31.9	0.73	5,846
B4L	17.9	10.5	15.1	30.9	0.68	5,655
B5U	17.8	10.3	13.8	31.0	0.73	5,782
B5M	16.5	10.4	12.0	33.1	1.15	6,009
B5L	17.9	10.0	17.3	31.5	1.39	5,554
B6	-	-	-	-	-	-
B7U	19.1	9.8	12.5	29.9	0.61	5,952
B7L	16.7	7.8	40.9	22.0	0.40	3,730
B8U	16.2	8.2	29.0	25.3	0.58	4,808
B8MU	13.7	7.7	26.3	24.2	0.43	4,954
B8ML	16.8	8.8	12.3	26.8	0.44	6,020
B8LU	17.4	9.2	15.2	30.0	0.50	5,733
B8LL	15.6	7.8	29.2	28.4	0.57	4,513
B9U	14.9	8.0	30.7	28.3	0.53	4,521
B9M	18.8	10.6	12.1	31.9	0.73	5,927
B9L	18.0	10.2	21.6	29.8	0.65	5,233
B10	-	-	-	-	-	-
B11	16.4	7.9	11.0	29.9	1.39	6,318
B12	-	-	-	-	-	-
B13	-	-	-	-	-	-

3.7 Exploration potential

The potential to extend the aerial extent of the currently defined resource base is limited by the boundaries of the Moorlands Basin, however the gravity map shown previously in Figure 3.5 highlights areas of additional potential outside the Moorlands Project which may be prospective for undocumented coal occurrences.

3.8 Development project report

3.8.1 Conceptual mine plan

Xenith Consulting completed a Scoping Study on the Moorlands Project in November 2013 assuming a base case with:

- contract mining as opposed to owner operator,
- open cut mining techniques
- a mining rate of 2.0 Mtpa run-of-mine (“ROM”) coal
- a LOM of 30 years in the South Pit area

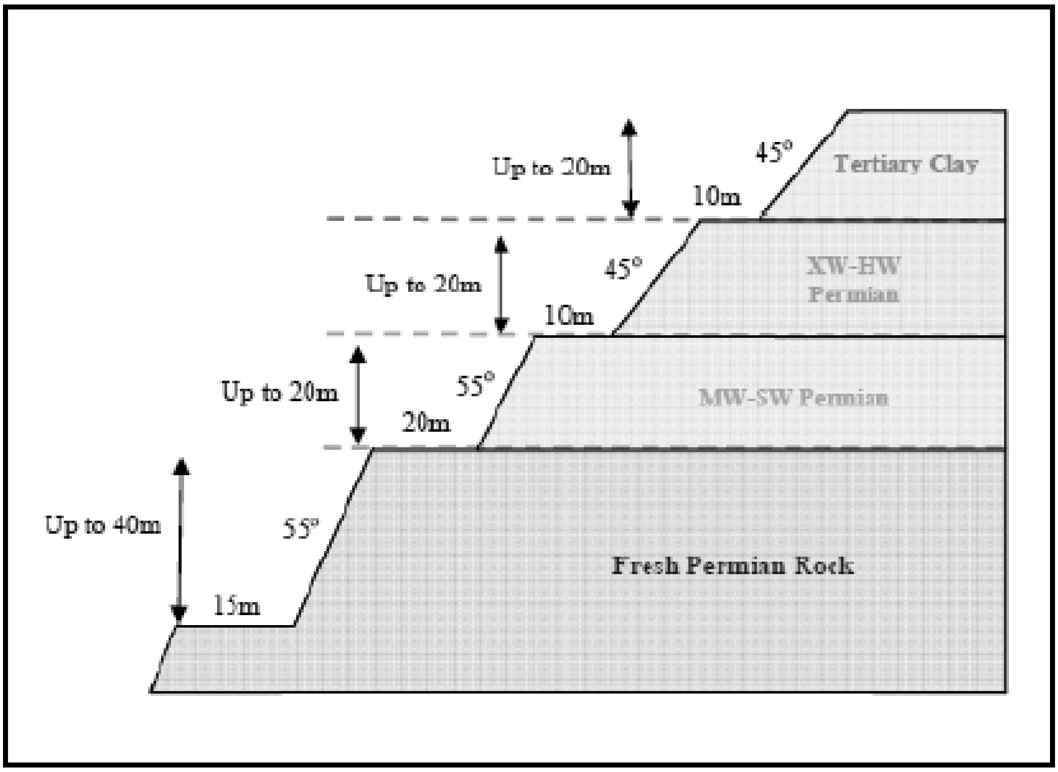
- approximately 60 Mt of in-situ coal to the base of the B9 seam.

Xenith prioritised the South Pit area for development based on favourable strip ratios of 2 to 4 bcm:ROMt. The larger area of Coal Resource developed at the northern end of the basin indicated higher strip ratios between 4 and 8 bcm:ROMt. Therefore, the lower strip ratio South Pit was selected as the focus for a scoping level mine plan using a truck and excavator method of mining.

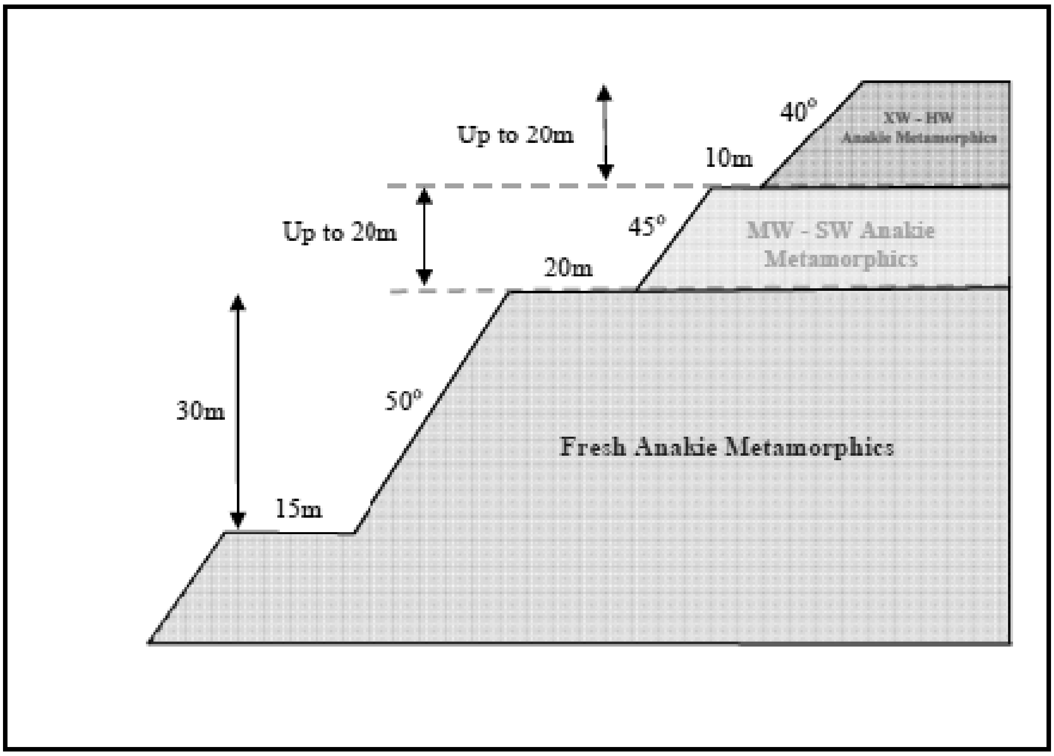
Since the completion of the scoping study in November 2013, Cuesta has carried out further, more detailed mine planning work culminating in March 2015 to bring the study up to a comparable pre-feasibility level, titled Moorlands Project Development Report.

The current mine plan continues to focus on the South Pit area (refer to Figure 3.2 and Figure 3.3), with re-reserving of the block size to a greater resolution (100mx100mx5m) and the consideration of seam plies, using Ventyx Minescape geological and mine planning software. The new ROM estimates utilise the new Geotechnical guidelines from IMC Mining for bench and batter projections (see Figure 3.8) and also incorporate the drilling results from the 2014 drilling programme.

Figure 3.8: Moorlands proposed South Pit Geotechnical slopes



Generic Slope Design – Coal Measure Wall Material

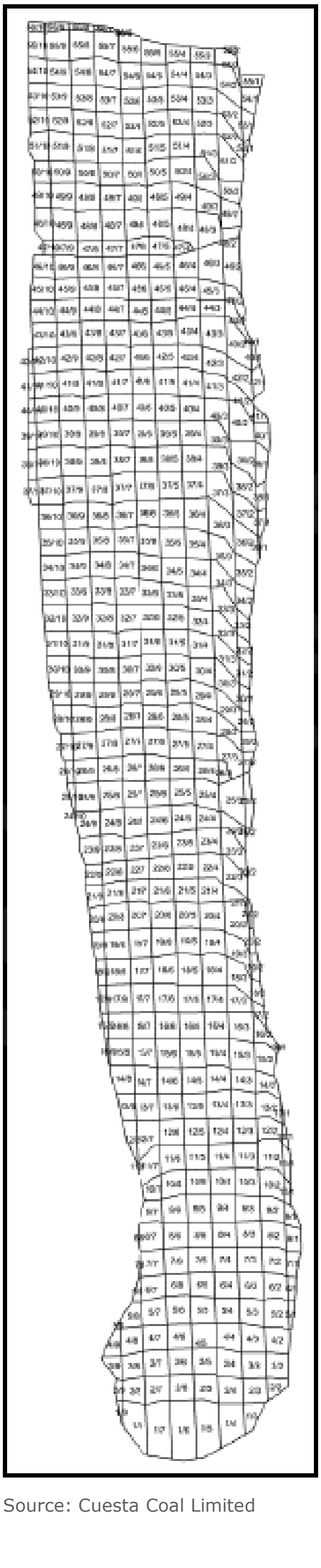


Generic Slope Design – Anarkie Metamorphics wall material.

Source: Cuesta Coal Limited

After establishing the pit shell (refer to Figure 3.9), the in pit quantities were imported into Spry mining software in order to define the pit economics and to also build the production schedule for future use in the financial modelling. The estimated pit shell quantities consisted of waste and coal quantities based on an in-situ moisture basis of 16%, in addition to coal qualities (on an air-dried basis). Furthermore, washability data (from analysis carried out by M Resources who specialise in coal product assessment) was imported to estimate the practical washed product yields and ash content at various product target levels.

Figure 3.9: South Pit reserves (Block size - 100m x 100m x 5m)



Source: Cuesta Coal Limited

Cuesta applied practical mining assumptions in order to calculate the aggregated working sections (of the seam and plies) within the Spry software. Cuesta has used a minimum mineable coal thickness of 0.3m and a maximum allowable waste (parting) thickness of 0.3m. This results in minimal loss to the coal quantities (approximately 0.6%).

Due to the nature of the deposit, a truck and excavator (T&E) operation (with dozer assistance) was adopted, with the mining progression carried out in a terrace-style operation. Waste allocation percentages were applied to calculate and distribute the waste volumes to the proposed mining method accordingly. Equipment selection was tied to waste movement volumes in addition to consideration of the practicality of the mining method (see Table 3-7).

Table 3-7: Equipment selection

			Estimated Fleet Numbers		
Activity	**Class**	**Make/Model**	**Yr 1-7**	**Yr 8-12**	**Yr 13-30**
Primary Waste	500-600t	Hitachi EX5500 or similar	0	1	1
Primary Waste	300-400t	Hitachi EX3600 or similar	1	0	1
Primary Waste	300-400t	Hitachi EX3600 or similar	0.77	0.77	0.77
Coal Mining	300-400t	Hitachi EX3600 or similar	0.23	0.23	0.23
Trucks	200-400t	Cat785, Cat789, Komatsu 830E or similar	7	9	13
Waste Dozer Ripping/Pushing	100t	Cat D10 or similar	0.5	0.5	0.5
Loader (thin interburden)	100t	Cat992 or similar	0.3	0.3	0.3

Note: 300-400t machine is split between mining waste and coal.

Source: Cuesta Coal Limited

In order to convert the estimated quantities to a ROM basis, modifying factors were applied based on the terrace-style operation and the size of the proposed equipment. This resulted in a total coal loss of 0.10m from the roof and floor, and a waste dilution factor of 0.10m from the roof and floor, with an additional geological loss factor of 5% (refer to Table 3-8). In addition, a moisture adjustment of 1.2% was applied to the in-situ coal (ROM moisture 17.2%). Overall, approximately 9% of coal was lost and approximately 4% of dilution added to the coal working sections. In Xstract's view, these modifying factors appear reasonable for this style of deposit.

Table 3-8: Modifying factors

Moisture Adjustments	**Value**
AD moist	9.6%
In-situ moisture	16.0%
ROM moisture	17.2%
Product moisture	18.9%

ROM Loss & Dilution	**Value**
Roof Loss	0.05m
Floor Loss	0.05m
Roof Dilution	0.05m
Floor Dilution	0.05m
Recovery Factor	95%
Default Waste Relative Density	2.10 kg/m3
Default Waste Ash	70%

Source: Cuesta Coal Limited

Raw ash data indicated that particular seams had lower ash content that would enable some coal seam/plies to bypass the washing circuit. The main plies bypassed were B4M, B7U, B8ML and B9M. All remaining seams/plies required washing to produce a saleable product within target specifications. Practical yield and ash investigations, together with appropriated bypass coal, resulted in an accepted coal product specification of 13.3% Ash (ADB) and moisture content of 18.9% (ARB).

The mining method chosen assumes that the ROM coal is hauled directly to the CPP stockpile, where it would be directed for bypassing or washing. After processing, product coal is loaded onto trucks for haulage to the rail load-out facility located approximately 11 km away. The coal is then transported by rail to the Dalrymple Bay Coal Terminal ready for exporting.

Cuesta used a cash margin ranking technique to determine the breakeven pit shell. A total waste mining cost for the selected mining method was established (with the assumption that a contractor operation with a small owners team management is employed) which was then applied to the ROM reserves. The total coal mining cost, coal processing and offsite costs were also applied to the cash margin calculation in order to determine the Free on Rail cost per Product Tonne (AUD FOR/PRDt) and Free on Board (AUDFOB/PRDt). Based on a single low ash, high volatile, bituminous, thermal coal product, an average unit sales price of AUD88.20/PRDt was applied. Table 3-9 highlights the assumed parameters in the cash margin ranking. Xstract is of the opinion that these are fair and reasonable for this type of operation.

Table 3-9: Unit cost estimates

Mining Unit Costs	**Value**
Rehab	$0.02 /bcm
D&B Waste	$0.60 /bcm
T&E Waste	$3.50 /bcm
Coal Mining	$3.65 /ROMt
Pit Maintenance	$1.50 /ROMt
Other Mining	$0.00 /ROMt
Processing Unit Costs	**Value**
Bypass	$2.35 /ROMt
Percent Bypass	34.0%
Washed	$5.00 /ROMt
Haul to Rail Loadout	$3.00 /PRDt
Rail Loadout	$1.00 /PRDt
Other Processing	$13.99 /PRDt
Offsite Unit Costs	**Value**
Rail to Port	$11.65 /PRDt
Port	$6.45 /PRDt
Research Levy	$0.27 /PRDt
Royalties	$6.17 /PRDt
Other Offsite	$0.00 /PRDt
Revenue Unit Cost	**Value**
Sales Price	$88.20 /PRDt

Source: Cuesta Coal Limited

The breakeven assessment from the margin ranking resulted in the B9L seam being set as the basal seam (lowest most economic) with an average FOR cost of AUD54/Prdt and an average FOB cost of $79/Prdt estimated.

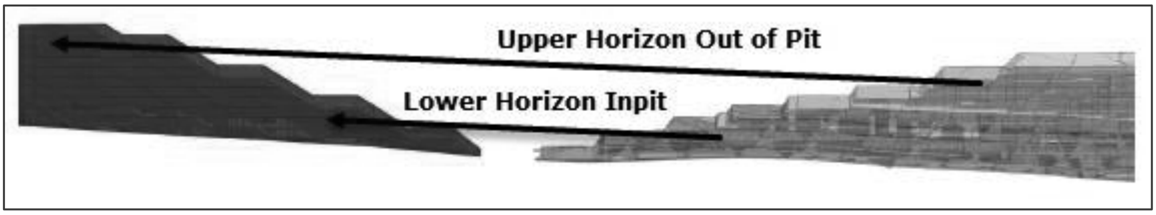
The limit of the breakeven pit shell, determination of the basal mining seam, geotechnical projections and location of faults, all combine to determine the final pit shell used to produce the production schedule in the Life of Mine (LOM) plan.

For the LOM mine plan, all of the existing assumptions were applied to determine the ROM tonnes and marketable product at 12.5% ash (ADB). This was achieved by:

- partially or fully bypassing (depending on raw ash content) the B4M, B7U, B8ML and B9M plies;
- partially or fully washing (depending on raw ash content) the B3, B7L, B8U and B9U plies;

Based on the same mining method and with consideration of the lowest strip ratio/margin ranking, the production schedule was built up with the southern end of the South Pit being mined first via a boxcut, and all waste material being dumped out of pit via a series of inpit ramps. After the boxcut had been established, subsequent steady-state strips were mined with the upper horizon waste hauled out of pit, and the lower horizon waste hauled across pit into the advancing inpit dump (see Figure 3.10).

Figure 3.10: South Pit cross-section – dump strategy

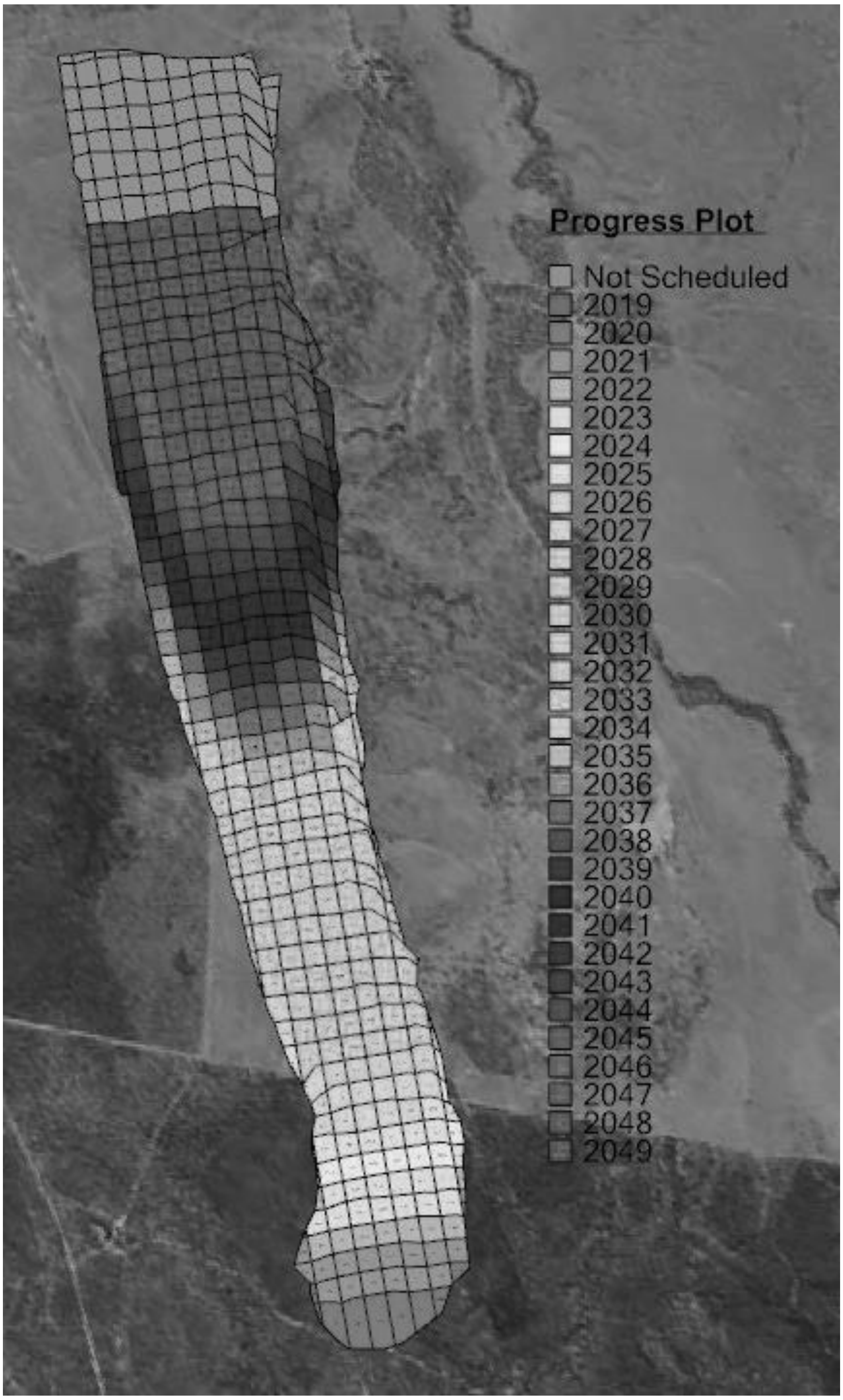


Source: Cuesta Coal Limited

Coal mining is designed to be carried out in the same way as the waste mining, with the upper coal seams hauled via the upper ramp circuit, and the lower coal seams hauled via the inpit dump circuit, both to the CPP stockpile area.

Subsequent steady-state strips are planned to be mined northwards as the pit advances into deeper reserves. The production progress plot is illustrated in Figure 3.11.

Figure 3.11: South Pit base case mining schedule (1.9 Mtpa for 30 years)



Note: Progress Plot represents the start of the block being mined (terrace-style mining).

Source: Cuesta Coal Limited

Starting in 2019, Moorlands is scheduled as a 1.9 Mtpa ROM operation (with a ramp up in Yr1 of 1.0Mtpa) targeting a 12.5% ash product with a mine life of 30 years as summarised in Table 3-10.

Table 3-10: Annual production

Schedule	ROM Ash	Product Ash	Product Tonnes	Bypass ROM Tonnes	Washed ROM Tonnes	Product Yield	Drill & Blast Volume	Free Dig Volume	Dozer Rip Volume	ROM Strip Ratio
Yr1	18.0%	12.3%	928,000	398,329	601,671	92.8%	4,932,000	530,000	214,000	5.7
Yr2	18.5%	12.3%	1,718,000	779,905	1,120,095	90.4%	9,048,000	895,000	499,000	5.5
Yr3	18.5%	12.3%	1,717,000	664,265	1,235,735	90.4%	3,962,000	406,000	133,000	2.4
Yr4	19.9%	12.6%	1,704,000	809,680	1,090,320	89.7%	7,533,000	1,808,000	380,000	5.1
Yr5	19.3%	12.7%	1,697,000	646,356	1,253,644	89.3%	4,796,000	315,000	334,000	2.9
Yr6	19.4%	12.5%	1,691,000	648,572	1,251,428	89.0%	7,147,000	383,000	632,000	4.3
Yr7	21.0%	12.7%	1,652,000	495,174	1,404,826	86.9%	7,236,000	701,000	501,000	4.4
Yr8	20.3%	12.1%	1,628,000	351,001	1,548,999	85.7%	10,347,000	245,000	333,000	5.7
Yr9	21.0%	12.1%	1,609,000	276,732	1,623,268	84.7%	7,247,000	94,000	495,000	4.1
Yr10	20.1%	12.6%	1,671,000	395,343	1,504,657	87.9%	12,802,000	1,640,000	610,000	7.9
Yr11	19.5%	11.6%	1,642,000	332,909	1,567,091	86.4%	11,612,000	2,113,000	645,000	7.6
Yr12	20.7%	12.6%	1,643,000	385,036	1,514,964	86.5%	12,883,000	940,000	742,000	7.7
Yr13	20.3%	12.1%	1,653,000	357,656	1,542,344	87.0%	15,960,000	922,000	667,000	9.2
Yr14	19.6%	12.7%	1,659,000	292,526	1,607,474	87.3%	15,741,000	993,000	505,000	9.1
Yr15	19.4%	12.8%	1,667,000	304,331	1,595,669	87.7%	8,388,000	640,000	587,000	5.1
Yr16	19.9%	13.0%	1,659,000	303,396	1,596,604	87.3%	14,031,000	3,084,000	537,000	9.3
Yr17	20.0%	12.6%	1,654,000	226,722	1,673,278	87.0%	12,989,000	3,526,000	607,000	9.0
Yr18	20.2%	13.3%	1,665,000	338,727	1,561,273	87.6%	9,335,000	1,952,000	632,000	6.3
Yr19	19.7%	12.9%	1,675,000	298,809	1,601,191	88.2%	10,213,000	1,995,000	515,000	6.7
Yr20	19.6%	12.6%	1,672,000	410,274	1,489,726	88.0%	18,285,000	3,594,000	642,000	11.9
Yr21	19.3%	12.4%	1,706,000	619,150	1,280,850	89.8%	11,631,000	1,778,000	608,000	7.4
Yr22	19.0%	12.4%	1,720,000	653,452	1,246,548	90.5%	11,837,000	1,811,000	542,000	7.5
Yr23	18.8%	12.6%	1,728,000	608,773	1,291,227	90.9%	12,289,000	1,772,000	520,000	7.7
Yr24	18.6%	12.6%	1,732,000	596,024	1,303,976	91.2%	16,525,000	3,571,000	372,000	10.8
Yr25	18.9%	12.8%	1,724,000	576,835	1,323,165	90.7%	17,304,000	3,457,000	434,000	11.2
Yr26	18.6%	12.4%	1,738,000	596,039	1,303,961	91.5%	9,462,000	3,079,000	532,000	6.9
Yr27	18.3%	12.1%	1,733,000	595,336	1,304,664	912.0%	13,054,000	2,824,000	488,000	8.6
Yr28	18.6%	12.8%	1,729,000	614,885	1,285,115	91.0%	9,770,000	2,380,000	357,000	6.6
Yr29	19.3%	12.9%	1,721,000	637,205	1,262,795	90.6%	16,457,000	3,521,000	450,000	10.8
Yr30	20.2%	13.3%	1,711,000	596,545	1,303,455	90.0%	9,612,000	1,041,000	550,000	5.9
Total	**19.5%**	**12.6%**	**49,846,000**	**14,809,988**	**41,290,012**	**88.9%**	**332,425,000**	**52,010,000**	**15,062,000**	**7.1**

Notes:
Qualities reported on ad basis
Tonnages reported at respective moisture values
Yield is effective yield
Volumes are prime
ROM strip ratio is prime
All tertiary material allocated to free dig, remainder of waste allocated to drill and blast or dozer ripping based on a nominal 5m cut off thickness

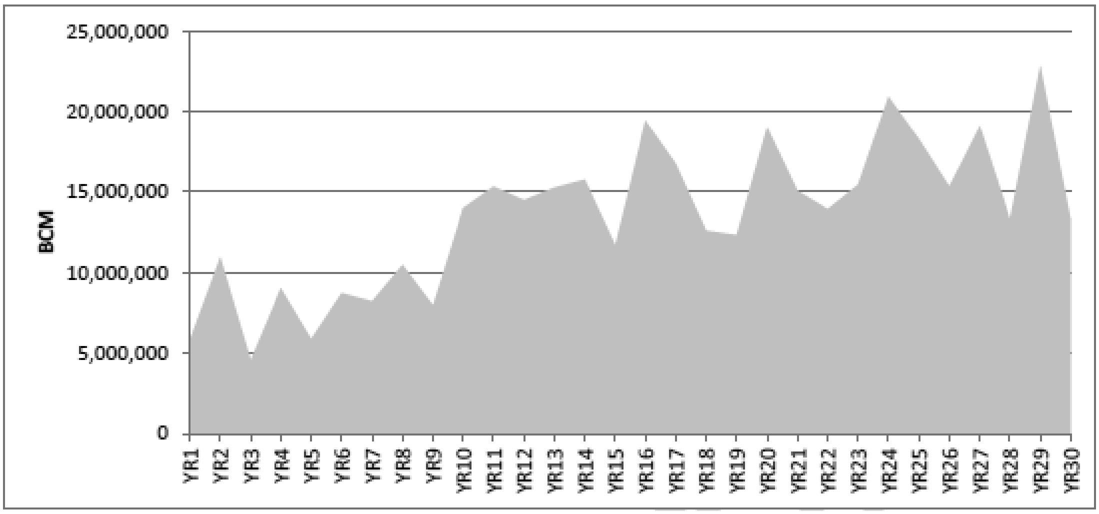
Source: Cuesta Coal Limited

A total of 400 Mbcm of prime waste was moved to produce 56.1 Mt of ROM coal over the mine life, at an average prime strip ratio of 7.1.

