

Quarter Highlights

- The Board recommend a cash offer from U&D Mining of A\$0.38 per share for 100% of Endocoal's share capital through a scheme of arrangement. The scheme is on track for completion in March 2013.
- Simultaneously with the Scheme, Endocoal enters into a 12 month loan facility with U&D Mining for A\$4 million.
- Renewal of Orion Downs (EPC1517) for further 5 years.
- Continuation of the drafting and reviewing of Environmental Management Plan (EMP) documentation for the Meteor Downs South Project Mining Lease Application.
- Commencement of mine planning investigations at Rockwood.
- Discovery of a coal seam outcrop within Mt Inglis (EPC 2253).
- Mapping and reconnaissance commenced at the Stockyard Creek, Cedars and Barfield tenements and desktop studies commenced on Carfax West and Thirty Mile Creek.
- Board Changes. The Interim Chairman retires and a new Chairman is appointed along with other director changes.

1. Scheme Update

At the commencement of the quarter, Endocoal, via its corporate advisor Macquarie Capital, continued its active dialogue with a number of parties in relation to potential merger and acquisition transactions culminating in exclusive negotiations with U&D Mining. On 29 October 2012, the Endocoal Board were pleased to announce that Endocoal had entered into a Scheme Implementation Agreement (SIA) with U&D Mining (Australia) Pty Ltd (U&D), under which U&D would acquire all of the ordinary shares in Endocoal by way of a Scheme of Arrangement (The Scheme), subject to shareholder and regulatory approval. Under the terms of the Scheme, Endocoal Shareholders will receive cash consideration of A\$0.38 per Endocoal Share, valuing Endocoal equity at approximately A\$71,000,000.

Simultaneously with the execution of the SIA, Endocoal entered into a 12 month Loan Facility Agreement (Loan)

with U&D to provide interim debt funding of A\$4,000,000. Funds from the Loan will be used to meet working capital requirements and continue to progress Endocoal towards receipt of a Mining Lease for the Meteor Downs South Project. During the quarter ended 31 December 2012, Endocoal drew down \$1,000,000 against that loan facility.

On 6 December 2012, Endocoal advised the market that it had received a letter from the Foreign Investment Review Board (FIRB) confirming that there were no objections to the acquisition of Endocoal by U&D, nor any objection to the provision of the A\$4,000,000 loan facility to Endocoal.

Further announcements relating to the Scheme were announced subsequent to the quarter ended 31 December 2012 and these are covered under Subsequent Events.

2. Exploration

During the quarter, activities centred on first principles exploration methodology, involving ground based geological mapping and sampling, desktop studies and research activities, as well as planning for future resource delineation and scout drilling programs.

2.1 Orion Downs Exploration

As advised on 29 August 2012, Endocoal announced the completion of all significant site field activities required for the Meteor Downs South (MDS) Environmental Management Plan (EMP). Throughout this quarter, Endocoal continued to work closely with its consultants and stakeholders involved in completing the drafting and reviewing of the EMP documentation.

Once drafted, the EMP will be lodged with the Department of Environment and Heritage Protection (DEHP) for its review and assessment as Endocoal seeks the granting of the environmental approval for MDS. The EMP component is a key stage to be met for the successful granting of a mining lease for MDS.

Along with the successful completion of the parallel processes involving preparation of a Cultural Heritage Management Plan and relevant landowner Compensation Agreements for the MDS mining lease area, Endocoal remains hopeful that the MDS mining lease will be granted at MDS in 2013. This will allow for the commencement of site operations at MDS with the target remaining of commencement of coal mining in 4Q 2013 as planned, subject to the approval processes and market conditions.

Endocoal was pleased to announce during the quarter that the Orion Downs (EPC 1517) tenement was renewed for a further 5 year period with no relinquishment of any part of EPC1517 required as part of the renewal. This recognises the significant effort and expenditure that Endocoal has applied to exploration and development programs to date.



Field exploration work during the quarter focussed on the south western corner of Orion Downs and the adjacent Overlander (EPC 2025) tenement involving research, data gathering and field geological mapping. The intent of the field work was to characterise and map the geological stratigraphy in the respective tenements, targeting in particular the discovery of outcrops and near surface coal within the Bandanna Formation and other coal bearing formations.

