



20 June 2012

Cuesta Coal JV Update – 87% Thorn Hill Resource Upgrade

Australian Pacific Coal Limited (“AQC”) advises that its joint venture partner in the East Wandoan project, Cuesta Coal Limited (“Cuesta Coal”) has announced an 87% Upgrade to the Thorn Hill resource. The Thorn Hill Deposit lies within the East Wandoan JV project.

Full details are set out in the following announcement by Cuesta Coal.

About the East Wandoan Project

Located in south-east Queensland’s coal province, Australian Pacific Coal (“AQC”) has a joint venture with Cuesta Coal Limited (“Cuesta Coal”) through 100% owned subsidiary Blackwood Resources Pty Ltd (“Blackwood”). The joint venture agreement covers four quality exploration permits (EPCs) prospective for shallow thermal coal.

Under the joint venture agreement, AQC has a 10% free carried interest up to the feasibility study stage with Cuesta Coal required to expend at least the minimum exploration commitment with the aim to prove up a coal resource and complete a feasibility study for the project(s).

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About Australian Pacific Coal

Australian Pacific Coal Limited (ASX:AQC) is an ASX-listed company focused on the exploration and development of metallurgical and thermal coal projects. With interests in 32 coal tenements strategically located in south-east Queensland’s Bowen and Surat Basins, AQC has joint venture agreements in place with mining major Rio Tinto and Cuesta Coal.

ASX Announcement

Cuesta Coal Limited Announces 87% Thorn Hill Resource Upgrade

- **44.6 Mt of total coal resources identified in its 2012 drilling campaign**
 - **22.1 Mt in the Indicated Resource category, and**
 - **22.5 Mt in the Inferred Resource category**
- **Resource defined from near surface to a depth of 100m**
- **Further exploration planning underway**

18 June 2012: Cuesta Coal Limited (ASX: CQC) (“Cuesta”) is pleased to announce a resource upgrade at the Thorn Hill Deposit (EPC 1955) located at the company’s 90% owned East Wandoan Project in the Surat Basin, Queensland.

Cuesta confirms that following the 2012 drilling, it has increased its maiden resource at the Thorn Hill Deposit by 87% to 44.6 Mt of JORC Indicated and Inferred Resources. The resource calculation has been derived from four seams A, B, C, D (Table 1). Figures 1 to 4 show the current resource area for the individual seams.

As interpreted, the coal deposit is shallow dipping to the south-west at 1 to 2 degrees. A typical north-south long section is shown in Figure 5.

Table 2 indicates the raw coal quality averaged across 8 cored holes and across individual coal plies completed by Cuesta in the deposit area. The raw coal quality is in line with expectations with specific coal plies indicating thermal coal with very low ash and acceptable specific energy levels typical of other coal deposits in the region. This will potentially enable selective mining and wash plant bypassing to be investigated in future scoping studies.

Follow-up drilling will include step out drilling and large diameter coring to enable washability test work to be conducted to identify washability recovery and saleable product. Follow-up drilling will focus on the south-east corner and northern extensions of the deposit aimed to further increase the overall resource and understanding of the coal quality.

Cuesta Coal’s Managing Director, Matthew Crawford, commented: “We are very pleased that following our drilling program, we have been able to increase our resource at the Thorn Hill Deposit. Importantly, the project exploration program was completed incident free, on time and within budget.



“Cuesta has an active ongoing drilling program that is aiming at further increasing our Thorn Hill Resource at East Wandoan, and with the ongoing support of our major shareholder, we remain very confident in this program.

“We look forward to updating shareholders on our next stage of drilling results.”

Management Performance Shares

The Thorn Hill resource calculation of 44.6 Mt of JORC Indicated and Inferred Resource satisfies the condition precedent for the issue of the Series Two Shares under the executive share and option plan (**EXSOP**) as detailed on page 174 of the replacement prospectus dated the 6th of March 2012. Pursuant to the terms of the EXSOP, 18,000,000 fully paid ordinary shares and 6,000,000 unlisted options (exercisable at 25cents, expiry date 31 December 2015) will be issued to the relevant Director's in the respective proportions.