The resulting annual prime waste demand is highlighted in Figure 3.12. There are 3 phases to the waste demand profile, during the initial phase the annual waste demand averages 7.6 Mbcm from years 1 to 7 before increasing from years 8 to 12 at an average rate of 12.5 Mbcm pa. During the third and final phase the waste demand averages 16.1 Mbcm pa (years 13 to year 30).

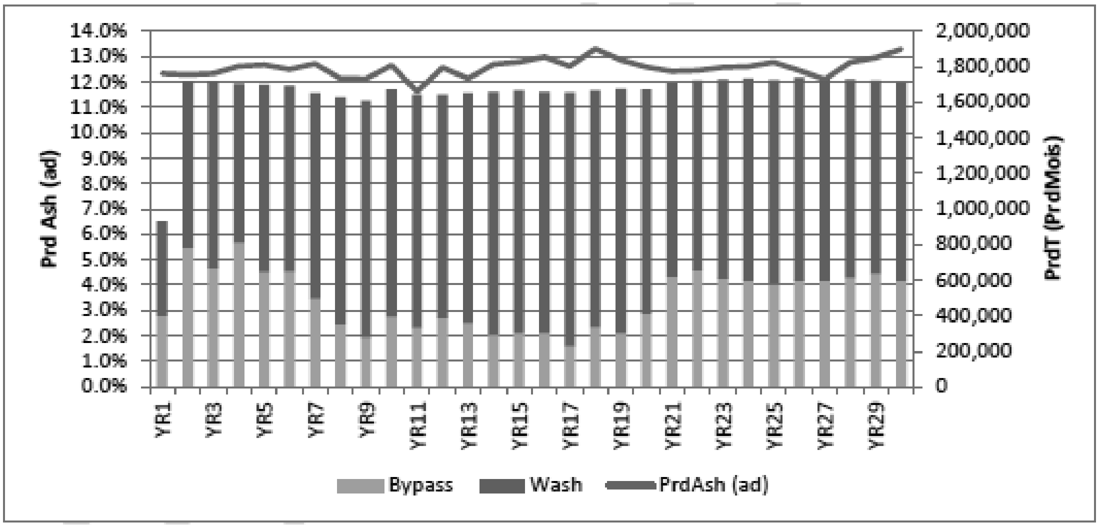
The LOM coal production profile (Figure 3.13) demonstrates the split between the bypass and washed coal, and the corresponding total product ash content.

Figure 3.12: South Pit base case prime waste movement



Source: Cuesta Coal Limited

Figure 3.13: South Pit base case coal production profile



Source: Cuesta Coal Limited

Product coal amounted to 49.9 Mt with an overall yield of 88.9% (bypass and washed combined) and weighted average Ash of 12.6% (air-dried basis). Table 3-11 summarises the quality specifications for a bypass and washed coal composite product.

Table 3-11: Composite product specifications

Schedule	Product Tonnes	Product Yield	Ash	Gross CV ADB (kcal/kg)	TS ADB	VM ADB	MST ADB
Yr1	928,000	92.8%	12.3%	5,349	0.48%	26.4%	11.4%
Yr2	1,718,000	90.4%	12.3%	5,322	0.51%	27.1%	11.2%
Yr3	1,717,000	90.4%	12.3%	5,371	0.47%	26.6%	11.0%
Yr4	1,704,000	89.7%	12.6%	5,346	0.50%	27.1%	10.8%
Yr5	1,697,000	89.3%	12.7%	5,279	0.56%	27.2%	10.9%
Yr6	1,691,000	89.0%	12.5%	5,246	0.60%	27.7%	10.9%
Yr7	1,652,000	86.9%	12.7%	5,184	0.62%	27.1%	10.1%
Yr8	1,628,000	85.7%	12.1%	5,223	0.70%	27.5%	9.4%
Yr9	1,609,000	84.7%	12.1%	5,157	0.62%	27.5%	9.6%
Yr10	1,671,000	87.9%	12.6%	5,258	0.60%	27.4%	10.1%
Yr11	1,642,000	86.4%	11.6%	5,294	0.65%	27.9%	10.4%
Yr12	1,643,000	86.5%	12.6%	5,232	0.68%	27.5%	10.0%
Yr13	1,653,000	87.0%	12.1%	5,300	0.61%	27.9%	9.7%
Yr14	1,659,000	87.3%	12.7%	5,288	0.72%	28.4%	9.7%
Yr15	1,667,000	87.7%	12.8%	5,337	0.75%	28.5%	9.8%
Yr16	1,659,000	87.3%	13.0%	5,229	0.58%	27.6%	9.7%
Yr17	1,654,000	87.0%	12.6%	5,281	0.63%	28.1%	9.8%
Yr18	1,665,000	87.6%	13.3%	5,254	0.61%	27.4%	9.4%
Yr19	1,675,000	88.2%	12.9%	5,321	0.63%	27.7%	9.3%
Yr20	1,672,000	88.0%	12.6%	5,370	0.62%	27.6%	8.8%
Yr21	1,706,000	89.8%	12.4%	5,590	0.65%	27.9%	8.0%
Yr22	1,720,000	90.5%	12.4%	5,645	0.66%	28.1%	7.9%
Yr23	1,728,000	90.9%	12.6%	5,596	0.66%	28.5%	8.2%
Yr24	1,732,000	91.2%	12.6%	5,568	0.64%	28.5%	8.3%
Yr25	1,724,000	90.7%	12.8%	5,538	0.63%	28.6%	8.6%
Yr26	1,738,000	91.5%	12.4%	5,557	0.64%	29.0%	9.1%
Yr27	1,733,000	912.0%	12.1%	5,563	0.61%	28.9%	9.2%
Yr28	1,729,000	91.0%	12.8%	5,466	0.57%	28.0%	8.7%
Yr29	1,721,000	90.6%	12.9%	5,431	0.57%	27.9%	9.2%
Yr30	1,711,000	90.0%	13.3%	5,326	0.57%	27.7%	9.1%
Total	**49,846,000**	**88.9%**	**12.6%**	**5,379**	**0.61%**	**27.9%**	**9.5%**

Notes:
Qualities reported on ADB basis
Tonnages reported at respective moisture values
Yield is effective yield
Product Moisture (As Received) is fixed at 18.9%

Source: Cuesta Coal Limited

In summary, Xstract's opinion of Cuesta's Moorlands Project Development plan is of a sound technical basis, with reasonable mining parameter assumptions for similar coal operations at pre-feasibility study level.

3.9 Environmental and social considerations

3.9.1 Native Title

The Commonwealth Native Title Act 1993 (“NTA”) provides a legislative regime for negotiating with native title parties before the State can grant any mining or exploration tenures. The NTA also allows for each State or Territory to develop procedures for negotiating with native title holders in respect of mining and exploration.

While this is outside the scope of this report, in Xstract’s knowledge, there are no native title issues that will restrict mining and exploration on Cuesta’s coal assets.

3.9.2 Environmental considerations

As part of the Environmental Authority (EA) application process for the Moorlands Project, baseline assessments were completed for inclusion in the Environmental Management Plan. The results of these assessments and the Environmental Authority application were lodged with the Department of Environment and Heritage Protection (DEHP) along with the Mining Lease on 5 September 2014.

The Environmental Authority application and associated mining lease applications for the Moorlands Project are currently in the public notification stage which provides the opportunity for interested or affected stakeholder to provide comment on the application documents.

The *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act) establishes a process for environmental assessment and approval of proposed actions that have, or are likely to have a significant impact on matters of national environmental significance (MNES) or the environment on Commonwealth land. This federal assessment is a separate process to that being undertaken by the Queensland Government. Cuesta has made a referral under the EPBC Act in relation to MNES for the Moorlands Project. The approval is currently being assessed.

The Aspley State Forrest covers part of the Moorlands Project area. While Xstract expects that special permission would be required for mining and exploration in this area, it does not expect that this will totally restrict development.

Under the Strategic Cropping Land Act 2011, strategic cropping land (“SCL”) legislative and planning framework is designed to protect SCL from developments that lead to permanent impacts or diminished productivity. While this does not totally preclude mining in the area, it does require conditions with which to comply before mining can commence.

To Xstract’s knowledge, there are no strategic cropping issues that will restrict mining and exploration on Cuesta’s exploration assets.

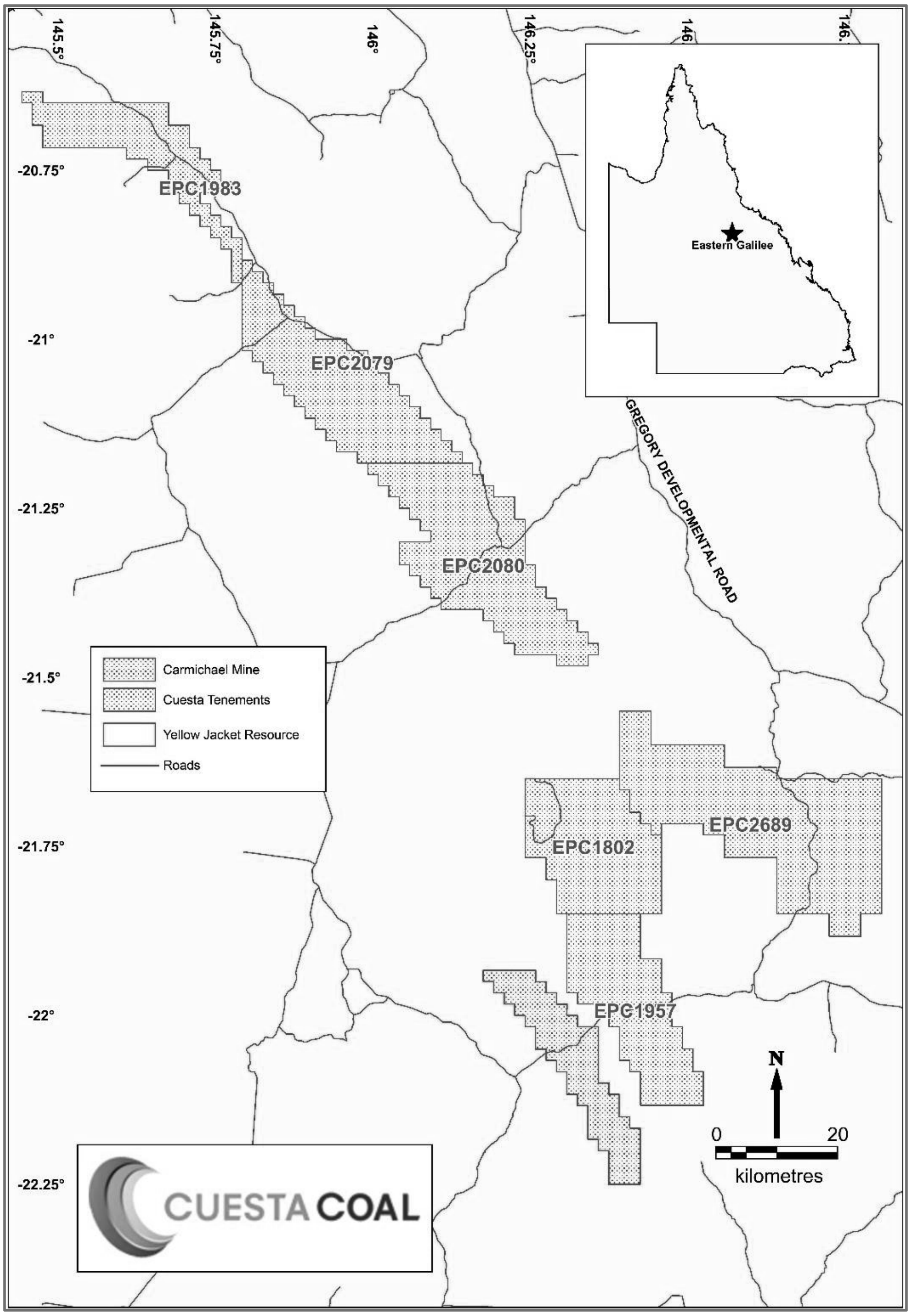
4 Eastern Galilee Project

4.1 Location access and infrastructure

The northern part of Cuesta's Eastern Galilee Project area is located south of Pentland, which is 200 km west of Townsville in a relatively remote region. The permits extent in a south easterly direction from the township of Pentland, located midway between Charters Towers and Hughenden. The terrain has flat topography with occasional undulations.

The Gregory Development Road lies east of the project area and runs north-south. There are numerous access tracks in the area and it is generally possible to travel cross country.

Figure 4.1: Location of East Galilee tenements



Source: Cuesta

4.2 Ownership, status and agreements

Cuesta's Eastern Galilee Project comprises six separate permit areas (Table 4-1) distributed in two discreet areas. In total, the permits cover an area of approximately 2,903 km^2 and extend along the Galilee Basin margin for a distance of 200 km.

Table 4-1: Status of Cuesta's East Galilee tenements

Number	Ownership	Status	Expiry	Sub-blocks	Area (km^2)
EPC1802	Blackwood Exploration Pty Ltd, 100%	Granted	28 Oct 2019	130	415
EPC1983	Scorpion Energy Pty Ltd, 100%	Granted	30 Oct 2018	93	299
EPC1957	Blackwood Resources Pty Ltd, 90%	Granted	7 Feb 2017	120	382
EPC2079	Blackwood Exploration Pty Ltd, 100%	Granted	2 Mar 2019	147	471
EPC2080	Blackwood Exploration Pty Ltd, 100%	Granted	10 Feb 2018	174	557
EPC2689	Blackwood Exploration Pty Ltd, 100%	Granted	9 Dec 2019	244	779
			Total	**908**	**2,903**

4.2.1 Snake Creek Joint Venture

Two of the tenements (EPC 2079 and EPC 2080) were under a Farm-In and Joint Venture agreement with QCI (Galilee) Pty Ltd ("QCI"). Under the terms of the agreement announced on 13 February 2014 known as the Snake Creek JV, QCI was able to earn up to a 51% interest in the two tenements (EPC 2080 and EPC 2079) through the expenditure of AUD3 M on exploration at the tenements in two stages. After conducting some exploration and spending approximately AUD1.1 M, QCI opted out of the JV. Consequently, Cuesta currently has 100% interest in EPC 2080 and EPC 2079.

4.2.2 Notice of claim on EPC1802

On 13th June 2016 Cuesta was served with a notice of claim filed in the Supreme Court of Queensland by interests associated with Owen and Reginald Wellington and Ronald Fox, the previous owner of EPC 1802, and an assignee of such an interest respectively. The claim relates to the final conditions and consideration in the sale agreement.

4.3 Geology

The Eastern Galilee EPCs are located along the eastern margin of the Galilee Basin including basement strata consisting of folded and faulted rocks of Devonian and Carboniferous age. Outcrop is largely obscured by a blanket of Cainozoic semi-consolidated sediments. These cover units are of variable thickness ranging from near zero up to 100 m in places.

The principal coal-bearing unit in the central and northern Galilee Basin is the Betts Creek Beds of Late Permian age. There is a disconformably between the Betts Creek Beds and the underlying Aramac Coal Measures. It is doubtful whether the Aramac Coal Measures are developed in this area.

4.4 Exploration history

This area was previously explored for coal by Vale under EPC907. Several thin coal intercepts were recorded from drilling, but it was believed the main coal-bearing interval occurred further to the west and consequently the portion of EPC907 covered by EPC 1983 was relinquished.

Regional exploration has indicated that the main sub-crop of the Betts Creek Beds lies to the west of the areas covered by these permits. Consequently, there has been no previous systematic exploration. However, water bore data has shown that coal or coaly sediments have been intersected in the area.

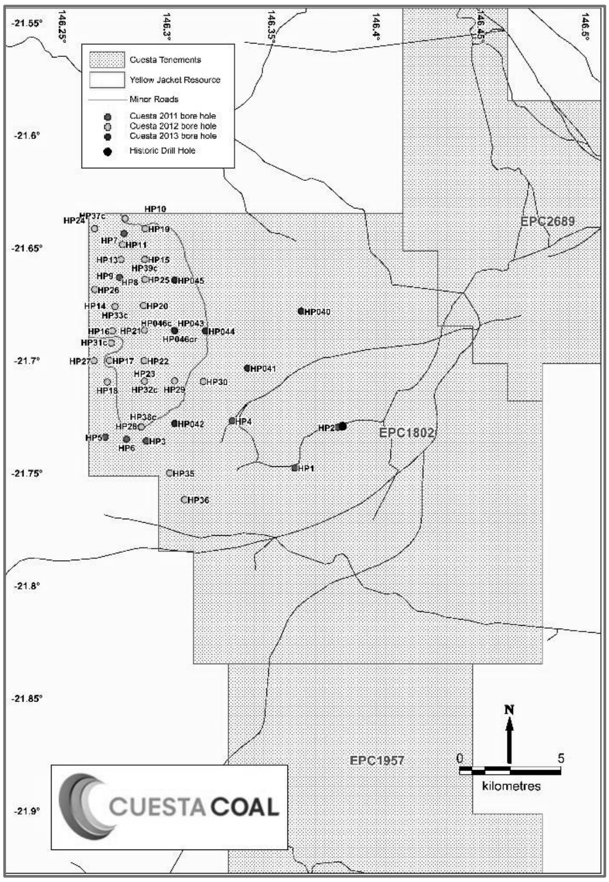
Cuesta has carried out several drilling campaigns on EPC1802 to investigate the historical records of coal occurrences in water bores and test the concept of infolded Betts Creek Beds extending to the east of the traditionally recognised sub-crop line.

The drilling has shown that there is a substantial thickness of Cainozoic cover and that the Permian sediments below this are extensively weathered. Nonetheless, continuous coal bearing strata was intersected over a significant area in the north west of EPC1802.

4.5 Coal geology and potential

Exploration by Cuesta confirms the contention that the coal-bearing Betts Creek Beds are more widely developed than previously thought (i.e. occur further to the east than the traditionally established line of sub-crop). To date, Cuesta has completed a total of 38 open holes and nine cored holes at its Yellow Jacket Project, shown in Figure 4.2.

Figure 4.2: Yellow Jacket Coal Resource area



Source: Cuesta

Encompass Mining reported an Inferred Coal Resource estimate totalling 364.1 Mt for the Yellow Jacket Project in October 2013 as summarised in Table 4-2 and Source: Cuesta

Table 4-3.

Table 4-2: Yellow Jacket Coal Resources (to max depth of 150 m)

Seam	Depth (m)	Inferred (Mt)	Total (Mt)
C	50-100	75.9	**75.9**
D	50-100	3.0	**78.9**
C	100-150	206.3	**285.2**
D	100-150	78.9	**364.1**
Total		**364.1**	

Source: Cuesta

Table 4-3: Yellow Jacket raw coal quality (ADB)

Seam	Moisture (%)	Ash (%)	Volatiles (%)	Carbon (%)	Energy (MJ/kg)	Sulphur (%)	Relative Density
C	8.9	20.6	23.4	47.2	21.90	0.35	1.57
D	7.7	26.5	26.6	39.2	20.70	0.48	1.58

Source: Cuesta

4.6 Karura Target Area

Following the 2012 exploration activities on the Yellow Jacket JV tenements, a detailed desktop review of Cuesta's 90% owned EPC1957 identified a target area of up to 50 km^2 present immediately south of the Adani Carmichael Project rail corridor.

Historical regional seismic lines were investigated and they indicated syncline structures present in Yellow Jacket and Karura that have the potential to preserve the Permian coal measures of the Betts Creek Beds east of the known sub-crop. This has been proven in Yellow Jacket through the drilling activity from 2011 to 2013.

The syncline structure at Yellow Jacket matched the gravity survey conducted during 2012. There are very similar geological structures in the Karura target area to those found at the Yellow Jacket Project, which show a strong correlation between the synclinal structures observed through the seismic data and the gravity low anomalies, which warrant further exploration to verify the presence of coal.

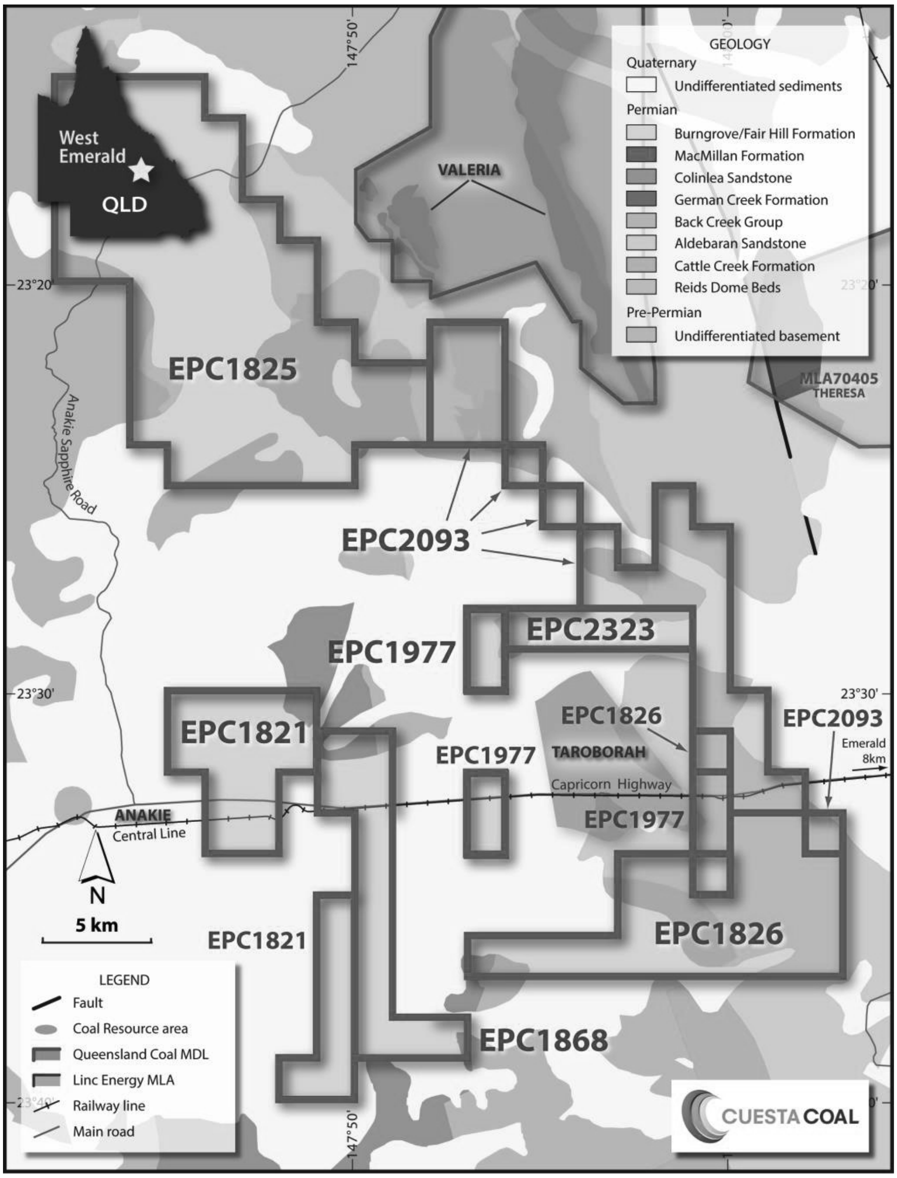
5 West Emerald Project

5.1 Location access and infrastructure

The West Emerald project is located west of Emerald in Central Queensland and 360 km from the port of Gladstone. Access to the area is by regularly serviced road, rail and/or air transport. Emerald is a regional centre for the beef cattle and agricultural cropping industries.