Work so far has seen Endocoal's exploration team undertaking:

- Field mapping and rock sampling;
- Photography of the geological and physical landscape;
- Identification of areas of likely significant interest for next-stage exploration work; and
- Confirming site access and other logistics needs should a drilling program later be warranted.

The overall aim of the fieldwork is to further develop and refine target areas for any future drilling activities. Based on outcomes from these initial ground based geological mapping exercises further exploration plans will be developed for these areas.

2.2 Rockwood Project

On the 9th October the Company announced the commencement of mining investigations on the Rockwood Project with the appointment of an experienced multi-seam mine planner. The aim of this appointment was to undertake preliminary mining investigations to identify suitable locations for initial mining pits based on the geological knowledge and interpretations to date.

Mining investigation studies have progressed during the quarter, addressing the particular physical characteristics of the resource, being:

- Location on the eastern extremity of the Bowen Basin, in previously under-explored ground;
 - Targeting the initial discovery area with the closest spaced drilling and best defined resources;
 - Containing Moranbah Coal Measures, with the coal being of a high rank anthracite type;
- Existing within a major anticline structure, resulting in structurally altered strata present;
- Intersected by north-west/south-east trending faults delineating potential mining zones;
 - Topography suitable for the location of initial potential mining sites above low lying areas; and
 - Comprising a multi-structured deposit with seams of interest ranging in thickness from >30cm thick to approximately 4.0m thick.

Research and planning in relation to future activities on the Rockwood Project also progressed during the quarter, with the Company continuing to focus on:

- Identifying and prioritising potential mining locations;
- Planning for in-fill drilling to confirm seam structure and quality;
- Planning to upgrade JORC Resource status from 'Indicated' and 'Inferred' to 'Measured';

- Research and project work to further characterise the Rockwood Anthracite in terms of grade and quality; and
- Confirming likely product coal specifications and value-in-use applications for output from the potential mining locations identified.

2.3 Mt Inglis Exploration

The Company announced the discovery of a coal seam outcrop within Mt Inglis (EPC 2253) in December 2012, as a result of ground based geological mapping completed by the EndoCoal exploration team. The geological mapping forms part of a broader work plan in the area which has the intent of identifying potential areas for future exploration efforts.

To date initial investigation at the outcrop site has involved hand-tool excavation only to clear deposited material in order to expose the coal section, which is approximately 1 m in thickness. The outcropping seam is within the geological strata designated as the Aldebaran Sandstone, on the western side of the Springsure Anticline structure. The Aldebaran Sandstone lies beneath the coal bearing Bandanna Formation, lower in the geological sequence.

Planning is progressing for the implementation of a more extensive geological reconnaissance across Mt Inglis, the Overlander and the southern portion of the Orion Downs tenements. The initial task at Mt Inglis will be to track and map the outcrop north and south of the initial discovery site, as well as to check for other seam outcrops in the area. Subject to outcomes achieved, consideration may then be given to establishing a scout drilling program in this area.

