

25 September 2012

## ROCKWOOD PROJECT UPDATE

### 1. Highlights

- ✓ Endocoal recently attended the *5<sup>th</sup> Coaltrans World Anthracite, Coke, Coking Coal and PCI Summit*;
- ✓ Key finding was attractiveness of high carbon, high energy, low volatile anthracite, especially as steelmakers seek to lower input costs;
- ✓ Rockwood coal specifications appear likely to be attractive to end-users;
- ✓ Endocoal now focussing Rockwood Project activities on:
  - confirming product specifications and value-in-use applications; and
  - commencing preliminary mine planning studies.

### 2. Understanding the World Anthracite Product Market

Endocoal Limited (ASX: **EOC**) advises that the Chief Executive Officer (CEO), Tim Hedley, recently attended the *5<sup>th</sup> Coaltrans World Anthracite, Coke, Coking Coal and PCI Summit*, in Hong Kong.

Initial coal laboratory analyses completed on Rockwood core samples, from drilling in 2011 and 1H 2012, indicates that coal in this deposit is of a high carbon, high energy and low volatile anthracite type.

The primary purpose for attending the Hong Kong conference was for EOC to begin to engage with and better understand the world anthracite industry; the market dynamics in place; as well as both near-term and longer-term supply and demand situations. Gaining product knowledge and industry intelligence in this particular area of the coal market is essential as EOC moves forward with the Rockwood Project.

### 3. Rockwood Project Opportunities

Internationally, the main industrial uses of higher-grade anthracite comprise:

- Power stations (as the long-term fuel source in some locations);
- Ore sintering;
- Feed to processing industries (kilns, smelting, etc); and
- Pulverised coal injection (PCI).

In a paper prepared by Russian mine developer, Siberian Anthracite, it was reported that the world-wide anthracite market was expected to be approximately 649Mt in 2011, based on total production (Source: *Wood Mackenzie*). Of this, 73Mt (11%) is directed to the 'metallurgy' market, with a growing projected supply gap (based on output forecasts from current sources) of up to around 60Mtpa by 2016 as steelmakers and other end-users move to meet output demand, or otherwise seek to reduce raw material input costs (with growth in PCI demand anticipated).

It is within the PCI market, as well as in sintering applications, that EOC will target identifying a niche for the high carbon (>90% daf), high energy (~30MJ/kg ad), low volatile matter (~6.5% daf), washed coal product expected from Rockwood. These quality outcomes, based on initial assessment of whole-of-deposit average, were reported in an ASX Release on 16<sup>th</sup> November 2011.

As an outcome of the Hong Kong conference and building on the earlier preliminary resource overview of Rockwood coal quality (undertaken in 2H 2011), it is considered that, subject to findings from further technical and marketing studies, Rockwood product should find a place within the export PCI market. Continuing pressure on steelmakers to lower the cost of raw materials feed into blast furnaces is expected to promote further replacement of higher-cost coke by the application of PCI technology.

Elsewhere, Vietnam, currently a significant supplier of anthracite, has already announced plans to reduce exports as it holds coal back to support its own industrialisation program. This is also expected to open-up new export opportunities within the Asia-Pacific area to new anthracite producers.

The next stages of the Rockwood Project will set out to confirm this future market situation, identify how Rockwood anthracite coal can best be applied to the PCI market, as well as seek to determine other suitable value-in-use opportunities for product coal from Rockwood.

#### **4. Next Stages**

Project activities at Rockwood will now move to focus on confirming the key product specifications required to become a successful supplier into the PCI (coke replacement) market, as well as those properties needed to gain entry to the other established anthracite markets. This will involve further detailed coal technology and marketplace investigations to address:

- Coal preparation requirements and likely washed product available from selected seams;
- Anthracite coal chemistry and physical properties;
- Technical marketing requirements to identify product coal specifications;
- Strategic marketing opportunities across a range of end-user applications; and
- Potential value-in-use customers and the identification of likely competitors.