The topography of the West Emerald area is characterised by a mature, gently undulating landscape that varies in elevation from 220 m above mean sea level to nearly 300 m. Low ridges are commonly capped by iron-stained Tertiary sands and gravels, whilst the main creeks occupy alluvial flats comprising a veneer of sand, silt, and an overlying clayey black-soil profile. Significant tracts of land have been cleared for pastoral activities, although grain crops are grown in isolated patches. Stands of mainly dry schlerophyll scrub are largely restricted to State Forest areas.

Figure 5.1: West Emerald exploration tenements



Source: Cuesta

5.2 Ownership, status and agreements

Cuesta owns seven exploration permits covering approximately 438 km^2 comprising 139 sub-blocks as listed in Table 5-1. The tenements are 100% owned by ACN Mining Pty Ltd, a wholly owned subsidiary of Cuesta.

Table 5-1: Status of Cuesta's West Emerald tenements

Number	Ownership	Status	Expiry	Sub-blocks	Area (km^2)
EPC1821	ACN Mining Pty Ltd, 100%	Granted	14 Apr 2020	18	57
EPC1977	ACN Mining Pty Ltd, 100%	Granted	18 Apr 2021	4	13
EPC2323	ACN Mining Pty Ltd, 100%	Granted	26 Jun 2021	3	9
EPC1825	ACN Mining Pty Ltd, 100%	Granted	20 May 2018	59	186
EPC1826	ACN Mining Pty Ltd, 100%	Granted	30 Jul 2017	19	60
EPC1868	ACN Mining Pty Ltd, 100%	Granted	18 Jun 2018	12	38
EPC2093	ACN Mining Pty Ltd, 100%	Granted	22 Jun 2018	24	76
			Total	**139**	**438**

5.3 Geology

The area is located in the structural element of the Bowen Basin known as the Denison Trough. The Denison Trough is a geologically complicated region in comparison with the more benign central Bowen Basin sequences.

The permits are located on the western flank of the Permo-Triassic Bowen Basin, at the northern end of the Denison Trough where a series of north-south trending graben and half-graben structures developed during the initial extensional phase of Bowen Basin formation. The Denison Trough is flanked on its western side by the Springsure Shelf, and the pre-Permian metamorphic and igneous basement complex of the Anakie Inlier, and on its eastern side by the Comet Ridge.

The stratigraphy of the northern Denison Trough comprises granitic and metasediment basement rocks of the Devonian Retreat Granite and Cambro-Ordivician Anakie Inlier respectively, unconformably overlain by Early Permian non-marine sediments of the Reids Dome Beds, the partially marine Cattle Creek Formation, and Aldaberan Sandstone. These are in turn blanketed by widespread, commonly lateritised, alluvial deposits and minor basalt of Cainozoic age.

Controls on the deposition of prospective Permian sediments are predominantly in a structurally north west orientation. Subsequent deformation has reactivated these structures and deformed the enclosing stratigraphy. This is demonstrated by rapid depositional changes, which characterise the development of the nearby Blair Athol, Rugby, Clermont, Taroborah and Cullin a Ringo coal deposits. These deposits exhibit rapid changes laterally in seam thickness and quality in the order of tens of metres.

The oldest sedimentary unit in the Denison Trough and the principal coal bearing sequence is the Reids Dome Beds of Early Permian age. Also targeted are the Mid Permian coal measures of the Aldebaran Sandstone.

5.4 History

Exploration for coal in the northern Denison Trough was first undertaken in 1969 by Blair Athol Coal Pty Ltd (a subsidiary of CRA, now Rio Tinto) and comprised systematic, regional drilling. A combination of open and cored holes was drilled along northeast orientated lines to provide a grid coverage of the tenement at two-mile centres. The majority of these holes were completed between 1969 and 1974, targeting open pittable coal measures with variable hole depths (but usually within 100 m from surface) and ultimately resulted in the discovery of the undeveloped Valeria deposit, which is still owned by Rio Tinto, to the north.

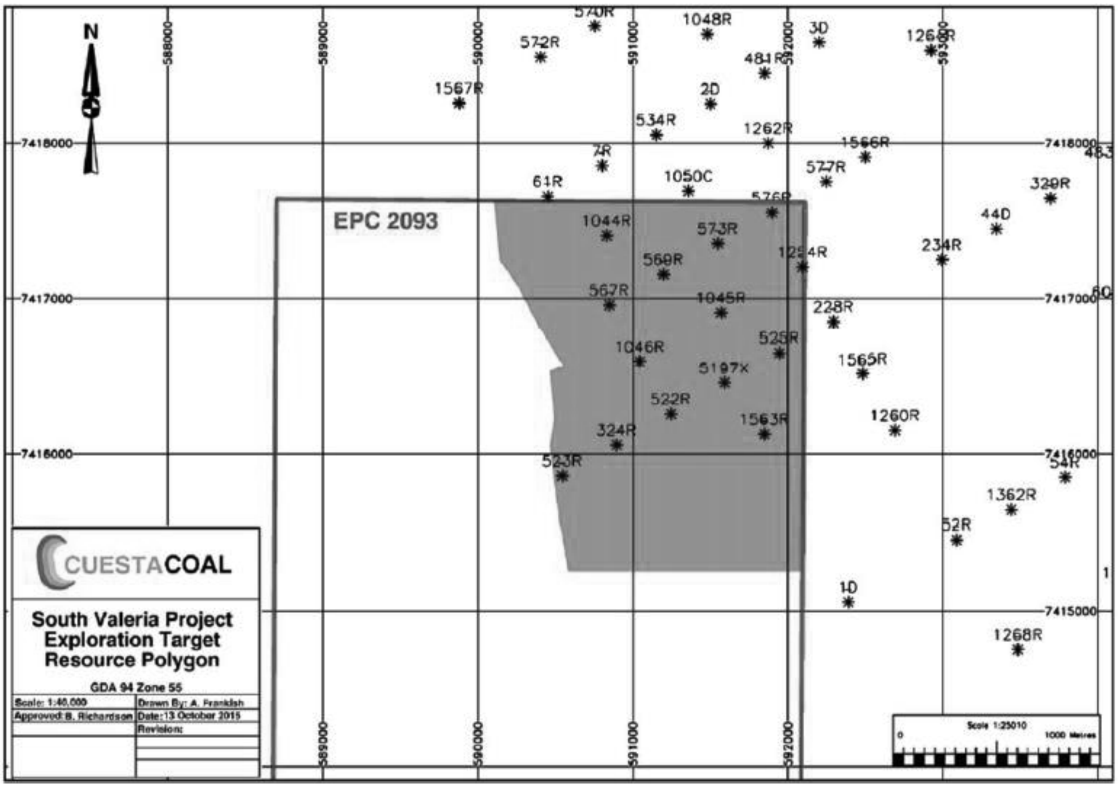
Historic coal quality data from West Emerald suggest that the majority of the seams produce an export thermal/PCI Coal product, however the Capella and Anakie seams of the nearby Valeria deposit have developed coking coal properties.

5.5 Coal geology and potential

The West Emerald permits cover prospective stratigraphy and structure that host significant known deposits such as Valeria, Taroborah, Cullin-la-Ringo Athena and Minerva. The principal coal target sequence in the permit areas is the Aldebaran Sandstone, with the possibility of Reids Dome Beds also being developed.

In November 2015 Cuesta released the results of a comprehensive desktop review for EPC 2093 (South Valeria), investigating possible southerly extensions of the Valeria deposit. This involved a review of 67 historical boreholes, 17 of which fall within EPC2093, and the construction of a 3-dimensional geological model. All of the boreholes located within EPC2093 comprised chip holes, some with accompanying downhole geophysical logs. The boreholes are shown in Figure 5.2.

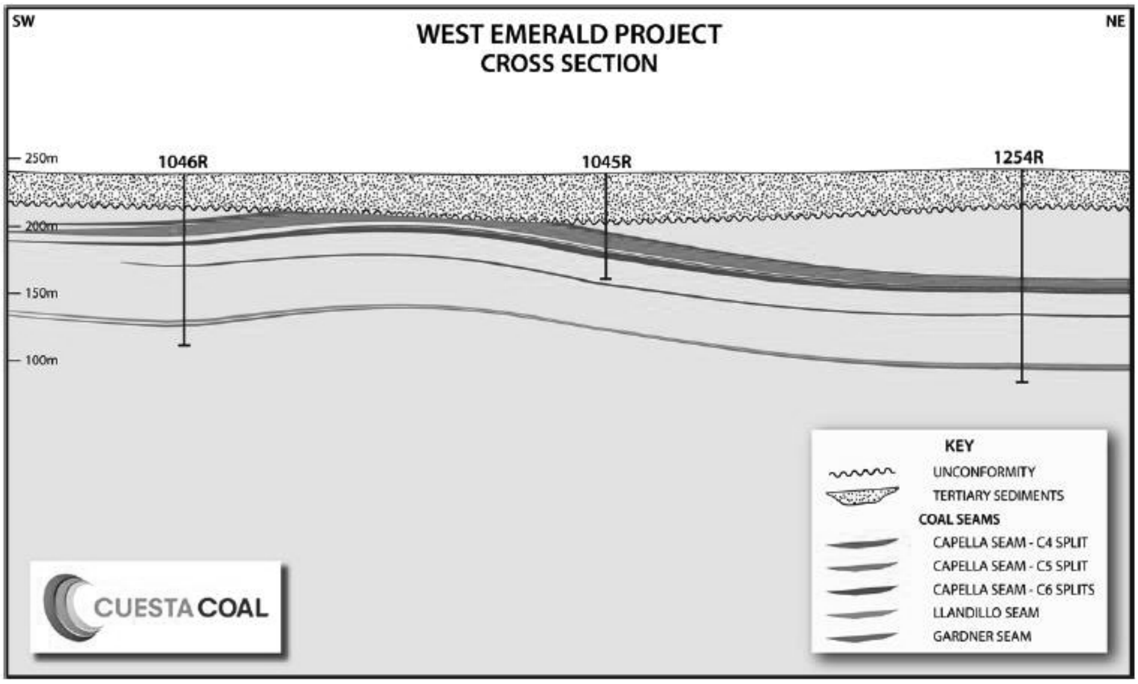
Figure 5.2: Historical boreholes considered in Valeria South desktop review.



Source: Cuesta

A southwest to northeast cross-section in the centre of the boreholes is shown below in Figure 5.3.

Figure 5.3: Cross-section through northern part of EPC 2093.



Source: Cuesta

The coal seams intersected on the tenement comprise the Anakie (not in the above cross-section), Capella, Llandillo, and Gardiner Seams, which dip gently to the east at less than 5º. Seam intersections of 2m to 8m in thickness have been recorded.

There is no coal quality information from within EPC2093, but outside the tenement the Llandillo and Gardiner Seams are known to be vitrinite rich and exhibit coking properties. These cored holes indicate raw coal qualities (air-dried basis) in the following ranges: moisture 2-6%, ash 5.5-20%, volatiles 27-35% and GCV 6,200-7,400 kcal/kg.

Based on the geological model constructed from the historical information, Cuesta has estimated an exploration target in the range 45 Mt to 90 Mt in the northern part of EPC 2093.

Cuesta considers this project to rank second in its portfolio after the Moorlands project, and has planned an exploration programme targeting areas with known coal intersections with a view to obtaining coal quality information and, if possible, establishing an Inferred Coal Resource in the project area.

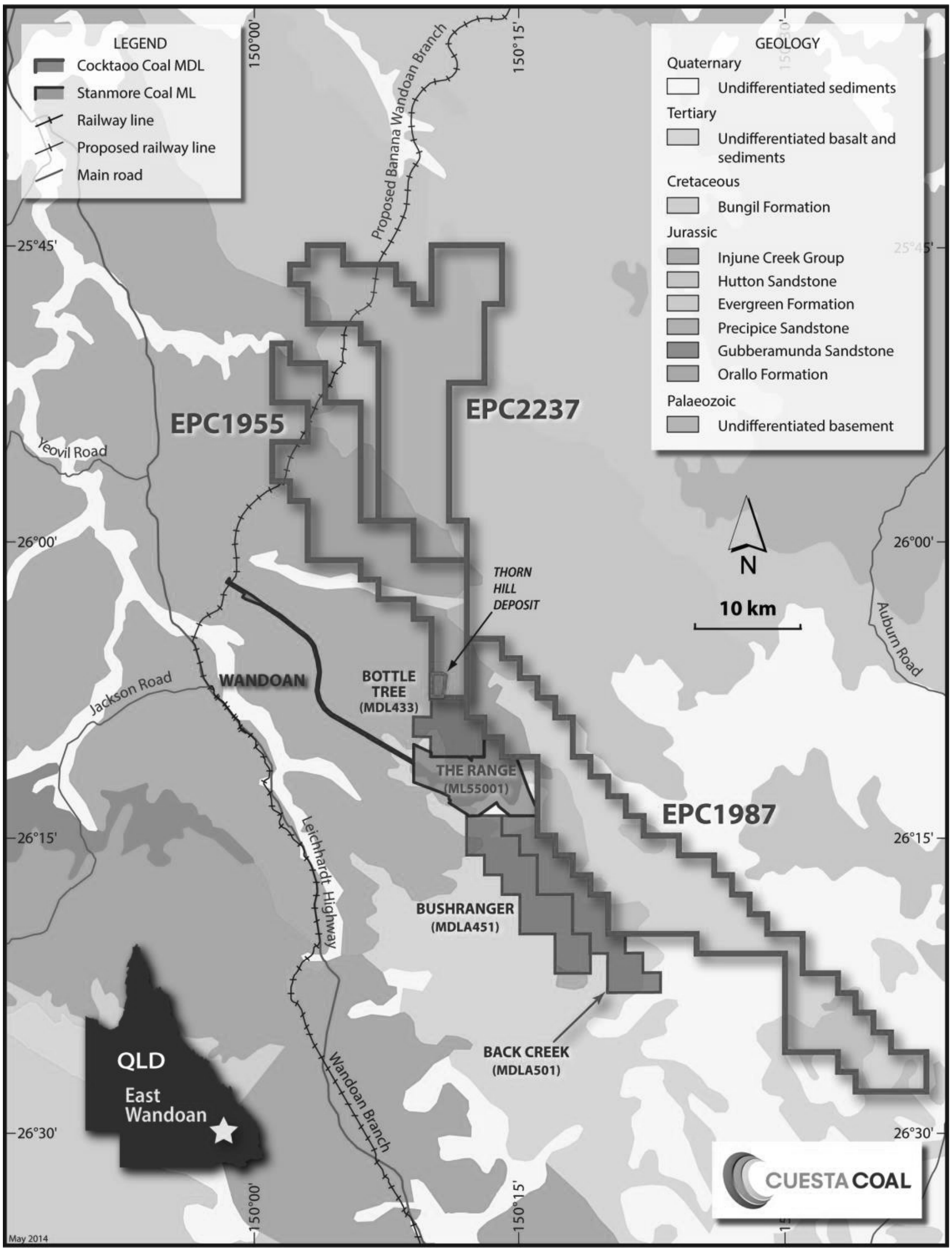
6 East Wandoan Project

6.1 Location access and infrastructure

Cuesta's East Wandoan Project is located in the Western Downs region in Queensland, 25 km northeast of Wandoan and 400 km northwest of Brisbane. The proposed route for the "Southern Missing Link" railway runs through the middle of the project area, which is 25 km northeast of Xstrata's Wandoan project and within 10 km of Stanmore Coal Ltd's "The Range" project.

The area is gently undulating and largely open with some remnant patches of native vegetation. A few shire roads cross the area, which are readily accessed by 4WD vehicle.

Figure 6.1: East Wandoan exploration tenements



Source: Cuesta

6.2 Ownership, status and agreements

The East Wandoan Project comprises three granted permits. The permits cover a combined area of approximately 825 km^2. Cuesta owns 90% of all the tenement through its wholly owned subsidiary, Blackwood Resources Pty Ltd. Australian Pacific Coal Ltd owns the remaining 10% of these tenements.

Table 6-1: Status of Cuesta's East Wandoan tenements

Number	Ownership	Status	Expiry	Sub-blocks	Area (km^2)
EPC1955	Blackwood Resources Pty Ltd, 90%	Granted	29 Mar 2020	64	197
EPC2237	Blackwood Resources Pty Ltd, 90%	Granted	27 Mar 2021	89	274
EPC1987	Blackwood Resources Pty Ltd, 90%	Granted	27 Sep 2017	69	212
			Total	**222**	**683**

6.3 Geology

The East Wandoan Project lies within the Surat Basin, a large intra-cratonic basin formed during the Early Jurassic to Early Cretaceous. The Surat Basin developed in a back arc tectonic setting behind an active convergent plate margin. It extends 300,000 km^2 across southeast Queensland into northern New South Wales, forming cover deposits that unconformably overlie the Permian–Triassic Bowen and Gunnedah Basins.

Sediment deposition took place in predominately fluvio-lacustrine environments during the Late Triassic to Early Jurassic, and shallow marine and coastal plain environments in the Cretaceous. In the mid-Cretaceous, a major compressional event caused uplift and erosion of the Surat and Bowen Basins, terminating deposition in the Surat. This event eroded up to 1.5 km of Cretaceous and Jurassic rocks from the southern Taroom Trough. Regional uplift and southward tilting during the Late Cretaceous caused further exhumation of Permo-Triassic rocks and established the present-day northern limit of the Surat Basin as a southward-retreating scarp.

The formations of interest belong to the Taroom Coal Measures, which form the lower part of the Jurassic-aged Walloon Subgroup, which in turn comprises the early coal-bearing sequences of the Injune Creek Group.

There are more than 30 individual coal plies identified within the Walloon Subgroup. Individual plies attain a maximum thickness of 3 to 4 m and a cumulative thickness of up to 50 m. The majority of plies are thin, discontinuous and difficult to correlate over large distances. Volcanic debris and montmorillonite-rich claystone bands present in the coal measures of the Walloon Subgroup indicate that there was continued volcanism associated with a subducting-plate margin to the east during the Mid–Late Jurassic.

6.4 History

Exploration of the Surat Basin commenced in the late 1960s by majors including Exoil Limited, Shell, Griffin Coal and MIM/Xstrata Coal. Detailed exploration of the Walloon Coal Measures has occurred in two main phases, from the late 1960s to the early 1980s, and since the late 1990s.

Previous exploration work identified the Wandoan Coal Deposit (>1 Bt) currently owned by Glencore and the Collingwood Deposit (229 Mt) acquired from Anglo American by Cockatoo

Coal Limited. A combination of poor historical coal prices and lack of infrastructure in the region previously hindered the development of these coal deposits.

Since 2011, Cuesta has drilled a total of 53 open holes and 7 cored holes, for a total of 6,026 m of drilling, in the southern part of EPC1955 immediately to the north of the Bottle Tree Deposit (35 Mt resource) held by Cockatoo Coal. All open holes were geophysically logged and the cored holes were logged and sampled for laboratory analysis.

The holes were located in an area where regional projections indicated a likely sub-crop development of the Pelham Seam. Coal intersections are believed to belong to the Taroom Coal Measures, with several holes intersecting multiple coal intervals, with the most significant coal interval being 11.69 m of total coal. The holes were nominally 500 m apart, over a strike length of 4.5 km and a width of 2 km. This area is named the Thorn Hill Project.

6.5 Coal geology and potential

The East Wandoan Project contains coal seams from the Middle Jurassic aged Walloon Subgroup. The seams dip gently from west to south. Up to five locally named coal seam groups have been identified in the coal measures – A, B, C, D and E. The identified seams/plies are assumed to correlate with the Condamine seam in the Taroom Coal Measures.

A resource estimate by Encompass Mining in accordance with the JORC Code (2012), dated October 2012, reported a total Coal Resource of 44.6 Mt of potential domestic and export quality thermal coal, classified as 22.1 Mt Indicated and 22.5 Mt Inferred. Depths vary between 12 and 150 m.

A summary of the raw coal quality (ADB) is presented in Table 6-2.

Table 6-2: Raw Coal quality for East Wandoan

Coal Quality by Seam (ADB)								
Seam	**No. of holes**	**Moisture (%)**	**Ash (%)**	**Volatiles (%)**	**Carbon (%)**	**Energy (MJ/kg)**	**Sulphur (%)**	**Relative Density**
A	3	7.8	20.0	39.8	32.5	23.26	0.45	1.44
B	8	7.6	18.7	39.3	34.5	23.81	0.44	1.44
C	7	7.4	20.0	37.8	34.8	23.42	0.45	1.46
D	4	6.7	18.1	38.9	36.3	24.55	0.46	1.43
E	1	5.4	19.7	38.8	36.1	24.62	0.50	1.44

Source: Cuesta

Faulting in the eastern part of the Thorn Hill Project is evidenced by seam displacements across the deposit. Two main faults have been identified, a larger central fault with an estimated throw of up to 80 m and a smaller fault to the east with an estimated throw up to 15 m.

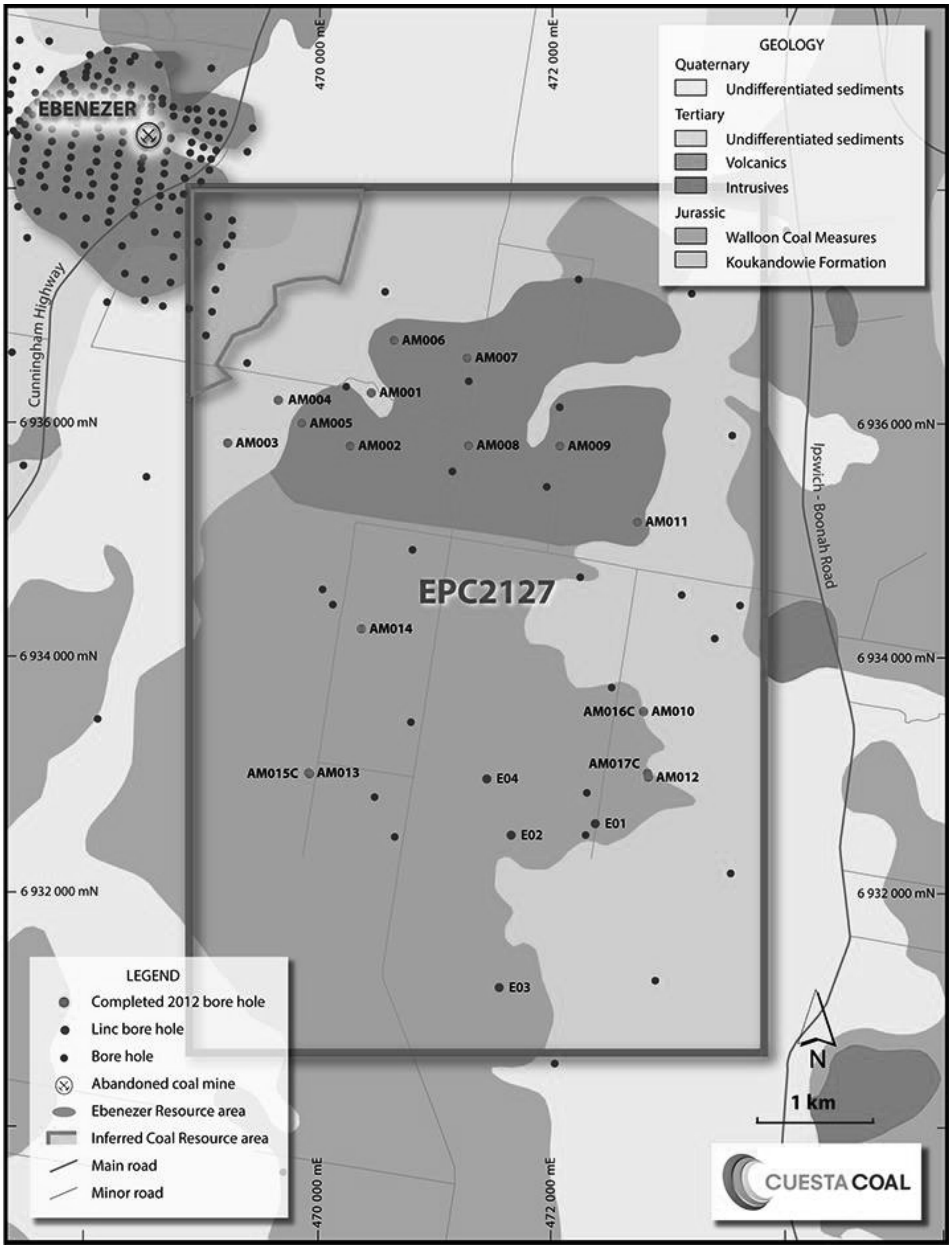
7 Other Projects

7.1 Amberley Project

7.1.1 Location, access, infrastructure and ownership

Cuesta's Amberley Project EPC2127 encompasses 36 km^2 and expired on 11 October 2015. A renewal has been lodge. The permit is 100% owned by Cuesta through its wholly owned subsidiary, Scorpion Energy Pty Ltd. It is located 10 km southwest of Ipswich and 40 km southwest of Brisbane in flat, rural terrain. The Cunningham Highway passes to the west of the permit and access is via sealed and unsealed roads that service the rural holdings.