Current Mining Tenure

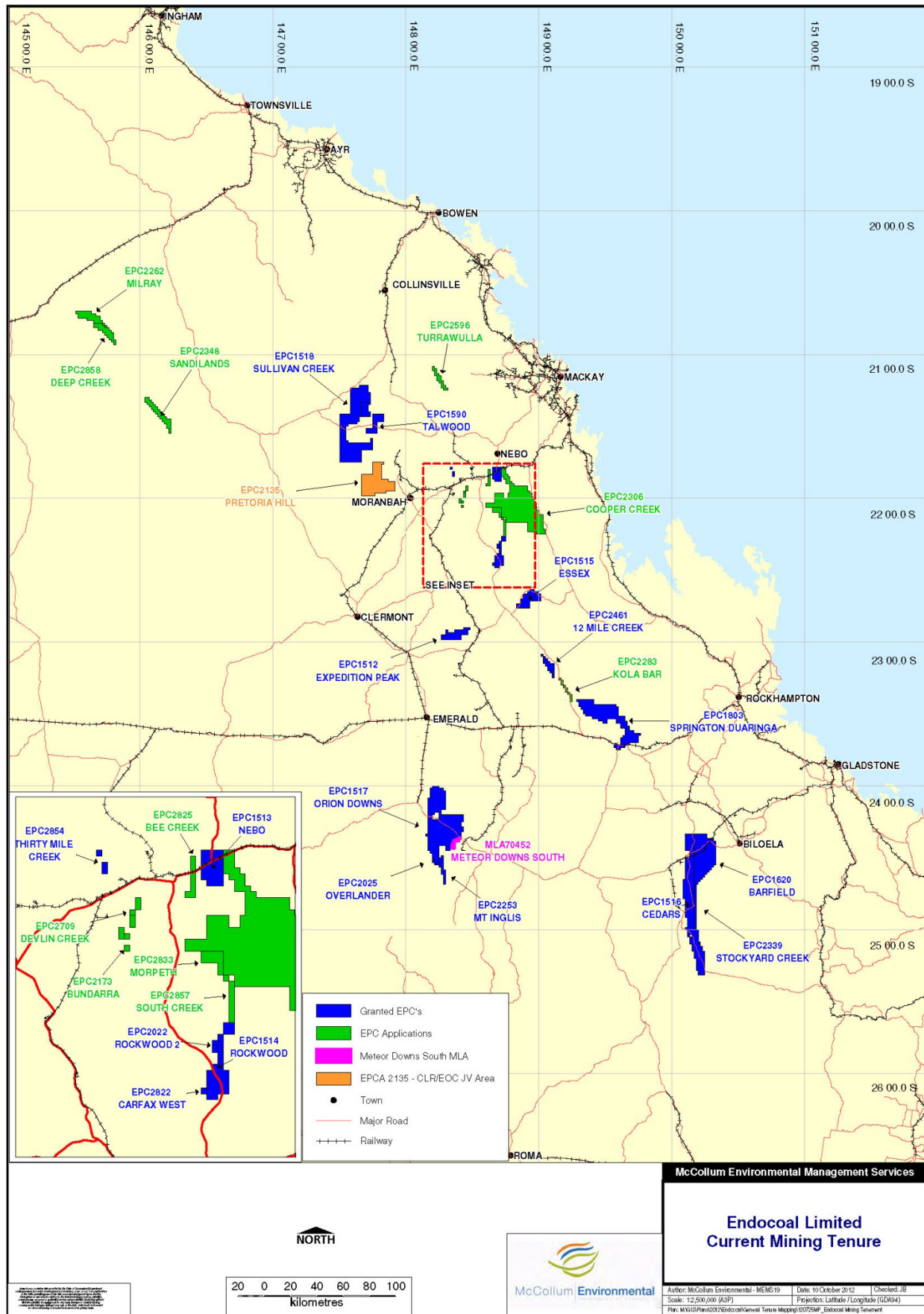


Figure 1: Endocoal's Current Mining Tenure.

2.4 Stockyard Creek/ Cedars/ Barfield

Implementation of a ground geological mapping program and reconnaissance has also begun at the Stockyard Creek/ Cedars/ Barfield tenements. The aim of the field work program is to identify similar geological features and rock units, noted within the initial discovery at Stockyard Creek, within the greater area of the Cedars and Barfield tenements. The outcomes of this geological mapping and field work program will enable identification and refinement of exploration targets for further work and possible scout drilling activities.

In excess of 100km of the sedimentary basin/ volcanic contact zone is available for future exploration within the combined Cedars/ Barfield/ Stockyard Creek tenement area. This is the geological environment that hosts the initial coal discovery at Stockyard Creek.

Planning has also progressed on the development of a resource definition drilling program within the Stockyard Creek Project area.

2.5 Newly Granted Tenure

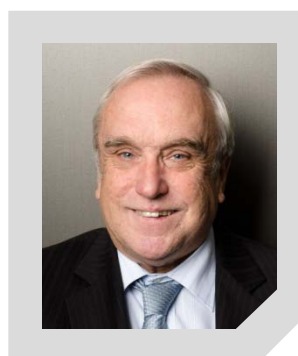
Desktop studies, data gathering and further research on Endocoal's other recently granted tenure at Carfax West (EPC2822) and Thirty Mile Creek (EPC 2854) also progressed during the period. Planning for initial site visits to complete initial geological reconnaissance and access assessment for these tenures commenced during the quarter.

3. Corporate Matters

On 25 October 2012, Endocoal advised that Mr Tim Hedley had been appointed as Managing Director. Mr Hedley had been the Company's Chief Executive Officer (CEO) since April 2011. Mr Hedley's new title is Managing Director & CEO.