These staged and integrated studies will be planned and executed as EOC continues to develop the Rockwood Project. In parallel, initial assessment of coal seam configurations and structural geology will set out to determine locations potentially suitable for mining pits. This will assist in identifying the coal intersections likely to be mined and processed from within the initial deposit discovery area.

For further information, outlining the Rockwood exploration program and coal quality assessment outcomes to date, please visit 'Rockwood', in 'Projects', at EOC website: <http://www.endocoal.com.au>

#### **5. Commentary**

Commenting on the possible market opportunities for Rockwood anthracite-style coal, Endocoal's Chief Executive Officer, Tim Hedley said:

*"The 5<sup>th</sup> Coaltrans Hong Kong conference, with its focus on the worldwide production and consumption of anthracite, has provided Endocoal with a clear window through which to view market opportunities that may become available for product coal from the Rockwood Project.*

*Clearly, there will be continuing pressure on steelmakers world-wide to reduce the overall cost of feed into blast furnaces. Expansion of PCI consumption, including use of anthracite as part of an optimisation of metallurgical coal blends, is likely to remain a strong and ongoing trend. Our aim is to identify, for Rockwood's particular style of high carbon, high energy, low volatile anthracite coal, the best value-in-use applications within these shifting marketplace priorities.*

*With Rockwood, a next key stage will be establishing product coal specifications able to assist in identifying potential target markets. This task will take place in parallel with preliminary mine planning activities, about to commence, aimed at locating the most suitable initial mining sites."*

**For further information please contact:** Tim Hedley, Chief Executive Officer Tel: +61 417 771 198

## Competent Person's Statement:

In accordance with the Australian Securities Exchange requirements, the coal technical information relating to the Rockwood deposit contained in today's announcement titled "**Rockwood Project Update**" has been reviewed by Darren Walker, B.Sc. (Hons) in Geology employed by Endocoal Limited. Mr Walker is a member of the Australian Institute of Geoscientists and the Australasian Institute of Mining and Metallurgy and has sufficient experience which is 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 reporting of Exploration Results, Minerals Resources and Ore reserves*". Mr Walker consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.

## Competent Person's Statement:

In accordance with the Australian Securities Exchange requirements, the technical information relating to Rockwood coal contained in today's announcement titled "**Rockwood Project Update**" has been reviewed by David Hornsby, B.Eng (Metallurgy), M. Eng. Sc., Ph D, employed by Gallagher Consulting Services Pty Ltd. Dr Hornsby is a member of the Australasian Institute of Mining and Metallurgy and has sufficient experience which is 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 reporting of Exploration Results, Minerals Resources and Ore reserves*". Dr Hornsby consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.

## About Endocoal

Endocoal is an Australian public company focused on exploration of coal tenements and mine development in the Bowen Basin, Queensland's premier coal producing region. Endocoal currently holds JORC Marketable Reserves of 13Mt and total JORC Resources of 498Mt. The Company is proceeding to develop an export-quality thermal coal open cut mine at its flagship Orion Downs tenement, positioned close to existing infrastructure. Endocoal has several other tenements in the Bowen Basin region. These will be the subject of future exploration and drilling activities. Near-term priority will focus on Rockwood tenement with anthracite coal prospective for PCI coal; plus greenfield Talwood and Stockyard Creek Project tenements where scout drilling has commenced seeking coking coal. At both locations, coal seams have been intersected and are being evaluated. At Pretoria Hill an exploration program with joint venture partner Carabella Resources (CLR) is being planned. Elsewhere, tenement applications will target other locations identified as being potentially prospective for coal exploration.

## Endocoal Limited

ACN 132 183 281

ASX CODE: EOC

## Securities Information

Ordinary Fully Paid Shares: 186.929m

Unlisted Options: 20.45m

## Directors & Management

**Rod Austin**

Interim Chairman

**Phillip McCarthy**

Non-Executive Director

**Tim Hedley**

Chief Executive Officer

**Lex Hansen**

Non-Executive Director

**Gavin Solomon**

Non-Executive Director

**Fred Yu**

Non-Executive Director