Figure 7.1: Amberley Exploration Tenement



Source: Cuesta

7.1.2 Geology

The Amberley Project lies within the Clarence-Moreton Basin, a Mesozoic sedimentary basin on the easternmost part of the Australian continent. The Basin covers approximately 26,000 km^2 of southern Queensland and northeast New South Wales and is contiguous with the Surat Basin.

The lowermost unit represented in the area is the Marburg Subgroup, which is predominantly a medium to course grained quartzo-feldspathic sandstone with minor amounts of siltstone and shale. Conformably overlying the Marburg Subgroup is the Walloon Coal Measures of Middle Jurassic Age.

The Walloon Coal Measures are the main coal-bearing formation in the area hosting both the Ebenezer and Mount Mort coal sequences. The Walloon Coal Measures can be divided into four main stratigraphic zones; the Lower Barren Zone, the Lower Coal Zone, the Upper Barren Zone and the Upper Coal Zone. The Coal Zones contain fluviatile sediments, interbedded with coal seams up to seven metres thick (inclusive of stone bands), but commonly only one metre or less thick. The thickest known coal seams occur in the Lower Coal Zone.

7.1.3 History

The current permit was held by Idemitsu during the 1980s and before that by Esso Exploration Australia Ltd during the 1970s. Esso was granted the permit in 1973 with the objective of delineating metallurgical coal and drilled 20 holes, two of which were core and the remainder open. The cored holes intersected the Lower Coal Zone where Esso identified seams A and B 60 m below surface, however the absence of Tertiary intrusive bodies precluded the formation of higher ranked coals. On this basis, Esso concluded that there was no potential for a shallow open-cut coking coal deposit.

Houston Oil and Minerals Australia Inc. were subsequently granted a permit encompassing an area to the south, centred near Boonah. That permit was subsequently reduced and transferred to Tenneco Oil & Minerals of Australia, who in 1984 farmed out to Allied Queensland Coalfields Ltd ("AQC"). In 1988, AQC signed a Joint Venture Agreement with Idemitsu of Japan and in 1993, ISQC purchased the remaining 51% equity in the permit and the nearby Ebenezer deposit. Linc Energy was subsequently granted a permit with the aim of establishing a coal resource for underground coal gasification technology.

Cuesta then acquired the property and drilled 17 open holes and three core holes in 2012 aimed at delineating a thermal coal resource.

7.1.4 Coal geology and potential

The Amberley Project has intersected seams from the Ebenezer coal sequence. The seams dip gently to the southwest. Up to 53 locally named coal seams have been identified in the upper part of the coal measures contained within seven seam groups, namely: UN0-21, A1- A8, B1- B11, C1-C8, D1- D11, E1- E8 & F1- F8. The lower four seam groups (C, D, E & F – approximately 31 seam plies) were mined previously by the Ebenezer Mining Company on the neighbouring tenement. Each ply has an average seam thickness of approximately 0.2 metres.

An Inferred Coal Resource of 54.7 Mt, to a depth cut-off of 150 m, was estimated and reported by Encompass Mining in November 2012. Indicative raw coal quality is summarised in Table 7-1.

Table 7-1: Amberley Project raw coal quality (ADB)

Seam	Moisture (%)	Ash (%)	Volatiles (%)	Carbon (%)	Energy (MJ/kg)	Sulphur (%)	Relative Density
UNA	7.2	42.7	26.8	23.3	16.14	0.34	1.69
UNB	5.4	26.0	34.4	34.2	22.92	0.33	1.51
A	5.4	28.6	34.1	31.9	21.94	0.38	1.52
B	5.6	27.2	33.9	33.3	22.30	0.38	1.52
C	5.0	31.2	34.1	29.8	20.92	0.48	1.57
D	2.2	39.7	30.2	27.9	18.83	0.44	1.64

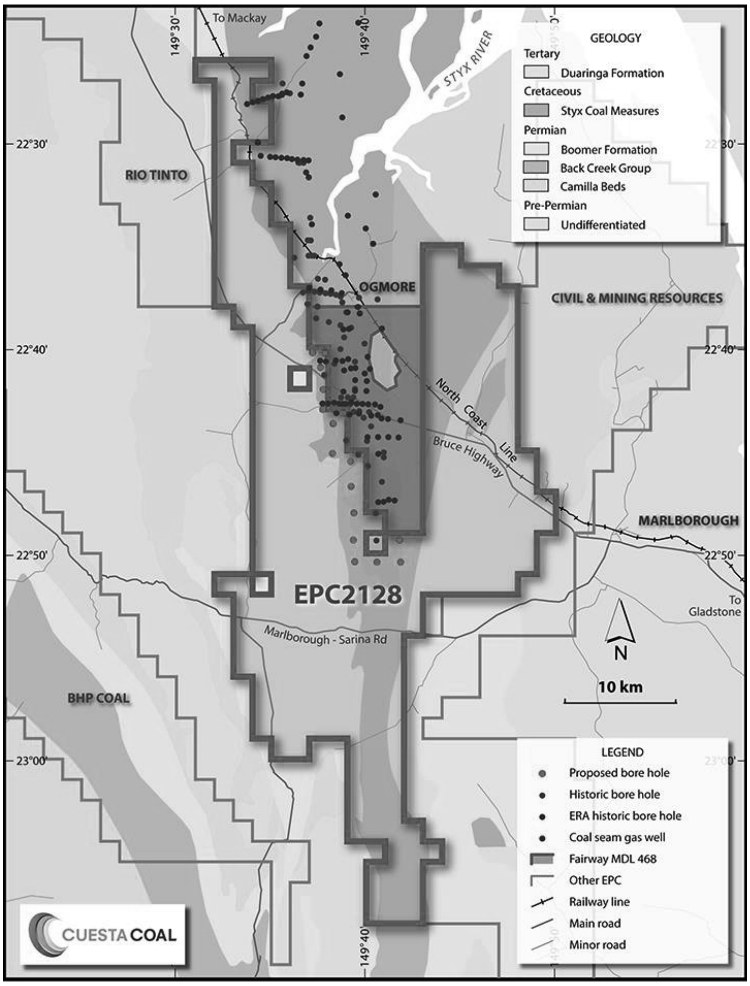
Source: Cuesta

7.2 Montrose Project

7.2.1 Location, access infrastructure and ownership

Cuesta's Montrose Project comprises EPC2128, which expires on 4 February 2018. The permit is 100% owned by Cuesta through its wholly owned subsidiary, Scorpion Energy Pty Ltd. It consists of 299 sub-blocks covering an area of approximately 947 km^2 over an elongated north-south trend.

Figure 7.2: Montrose exploration permit



Source: Cuesta

Largely comprising agricultural and grazing properties, the area is undulating too flat. It is traversed by the Bruce Highway and the main northern railway line which pass through the settlements of Styx, Ogmore, Bowman and Strathmuir. There are numerous minor access roads.

7.2.2 Geology

The principal coal-bearing sequence in the area is the Styx Coal Measures of Lower Cretaceous age, comprising up to 350 m of mainly fine-grained sandstones and siltstones. The strata occur in a half-graben structure up to 5 km wide, which plunges gently to the north extending into the Coral Sea. The half graben maintains a regional dip to the east, except on the eastern edge against the bounding fault where it is steeply dipping to the west.

The Styx Coal Measures rest unconformably on, and are faulted out against, folded sediments of the Back Creek Group of Lower Permian age. A veneer of unconsolidated Quaternary sediments obscures much of the underlying strata.

7.2.3 History

Small-scale underground mining commenced in the basin in 1865 and several mines operated in the area between Styx and Ogmore. The last colliery closed in 1983. Systematic exploration commenced in 1948 when the Queensland Department of Mines drilled sixteen holes south of Ogmore over the period 1948 to 1952. Brigalow Mines held ATP 83C over the basin until 1973 and drilled a number of holes, including some core holes locating only thin discontinuous seams.

Pacific Copper held the similar area in 1980/81 as did New Hope Collieries from 1996/97, both of whom conducted a series of open-hole drilling programmes with some coring with similar results to Brigalow.

7.2.4 Coal geology and potential

Seven or more coal intervals may occur in the sequence but most are generally <0.5 m in thickness but may increase up to 3 m. The seams are characteristically lenticular and of limited lateral development, although they are generally characterised by moderate to low in ash content and are of bituminous rank. The sulphur content was usually <0.6%.

The area covers the fringes of the Styx Basin and the underlying Back Creek Group Sediments. Exploration to date in the Styx basin has discounted the possibility of significant coal resources being identified in the sequence, however the Back Creek Group Sediments have yet to be explored for Permian coal.

7.3 Callide

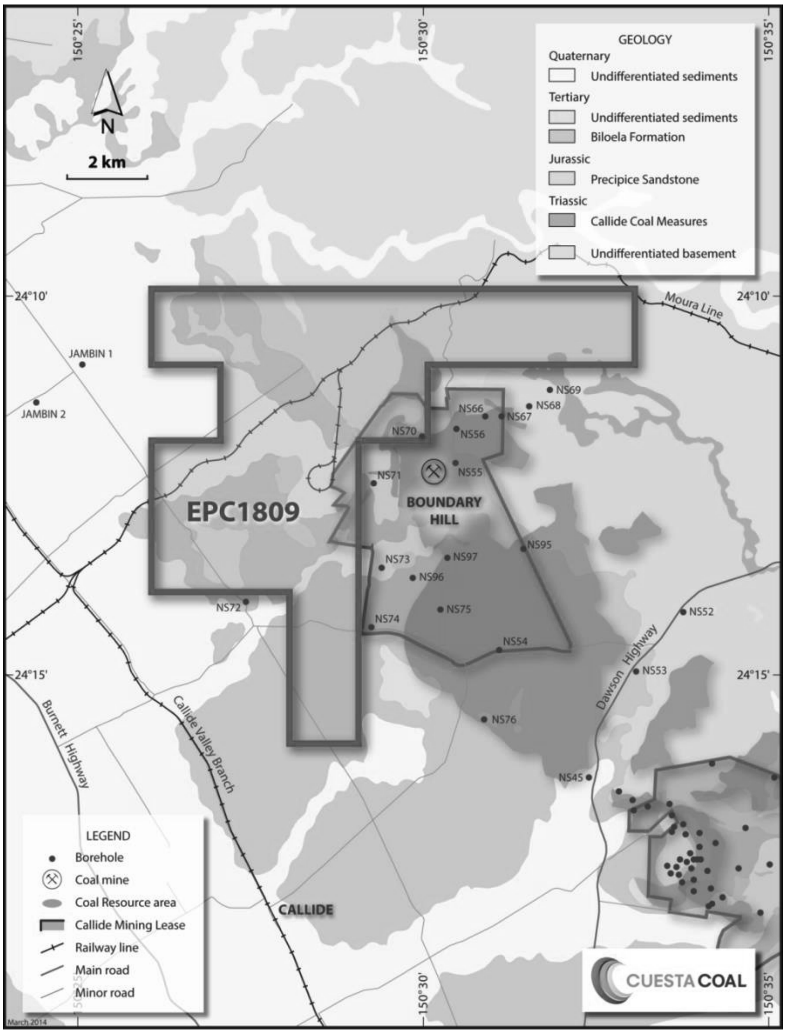
7.3.1 Location, access and infrastructure

The Callide Project is based around EPC1809, which was granted to ACN Mining Pty Ltd, a subsidiary of Cuesta on 21 October 2013. The permit comprising 18 sub-blocks covers an area of 56 km^2. This exploration permit expires on 20 October 2018.

The permit is located immediately to the west of the Boundary Hill Mine, one of the three mines owned and operated by Anglo American on the Callide Coalfield, which produces 10 Mtpa and supplies the local Callide Power station.

The main railway between Moura and Gladstone runs through the area and Gladstone is located 90 km to the east. In general, the topography is flat, open grazing country although there are some local steep sided mesas with retained native vegetation.

Figure 7.3: Callide tenement location



Source: Cuesta

7.3.2 Geology

The main coal-bearing formation is the Callide Coal Measures of Late Triassic age, which are up to 140 m thick. The sediments rest in part on a deformed basement comprising sediments of Carboniferous and Lower Permian age and in part on volcanic units of Early Triassic age.

A number of gentle folds with associated normal and thrust faults with displacements of up to 15 m have affected the Callide Coal Measures.

7.3.3 History

The Callide coal mine has been operating commercially since 1945 and become solely owned by Thiess in 1950. It was subsequently acquired by Anglo American. Systematic exploration of the Callide Basin began in the 1980s, when Thiess effectively covered the entire known extent of the Callide Coal Measures. Following its acquisition by Anglo

American, a number of sub-blocks have been relinquished. Six of these relinquished now form part of EPC1809.

Five open holes were drilled by Thiess. These holes passed through up to 45 m of Tertiary sediments before intersecting granitic basement. The disappearance of the Callide Coal Measures immediately west of the mine suggests that the northwestern edge of the Callide Basin is terminated by a normal fault with 100 m or more of vertical displacement.

The only other drilling in the area comprised two stratigraphic holes completed by Nortex up to 4 km west of EPC1809 in 1962. These holes penetrated up to 76 m of Tertiary sediments prior to intersecting volcanic units of Lower Permian age.

7.3.4 Coal geology and potential

The four principal seams in the Callide Coal Measures are referred to as Seams D to A. The A or Callide Seam is the thickest and most persistent seam in the basin and may be up to 23 m thick. It is predominantly a dull sub-bituminous coal, with thin interbedded claystone and siderite bands. It is relatively low in sulphur (0.33%) and low in ash content (13%) with a Specific Energy of 22 MJ/kg.

The Callide Coal Measures are interpreted to extend into EPC1809 from the Boundary Hill mine area that lies immediately to the east, however only limited exploration has been conducted to date. Under this interpretation, the Callide Coal Measures may occur in down faulted blocks beneath the Tertiary cover. In Xstract's opinion, EPC1809 offers limited potential for shallow and laterally continuous coal seams.

8 Market conditions

The Australian port thermal coal benchmark price declined from its peak of USD140/t in January 2011, to below USD60/t before finding support around USD55/t in the first half of 2016 (Figure 8.1). Mining companies have been struggling to keep their Australian coal operations profitable amid the deteriorating USD price, finding some relief from declining costs and a depreciating Australian dollar. Companies that include BHP Billiton, Rio Tinto, Glencore, Vale and Peabody Energy have cut jobs from the sector over the past four years amid a string of mine closures and shelving of projects.

Short term relief to the market has come in the form Chinese cuts to production. China's coal output fell by 15.5% in May from a year earlier. This is in response to the Chinese government's effort to fight pollution.

In the short to medium-term, disruptions to production from heavy rain and cuts in Chinese production is likely to provide support for the price with a tight seaborne traded market.

In the long-term, market consensus forecast from eight analysts of the Australian thermal benchmark contract coal price remains range bound between USD55/t and USD60/t. The market forecast for the real long-term average beyond 2020 is USD60.70/t or USD69.04/t in nominal terms. The standard deviation for the forecast real coal price predicted by the analysts is USD7.28/t with a range of between USD70.00/t and USD54.80/t.

Figure 8.1: Australian thermal contract coal price (USD/t, FOB, 6,700 kcal)

Source: www.indexmundi.com, Consensus Economics

9 Key risks and opportunities

9.1 Risks

Project evaluation and development studies pertaining to Cuesta's coal assets have been carried out at a high level to date, and as such, there are numerous aspects that have not been fully investigated.

Key project risks include:

- Unforeseen structural geological complexity, which has the potential to alter the estimated Coal Resource and complicate mine design
- The achievable product yields and coal product specifications are still to be finalised at Moorlands
- Securing access to rail and coal processing infrastructure remains key for Moorlands.
- Moorlands Project is very sensitive to the thermal coal price and exchange rate.
- Infrastructure development for the East Galilee and East Wandoan projects.

9.2 Opportunities

Opportunities at Moorlands include:

- The potential to upgrade the conceptual mine plan to include additional Coal Resources
- Targeting the development of coal measures outside the traditionally recognised Moorlands Project boundaries
- Exploration Targets within the B8 and B9 seams in the northern part of Moorlands.

10 Valuation

In estimating the current value of Cuesta's coal assets, Xstract has considered various valuation methods within the context of the 2015 VALMIN Code. When valuing an exploration project, the valuator is attempting to determine a value that reflects the potential of the project to yield an Ore Reserve from which a future income stream may ultimately be derived. At the same time, the valuator must also be cognisant of what the project is deemed to be worth by the market and actual transactions taking place, to ensure that the value estimates are realistic. Arriving at the value estimate is complex as there is no single mineral asset valuation method appropriate for all circumstances.

Cuesta's coal assets range in status from early to advanced exploration. The valuation method applied depends on the relative maturity of the exploration for each asset, with three main approaches (income, market, and cost) used. All valuations are carried out on the basis of Market Value (MV), as defined in Appendix A.

Cuesta's most advanced asset is at Moorlands and contains Measured, Indicated and Inferred Coal Resources. As such, the Moorlands Project is considered by Xstract to represent an advanced stage exploration project. The income based or Discounted Cash Flow (DCF) approach is considered to be an appropriate method for valuing the conceptual mine plan that has scheduled 37 Mt of in-situ Coal Resource in the South Pit. For the remaining 281 Mt of Measured, Indicated and Inferred Coal Resources that lie outside the conceptual mine plan, Xstract deems a market-based approach to be the most appropriate in assessing the likely value.

The comparable transaction method on a dollar per Resource tonne basis (market-based approach) has been applied to estimate the value of Cuesta's Coal Resources, at not only Moorlands but also the East Galilee, East Wandoan and Amberley projects.

For the remaining exploration assets, Xstract has applied two commonly accepted methods to appraise the estimated value also outlined in Appendix A, namely the:

- Geoscientific rating, and
- Comparable Market Transaction methods (dollar per km^2 basis).

Whilst each exploration permit differs in its underlying characteristics, these may be subjectively assessed by experienced practitioners to determine a likely valuation range and associated preferred value.

The effective date for the valuation is 20 July 2016.

10.1 Moorlands Resources

10.1.1 Discounted cash flow method

Xstract has used the discounted cash flow method to assess the value of the first scheduled 19 years of the conceptual mine discussed in Section 3.8. This schedule includes a Resource of 37 Mt at Moorlands, assuming 1.9 Mtpa ROM production over 19 year LOM commencing in 2018/19 FY.

Key assumptions

Xstract's key discounted cash flow assumptions include:

- Development Project Study standalone scenario using contractor mining

- Cash Flow allocated to the Life of Mine ("LOM") JORC Code compliant Measured Resource of 37 Mt of which 35 Mt is ROM delivered to plant after applying loss and dilution
- Saleable product after 88% plant recovery is estimated at 31Mt over the LOM
- First production of 1 Mt ROM in 2018/19 financial year ("FY") increasing to 1.9 Mtpa over a total LOM schedule of 19 years
- FY runs from 1 July to 30 June
- Cash flow is discounted to 20 July 2016 on a 100% ungeared basis
- It is assumed all coal is mined and sold in the same year
- No provision for carbon costs have been applied
- Rehabilitation has been allowed for in the operating costs
- Corporate Tax of 30% has been applied
- Any residual value of plant and equipment is not considered to be material.

Inflation and exchange rate

A 2.5% cost escalation in US dollars has been assumed over the operating life of the project. The Reserve Bank of Australia has a target range for underlying inflation of between 2% to 3%. Xstract has taken the view that, in the long-term, cost escalations should remain within the Reserve Bank's target range and are in line with that of the US from 2019/20 FY.

Table 10-1 shows Xstract's USD:AUD exchange rate assumptions, forecast to average 0.71 in 2016/17 and then depreciate at the inflation differential of the Australian and US cost escalations, assuming the theory of purchase power parity applies. After 2019/20, the exchange rate is kept constant as the Australian inflation rate is projected to be the same as the US (2.5% per annum).

Table 10-1: Inflation and exchange rate assumptions

FY	2017	2018	2019	2020	2021	2022 to 37
US escalation	1.5%	1.7%	2.0%	2.5%	2.5%	2.5%
Australian escalation	1.7%	2.0%	2.2%	2.5%	2.5%	2.5%
AUD:USD rate	0.710	0.706	0.702	0.694	0.694	0.694

Source: Trading Economics, www.tradingeconomics.com

Revenue

Coal from Moorlands is inferior to the FOB Newcastle spot market thermal coal benchmark of 6,300 kcal/kg (GAR). Xstract has assumed a bypass and washed coal composite export product from Moorlands. The composite product of 5,279 kcal/kg (ADB) (approximately 4,820 kcal/kg (GAR)) is expected to attract a discount to the Newcastle benchmark.

In Xstract's opinion, a 11% discount price was assumed appropriate for Moorlands to the consensus forecast long-term average benchmark thermal coal price of USD60/t (Table 10-2).

Table 10-2: Coal price forecast for Moorlands coal vs Newcastle thermal benchmark prices

Coal Product	Real Forecast Prices (USD/t)	Real Forecast Prices (ASD/t)
Newcastle Benchmark (6,300 kcal/kg GAR)[1]	60.00	84.51
Moorlands composite (4,820 kcal/kg GAR)	52.67	75.18

Source: 1 - Consensus Economics, June 2016

Operating costs

Xstract's has used estimated costs for the Moorlands project based on Cuesta's Development Project study completed in March 2016. A summary of the real average LOM operating cost assumptions is shown in Table 10-3.

Waste removal and coal mining will be undertaken by a mining contractor. Consequently, the waste and coal mining costs are inclusive of a capital recover charge.

While a waste removal cost of AUD3.50/bcm of prime waste has been adopted, on a product tonne basis it is estimated at AUD24.77/t and is sensitive to the strip ratio and plant yield.

The coal mining cost is estimated at AUD4.30/t of product and is dependent on plant yield.

Xstract has assumed that ROM coal will be processed on site at a dedicated build-own-operated plant. The estimated cost of AUD8.52/t of product is inclusive of bypass and washed coal processing.

Product coal will be truck-hauled 9 km to a dedicated Blair Athol rail facility at an estimated cost of AUD3/t. Including loadout and railage down to the port, total transport is estimated to cost AUD15.65/t

It is assumed Moorlands product will be exported through Dalrymple Bay coal terminal. Xstract has adopted AUD6.46/t for port costs.

Excluding the Royalty component, the average real cash cost free-on-board is estimated at AUD67/t.

Table 10-3: Average real cash costs

	AUD/Prod t
Waste removal	24.77
Coal Mining	4.30
Processing	8.52
Transport	15.65
Port	6.46
Administration and overheads	3.98
Royalty and levies	5.28
Total	**68.96**

Capital costs

Capital cost of AUD98 M is estimated in Cuesta's Development Project Study as listed in Table 10-4.

It is assumed the Moorlands Project will use a contractor mining fleet for coal mining and overburden removal to minimise up front capital expenditure and contract truck haulage from the wash plant on site to a dedicated load-out facility and rail loop close to the Blair Athol coal mine approximately 9 km to the southeast.

The capex establishment cost of a box-cut is assumed at AUD13 M.

The purchase, relocation and construction of a standalone coal handling and preparation plant ("CHPP") with associated infrastructure is estimated at AUD32 M.

Mine infrastructure and land purchase has been provided for at AUD42 M.

Table 10-4: Capital Cost Estimate

	AUD$M
Infrastructure and land purchase	42
CHPP	32
Box-cut	13
Other	2
Contingency	9
Total	**98**

In addition, a total sustaining capital cost of AUD86 M has been estimated over the LOM.

Taxes and royalties

Xstract has applied a corporate tax of 30% to mining profits.

The state of Queensland has a three-tiered coal royalty structure of: i) 7% for a coal price up to AUD100/t; ii) 12.5% for a coal price between AUD100/t and AUD150/t and; iii) 15% for coal price above AUD150/t.

A Coal Research Levy of AUD0.27/t of product has been provided for

Closure liability and rehabilitation

Xstract has not applied a closure cost to its valuation model, as Moorlands has a significant Coal Inventory that, in our opinion, is likely to extend beyond the currently forecast operating 19-year LOM.

Xstract has assumed on-going rehabilitation concurrent to the mining operation at a cost of AUD0.02/bcm.

Net present value

To calculate the net present value of future income streams that result from a conceptual operation, an appropriate discount rate must be selected. The adopted discount rate represents the financial return that will be demanded before an investor will be prepared to acquire the asset.

Market rates of return for equity type investments and project evaluations are generally evaluated using the Capital Asset Pricing Model (CAPM). The results of the CAPM can be incorporated with the cost of debt funding to determine an assets Weighted Average Cost of Capital (WACC). Whilst the CAPM generates the required return on equity investments, the WACC represents the return required on an asset.