The securities issued are subject to an escrow period which is 24 months from the date of the initial quotation of the Company's fully paid ordinary shares on the official list of the ASX. The full terms and conditions of the EXSOP are available as a pre-quotation disclosure (released 2 May 2012) on the Company's ASX announcement platform.

-ENDS-

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Table 1: Coal Resources at Thorn Hill Deposit (EPC 1955) as at 11 June 2012

Resource Category	Value	Taroom Coal Measures					Total Tonnes (Mt)
		A	B	C	D	E	
Measured	Volume (Mm ³)	-	-	-	-	-	
	Relative Density (t/m ³)	-	-	-	-	-	
	Sub-total Tonnes (Mt)	-	-	-	-	-	-
Indicated	Volume (Mm ³)	-	6.0	7.1	2.6	-	
	Relative Density (t/m ³)	-	1.42	1.40	1.44	-	
	Sub-total Tonnes (Mt)	-	8.5	9.9	3.7	-	22.1
Inferred	Volume (Mm ³)	2.6	3.0	5.9	4.2	-	
	Relative Density (t/m ³)	1.45	1.42	1.40	1.44	-	
	Sub-total Tonnes (Mt)	3.8	4.3	8.3	6.1		22.5
Grand Total Tonnes (Mt)		3.8	12.8	18.2	9.9	-	44.6

Notes:

- Resource Classification in Accordance with JORC Code (2004) Guidelines.
- Volumes and tonnages have been rounded.
- Coal tonnes stated on an in situ basis using estimated default in situ relative density.
- The project area is within EPC 1955.
- The target mineralisation is Middle Jurassic coal within the Surat Basin.
- The coal is interpreted to be held within the Taroom Coal Measures.
- The coal is found in five seam groups – A, B, C, D & E. Resources have been estimated for the A, B, C & D seam groups.
- A depth cut off of 150 metres has been used to limit resources.
- A stratigraphic model generated in Minescape has been used. Gridded seam surfaces, base of tertiary and weathering surfaces have been created on a 25 m by 25 m grid cell size. All seams are clipped to the base of weathering.
- As of the 11th June 2012, the East Wandoan Project is estimated to contain a total resource of 44.6 Mt (with 22.1 Mt of Indicated Resource and 22.5 Mt of Inferred Resource).
- The coal present is capable of producing a domestic thermal coal product.
- Resource classification was developed from the confidence levels of key criteria including drilling methods, geological understanding and interpretation, sampling, data density and location, grade estimation and quality. This classification was completed in accordance with the guidelines as set out in the JORC Code (2004).

Table 2: Summary of the Raw Quality Analysis for the Thorn Hill Deposit

Seam	No. of Cored Holes	Inherent Moisture % (a.d)	Ash % (a.d)	Volatile Matter % (a.d)	Fixed Carbon % (a.d)	Relative Density (a.d)	Specific Energy (a.d)	Total Sulphur % (a.d)
A	3	7.8	20.0	39.8	32.5	1.44	23.26	0.45
B	8	7.6	18.7	39.3	34.5	1.44	23.81	0.44
C	7	7.4	20.0	37.8	34.8	1.46	23.42	0.45
D	4	6.7	18.1	38.9	36.3	1.43	24.55	0.46
E	1	5.4	19.7	38.8	36.1	1.44	24.62	0.50

