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HD CUESTA COAL LIMITED; Cuesta Strengthens Balance Sheet with Placement

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LP **ASX Announcement Cuesta Significantly Strengthens Balance Sheet with Placement to Major Shareholder**

- ☐ Conditional Placement of \$8.5 million to major shareholder Beijing Guoli
- ☐ Commitment from Beijing Guoli for an additional \$6.5 million
- ☐ Issue price of 10.3 cents per share represents a premium to the last traded price
- ☐ Funds to be applied to advancing the Definitive Feasibility Study for the Moorlands Project and repayment of \$5 million Convertible Note liability

TD 19th May 2014: Cuesta Coal Limited (ASX: CQC) ("Cuesta" or "the Company") is pleased to announce that it has executed a Share Subscription Agreement with the Company's major shareholder, Longluck Investment (Australia) Pty Ltd ("Longluck"), a wholly owned subsidiary of Beijing Guoli Energy Investment Co, to raise \$8.5 million ("Stage 1 Placement"). In addition, Beijing Guoli has committed a further \$6.5 million, with settlement three months following settlement of the Stage 1 Placement ("Stage 2 Placement"). Each of the Stage 1 Placement and Stage 2 Placement (collectively "the Placement") are conditional on Cuesta shareholder approval and various regulatory approvals. The issue price for the Placement is 10.3 cents per share, which represents a 10% premium to the 30 day VWAP and a 15% premium to the last traded price. Placement funds will be applied to advancing the Definitive Feasibility Study ("DFS") for the Company's flagship development project, Moorlands and repayment of the \$5 million Convertible Note liability associated with the acquisition of the Orion Coal Project (EPCs 775 and 776 contained in the Moorlands Project) in 2012. Terms of the Share Subscription Agreement The following are key terms and conditions of the Share Subscription Agreement with Longluck:

- ☐ Stage 1 Placement of \$8.5 million via the issue of approximately 82.5 million new ordinary shares to Longluck.
- ☐ Stage 2 Placement of \$6.5 million via the issue of approximately 63.1 million new ordinary shares to Longluck, three months following settlement of the Stage 1 Placement.
- ☐ Issue price of 10.3 cents per share, a 10% premium to the 30 day VWAP and a 15% premium to the last traded price.
- ☐ The Placement is subject to Chinese Regulatory, FIRB, noteholder and Cuesta Shareholder approval.

Cuesta will issue a Notice of Meeting and Explanatory Memorandum in June 2014 for an Extraordinary General Meeting (EGM) of Cuesta shareholders to be scheduled for late July 2014. The Explanatory Memorandum will incorporate an Independent Expert's Report opining on whether the Placement is fair and reasonable and in the best interests of the non-associated shareholders of Cuesta. If the Placement is approved by Cuesta shareholders at the EGM, settlement of the Stage 1 Placement will occur shortly thereafter.

Under the Share Subscription Agreement with Longluck, Cuesta has the ability to raise up to an additional \$10m prior to 31 December 2014, over and above the Placement to Longluck, at a price not less than 10.3 cents per share. The purpose of this additional funding will be to facilitate a final investment decision and secure project finance for the development of Moorlands.

Following settlement of the Stage 1 Placement, Beijing Guoli's interest in Cuesta will increase from 36.4% to 47.8%. Following settlement of the Stage 2 Placement, Beijing Guoli's interest in Cuesta will increase to 54.1% (in the absence of any further equity issues).

Cuesta Coal's Managing Director Mr Matthew Crawford commented: "The funding agreement announced today with Beijing Guoli significantly strengthens Cuesta's balance sheet and allows Cuesta to continue to work towards achieving its development objectives at Moorlands, in particular the operational focus on advancing the Definitive Feasibility Study. This is particularly pleasing given the challenging market conditions currently faced by emerging coal companies and the limited availability of funding."

"Beijing Guoli recognises the potential of the Moorlands Project. This funding is a further demonstration of the support of our major shareholder and a vote of confidence in Cuesta's team. Following the completion of both tranches of the Placement, Beijing Guoli's total investment in Cuesta will be \$47 million. In addition the continued support of Beijing Guoli will increase the likelihood of securing favorable project finance funding for the construction phase of Moorlands."

**Indicative Timetable** The indicative timetable for the Placement is set out below, subject to all of the conditions of the Placement being satisfied. Event Indicative Date Notice of Meeting and Explanatory Memorandum dispatched to Cuesta Late June 2014 shareholders Extraordinary General Meeting for Cuesta shareholders to approve the Late July 2014 Placement Settlement of the Tranche 1 Placement Early August 2014 Settlement of the Tranche 2 Placement Early November 2014 These dates are indicative only and subject to change.

**About the Moorlands Project** The Moorlands Project is an open cut export thermal coal mine development, located 30 km northwest of the township of Clermont in the Western Bowen Basin of Queensland and to the immediate west of the Blair Athol and Clermont coal mines. Cuesta is targeting first coal production from Moorlands in 2016.

The project has a current JORC resource of 281.1 Mt including 171.2 Mt in the Measured and Indicated Category in accordance with JORC code 2012 (as announced on 4 March 2014). A 50 hole resource definition and infill drilling program completed in January 2014 exceeded expectations with wide spread intersections of target seams. These results will underpin Cuesta's maiden reserve estimate, expected to be completed immanently, and provide critical input into the DFS.

The DFS will expand on the Mine Scoping Study completed by Xenith in November 2013 which confirmed robust project economics for a 1.9 Mtpa open cut mine for 30 years in the South Pit (prioritised for development based on strip ratios of 2-4 bcm/tonne). Cuesta anticipates improvement in the proposed South Pit mine design on the basis of westerly extensions of the coal resource discovered in March 2014, resulting in increased coal quantities and a widening of the proposed mining area. Further upside exists from the larger northern area of the deposit which contains strip ratios of between 4 and 8 bcm/tonne.

The Mine Scoping Study assumes product coal is trucked by an internal haul road (11 km) to a new train load out facility, rail loop and spur, for transportation to Dalrymple Bay Coal Terminal for export. While the project economics are robust, the Company believes there is scope to reduce costs by using existing infrastructure located in close proximity to the Moorlands Project. Discussions with the owners of this infrastructure are ongoing. In parallel with progressing the DFS, Cuesta is working closely with Balance Resources to identify secondary market port and rail allocations with the objective of executing formal agreements in H1 2014. About Beijing Guoli Beijing Guoli is a Limited Liability Company, registered with The Beijing Administration of Industry and Commerce in 1993. Beijing Guoli is based in China, and their investments include:

- ☐ Electrical Generation
- ☐ Coal Mining
- ☐ Financial Investment
- ☐ Chemicals
- ☐ Real Estate Development

About Cuesta Coal Cuesta Coal Limited is an ASX listed coal exploration company with a pipeline of coal projects ranging from development to greenfield exploration. The Company is targeting first coal production from its priority Moorlands Project in 2016. Cuesta has a diverse portfolio of thermal and coking coal exploration prospects within the Bowen, Surat and Galilee basins; hence the Company's core projects are well situated geographically. For further information:

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