In this case, Xstract has not taken into account debt funding. On this basis, Xstract has used the CAPM method to determine a preferred real discount rate of 10% which is an equivalent nominal discount rate of 13% that includes a project risk premium of 4%.

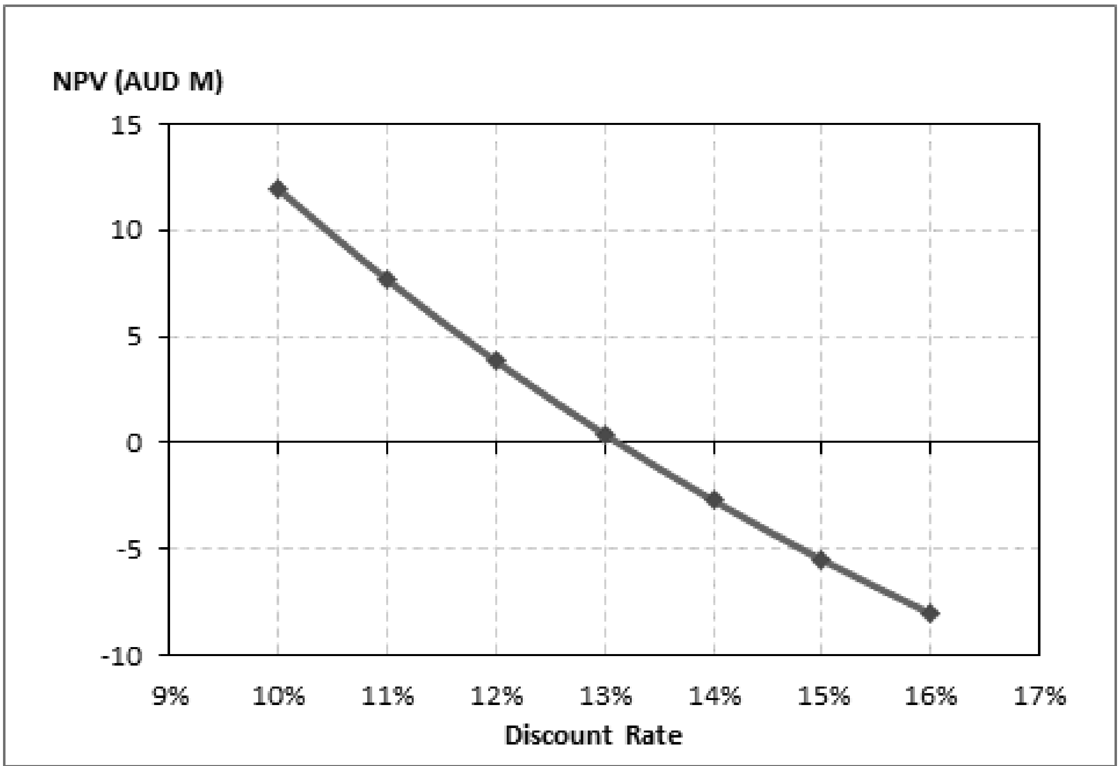
Outcomes under various (real) discount rates are presented in Table 10-5. Xstract has assumed a real discount rate of 10% for its preferred valuation for Moorlands conceptual mine plan Resources of **AUD12 M**, within a range from AUD8 M to AUD17 M.

Table 10-5: Summary of discounted cash flow valuation ranges for Moorlands

Production parameters	**Units**	
ROM production	Mtpa	1.9
Mine plan inventory	Mt	37
Average strip ratio over LOM	bcm/ROM t	6.2:1
Coal price long-term real (Newcastle)	USD/t	60.00
Coal price long-term real	AUD/t	75.18
Operating costs (incl. Royalty)	AUD/product t	68.96
Capital cost (LOM real)	AUD M	98
Net present value (post-tax)	**Units**	
8% real discount rate	AUD M	22.0
9% real discount rate	AUD M	16.7
10% real discount rate	**AUD M**	**12.0**
11% real discount rate	AUD M	7.7
12% real discount rate	AUD M	3.9
Internal rate of return	**%**	13.1

A real after-tax internal rate of return of 13% is demonstrated in Figure 10.1, which plots the valuation range for various discount rates.

Figure 10.1: Moorlands Measured and Indicated Resource valuation at various discount rates



Sensitivity analysis

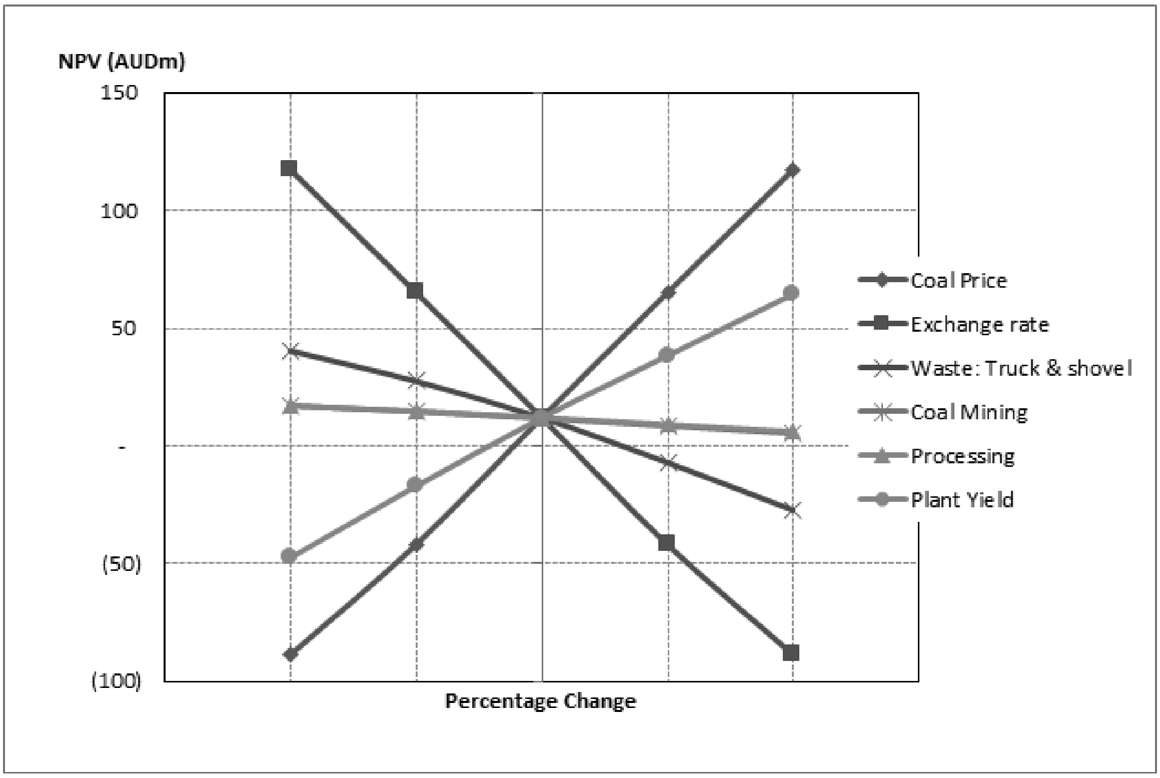
Coal price is the key risk parameter for the Moorlands Project. Historically, export coal prices have been highly variable, driven by infrastructure constraints, weather conditions and relatively inelastic demand.

The cash flow value is equally sensitive to fluctuations in the USD exchange rate. Figure10.2 illustrates the sensitivity of Moorlands to variability in the coal price and exchange rate.

Plant yield also has a significant impact on value but less so than for coal price and exchange rate.

The derived value is far less sensitive to changes in truck and shovel waste removal, coal mining and processing costs as seen by the slope of the curves in Figure 10.2 relative to the slope of the coal price, exchange rate and plant yield.

Figure 10.2: Sensitivity analysis for Moorlands

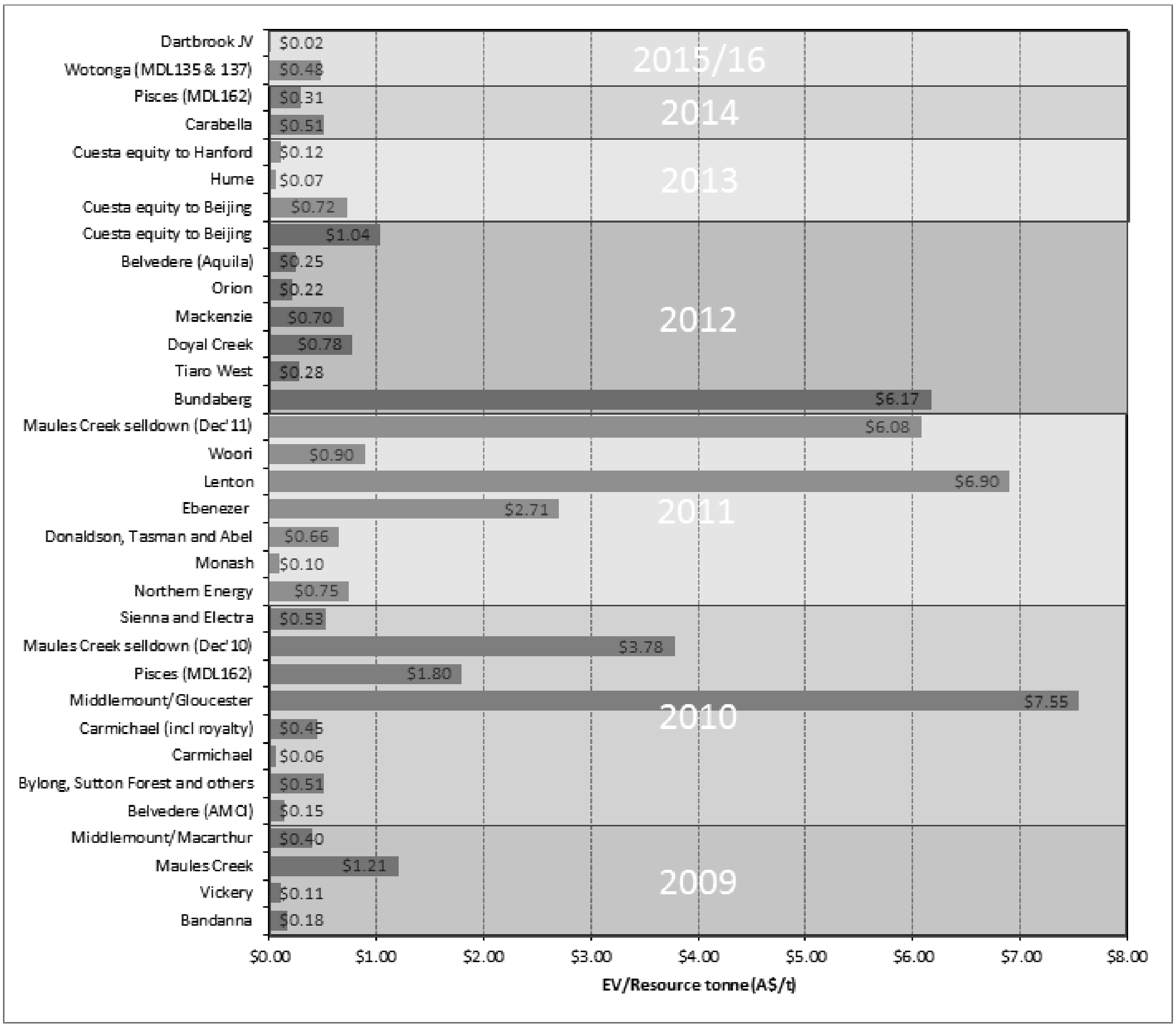


10.1.2 Comparable transaction method for Resources

In addition to the schedule in the conceptual mine plan, the Moorlands project contains an additional Coal Resource of 259 Mt (318 Mt less 59 Mt). In valuing this Resource, Xstract has conducted an analysis of recent comparable market transactions and joint venture terms involving eastern Australian coal resource projects to establish recent multiples paid within the market for in-situ coal tonnages (Figure 10.3).

Since 2009, the implied value per resource tonne ranged from AUD0.02/t to AUD7.55/t with a median of AUD0.51/t and includes properties with coals of various qualities and at varying stages of development. At the height of the coal market cycle in 2011 (see Figure 8.1), some transaction took place between AUD6/t and AUD7/t. In the down turn period of the market after 2011, the implied value per resource tonne ranged from AUD0.02/t to AUD1.04/t.

Figure 10.3: Comparable market transactions of coal assets in Australia



In assessing these transactions, Xstract notes that none is directly comparable to the Moorlands Project given that some:

- involve assets in Queensland's Galilee Basin with significant infrastructure development requirements;
- contain higher priced hard coking coals; and
- have other strategic considerations.

Furthermore, not all transactions were completed.

Given Xstract's view of the current status of the Coal Resources at Moorlands Project, we do not consider the current market would pay more than AUD0.10/t. Since 2013, projects transacted at less than AUD0.72/t. More recently, Anglo Coal's share of the Dartbrook JV changed hands at an implied AUD0.02/t.

In considering the value likely to be attributed by the market to the Resource outside the Moorlands Project conceptual mine plan, Xstract notes the following:

- The 281 Mt Resource outside the conceptual mine plan comprises 88% of the total Resource base, which lies in a structurally complex geological setting.
- Unlike the projects in the Galilee Basin, the Moorlands Project is not infrastructure constrained over the medium term. This should afford the Moorlands Project relatively

low infrastructure costs when benchmarked against other coal producers and developers in the Galilee Basin.

- The current coal market outlook is depressed.

Consequently, Xstract considers the current market would pay between AUD0.02/t and AUD0.04/t for the Resource at Moorlands outside the conceptual mine plan, generating a range of AUD5.6 M and AUD11.2 M, with a preferred value of AUD7.0 M.

Table 10-6 summarises the market value of the Resources outside the conceptual mine plan at the Moorlands Project.

Table 10-6: MV of Resources outside Moorlands conceptual mine plan

		Measured	Indicated	Inferred	Total
Low	AUD/t	0.030	0.020	0.010	0.020
High	AUD/t	0.050	0.040	0.030	0.040
Preferred	**AUD/t**	**0.035**	**0.025**	**0.015**	**0.025**
Resources outside mine plan	Mt	76	128	76	281
Low	AUD M	2.3	2.6	0.8	5.6
High	AUD M	3.8	5.1	2.3	11.2
Preferred Value	**AUD M**	**2.7**	**3.2**	**1.1**	**7.0**

10.1.3 Valuation summary of Moorlands Project

Table 10-7 summaries Xstract's opinion regarding the current market value of Cuesta's interests in the Moorlands Project. In Xstract's opinion, this value resides in the range AUD13.3 M to AUD27.9 M with a preferred value of AUD19.0 M.

Table 10-7: Valuation Summary of a 100% interest in the Moorlands Resource

Resource	Low (AUD M)	High (AUD M)	Preferred (AUD M)
Moorlands	7.7	16.7	12.0
Outside mine plan	5.6	11.2	7.0
Total	**13.3**	**27.9**	**19.0**

10.2 Early-stage exploration assets

Using the geoscientific rating method, a Technical Value was estimated from Xstract's base holding acquisition cost ("BHC") for Queensland of AUD450/km^2 and application of off property, on property, coal quality, other anomalies and infrastructure multiplier factors as shown in Appendix C for each of the tenements. In addition, Xstract has applied a 20% valuation discount to permits under application suffixed with a capital "A" to reflect the ownership status.

For the Market Value, Xstract notes that coal market fundamentals have weakened more recently (see Section 8 and Figure 8.1) and it has therefore elected to apply a market discount of 60% to its derived technical value of the exploration potential.

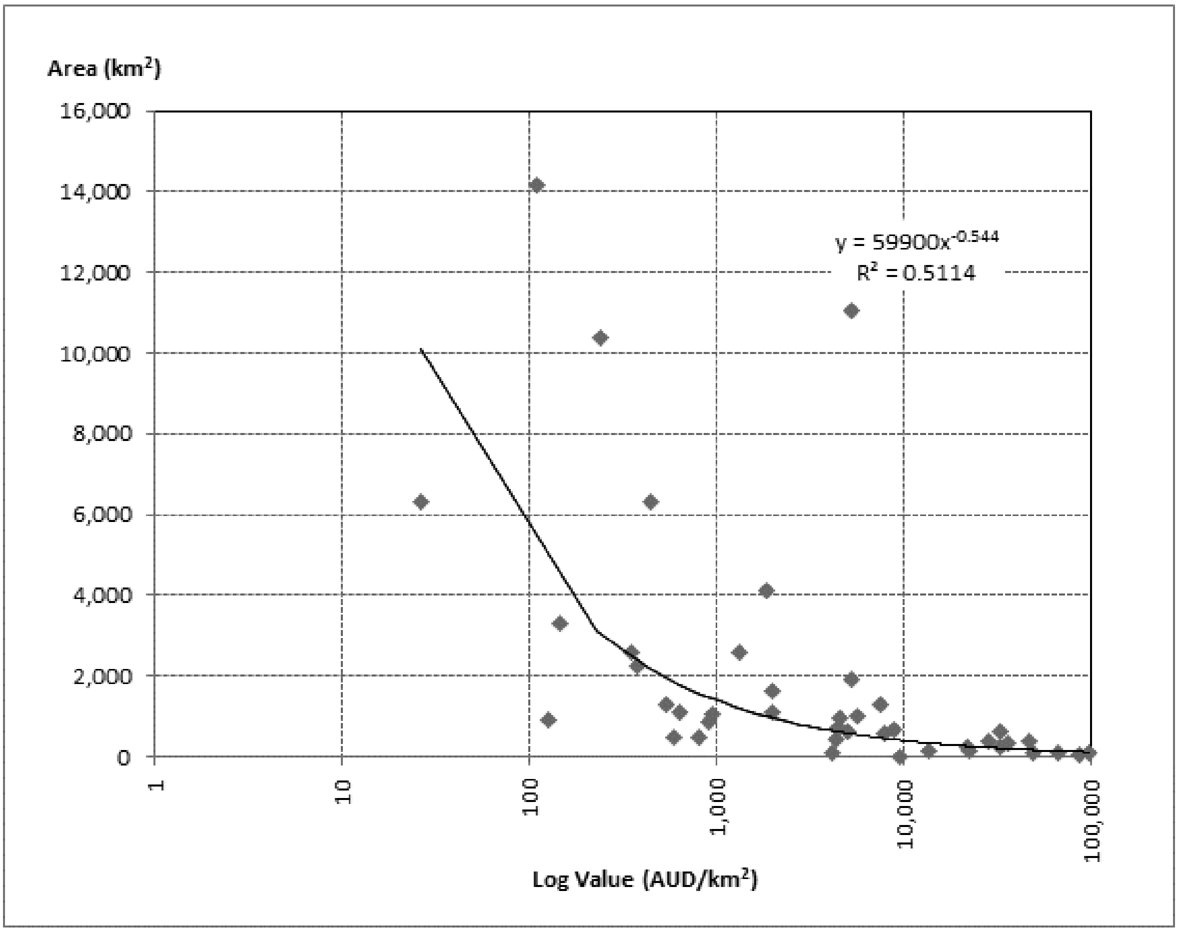
To verify its opinion of the MV of Cuesta's exploration assets using the geoscientific rating method, Xstract has also considered the recent market for coal properties in Australia. Xstract notes that a number of farm out agreement by Cuesta such as 51% of Eastern

Galilee to QCI for AUD3 M in exploration expenditure provide a benchmark for those coal assets.

Since 2009, there have been numerous mergers, takeovers, acquisitions and joint ventures involving coal companies and/or the underlying coal assets. Between 2009 and 2012, these transactions occurred at historically high levels. More recently, the majority of transactions have involved projects containing defined Mineral Resources and/or Ore Reserves, with only a limited number of transactions involving early to advanced stage exploration project without defined resources.

Xstract's review of market transactions between 2009 to 2013 identified 42 coal assets considered to be broadly comparable to Cuesta's exploration assets. A relationship between area and value traded per area exists with a 51% correlation (Figure 10.4). In general, Xstract's review found that large exploration projects have relatively small value per unit area while the reverse is true for small exploration landholdings.

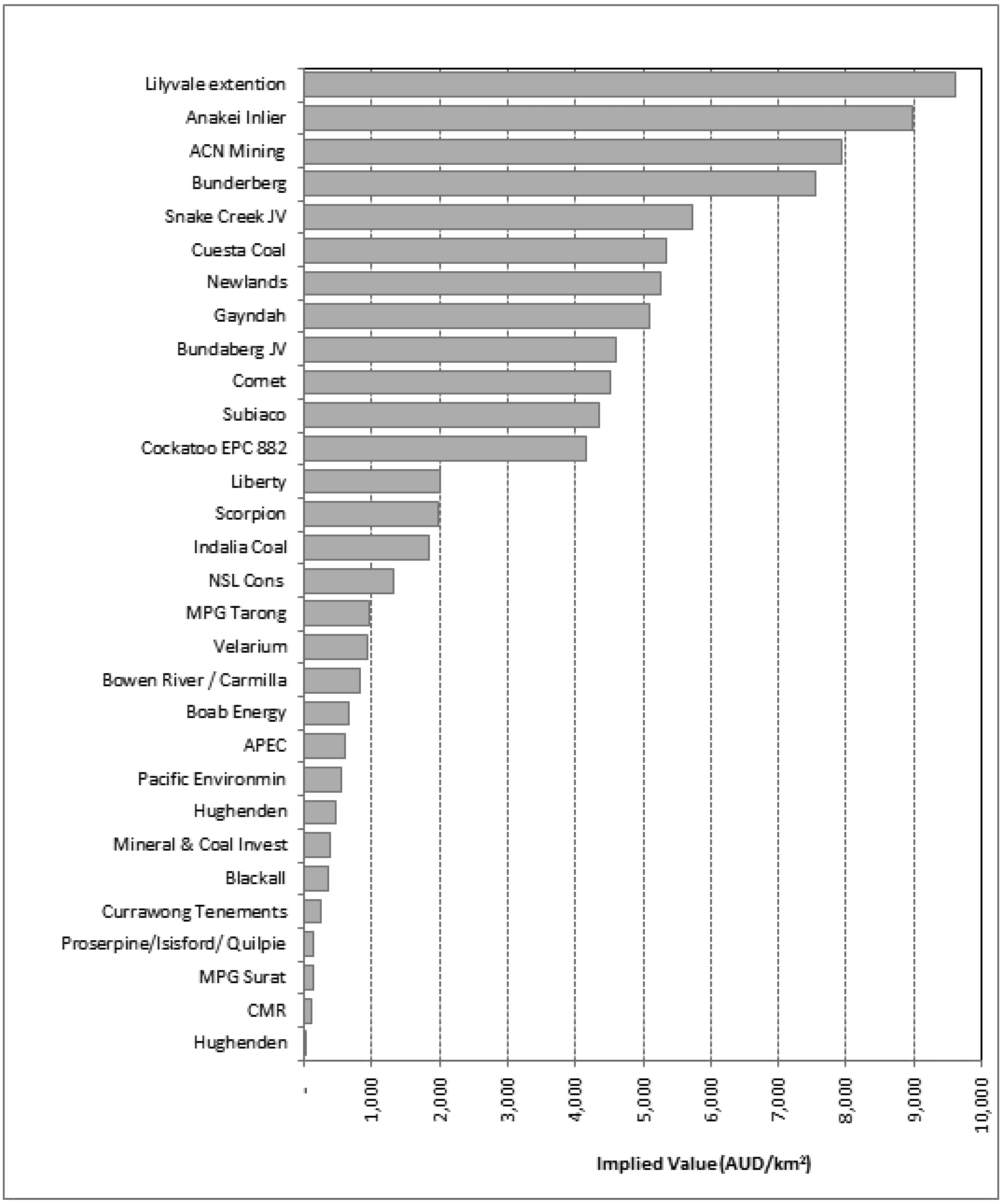
Figure 10.4: Comparable coal tenement market transactions



Coal market transactions and JV agreements involving assets with an implied value of more than AUD10,000/km^2 frequently contain Exploration Targets reported in accordance to the JORC Code, are strategically located or at an advanced stage of exploration. Transactions involving assets with an implied value of less than AUD10,000/km^2 typically include tenements in application or tenements where only limited or early stage exploration activity has taken place.

Figure 10.5 shows comparable coal market transactions that have taken place in Australia between January 2009 and May 2016 with a value of less than AUD10,000/km². These transactions are summarised in Appendix C.

Figure 10.5: Early-stage exploration comparable market transactions



10.3 Moorlands exploration

Outside the permits containing identified Resources at Moorlands, Cuesta owns three adjacent tenements, EPC1891, EPC2008 and EPC2013, which cover a total area of 993 km². Xstract have valued these permits using the Geoscientific and Market transaction methods.

10.3.1 Geoscientific rating method

Xstract's Geoscientific valuation for Moorlands exploration assets is summarised in Table 10-8. Xstract's preferred market value is AUD0.20 M within the range AUD0.06 M to AUD0.45 M.