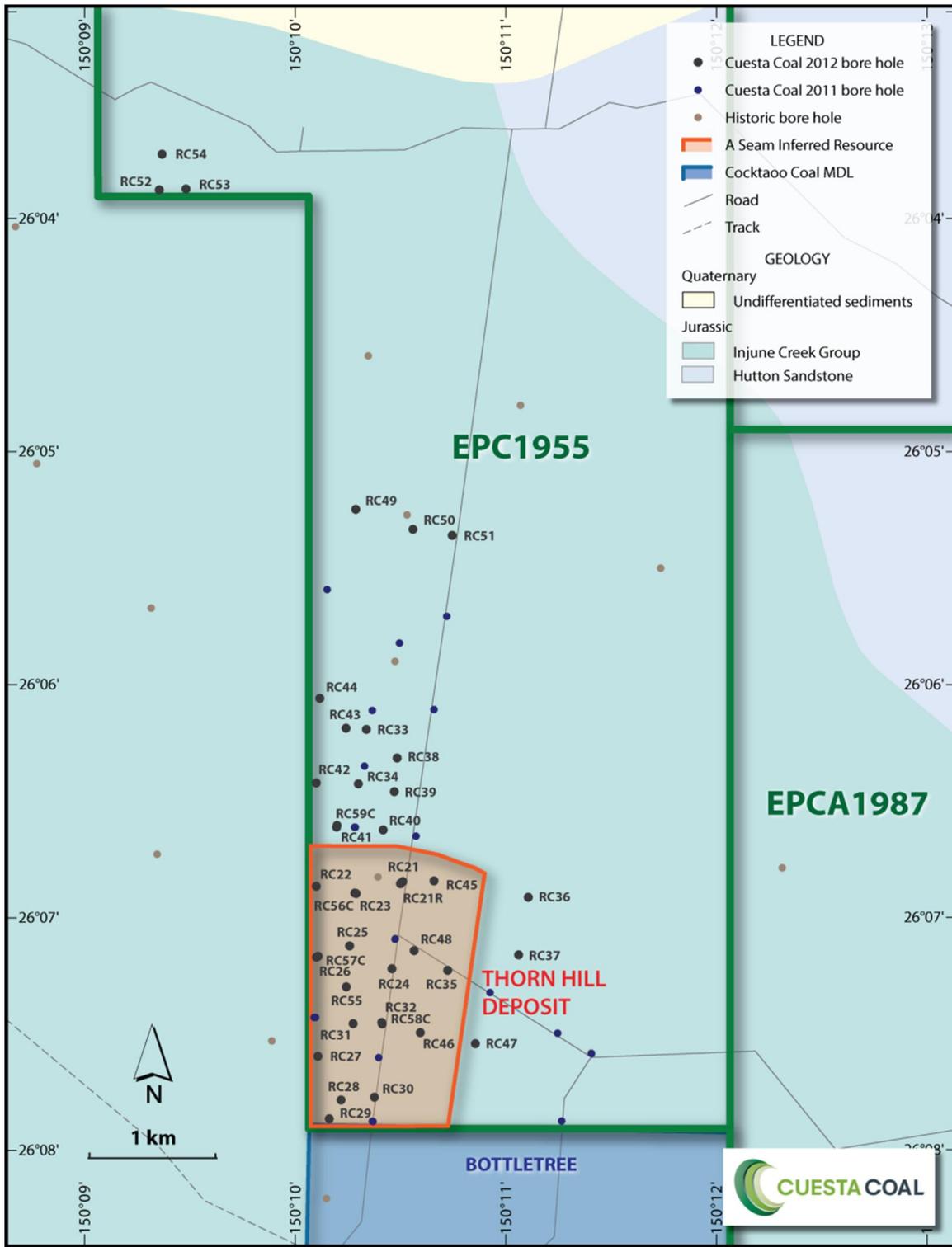


Figure 1: Seam A JORC Resource Area

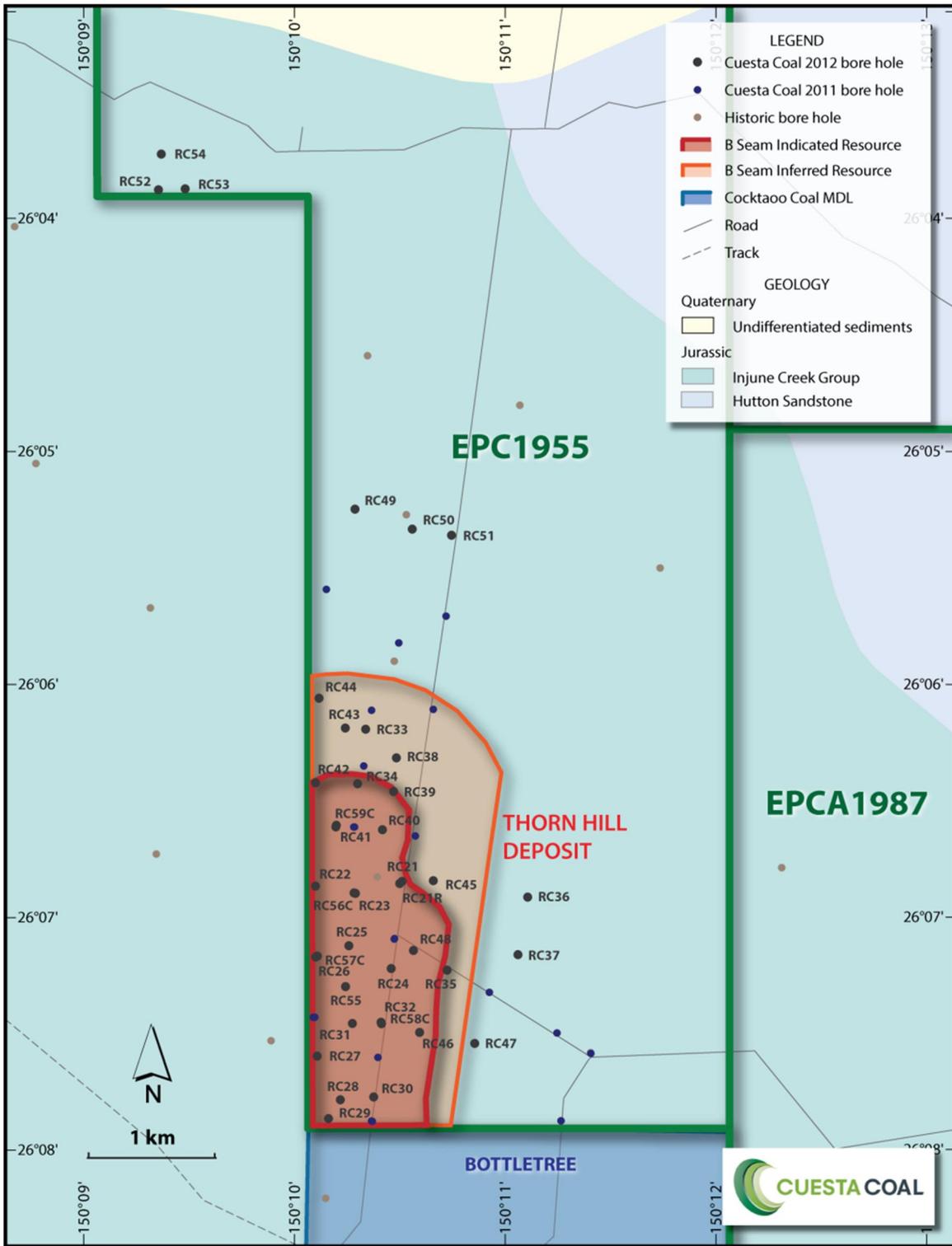


Figure 2: Seam B JORC Resource Area

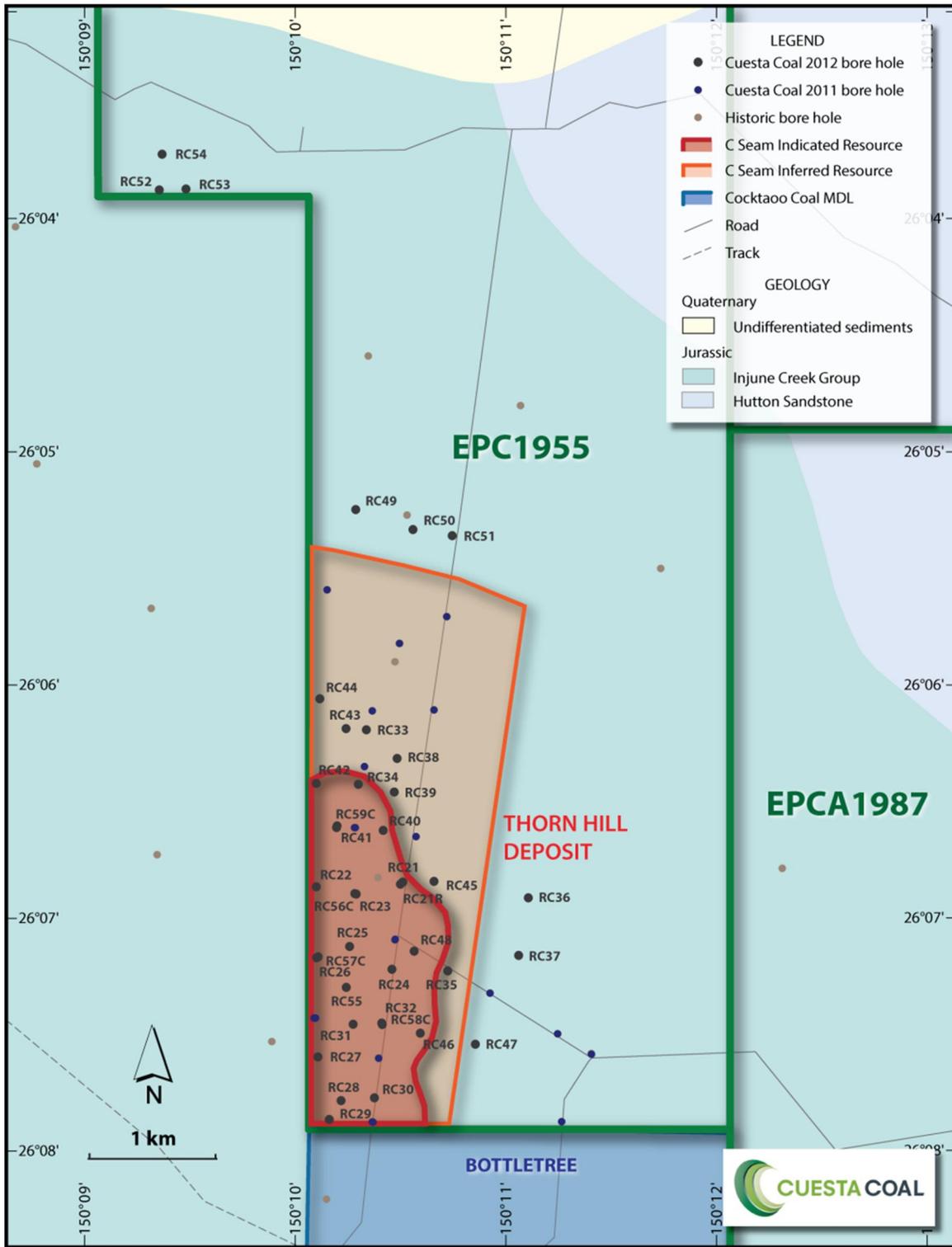


Figure 3: Seam C JORC Resource Area

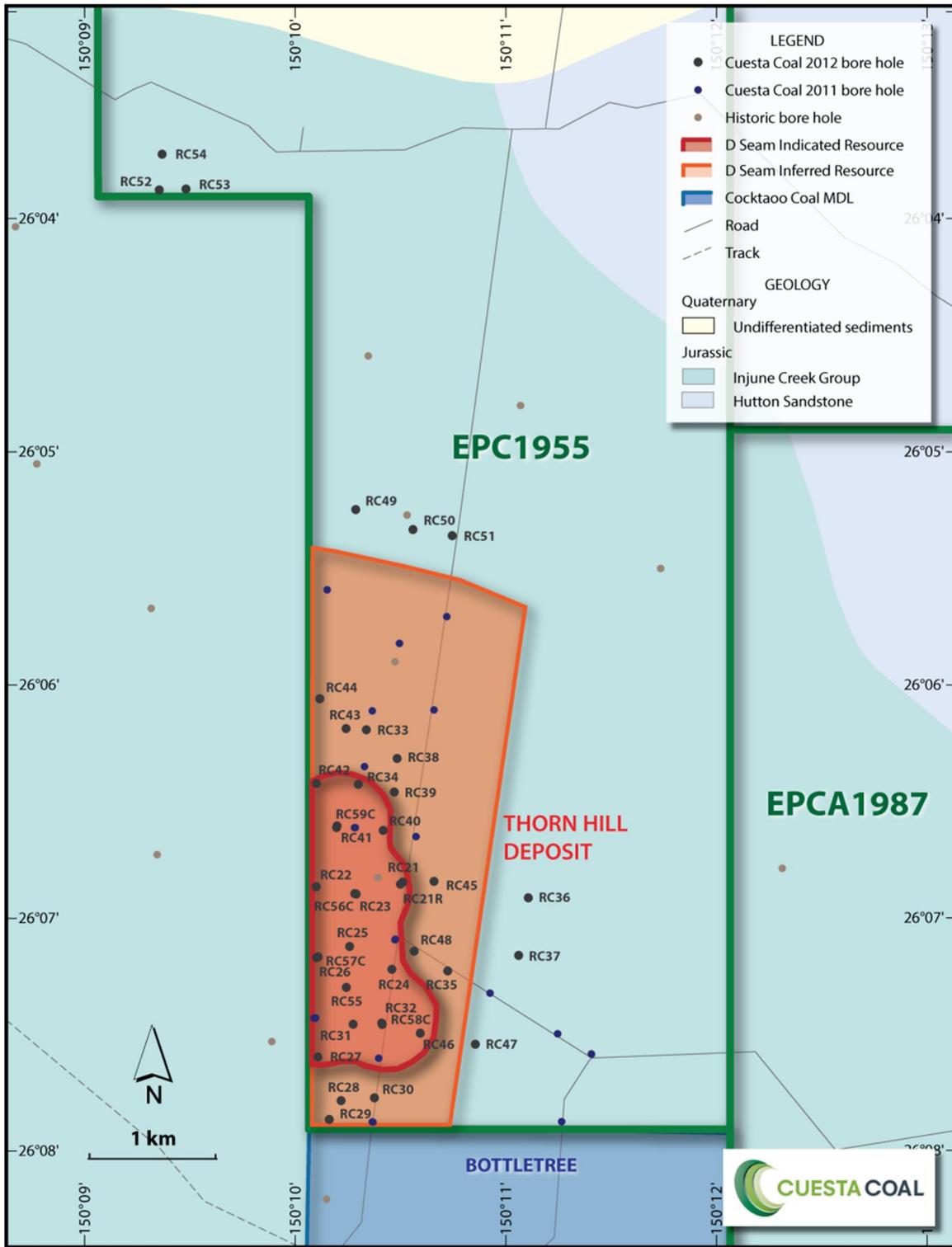


Figure 4: Seam D JORC Resource Area

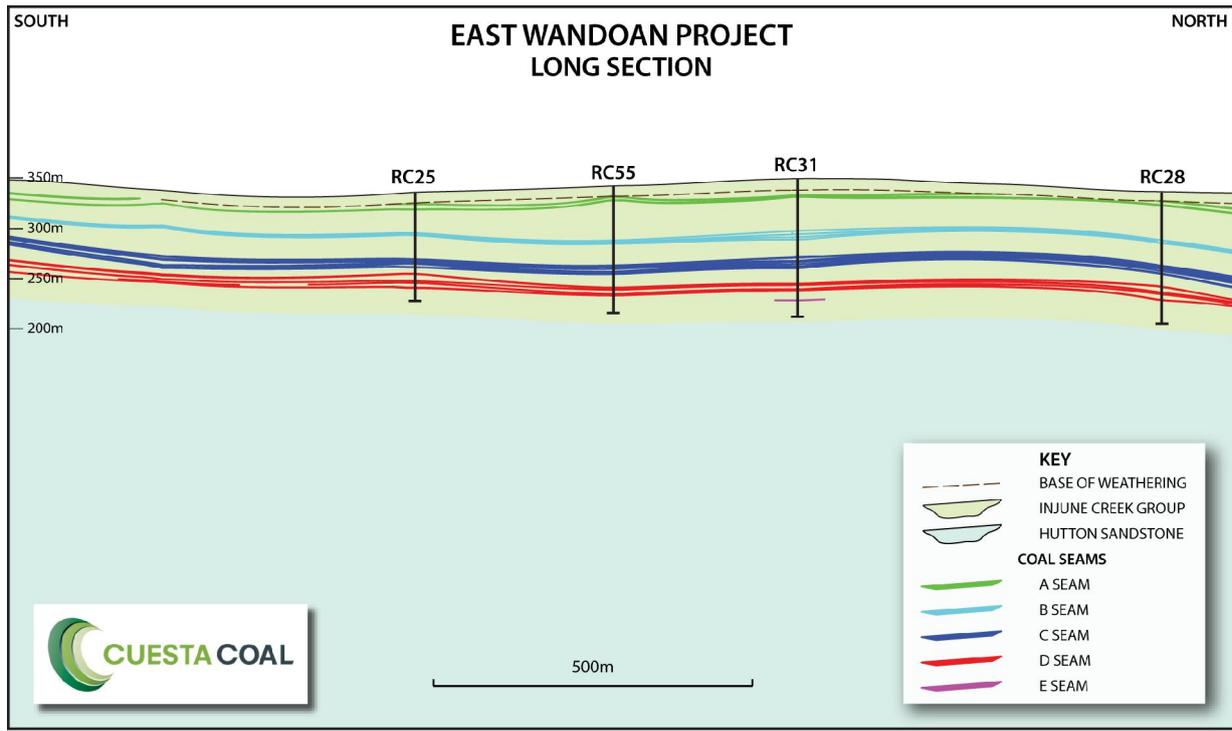


Figure 5: Thorn Hill Deposit typical long section

About Cuesta Coal

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

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

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

This announcement will also be released under Argonaut Resources NL (ASX: ARE). Argonaut is an ASX listed mineral and development Company with projects in South Australia, Queensland, Laos and Zambia. Argonaut is a significant investor in Cuesta Coal holds approximately 16.7 million shares (of which 13.9 million are subject to 24 month escrow) and a further 26.6 million options (exercisable at 25c, expiring 31 December 2015, subject to 24 month escrow).

Competent Persons Statement

The information in this report/statement relates to the resources of EPC 1955 and is based on information reviewed by Lyndon Pass, who is a member of the Australasian Institute of Mining and Metallurgy. He is a full time employee of Encompass Mining Pty Ltd.

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

Sections of information contained in this report that relate to Exploration Results were compiled or supervised by Timothy Spencer, who is a Member of the Australasian Institute of Mining and Metallurgy and is employed full-time by Cuesta Coal Limited as Exploration Manager. Mr Spencer has sufficient experience which is relevant to the style of mineral deposits under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 edition of the "Australasian Code for Reporting of Mineral Resources and Ore Reserves". Mr Spencer consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

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