Table 10-8: Valuation estimate using Geoscientific rating method for Moorlands exploration

Geoscientific rating	EPC1891			EPC2008			EPC2013		
	Low	**High**	**Prefer**	**Low**	**High**	**Prefer**	**Low**	**High**	**Prefer**
BHC (AUD/km²)	450	450	450	450	450	450	450	450	450
Off Property Factors	1.5	2.5	2.0	1.5	2.5	2.0	1.5	2.5	2.0
On Property Factors	0.8	1.0	0.9	1.0	1.5	1.2	1.0	1.5	1.2
Quality Factors	0.8	1.0	0.9	0.8	1.0	0.8	0.8	1.0	0.8
Anomaly Factors	0.7	0.9	0.8	0.7	0.9	0.8	0.7	0.9	0.8
Geological Factors	0.7	1.0	0.9	0.7	1.0	0.9	0.7	1.0	0.9
Local Factors	0.7	1.0	0.9	0.7	1.0	0.9	0.7	1.0	0.9
Technical Value (AUD/km²)	148	1,013	472	185	1,519	560	185	1,519	560
Area of permits (km²)	751	751	751	44	44	44	197	197	197
Technical Value (AUD '000)	111	761	355	8	67	25	37	300	110
Application	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Market	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Market Value (AUD '000)	**45**	**304**	**142**	**3**	**27**	**10**	**15**	**120**	**44**
Total Market Value							**62**	**451**	**196**

10.3.2 Comparable transaction method

Table 10-9 summaries the comparable market value of Moorlands exploration assets. Xstract considers the exploration tenements (EPCA1891, EPC2008 and EPC2013) are likely to trade in a range of AUD0.10 M to AUD0.50 M with a preferred value of AUD0.20 M. This is an implied value range of AUD100/km² to AUD500/km², which is broadly consistent with the values implied by the Geoscientific Rating method.

Table 10-9: Summary of Moorlands comparable market valuation

		EPCA1891	EPC2008	EPC2013	Total
Low	AUD/km²	100	100	100	100
High	AUD/km²	500	500	500	500
Preferred	**AUD/km²**	200	200	200	200
Area	km²	751	44	197	993
Low	AUD ('000)	75	4	20	99
High	AUD ('000)	376	22	99	496
Preferred Value	**AUD ('000)**	**150**	**9**	**39**	**199**

Xstract's preferred value implies a total unit value of AUD200/km^2, which is considered reasonable given the potentially complex geological setting and current thermal coal market. Additional drilling and associated improvement in geological knowledge is likely to increase this value, particularly if geological continuity can be established within the Moorlands project.

Previous valuations

In November 2011, Liberty Resources sold its EPC1738 and EPCA1891 to Blackwood Coal Pty Ltd for AUD3 M, comprising AUD1 M cash plus AUD2 M worth of shares in Blackwood, generating an implied value of AUD2,019/km^2. This is several times greater than the estimate generated using the Geoscientific rating method and the comparable market value. Xstract notes that this transaction occurred at a time when the coal price was significantly higher than the effective valuation date and the outlook for coal was positive (refer to Figure 8.1).

Valuation summary of Moorlands exploration

Table 10-10 summarises the MV range for a 100% interest in the exploration potential associated with the Moorlands project. In Xstract's opinion, the MV resides between AUD0.1 M and AUD0.6 M, with a preferred value of AUD0.3 M.

Table 10-10: Valuation summary of a 100% interest in the exploration potential associated with the Moorlands Project

Tenements	Low (AUD '000)	High (AUD '000)	Preferred (AUD '000)
Geoscientific Rating	62	451	196
Comparable Market Transaction	99	496	199
Preferred Value	**81**	**474**	**197**

10.4 East Galilee

10.4.1 East Galilee Resources

EPC1802 is at an advanced stage of assessment with an Inferred Resource of 364 Mt. Approximately 75% of this Resource lies less than 100 m below surface. Having consideration for current coal market conditions, Xstract has used comparable transactions to estimate an AUD per Resource tonne to value EPC1802. Using this method, Xstract's preferred value is AUD3.0 M, which lies at the lower end of the range from AUD2.2 M to AUD6.7 M as summarised in Table 10-11.

Table 10-11: Market Value of a 100% interest in the Coal Resources within EPC1802

EPC1802		50 - 100 m	100 – 150 m	Total
Low	AUD/t	0.010	0.005	0.006
High	AUD/t	0.030	0.015	0.018
Preferred	**AUD/t**	**0.013**	**0.007**	**0.008**
Inferred Resources	Mt	79	285	364
Low	AUD M	0.79	1.43	2.22
High	AUD M	2.37	4.28	6.65
Preferred Value	**AUD M**	**1.05**	**1.90**	**2.95**

10.4.2 East Galilee Exploration Potential

Geoscientific valuation method

Xstract's Geoscientific rating valuation summary for the exploration potential associated with the East Galilee permits is summarised in Table 10-12, with details attached in Appendix D. After applying a 60% market discount, Xstract's preferred MV for Cuesta's interest in the exploration potential is AUD0.08 M within the range of AUD0.03 M to AUD0.15 M.

This value is inclusive of the Karura Target JV permit (EPC1957) on a 90% attributable basis.

Table 10-12: Valuation estimate using Geoscientific rating method for East Galilee exploration

Geoscientific rating		Low	High	Preferred
EPC 1983	**AUD ('000)**	7.2	40.7	18.3
EPC1957	**AUD ('000)**	29.5	121.3	62.4
EPC2079	**AUD ('000)**	8.5	51.3	22.4
EPC2080	**AUD ('000)**	10.1	60.6	26.5
EPC2689	**AUD ('000)**	15.5	89.0	39.6
Technical Value	**(AUD/km^2)**	28.9	148.2	69.1
Area of Permit	**(km^2)**	2,450	2,450	2,450
Technical Value	**AUD ('000)**	**70.8**	**363.0**	**169.2**
Market Value	**AUD ('000)**	**28.3**	**145.2**	**67.7**

Comparable market transactions method

Using the comparable transaction method, Xstract considers the market would currently pay between AUD0.3 M and AUD1.1 M, with a preferred total value of AUD0.5 M for Cuesta's interest in the exploration potential associated with the East Galilee permits.

The surface geology (Figure 4.1) on EPC2689 suggests this permit lies outside the limits of the Galilee Basin. Hence, it has been discounted relative the other permits.

Table 10-13: MV in the East Galilee permits using the comparable market method

		EPC 1983	EPC 1957	EPC 2079	EPC 2080	EPC 2689	Total
Low	AUD/km^2	150	150	150	150	100	134
High	AUD/km^2	500	500	500	500	400	468
Preferred	**AUD/km^2**	**217**	**217**	**217**	**217**	**167**	**201**
Area	km^2	299	344	471	557	779	2,450
Low	AUD (‘000)	45	52	71	84	78	329
High	AUD (‘000)	150	172	236	279	312	1,147
Preferred	**AUD (‘000)**	**65**	**74**	**102**	**121**	**130**	**492**

10.4.3 Summary of East Galilee value

Xstract has applied an equal weighting to both the Geoscientific Rating and Comparable Market Transaction methods to assess the MV of Cuesta’s interest in the exploration potential associated with the East Galilee permits. Including the value attributed to the Resource, Xstract expects the market would pay between AUD2.4 M and AUD7.3 M, with a preferred value of AUD3.2 M for the East Galilee project (Table 10-14).

Table 10-14: Valuation summary of a 100% interest in the East Galilee project

Tenements	Low (AUD M)	High (AUD M)	Preferred (AUD M)
Geoscientific Rating	0.03	0.15	0.07
Comparable Market Transaction	0.33	1.15	0.49
Early Exploration Permits Value	**0.18**	**0.65**	**0.27**
Resource	2.22	6.65	2.95
Total Market Value	**2.39**	**7.29**	**3.23**

10.5 West Emerald

10.5.1 Geoscientific rating method

Xstract’s estimate of the MV of a Cuesta’s interest in the West Emerald Project, using the Geoscientific rating method, is summarised in Table 10-15 with the detailed ratings attached in Appendix D. Xstract’s preferred market value is AUD0.06 M within the range of AUD0.03 M to AUD0.12 M.

Table 10-15: MV estimate of a 100% interest in the West Emerald project - Geoscientific rating method

Geoscientific rating		Low	High	Preferred
EPC 1821	**AUD ('000)**	6.9	31.1	15.4
EPC1977	**AUD ('000)**	1.5	6.9	3.4
EPC2323	**AUD ('000)**	0.9	4.3	2.0
EPC1825	**AUD ('000)**	25.7	117.1	57.6
EPC 1826	**AUD ('000)**	5.4	27.1	12.8
EPC1868	**AUD ('000)**	4.8	22.0	10.8
EPC2093	**AUD ('000)**	21.2	82.3	43.4
Technical Value	**(AUD/km²)**	151.7	664.4	332.4
Area of Permit	**(km²)**	437.9	437.9	437.9
Technical Value	**AUD ('000)**	**66.4**	**290.9**	**145.5**
Application		1.0	1.0	1.0
Market		0.4	0.4	0.4
Fair Market Value	**AUD ('000)**	**26.6**	**116.4**	**58.2**

10.5.2 Comparable transactions method

In Xstract's view, while the presences of coal have been demonstrated on EPC2093 (Valeria study) the remaining West Emerald tenements require further exploration to demonstrated the occurrence of coal within the confines of the permit area. However, given the poor market outlook, Xstract has discounted values accordingly.

Table 10-16: MV estimate of Cuesta's interest in the West Emerald project – comparable transactions

	Tenement	1821	1977	2323	1825	1826	1868	2093	Total
Low	AUD/km²	100	100	100	150	100	100	200	**138**
High	AUD/km²	500	500	500	550	500	500	800	**573**
Preferred	**AUD/km²**	200	200	200	233	200	200	333	**237**
Area	km²	57	13	9	186	60	38	76	**438**
Low	AUD ('000)	6	1	1	28	6	4	15	**61**
High	AUD ('000)	28	6	5	102	30	19	60	**251**
Preferred	**AUD M**	**11**	**3**	**2**	**43**	**12**	**8**	**25**	**104**

Using the comparable market transaction method, Xstract considers the current market is likely to pay in the range of AUD0.06 M and AUD0.25 M, with a preferred total value of AUD0.10 M.

10.5.3 Summary of West Emerald value

Xstract has applied an equal weighting to both valuation methods. In summary, Xstract considers the market is likely to pay between AUD0.04 M and AUD0.18 M, with a preferred value of AUD0.08 M for Cuesta's interest in the exploration potential associated with the West Emerald project.

Table 10-17: Valuation summary of West Emerald

Tenements	High (AUD M)	Low (AUD M)	Preferred (AUD M)
Geoscientific Rating	0.03	0.12	0.06
Comparable Market Transaction	0.06	0.25	0.10
Preferred Value	**0.04**	**0.18**	**0.08**

10.6 East Wandoan

10.6.1 Resources

EPC1955 has a stated Indicated and Inferred Resource totalling 44.6 Mt at a depth of less than 100 m below surface. Xstract has elected to assess this Resource using recent transactions to determine an AUD per Resource tonne metric. On this basis, Xstract is of the opinion that the current market is likely to pay between AUD0.005/t and AUD0.015/t for Cuesta's 90% interest in the defined Coal Resource at East Wandoan. This implies a value of between AUD0.2 M and AUD0.6 M, with a preferred value of AUD0.3 M.

10.6.2 East Wandoan early stage exploration

Geoscientific rating method

Xstract's estimate of the MV of Cuesta's 90% interest in the exploration potential associated with the East Wandoan using the geoscientific rating method is summarised in Table 10-18. Xstract's preferred value is AUD0.06 M, within the range of AUD0.03 M to AUD0.12 M.

Table 10-18: MV estimate of Cuesta's 90% interest in the East Wandoan project - Geoscientific rating method

Geoscientific rating	EPC2237			EPC1987		
	Low	**High**	**Preferred**	**Low**	**High**	**Preferred**
BHC (AUD/km²)	450	450	450	450	450	450
Off Property Factors	1.8	2.2	2.0	1.8	2.2	2.0
On Property Factors	0.6	0.8	0.7	0.9	1.1	0.9
Quality Factors	0.6	0.8	0.7	0.7	0.9	0.8
Anomaly Factors	0.4	0.6	0.5	0.7	0.9	0.8
Geological Factors	0.7	0.9	0.8	0.9	1.1	1.0
Local Factors	0.9	1.1	1.0	0.9	1.1	1.0
Technical Value (AUD/km²)	73	376	176	289	1,067	518
Area of permit (km²)	247	247	247	191	191	191
Technical Value (AUD '000)	**18**	**93**	**44**	**55**	**204**	**99**
Application	1.0	1.0	1.0	1.0	1.0	1.0
Market	0.4	0.4	0.4	0.4	0.4	0.4
Market Value (AUD '000)	**7**	**37**	**17**	**22**	**82**	**40**
Total Market Value (AUD '000)				**29**	**119**	**57**

Comparable transaction method

Surface geology outcrop exposed on EPC2237 suggests that this permit lie stratigraphically below the Walloon Coal Measures and in Xstract's view, are less prospective than EPC1955 and EPC1987.

EPC1987 lies along strike of EPC1955 and offers potential for equivalent coal measures. Consequently, Xstract considers EPC1987 to have a higher value than EPC2237.

Xstract expects the current market would pay between AUD0.06 M and AUD0.21 M, with a preferred value of AUD0.09 M for a 90% interest in the exploration potential of the East Wandoan permits without a stated Resource, as summarised in Table 10-19.

Table 10-19: MV estimate of a Cuesta's 90% interest in the West Emerald project – Comparable transaction method

		EPC2237	EPC1987	Total
Low	AUD/km²	100	200	144
High	AUD/km²	400	600	487
Preferred	**AUD/km²**	**167**	**267**	**210**
Area	km²	247	191	438
Low	AUD ('000)	25	38	63
High	AUD ('000)	99	115	213
Preferred Value	**AUD ('000)**	**41**	**51**	**92**

10.6.3 Summary of East Wandoan value

Xstract has applied an equal weighting to both valuation methods to assess the value of the exploration potential at East Wandoan and added this to its derived value for the contained Resources as summarised in Table 10.20. In Xstract's opinion, the current market is likely to pay between AUD0.3 M and AUD0.8 M, with a preferred value of AUD0.3 M for a Cuesta's 90% interest in the East Wandoan project.

Table 10-20: Valuation summary of the East Wandoan Project

Tenements	Low (AUD M)	High (AUD M)	Preferred (AUD M)
Geoscientific Rating	0.03	0.12	0.06
Comparable Market Transaction	0.06	0.21	0.09
Early Exploration Permits Value	**0.05**	**0.17**	**0.07**
EPC1955 Resources	0.20	0.60	0.27
Total Value	**0.25**	**0.77**	**0.34**

10.7 Amberley

10.7.1 Resources

The Amberley project contains an Inferred Resource of 54.7 Mt. Xstract has valued the Amberley tenement using comparable transactions to determine an AUD per Resource tonne metric.

In Xstract's opinion, the current market would likely pay between AUD0.01/t and AUD0.03/t for the Inferred Resource at Amberley. Application of this metric to the defined coal tonnages implies the value of the Amberley Inferred Resource lies in the range of AUD0.6 M and AUD1.6 M, with a preferred value of AUD0.7 M.

Table 10-21: MV estimate of Cuesta's 100% interest in the Amberley Inferred Resource

EPC2127		
Low	AUD/t	0.01
High	AUD/t	0.03
Preferred	**AUD/t**	**0.02**
Inferred Resources	Mt	55
Low	AUD M	0.55
High	AUD M	1.64
Preferred Value	**AUD M**	**0.73**

10.8 Other exploration

Xstract has valued Cuesta's other coal exploration areas which lie outside the main Project areas separately. These include the Montrose and Callide projects.

10.8.1 Geoscientific rating method

Xstract's estimate for Cuesta's 100% equity interest in "other" exploration areas using the Geoscientific rating method is summarised in Table 10-22. Xstract's preferred value is AUD0.11 M within the range of AUD0.06 M to AUD0.22 M.

Table 10-22: Valuation estimate using Geoscientific rating method for Cuesta's Other coal tenements

Geoscientific rating	Montrose 2128			Callide 1809		
	Low	High	Preferred	Low	High	Preferred
BHC (AUD/km^2)	450	450	450	450	450	450
Off Property Factors	0.9	1.1	1.0	1.9	2.1	2.0
On Property Factors	0.8	1.0	0.9	0.5	0.7	0.6
Quality Factors	1.4	1.6	1.5	0.6	0.8	0.7
Anomaly Factors	0.5	0.7	0.6	0.5	0.7	0.6
Geological Factors	0.7	0.9	0.8	0.6	0.8	0.7
Local Factors	0.9	1.1	1	0.9	1.1	1
Technical Value (AUD/km^2)	143	549	292	69	326	159
Area of permit (km^2)	945	945	945	56	56	56
Technical Value (AUD '000)	**135**	**519**	**276**	**4**	**18**	**9**
Application	1.0	1.0	1.0	1.0	1.0	1.0
Market	0.4	0.4	0.4	0.4	0.4	0.4
Market Value (AUD '000)	**54**	**207**	**110**	**2**	**7**	**4**
Total AUD ('000)				**56**	**215**	**114**

10.8.2 Comparable transactions method

The presence of coal remains to be demonstrated within the confines of these permits. Xstract has taken this into account and given the poor market outlook, discounted these accordingly.

In Xstract's opinion, the current market is likely to pay in the range AUD0.10 M to AUD0.40 M, with a preferred total value of AUD0.17 M for these permits.

Table 10-23: MV estimate for a 100% interest in Cuesta's other assets - comparable market method

		Montrose	Callide	
		EPC2128	EPC1809	Total
Low	AUD/km^2	100	100	100
High	AUD/km^2	400	400	400
Preferred	**AUD/km^2**	167	167	**167**
Area	km^2	945	56	1001
Low	AUD '000	94	6	100
High	AUD '000	378	22	400
Preferred	**AUD '000**	**157**	**9**	**167**

10.8.3 Summary value of the Other permits

Xstract has applied an equal weighting to both valuation methods and considers the market would likely to pay in the range AUD0.08 M to AUD0.31 M, with a preferred value of AUD0.14 M for a 100% interest in the exploration potential associated with Cuesta's Other permits.

Table 10-24: Summary valuation of Other exploration assets

Tenements	High (AUD M)	Low (AUD M)	Preferred (AUD M)
Geoscientific Rating	0.06	0.21	0.11
Comparable Market Transaction	0.10	0.40	0.17
Preferred Value	**0.08**	**0.31**	**0.14**

11 Valuation summary

A summary of Cuesta's Queensland coal assets value is presented in Table 11-1. In Xstract's opinion, the current market is likely to pay between AUD17 M and AUD39 M, with a preferred value of AUD24 for Cuesta's interest in its coal assets. This implies a value AUD0.03 per Resource tonne, given a stated JORC Code compliant Resource of 781 Mt.

The Moorlands Project comprises the bulk of Xstract's estimated value, and ranges from AUD8 M to AUD17 M, with a preferred value of AUD12 M. The wide range in value reflects the sensitivity to fluctuating coal price, exchange rate and technical parameters.

Of Xstract's total preferred value of AUD24 M, Resources account for AUD23 M while the exploration assets have a value of approximately AUD1 M.

Table 11-1: Summary of valuation estimates for Cuesta coal assets

Project		Low (AUD M)	High (AUD M)	Preferred (AUD M)
Moorlands		**13.4**	**28.4**	**19.2**
	Conceptual mine plan Resource	7.7	16.7	12.0
	Resource outside the mine plan	5.6	11.2	7.0
	Exploration	0.1	0.5	0.2
East Galilee		**2.4**	**7.3**	**3.2**
	Resources	2.2	6.6	3.0
	Exploration	0.2	0.6	0.3
East Wandoan		**0.2**	**0.8**	**0.3**
	Resources	0.2	0.6	0.3
	Exploration	0.0	0.2	0.1
West Emerald		**0.0**	**0.2**	**0.1**
Amberley	Resources	**0.5**	**1.6**	**0.7**
Other	Exploration	**0.1**	**0.3**	**0.1**
TOTAL		**16.7**	**38.6**	**23.8**

12 Declaration

12.1 Independence, disclaimer and warranty

Xstract is an independent mining consultancy and has been commissioned by Cuesta on a fee-for-service basis according to Xstract's standard schedule of rates. Xstract's fee is not contingent on the outcome of its valuation or the success or failure for the transaction for which the report was prepared. None of Xstract's consultants or their immediate families involved in the preparation of this valuation report have (or had) a pecuniary or beneficial interest in Cuesta or the projects which are the subject of this report prior to or during the preparation of this report.

Xstract has made due enquiries to the Queensland Government Department of Mining and Safety in order to validate information provided by Cuesta. However, Xstract is not qualified to express legal opinion and has not sought any independent legal opinion on the ownership rights and obligations relating to the respective mineral assets under licence or any other fiscal or legal agreements that Cuesta may have with any third party in relation to the Project.

A draft version of this report was provided to the directors of Cuesta for comment in respect of omissions and factual accuracy. Cuesta has represented in writing to Xstract that full disclosure has been made of all material information and that to the best of its knowledge and understanding, such information is complete, accurate and true.

The conclusions expressed in this valuation report are appropriate as at 20 July 2016. The valuation is only appropriate for this date and may change in time in response to variations in economic, market, legal or political factors, in addition to ongoing exploration results. All monetary values outlined in this report are expressed in Australian dollars unless otherwise stated.

Shaun Barry | Associate Consultant | Corporate Advisory

Shaun has a commercial and geological background with over 25 years of experience in sales, marketing, commodity analysis, equity analysis, strategy development, and geology gained in platinum group metals, gold, coal, base metals, bauxite, and alumina. As a corporate consultant, he specialises in mineral asset valuations, market reviews of mineral commodities, and country reviews. Shaun also specialises in corporate strategy development that supports the preparation of Mineral Expert Reports for equity transactions and Independent Technical Reports for project finance and mineral asset valuations.

Shaun holds a Master of Science in Mineral Economics, a Bachelor of Science with Honours in Geology and a Diploma in Investment Management. He is a Member and Chartered Professional of the AusIMM (CP). Shaun is also a Member and Chartered Valuation Surveyor of the Royal Institute of Chartered Surveyors (RICS)

Commodities

Alumina, bauxite, chrome, coal, cobalt, copper, gold, nickel, platinum group metals

Ian de Klerk | Principal Consultant | Geology

Since graduating in 1985, Ian has worked on mining operations across southern Africa and has consulted in a number of boutique consultancies. In these roles, Ian has been responsible for a range of activities across multiple commodities. His specialties include coal due diligence and technical reviews, coal quality and product interpretations, coal exploration advice and planning, geological modelling, and documentation of coal resources in accordance with the JORC Code.

Ian holds a Master of Science in Exploration Geology, a Graduate Diploma of Engineering specialising in Mining, and is a Member of the AusIMM.

Commodities

Coal, coal bed methane, uranium, gold, base metals

Rhys Nordstrom | Principal Consultant | Mining

Rhys' experience includes underground and open cut mining. Since 2002, he has worked on a range of mine operations throughout Eastern Australia. His experience includes long-term to short-term planning, mine design incorporating draglines and truck/shovel, and relieving in a number of in-house engineering roles. Rhys' skills and expertise include mine design and scheduling, dragline design, scheduling reserve volume generation, conceptual studies, and mentoring and training.

Rhys holds a Bachelor of Mining Engineering.

Commodities

Coal, gold, silver, manganese

Kevin Irving | General Manager & Principal Consultant | Mining

Kevin has some 30 years of mining engineering experience in mine management, corporate roles and consulting. Before joining Xstract, Kevin was Group Manager – Coal for Snowden Mining Industry Consultants, based in Brisbane. Previous to this, he was Vice President of Operations for UK Coal Plc where he had a successful track record of managing a group of coal mines with a combined turnover of circa AUD1.2 billion. Under his leadership, safety performances improved by 10%, including a five-year fatality-free period, productivity increased by 11%, costs were reduced by 4%, and profitability increased by AUD35 million. Kevin's experience includes an in-depth knowledge of leading people, financial management, planning, scheduling and forecasting and consulting. His skills lie in establishing teams of diverse people to conduct concept, pre-feasibility, feasibility studies, mine optimisation, due diligence and technical audits.

Kevin holds a Master of Business Administration and a Bachelor of Science with Honours in Mining. He is a Fellow of the Australasian Institute of Mining, a Fellow of the Institute of Material, Minerals and Mining, a Chartered Engineer and a Member of the Institute of Management.

Commodities

Coal, bauxite

13 References

ASIC. *Regulatory Guide 112: Independence of Experts.* 2011. http://www.asic.gov.au/asic/pdflib.nsf/LookupByFileName/rg112-300332011.pdf/$file/rg112-30032011.pdf (accessed August 10, 2011).

CIMVAL. "Standards and Guidelines for Valuation of Mineral Properties." *The CIMVAL Committee of the Canadian Institute of Mining, Metallurgy and Petroleum.* 2003. http://www.cim.org/committees/CIMVal_Final_Standards.pdf (accessed February 9, 2011).

Cuesta Coal, Amberley Project JORC Statement, September 4, 2012.

Cuesta Coal, Amberley Project Geological Report and Resource Estimate, November 13, 2012.

Cuesta Coal, East Wandoan Project Geological Report resource estimate, October 23, 2012.

Cuesta Coal, Moorlands Project JORC Statement250m Cut-off, December 6, 2012.

Cuesta Coal, Moorlands Resource upgrade, March , 2014

Cuesta Coal, Moorlands Resource upgrade, February, 2015

Cuesta Coal, Moorlands Development Report, March, 2015

Cuesta Coal, Emerald West evaluation report, August, 2012.

Cuesta Coal Prospectus, February 21, 2012.

Cuesta Coal, Investor presentation, November 2013

Cuesta Coal, Moorlands Coal Project mine Scoping Study, September 2013.

Cuesta Coal, Yellow Jacket Project JORC Statement 150m Cut-off - 17th October 2013

Etheridge, M A. "The Black Art of Valuing Mineral Properties." *Mineral Asset Reporting and Valuation Seminar.* Perth, 2009.

Goulevitch, J, and G S Eupene. "Geoscience Rating for Valuation of Exploration Properties - Applicability of the Kilburn Method in Australia and Examples of its Use." In *VALMIN '94: Mineral Valuation Methodologies 1994*, 175-190. Sydney: The Australasian Institute of Mining and Metallurgy and the Mineral Industry Consultants Association, 1994.

Grant , R. "The Comparable Sales (Real Estate) Method of Valuation." In *VALMIN '94: Mineral Valuation Methodologies 1994*, 155-165. Sydney: The Australasian Institute of Mining and Metallurgy and the Mineral Industry Consultants Association, 1994.

JORC. " Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". The Joint Ore Reserve Committee. http://www.jorc.org/, 2012 Edition.

Kilburn, L C. "Valuation of Mineral Properties which do not Contain Exploitable Reserves." *CIM Bulletin*, 1990: 90-93.

O'Connor, C, and D McMahon. "A Producing Miner's View of DCF Methods in Mineral Valuation." In *VALMIN '94: Mineral Valuation Methodologies 1994*, 75-80. Sydney: The Australasian Institute of Mining and Metallurgy, 1994.

Orion Coal Project, 2012. Information Memorandum. Issued by Hannigan & Associates Pty Ltd, 9 July 2012.

Prospectus Cuesta Coal 2012 (Replacement). Replacement document to the Prospectus lodge in ASIC, by Cuesta Coal dated 21st February 2012, 6th March 2012.

SAMVAL. “The South African Code for the Reoprting of Mineral Asset Valuation.” *The Southern African Institute of Mining and Metallurgy and the Geological Society of South Africa.* 2008. http://www.samcode.co.za (accessed August 28, 2009).

Spence, K N. “An Overview of Valuation of Mineral Properties.” *China Mining Conference.* Beijing, 2007.

VALMIN. “Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports.” *The Australasian Institute of Mining and Metallurgy.* 2015. http://www.ausimm.com.au/content/docs/valmin_2005.pdf (accessed March 22, 2012).

Appendix A:
Valuation approaches and methods

Valuation considerations

This valuation has been prepared in accordance with the VALMIN code, in order to ensure compliance with the Australian Stock Exchange's listing rules and Australian Corporations Law. The VALMIN Code classifies mineral assets according to their maturity. The term *mineral asset* refers to all property held for the purpose of near term or eventual mineral extraction, including but not limited to:

- real property
- intellectual property
- tenements, plant, equipment and associated infrastructure

Most mineral assets can be classified as outlined in the table below.

Mineral asset classification

Project development stage	Criterion
Exploration areas	Mineralisation may or may not have been defined, but where a Mineral Resource has not been identified.
Advanced exploration areas	Considerable exploration has been undertaken and specific targets identified. Sufficient work has been completed on at least one prospect to provide a good geological understanding and encouragement that further work is likely to result in the determination of a Mineral Resource.
Pre-development/ resource	Mineral Resources and/or Ore Reserves have been identified estimated. A positive development decision has not been made. This includes properties where a development decision has been negative and properties are either on care and maintenance or held on retention titles.
Development	Committed to production but not yet commissioned or not initially operating at design levels.
Operating	Mineral properties, in particular mines and processing plants, which have been fully commissioned and are in production.

Source: (VALMIN 2005)

The VALMIN Code (2015) defines the Market Value as the estimated amount (or the cash equivalent of some other consideration) for which the Mineral Asset should exchange on the date of Valuation between a willing buyer and a willing seller in an arm's length transaction after appropriate marketing where the parties had each acted knowledgeably, prudently and without compulsion. In essence, MV is comprised of:

- **Underlying or 'technical value',** which is an assessment of a mineral asset's future economic benefit under a set of assumptions, excluding any premium or discount for market, strategic, or other considerations
- **Market component,** which is a premium relating to market, strategic or other considerations, which can be either positive, negative, or zero.

The MV should include all material information to the asset. For projects with extensive technical detail, the valuer determines materiality of information based on whether its inclusion would result in the valuation reaching a different conclusion.

Mineral assets are generally valued based on approaches that assess income, cost, and the open market. The VALMIN Code (2015), the 2008 Edition of The South African Code for the Reporting of Mineral Asset Valuation ("SAMVAL") and the Canadian 2003 Edition of the Standards and Guidelines for Valuation of Mineral Properties ("CIMVAL") all provide insight into applicable approaches, as shown in the table below.

Valuation approaches for different types of mineral assets

Approach	Project development stage			
	Exploration	Resource	Development	Operating
Income	No	Rarely	Yes	Yes
Cost	Yes	Rarely	No	No
Market	Yes	Yes	Yes	Yes

Source: (CIMVAL 2003)

Income-based approach

The income-based approach assumes that a valuer can model the future economic returns of a mineral asset based on the information available at the valuation date (SAMVAL 2008). The income-based approach is best suited for the valuation of individual assets for which a large amount of technical data has already been collected or can be estimated. This approach generally involves the construction of a discounted cash flow ("DCF") model based on a project development concept and may include sophisticated risk analysis and simulation.

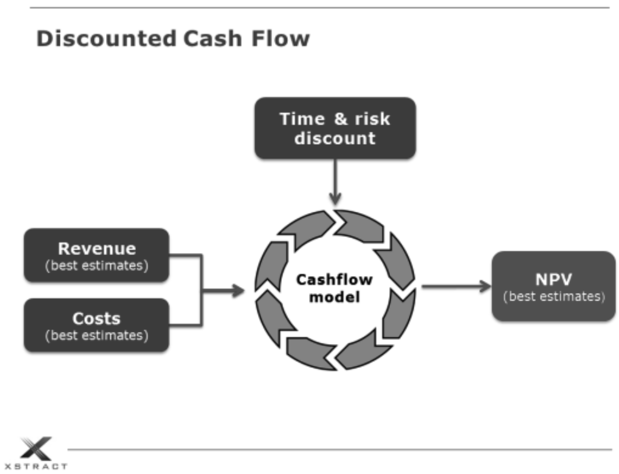
Despite its sophistication, the income-based approach has limitations in that it:

- may not fully reflect the market value
- relies on a number of subjective inputs (e.g. the appropriate discount rate)
- excludes assets without considerable technical detail, such as in scoping and pre-feasibility studies.

Discounted cash flow analysis

A DCF analysis estimates the value of a project as if it were being developed under the prevailing economic conditions.

Once a Mineral Resource has been assessed for its mining potential by considering revenues and operating costs, the economically viable component of the resource becomes the Ore Reserve. When this is scheduled for mining, and the capital costs and tax regime are considered, the net present value ("NPV") of the project is established by discounting future annual cash flows at an appropriate rate. The resulting "classical" NPV has several deficiencies based on the method's assumption that once commissioned, the course of action is irreversible, and that the prevailing economic conditions will eventuate as predicted.



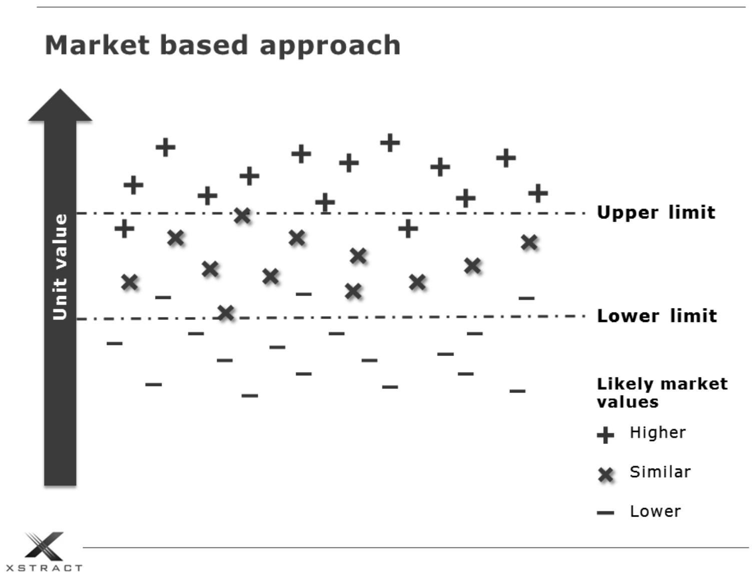
Monte Carlo simulation

While a DCF model is initially deterministic, a Monte Carlo simulation dynamically extends the DCF model by modifying key variable assumptions through numerous iterations (Weaver and Michelson 2003). These assumptions are typically varied within a discrete range, such as ± 20%. The resultant simulation presents a normal distribution of possible NPV outcomes for the variable ranges selected turning the analysis into a probabilistic analysis. A Monte Carlo simulation is a more realistic representation of the potential value of a project. However, given the uncertainties associated with key variables, the method's accuracy is limited to the validity of the input variable ranges (such as changes in commodity prices, CapEx and OpEx).

Market-based approach

The market-based approach uses the transaction prices of projects in similar geographical, geopolitical, and geological environments to derive a market value using a process similar to that in the real estate industry (CIMVAL 2003). The market-based approach may use the assumption either of joint venture terms or outright acquisitions, and can be presented in range of unitised values including on a dollar per ounce or tonne of contained metal/mineral, dollar per square kilometre, or as a percentage of the prevailing commodity price.

In Xstract's opinion, a market-based approach is well suited to establishing a likely value for coal deposits and exploration projects, as it inherently takes into account all value drivers.



By undertaking a qualitative analysis of comparable transactions, it is possible to develop a "gut feel" for likely market price responses to varying levels of equity interest. Further its simplicity provides an in-built "reality check", which helps to ensure that the science of the methodology does not dominate the assessment (O'Connor and McMahon 1994).

Notwithstanding this, the market-based approach relies on a number of assumptions and often lack true comparability with the assets being valued. Indeed, the intuitive approach is limited by the variability of values obtained across a range of investments, which makes it difficult to consistently decipher the value of control premia or any other aspect that contributes to the value of a project. Furthermore, these approaches are often weakened by their reliance on heuristics – the "gut feel" mental short-cuts that a valuer undertakes during qualitative analysis of incomplete datasets (Tversky and Kahneman 1974). Heuristics can introduce serious bias. However, in despite its well-documented shortcomings, there is significant merit in using market-based benchmarks for valuations (Grant 1994).

Comparable transactions method

The comparable market value approach is an adaptation of the common real estate method to valuation. For the purposes of mineral asset valuation, a valuer compiles and analyses 100% equity acquisitions of projects of similar nature, time and circumstance with a view to establishing a range of values that the market is likely to pay for a project. The comparable transactions method:

- implies a market premium or discount for the prevailing sovereign risk
- captures market sentiment for specific commodities or locations
- accounts for intangible aspects of a transaction (i.e. intellectual property ("IP"))

The transactions deemed to be analogous to the mineral asset being valued are used to determine a unit price (e.g. $/km^2 or $/t coal) for the asset being valued.

While this method is used widely in the minerals industry, it contains a number of weaknesses that may undermine the accuracy of this method. Firstly, there is an intricate value dynamic between the quantity (size) and quality (grade or prospectivity) of deposits that may result in the exclusion of a large number of comparable transactions. Further, the disclosed price of an asset may not necessarily equate to the value of the tenement, as the calculated value may have been influenced by factors such as the arrangement of debt financing, marketing rights, contingent payments and future royalties. Finally, this method is largely retrospective and may not take into account anticipated or recent commodity or other variable value drivers.

Joint venture terms method

The joint venture terms method, a variation of the comparable market value method, attempts to account for the ownership premium attributed by the market. This technique involves transactions where only partial ownership of a project is acquired. It is widely recognised that the market will attribute a sliding-scale premium in accordance with the level of ownership acquired. For example, a joint venture agreement for a 51% interest in a project may attract a market value significantly above that for an identical project in which a 49% interest is acquired. The joint venture terms method provides the valuer with a larger acquisitions dataset than the comparable market value method, and consequently these approaches are often used simultaneously in mineral asset valuations.

Yardstick method

The yardstick method typically entails expressing the unitised sales price as a percentage of the prevailing commodity price (e.g. coal price/$/t coal). Proponents of the yardstick method believe that it is a better reflection of the market dynamics, which are assumed to be reflected entirely by the commodity price. Xstract consider that the use of a commodity price as a reference point implies it is a principal value driver, which is not necessarily true. This position is taken as gold is often used as a store of value when the markets are risk averse, and like exploration projects, a high-risk gold project may have a price behaviour disproportionate to the rest of the market. Furthermore, commodity prices are highly volatile and therefore the yardstick method does not reflect the notion that deposit values change over time.

Cost-based approach

Geoscientific rating

The geoscientific rating or Kilburn method, is an attempt by the valuer to quantify the various technical aspects of a property through applying multipliers to a base or intrinsic value (Goulevitch and Eupene 1994) (Kilburn 1990). This intrinsic value is known as the base holding cost ("BHC"), which represents "the average cost to identify, apply for, and retain a base unit of area of title."

To arrive at a value for each property, the valuer considers four key attributes, which either enhance or downgrade the BHC of each property. The technical factors considered are the:

- **Off-property factor** – nearby properties containing physical indications of favourable mining conditions such as old workings and/or mines
- **On-property factor** – the property hosts favourable mining indications such as historic workings or mines. Importantly any mineralisation capable of supporting a Mineral Resource estimate, compliant according to the guidelines of the JORC Code, will be assessed using other valuation methods
- **Quality factor** – assesses the potential coal type over the property
- **Anomaly factor** – assesses the degree of exploration completed over the property and the number of resultant mineralised targets identified
- **the Geological factor** – assesses the area covered by and degree of exposure of favourable rock types and/or structures (if this is related to the mineralisation style being assessed) within the property
- **Local/infrastructure** – the property is located in close proximity to required infrastructure.

These attributes are given incremental, fractional, or integer ratings to arrive at a series of multiplier factors. These multipliers are then applied sequentially to the BHC to estimate the technical value of the mineral property. This is adjusted for local market conditions to determine the MV of the project as at the effective valuation date. Xstract's multipliers or ratings and the criteria for rating selection are summarised in the table below.

The strength of the geoscientific method is that it makes an attempt to implement a systematic system. While it does require a subjective assessment of the various multipliers, it also demands a degree of detached rigor to account for the key factors that can be reasonably considered to impact on the exploration potential of a property.

Geoscience rating criteria for coal assets

Rating	Off-property factor	On-property factor	Quality factor	Anomaly factor	Geological factors	Local/ Infrastructure Factors
0.1				No seams identified		
0.5					Unfavourable stratigraphy	Unable to access market
0.7			Lignite		Generally favourable stratigraphy on 25% of lease or significant igneous / structural complexity	Located at distance to market but supporting infrastructure in development
0.9			Thermal coal with impurities	Few thin seams (at shallow depths)	Generally favourable stratigraphy on 50% of lease or minor igneous / structural complexity	
1.0	No known mineralisation in district	No known mineralisation on lease	PCI coal with impurities or thermal coal without major impurities	Coal seam identified	Generally favourable stratigraphy (70% lease)	Located at distance to market but supporting infrastructure in place
1.5	Minor workings	Minor workings	Soft coking coal with impurities or PCI coal without major impurities	Single consistent thick (>2m) seam or multiple seams	Generally favourable stratigraphy and simple igneous / structural features	In proximity to market with appropriate infrastructure in place to access
2.0	Several old workings	Several old workings	Hard coking with impurities or soft coking without major impurities	Favourable aggregate seam thickness	Generally favourable stratigraphy and simple igneous / structural features	
2.5	Abundant workings with significant previous production	Mine or abundant workings with significant previous production	Hard coking coal without major impurities	Two or more consistently thick (>2m) seams	Favourable stratigraphy without igneous or structural features	
3.0	Along strike from mine	Mine or abundant workings with significant previous production			Favourable stratigraphy without igneous or structural features	
3.5	Along strike of world class mine	Major mine with significant historical production		Numerous thick seams		
4.0	World class mine				World class mine	

Discussion on Xstract's valuation range

In assigning its valuation range and preferred value, Xstract is mindful that the valuation range is also indicative of the uncertainty associated with exploration assets.

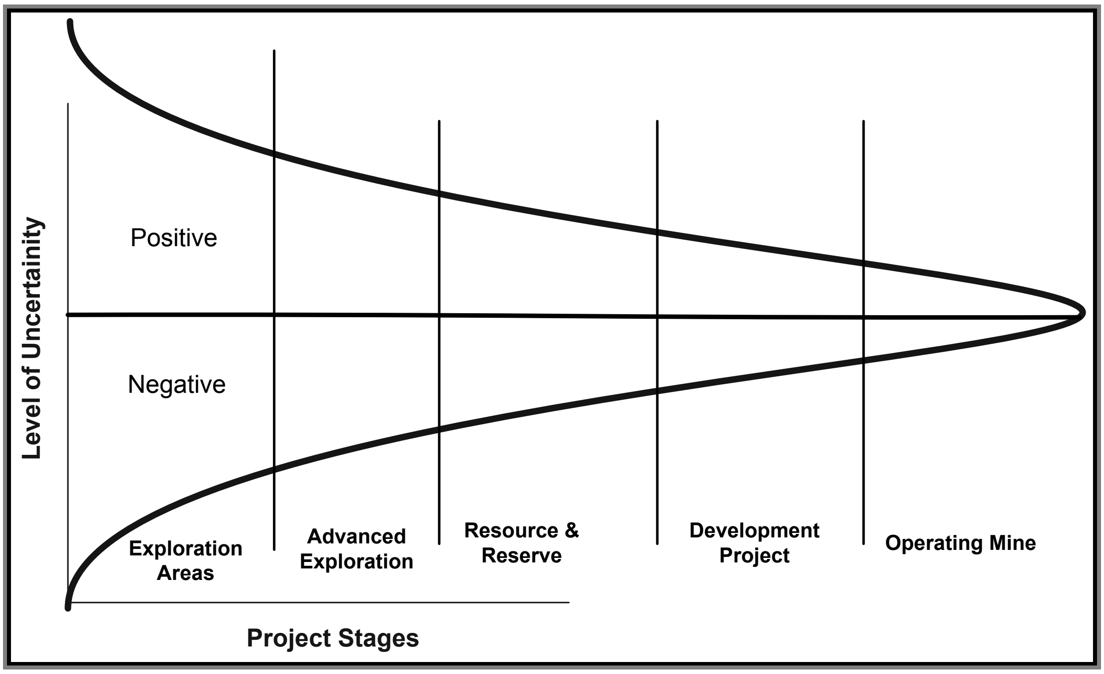
The wide range in value is driven by the confidence limits placed around the size and quality of the coal occurrences assumed to occur within each project area. Typically, this means that as exploration progresses and a prospect moves from an early to advanced stage prospect, through Inferred, Indicated or Measured Resource categories to Reserve status, there is greater confidence around the likely size and quality of the contained coal and its potential to be extracted profitably.

This level of uncertainty with advancing project stages can be seen in the figure below.

Estimated confidence of plus or minus 60% to 100% or more are not uncommon for exploration areas and are within acceptable bounds given the level of uncertainty associated with early to advanced stage exploration assets. By applying narrower confidence ranges, one is actually implying a greater degree of certainty regarding these assets than may be the case in reality.

Cuesta's tenements are exploration assets in the early to advance stages of assessment. Therefore, there are significant uncertainties around their attributes. This results in a wide valuation range. Where possible, Xstract has endeavoured to narrow its valuation range. In recognising this wide range, Xstract has also indicated a preferred value for each tenement.

Uncertainty by advancing exploration stage



Valuation risks

Regardless of the project status, other factors which may have a significant impact on the value attributable to mining projects or properties include, but are not limited to:

- Technical issues – may be restricted to a particular area or deposit and include geotechnical or hydrological conditions, or metallurgical difficulties that could affect a project’s economic viability.
- Infrastructure risks – the availability of appropriate infrastructure may impact on project values. Recent examples include third party access to the Pilbara rail access, Newcastle port access, Midwest rail network, etc.
- Environmental risks – which result in a project being subject to extensive opposition, delays and possibly refusal of development approvals.
- Indigenous peoples/land rights issues – projects in areas subject to claims from indigenous peoples can experience prolonged delays, extended negotiations or veto.
- Sovereign/political/country issues – the geographical and jurisdictional location of a project can significantly impact on the cost of development and operating costs and has a major impact on perceived risk.
- Financing risk – may be related to the ability to access the necessary funds to finance the exploration, development or ongoing mining and processing at a project.
- Management risk – relates to the ability and expertise of management to adequately and effectively manage the various technical, logistical, operational and regulatory aspects of a project. This is of particular importance in joint ventures where a junior company may have management control of the project.

Appendix B: Cash flow summary of Moorlands

Year ending Valuation Date	30-Jun-17 20-Jul-16	Units	Totals /Averages	2017 0.9	2018 1.9	2019 2.9	2020 3.9	2021 4.9	2022 5.9	2023 6.9	2024 7.9	2025 8.9	2026 9.9	2027 10.9	2028 11.9	2029 12.9	2030 13.9	2031 14.9	2032 15.9	2033 16.9	2034 17.9	2035 18.9	2036 19.9	2037 20.9
Cash Flow (Real)																								
Gross Revenue		A$m	**2,325**	-	-	68.3	127.2	127.9	126.0	126.4	126.0	123.9	123.0	121.9	126.0	124.1	123.9	124.8	125.7	126.2	125.6	125.7	125.9	126.9
Operating Costs		A$m	**2,010**	-	-	58.4	103.6	82.9	100.6	85.8	95.2	95.5	104.0	92.7	119.6	116.7	117.4	128.4	127.8	101.3	129.5	127.9	109.6	113.0
Waste removal: truck&excavate		A$m	766	-	-	19.9	36.5	15.8	34.0	19.1	28.6	29.5	38.2	27.4	52.7	50.3	51.0	61.4	60.3	33.7	61.8	59.9	41.7	44.5
Coal mining		A$m	128	-	-	3.7	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9
Rehabilitation		A$m	4	-	-	0.1	0.2	0.1	0.2	0.1	0.2	0.2	0.2	0.2	0.3	0.3	0.3	0.4	0.3	0.2	0.4	0.3	0.2	0.3
CHPP washed		A$m	121	-	-	2.7	5.0	5.6	4.9	5.6	5.6	6.3	7.0	7.3	6.8	7.1	6.8	6.9	7.2	7.2	7.2	7.5	7.0	7.2
CHP bypassed		A$m	20	-	-	0.9	1.8	1.6	1.9	1.5	1.5	1.2	0.8	0.7	0.9	0.8	0.9	0.8	0.7	0.7	0.7	0.5	0.8	0.7
Site Admin (fixed costs)		A$m	123	-	-	6.0	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5
Rail and road haulage		A$m	484	-	-	14.5	26.9	26.9	26.7	26.6	26.5	25.9	25.5	25.2	26.2	25.7	25.7	25.9	26.0	26.1	26.0	25.9	26.1	26.2
Port		A$m	186	-	-	5.6	10.3	10.3	10.2	10.2	10.1	9.9	9.8	9.7	10.0	9.9	9.9	9.9	10.0	10.0	10.0	9.9	10.0	10.1
Demurrage		A$m	14	-	-	0.4	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.7	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Levies		A$m	8	-	-	0.2	0.5	0.5	0.5	0.5	0.5	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Royalty deductions		A$m	155	-	-	4.3	8.1	8.1	8.0	8.1	8.0	7.9	7.8	7.8	8.1	8.1	8.2	8.4	8.6	8.8	8.9	9.1	9.2	9.4
EBITDA		**A$m**	**315**	-	-	**10**	**24**	**45**	**25**	**41**	**31**	**28**	**19**	**29**	**6**	**7**	**6**	**(4)**	**(2)**	**25**	**(4)**	**(2)**	**16**	**14**
CapEx			98	16.5	49.7	31.9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sustaining CapEx		A$m	54	-	-	1.5	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9
Total Capex				**16.5**	**49.7**	**31.9**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Explor & Closure costs		A$m	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Before Tax Cash flow		**A$m**	**164**	**(17)**	**(50)**	**(24)**	**21**	**42**	**22**	**38**	**28**	**26**	**16**	**26**	**3**	**5**	**4**	**(6)**	**(5)**	**22**	**(7)**	**(5)**	**13**	**11**
Tax		A$m	**67**	-	-	1	5	12	6	10	7	7	4	7	0	1	1	-	-	2	-	-	-	3
After Tax Cash flow		**A$m**	**97**	**(17)**	**(50)**	**(25)**	**15**	**30**	**17**	**27**	**20**	**19**	**12**	**19**	**3**	**4**	**3**	**(6)**	**(5)**	**20**	**(7)**	**(5)**	**13**	**8**
Discounted Cash flow																								
Annuanl Cash Flow	**Disc. Rate**		**NPV**																					
After Tax Discounted Cash flow	**10.0%**	A$m	**12.0**	(15.1)	(41.3)	(18.8)	10.5	18.9	9.5	14.1	9.6	8.0	4.7	6.7	1.0	1.1	0.8	(1.6)	(1.1)	4.0	(1.2)	(0.8)	2.0	1.1
Cumulative Cash flow																								
After Tax Discounted Cash flow		A$m		(15)	(56)	(75)	(65)	(46)	(36)	(22)	(13)	(5)	(0)	7	8	9	10	8	7	11	10	9	11	12
After Tax Discounted Cash flow	**IRR**	**13.1%**		(16.5)	(49.7)	(24.9)	15.3	30.3	16.7	27.4	20.4	18.7	12.0	19.1	3.1	3.7	3.0	(6.5)	(5.0)	20.0	(6.8)	(5.0)	13.3	8.3

Appendix C:
Comparable market transaction

Comparable market transactions of early-stage exploration tenements

Date	Coal Basin	Project	Buyer	Seller	Assets Transacted
May-09	Surat/Bowen	Bundaberg JV	Tiaro Coal Ltd	Bundaberg Coal Ltd and Hudson Investment Group Ltd	The 954 km^2 Bundaberg project is located in south eastern Queensland, Australia. The project was comprised of two tenements, one in the south eastern portion of the Bowen Basin and the other in the Surat Basin. Tiaro Coal Ltd reported that the Bowen Basin tenement is prospective for PCI and potentially coking coal; and is located adjacent to Cockatoo Coal Ltd's Baralaba coal mine. It was also reported that the Surat Basin tenement is prospective for thermal coal and contained the down dip extensions of the Two Up, Taroom and Orazabah coal deposits.
Sep-09	Bowen, Surat, Moreton and Laura Basins	Mineral & Coal Invest	Gullewa Ltd	Mineral & Coal Investments Ltd	Gullewa purchased 80% of Mineral & Coal Investments Ltd for 6,849,315 Gallewa shares. The principal asset includes a 2,243 km2 tenement holding. Gullewa Ltd reported that the tenements were prospective for hosting thermal, coking and PCI coal both near surface and at depth.
Sep-09	Surat/Clarence - Moreton	Comet	Stanmore	Comet Coal and Coke	Stanmore purchase coal tenements from Comet for a consideration of AUD4.65 M either as cash or shares. AUD3.15 M, excluding contingency of defining 40 Mt Resource
Apr-10	Clarence-Moreton, Surat and Galilee Basin	Pacific Environmin	Blackwood Resources Pty Ltd	Pacific Enviromin Ltd	The ~1,290 km2 EPC1979, 1955, 1987 and 1957 tenement area is located in the Surat, Clarence-Moreton and Galilee basin of Queensland, Australia. Blackwood paid Pacific Enviromin Ltd AUD500,000 upfront and a further AUD125,000 upon the granting of the EPC's and is responsible for the minimum spend on exploration.
Jun-10	Bowen	Newlands	Newland Resources Ltd	Undisclosed vendor	The 1,900 km^2 Jack Creek, Spring Creek, Cullin La Ringo and Emerald East projects are located in the southern half of the Bowen Basin in central Queensland, Australia. Two of the projects were known to be proximal to existing coking and thermal coal mining operations.
May-11	Eromango, Galilee, Hillsborough	Proserpine/Isisford/ Quilpie	Wavenet	JD Minerals Pty Ltd	Coal tenement applications purchased included EPC2529 (Proserpine), EPC2530(Isisford), EPC2525 and EPC2526 (Quilpie).
May-11	Surat	Gayndah	Wavenet	Eastern Coal	EPC2044 is in the Gayndah district of Queensland in the Surat Basin. This acquisition increases the tenure held by Wavenet in the area by 36% to 2,091.6 k m^2. Five water boreholes drilled by the Geological Survey of Queensland intersected coal seams in the Gayndah Beds.
Jun-11	Galilee	Blackall tenements	NSL Consolidated Ltd	Undisclosed vendor	The 2,585 km2 EPCA's 2198, 2336, 2337 and 2338 project area is located about 80 km southwest of Blackall in Queensland, Australia. The project area was proximal to rail infrastructure and included an exploration target of 583.8 Mt thermal coal.
Jun-11	Eromanga	NSL Cons	NSL Consolidated Ltd	Undisclosed vendor	The 2,585 km2 EPCA's 2198, 2336, 2337 and 2338 project area is located about 80 km southwest of Blackall in Queensland, Australia. The project area was proximal to rail infrastructure and included an exploration target of 583.8 Mt thermal coal.
Jul-11	Galilee, Surat/Clarence - Moreton	Scorpion	Blackwood Coal Pty Ltd	Scorpion Energy	Blackwood Coal Pty Limited (Blackwood) acquired 100% of Queensland-based coal exploration company, Scorpion Energy Pty Limited (Scorpion). Scorpion holds 5 exploration permits for coal in Queensland covering a total of 1,630 km^2. Total consideration for the acquisition is: AUD850,000 cash, AUD850,000 worth of Blackwood Shares based at AUD0.50 per Blackwood Share, AUD1,550,000 worth of Performance Shares based on the independent reporting of a 40 Mt inferred resource in accordance with JORC Code for the Amberley Project.
Nov-11	Bowen	Liberty	Blackwood Coal Pty Ltd	Liberty Resources	Liberty Resources sold its EPC1738 and EPCA1891 to Blackwood Coal Pty Ltd for AUD2.2 M. AUD1 M cash plus AUD1.2 M worth of shares in Blackwood.
Feb-12	Surat	MPG Surat	Mining Project Group	New Coal Energy Pty Ltd	EPC1992 application was purchased for cash and shares in Mining Project Group. The Permit in sits adjacent to Coalbank Limited's Central Project which is targeting Walloon coal measures in the Western Surat Basin.
Feb-12	Tarong	MPG Tarong	Mining Project Group	Delcarmen Energy Limited	Delcarmen's applications for EPC2527 & EPC2528 are situated north and east of Kingaroy, approximately 170 km west of Brisbane. The tenements combined area covers 1,030 km2 with existing rail infrastructure running through the tenements and are prospective for thermal coal.
Apr-12	Bowen	Anakei Inlier	Queensland Coal Investments	Tiaro Coal Ltd	Queensland Coal Investments entered into a farm-in agreement with Tiaro Coal Ltd over EPC1262 located in the Anakie Inlier. The Permit occurs between the large Permian aged Bowen and Galilee Basins. The tenement is situated 30 km from Blair Athol mine.
Jun-12	Maryborough	Bunderberg	Queensland Coal Investments	International Coal Ltd	Queensland Coal Investments entered into a farm-in agreement with International Coals EPCs and applications 2194, 2195, 2196 & 2631 (418 sub-blocks or 1,297 km^2) that are highly prospective for hard coking coal. The tenements are located 45 km to the north of the proposed New Hope Energy Colton Mine.
Jun-12	Bowen	ACN Mining	RDB Coal	ACN Mining	RDB Coal entered into a sales agreement to purchase CAN Mining's exploration permits and applications. The tenements cover a total area of 583 km^2 west of Emerald in Queensland.
Aug-12	Surat	Subiaco	Legacy Iron	Subiaco Capital Pty Ltd	Legacy Iron purchased 2 tenements (EPC2303 and EPC2304) from Subiaco Capital Pty Ltd. The Permits are expected to have an Exploration Target of between 130-580 Mt.
Oct-12	Galilee, Bowen & Stax	Currawong Tenements	Fox Resources	Currawong Coal Pty Ltd	Acquired 16 coal exploration permits (3304 sub-blocks), and one EPC under application, in the Styx, Bowen, Maryborough and Galilee basins.
Dec-12	Surat	Velarium	Legacy Iron	Velarium Holding Pty Ltd	Legacy Iron purchase EPC2850 from Velarium Holdings.
Feb-13	Galilee	Snake Creek JV	Queensland Coal Investments	Cuesta Coal	Cuesta entered into an farm-in-agreement with QCI that is able to earn up to 51% interest in two stage through the expenditure of \$3 M.
Mar-13	Clarence-Moreton	APEC	Omnitech Holdings Ltd	Profit Achieve Holdings Ltd	Omnitech purchased APEC from Profit Achieve Holdings via a share sale agreement for \$300,000. APEC hold two exploration licenses, EPC1506 and EPC1539, in the Clarence-Moreton Basin covering a total area of 500 km2 (454 km2 and 45.5 km2 respectively).
May-13	Eromanga	Indalia Coal	East Energy Resources	Camvill Pty Ltd	EER has acquired Idalia from Camvill Pty Ltd (a wholly owned subsidiary of the Noble Group Limited) and Majicyl Pty Ltd (a company associated with the Basso-Brusa family) in consideration for \$38,006,325 via the issue of fully paid ordinary shares in the capital of EER at 20 cents per EER share.
Nov-13	Bowen	CMR	AFS Group Ltd	Civil & Mining Resources Pty Ltd	AFS Group purchased 68% of Civil & Mining for AUD1.08 M
Nov-13	Bowen River/Styx	Bowen River/Carmilla	Mozambi Coal Ltd	Rio Tinto Exploration	Mozambi purchased 100% of EPC1768 and EPC2098 from Rio Tinto for AUD380 k including transaction fees.
Oct-15	Tarong	Cockatoo EPC 882	Moreton Resources Ltd	Cockatoo Coal Ltd	Cash transaction of \$300,000 that included the purchase price, transfers, associated costs and reimbursements.

Comparable market transactions of advance-stage exploration tenements

Date	Coal Basin	Project	Buyer	Seller	Assets Transacted
Sep-09	Bowen	Bandanna	Samtan	Bandanna	
Oct-09	Gunnedah	Vickery	Whitehaven	Coal &Allied	The 3.45 km2 Vickery project is located in the Gunnedah region of New South Wales, Australia. The project contained a Measured Resource of 100 Mt and 200 Mt of coal ranging in quality from low-ash, high energy thermal to high-volatile soft coking coals. The known coal seams may be amenable to both open-pit and underground mining methods.
Nov-09	Gunnedah	Maules Creek	Aston	Coal &Allied	The Maules Creek project is located in the Gunnedah Basin of New South Wales, Australia. The project contains a near-surface, thermal and coking Measured Resource of 56.7 Mt, Indicated Resource of 218.0 Mt and an Inferred Resource of 123.1 Mt. Little additional information was identified at the time of announcement.
Dec-09	Bowen	Middlemount/Macarthur	Macarthur	Noble	The Middlemount project is located approximately 6 km southwest of the Middlemount township in central Queensland and the Donaldson project is located about 25 km from Newcastle in New South Wales, Australia. The Middlemount low volatile PCI and semi-hard coking coal open pit mining project contained a Proven Reserve of 29.0 Mt and a Probable Reserve of 28.0 Mt contained within a Measured Resource of 30.6 Mt and an Indicated Resource of 37.8 Mt. The Middlemount project also contained an Inferred Resource of 31.7 Mt. The Donaldson underground mine contained an aggregate Proven Reserve of 95.4 Mt and a Probable Reserve of 57.1 Mt contained within a Measured Resource of 545.5 Mt and an Indicated Resource of 217.5 Mt. The Donaldson project also contained an Inferred Resource of 122.4 Mt.
Jun-10	Bowen	Belvedere (AMCI)	Vale	AMCI	
Jul-10	Hunter Valley	Bylong, Sutton Forest and others	Korea, POSCO and Cockatoo	Anglo Coal	The Bylong and Sutton Forest underground projects are located in New South Wales; and the Collingwood, Ownaview and Taroom open pit projects are located in Queensland, Australia. In the Cockatoo Coal Ltd statement, it was reported that the Bylong project contained an Indicated Resource of 150 Mt and an Inferred Resource of 273 Mt; the Sutton Forest project an Indicated Resource of 115 Mt; the Collingwood project an Indicated Resource of 65 Mt and an Inferred Resource of 172 Mt; the Taroom project an Measured Resource of 36 Mt, an Indicated Resource of 89 Mt and an Inferred Resource of 73 Mt; and the Ownaview an Inferred Resource of 171 Mt. The Cockatoo Coal Ltd estimates are used in this valuation calculation.
Aug-10	Bowen	MDL162	Macarthur	MCG Resources	MDL162 is mining tenement located in the Bowen Basin near the town of Blackwater in Central QLD. It has the potential to produce semi hard coking coal and PCI from an open pit mine producing up to 6 Mtpa ROM.
Aug-10	Galilee	Carmichael	Adani Enterprises Ltd	Linc Energy Limited	The ~260 km^2 EPC1690 is located about 160 km northwest of Clermont in the Galilee Basin of Queensland, Australia. The project contained an Indicated Resource of 500 Mt and an Inferred Resource of 7,300 Mt. Of the define Resources, only about 300 Mt was within 100 m below surface. Across the deposit, raw energy values ranged from 17 Mj/Kg to 23 Mj/kg and sulphur ranged from 0.38% to 0.51%%. Linc Energy Ltd reported that if brought into full production, the project may support a 60 Mtpa operation.
Aug-10	Galilee	Carmichael (incl royalty)	Adani Enterprises Ltd	Linc Energy Limited	The ~260 km2 EPC1690 is located about 160 km northwest of Clermont in the Galilee Basin of Queensland, Australia. The project contained an Indicated Resource of 500 Mt and an Inferred Resource of 7,300 Mt. Of the define Resources, only about 300 Mt was within 100 m below surface. Across the deposit, raw energy values ranged from 17 Mj/Kg to 23 Mj/kg and sulphur ranged from 0.38% to 0.51%%. Linc Energy Ltd reported that if brought into full production, the project may support a 60 Mtpa operation.
Aug-10	Gloucester	Middlemount/Gloucester	Gloucester	Noble	The Middlemount project is located approximately 6 km southwest of the Middlemount township in central Queensland, Australia. The Middlemount low volatile PCI and semi-hard coking coal open pit mining project contained a Proven Reserve of 29.0 Mt and a Probable Reserve of 28.0 Mt contained within a Measured Resource of 30.6 Mt and an Indicated Resource of 37.8 Mt. The Middlemount project also contained an Inferred Resource of 31.7 Mt.
Dec-10	Gunnedah	Maules Creek selldown (Dec'10)	Itochu	Aston	
Dec-10	Bowen	Sienna and Electra	Boardwalk	Norton Gold	The ~96 km^2 Sienna and Electra projects are located near Middlemount in central Queensland, Australia. The open pit scoping study project contained an Inferred Resource of 57 Mt of thermal, coking and PCI coal.
Feb-11	Bowen, Surat	Northern Energy	New Hope	Northern Energy	Northern's two main prospective projects are the Maryborough coking coal project and Elimatta thermal coal project, both in Queensland, which analysts believe could require $600 M-plus of Capex against the company's $20 M-odd of cash.
May-11	Gloucester	Monash	Gloucester	Ellemby Holdings	The 22 km2 Monash project is located approximately 95 km north west of Newcastle, New South Wales Australia. The project contained an Indicated Resource of 13.0 Mt and an Inferred Resource of 273.7 Mt of 58% semisoft coking and 42% thermal coal, and is expected to be of large scale underground mining with production of up to 7 Mt per annum. The project is adjacent to Xstrata Plc's Bulga and Bentana coal mines.
May-11	Gloucester	Donaldson, Tasman and Abel	Gloucester	Noble	The Donaldson, Abel and Tasman project are located about 25 km west of Newcastle in New South Wales, Australia. The Donaldson open pit thermal coal mine contained a Proved and Probable Ore Reserve of 2.5 Mt. The Tasman underground thermal coal mine contained a Proved and Probable Reserve of 25.7 Mt within a Measured Resource of 48.9 Mt, an Indicated Resource of 20.7 Mt and an Inferred Resource of 12.0 Mt. The Tasman project also contained an extension including a Proved and Probable Reserve of 9.63 Mt within a Measured Resource of 79.8 Mt, an Indicated Resource of 56.63 Mt and an Inferred Resource of 37.6 Mt. The Abel underground thermal and semi-soft coking coal mine contained a Proved and Probable Resource of 62.2 Mt contained within a Measured Resource of 288.1 Mt, an Indicated Resource of 63.3 Mt and an Inferred Resource of 3.3 Mt. The Abel extension project contained an Proved and Probable Resource of 128.7 Mt, an Indicated Resource of 77.2 Mt and an Inferred Resource of 69.4 Mt.
May-11	Clarence-Moreton	Ebenezer	Overseas and General	Zedemar Holdings	The 98 km^2 Ebenezer project is located approximately 80 km west of Brisbane in Queensland, Australia. The historical thermal coal mining project was known to contain coal that averaged in quality 13.5 % ash, 4.5% moisture, specific energy of 6,700 kcal/kg and contains 0.48% S. The former mine operated between 1988 and 2003 during which 20.5 Mt of thermal coal was exploited for domestic and export markets.
May-11		Linton	Mai-Liao Power Corp	New Hope	
Jul-11		Woori	Mitsui	Cockatoo	Woori has MDL187, MLA50247, MLA50248 with an Resource of 84.3 Mt
Oct-11	Gunnedah	Maules Creek sell down (Dec'11)	J-Power	Aston	Aston entered into a conditional sales agreement with J-Power Australia Pty Ltd (subsidiary of Electric Power Development Co., Ltd.) for the sale of a 10% stake in the Maules Creek project.
Jun-12	Bundaberg	Bundaberg	Hancock Prospecting Pty Ltd	International Coal Ltd	Hancock acquired a 51% interest in Bundaberg Project from International Coal Ltd.
Aug-12		Tiaro West	Tiaro Coal Limited	Dynasty Metals Australia Ltd	Tiaro Coal Limited, through its subsidiary, Tiaro Energy Corporation Pty Limited, acquired Dynasty Metals Australia Ltd's remaining interest in EPCs 956 and 957
Aug-12		Doyal Creek	Mitsui Matsushima Co. Ltd.	Nucoal Resources Limited	Mitsui Matsushima International Pty Ltd. has the right to earn up to a 10% equity in the Doyle Creek Project by spending up to AUD40 M.
Dec-12	Bowen	Orion	Cuesta Coal Limited	Hannigan & Associates Pty Ltd	EPCs 775 and 776 (Orion project) is located 14 km northwest of Blair Athol adjacent to Cuesta's Moorlands project. The Orion and Moorlands projects both contain Blair Athol coal measures.

Date	Coal Basin	Project	Buyer	Seller	Assets Transacted
Dec-12	Bowen	Belvedere (Aquila)	Vale S.A.	Aquila Resources Limited	Vale S.A. has entered into agreements to complete a purchase option by which it will acquire the remaining 24.5% interest of Aquila Resources Limited in the Belvedere Project. The purchase price of AU150 M is equivalent to the fair market value recently determined by a third party expert.
Dec-12	Bowen, Surat, Galilee	Cuesta equity to Beijing	Beijing Guoli	Cuesta Coal Limited	Cuesta Coal has assembled a diversified portfolio of thermal, PCI and coking coal exploration prospects within Queensland's Bowen, Surat and Galilee coal basins covering an area of approximately 11,000 km². Project range from early to advance stage exploration with no defined Resource at this stage.
Feb-13	Bowen, Surat, Galilee	Cuesta equity to Beijing	Beijing Guoli	Cuesta Coal Limited	On 22 February Cuesta announced it had executed a Share Placement Agreement to raise a further $12 million by issuing 66,666,667 new ordinary shares at A$0.18 per share to Beijing Guoli. This brings Beijing Guoli share up to 45.3% from 34%
May-13	Southern Coalfield	Hume	POSCO	Cockatoo	In May 2013 - Cockatoo Coal Limited has agreed to sell its 30% interest in Hume Coal Pty Limited to POSCO Australia Pty Limited for $9.74 M of cash and the cancellation of 134.8 M Cockatoo shares held by POSCO, subject to necessary shareholder, regulatory and other approvals, as well as, a positive opinion from an independent expert. The implied sale price of $16.1 M represents over 30% of the current market capitalisation of Cockatoo. The proposed sale expected to be implemented by August 2013, subject to satisfaction of all conditions. 14/Aug/2013 - The Hume sale transaction was completed.
Nov-13	Bowen, Surat, Galilee	Cuesta equity to Hanford	Hanford Holdings	Cuesta Coal Limited	Cuesat sold 14% of the company pursuant to the Share Subscription Agreement (SSA). Tranche 1 of the placement is the issue of 50,000,000 fully paid ordinary shares at $0.11 per share to Hanford to raise $5.5 M. Settlement of Tranche 2 is expected to take place on the 30th of November 2013 or when Hanford receives FIRB approval. A further 25,000,000 fully paid ordinary share are to be issued at $0.116 to raise $2.9 M.
Jan-14	Bowen	Pisces (MDL162)	Wesfarmers	Peabody	MacAurther Coal first acquired 90% of MDL162 in 24/Aug/2010 for AUD360 M. In Jan 2014, Wesfarmers' Resources division agreed to acquire Mineral Development Licence 162 (MDL 162) from Peabody Energy Budjero Pty Lt for AUD70 million cash
Jul-15	Bowen	Wotonga (MDL135 & 137)	Stanmore	Millennium Coal	Total consideration of $7M, inclusive of cash and royalty payment of coal sold.
May-16	Hunter Valley	Dartbrook JV	Australian Pacific Coal	Anglo/Marubeni Coal	Total of $30M cash payment and royalties on coal sold.

Appendix D:
Geoscientific rating valuation of Cuesta tenements

	Project	Properties 100% basis	BAC (AUD/km²)	Off Property Factors	On Property Factors	Quality Factors	Anomaly Factors	Geological Factors	Local Factors	Technical Value (AUD/km²)	Area of EL (km²)	Technical Value (AUD '000)	Application	Market	MV (AUD '000)
Low	**E.Galilee**	EPC1983	450	0.8	0.6	0.7	0.4	0.5	0.8	24	299.00	7	1.0	0.4	3
High			450	1.0	0.8	0.9	0.6	0.7	1.0	136	299.00	41	1.0	0.4	16
Preferred			450	0.9	0.7	0.8	0.5	0.6	0.9	61	299.00	18	1.0	0.4	7
Low		EPC1957	450	0.8	0.9	0.7	0.9	0.7	0.6	86	343.80	29	1.0	0.4	12
High			450	1.0	1.1	0.9	1.1	0.9	0.8	353	343.80	121	1.0	0.4	49
Preferred			450	0.9	1.0	0.8	1.0	0.8	0.7	181	343.80	62	1.0	0.4	25
Low		EPC2079	450	0.8	0.6	0.7	0.4	0.6	0.5	18	471.00	9	1.0	0.4	3
High			450	1.0	0.8	0.9	0.6	0.8	0.7	109	471.00	51	1.0	0.4	21
Preferred			450	0.9	0.7	0.8	0.5	0.7	0.6	48	471.00	22	1.0	0.4	9
Low		EPC2080	450	0.8	0.6	0.7	0.4	0.6	0.5	18	557.00	10	1.0	0.4	4
High			450	1.0	0.8	0.9	0.6	0.8	0.7	109	557.00	61	1.0	0.4	24
Preferred			450	0.9	0.7	0.8	0.5	0.7	0.6	48	557.00	27	1.0	0.4	11
Low		EPCA2689	450	0.7	0.6	0.7	0.5	0.5	0.6	20	779.00	15	1.0	0.4	6
High			450	0.9	0.8	0.9	0.7	0.7	0.8	114	779.00	89	1.0	0.4	36
Preferred			450	0.8	0.7	0.8	0.6	0.6	0.7	51	779.00	40	1.0	0.4	16
Low	**W Emerald**	EPC1821	450	1.8	0.7	0.9	0.6	0.5	0.8	122	56.70	7	1.0	0.4	3
High			450	2.2	0.9	1.1	0.8	0.7	1.0	549	56.70	31	1.0	0.4	12
Preferred			450	2.0	0.8	1.0	0.7	0.6	0.9	272	56.70	15	1.0	0.4	6
Low		EPC1977	450	1.8	0.7	0.9	0.6	0.5	0.8	122	12.60	2	1.0	0.4	1
High			450	2.2	0.9	1.1	0.8	0.7	1.0	549	12.60	7	1.0	0.4	3
Preferred			450	2.0	0.8	1.0	0.7	0.6	0.9	272	12.60	3	1.0	0.4	1
Low		EPC2323	450	1.5	0.7	0.8	0.6	0.5	0.8	91	9.45	1	1.0	0.4	0
High			450	2.0	0.9	1.0	0.8	0.7	1.0	454	9.45	4	1.0	0.4	2
Preferred			450	1.8	0.8	0.9	0.7	0.6	0.9	214	9.45	2	1.0	0.4	1
Low		EPC1825	450	1.5	0.8	0.8	0.8	0.5	0.8	138	185.85	26	1.0	0.4	10
High			450	2.0	1.0	1.0	1.0	0.7	1.0	630	185.85	117	1.0	0.4	47
Preferred			450	1.8	0.9	0.9	0.9	0.6	0.9	310	185.85	58	1.0	0.4	23
Low		EPC1826	450	1.5	0.7	0.8	0.6	0.5	0.8	91	59.85	5	1.0	0.4	2
High			450	2.0	0.9	1.0	0.8	0.7	1.0	454	59.85	27	1.0	0.4	11
Preferred			450	1.8	0.8	0.9	0.7	0.6	0.9	214	59.85	13	1.0	0.4	5
Low		EPC1868	450	1.5	0.7	0.8	0.6	0.7	0.8	127	37.80	5	1.0	0.4	2
High			450	2.0	0.9	1.0	0.8	0.9	1.0	583	37.80	22	1.0	0.4	9
Preferred			450	1.8	0.8	0.9	0.7	0.8	0.9	286	37.80	11	1.0	0.4	4
Low		EPC2093	450	1.5	0.9	0.8	0.9	0.8	0.8	280	75.60	21	1.0	0.4	8
High			450	2.0	1.1	1.0	1.1	1.0	1.0	1,089	75.60	82	1.0	0.4	33
Preferred			450	1.8	1.0	0.9	1.0	0.9	0.9	574	75.60	43	1.0	0.4	17

This page has been intentionally left blank