At the same time the Company announced that Mr Fred Yu had resigned as a Director and that the Interim Chairman Mr Rodney Austin would retire at the conclusion of the Company's Annual General Meeting (AGM) on 30 November 2012.

At the AGM, Directors Phil McCarthy and Lex Hansen, both retiring by rotation were re-elected. Also at the AGM, Mr Ray Miller was appointed as a Director of Endocoal. Mr Miller has extensive, diverse, international and domestic experience in coal, mining and minerals.



The Company also obtained approval for an additional 10% Placement Capacity under Listing Rule 7.1A at the AGM.

After the Company's AGM the Board elected Mr Phillip McCarthy as Chairman. Mr McCarthy (picture above) has the relevant mining project experience and sound corporate governance credentials to create shareholder value.

4. Significant events subsequent to the Quarter

On 21 January 2013, the Company announced that it had received executed cancellation deeds from all holders of outstanding Endocoal options and share rights, thereby satisfying a condition precedent to completion of the Scheme.

On 25 January 2013, the Court approved the holding of a Scheme Meeting to consider and vote on the implementation of the proposed Scheme. The Scheme Meeting is to be held at 11:00 am AEDT on Thursday 28 February 2013 at Gilbert + Tobin's offices in Sydney. The notice of Scheme Meeting and the Scheme Booklet were sent to Shareholders on 30 January 2013.

Copies of the notice of meeting and Scheme Booklet are available from the ASX and from the Company's website www.endocoal.com.au.

Endocoal and U&D continue to work collaboratively to ensure the remaining conditions set out in the SIA are satisfied in a timely manner.



U&D is in the process of obtaining relevant Chinese approvals necessary to complete the transaction, and both parties remain confident that the transaction is on track for completion in March 2013. Endocoal will provide further updates on progress of the transaction as necessary.

Competent Person's Statement

In accordance with the Australian Securities Exchange requirements, the technical information contained in today's announcement titled **"Quarterly Explorer – 31 December 2012" (Quarterly Activities and Cash Flow Report)** 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.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

Endocoal Limited

ACN

132 183 281

Quarter ended ("current quarter")

31 December 2012

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (6 months) \$A'000
1.1	Receipts from product sales and related debtors	0	0
1.2	Payments for (a) exploration & evaluation	(841)	(3,764)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(1,242)	(2,220)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	14	60
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other- gst	27	277
Net Operating Cash Flows		(2,043)	(5,648)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	(10)
1.9	Proceeds from sale of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	-	-
Net investing cash flows		(10)	(10)
1.13	Total operating and investing cash flows (carried forward)	(2,043)	(5,658)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

	Current quarter \$A'000	Year to date (6 months) \$A'000
1.13 Total operating and investing cash flows (brought forward)	(2,043)	(5,658)
Cash flows related to financing activities		
1.14 Proceeds from issues of shares, options, etc.	-	-
1.15 Proceeds from sale of forfeited shares	-	-
1.16 Proceeds from borrowings	1,000	1,000
1.17 Repayment of borrowings	-	-
1.18 Dividends paid	-	-
1.19 Other-Share issue costs	-	-
Net financing cash flows	1,000	1,000
Net (increase) /decrease in cash held	(1,043)	(4,658)
1.20 Cash at beginning of quarter/year to date	2,185	5,800
1.21 Exchange rate adjustments to item 1.20	-	-
1.22 Cash at end of quarter	1,142	1,142

Payments to directors of the entity and associates of the directors

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

	Current quarter \$A'000
1.23 Aggregate amount of payments to the parties included in item 1.2	127
1.24 Aggregate amount of loans to the parties included in item 1.10	Nil
1.25 Explanation necessary for an understanding of the transactions	

Non-cash financing and investing activities

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

Not applicable

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

Not applicable

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	4,000	1,000
3.2 Credit standby arrangements	-	-

The company formally entered into a 12 month loan facility agreement with U&D Mining Industry (Australia) Pty Ltd on 26 October 2012, to provide interim debt funding of \$4,000,000. The loan agreement was executed simultaneously with a Scheme Implementation Agreement (SIA). Further information about the SIA is available on the company website. www.endocoal.com.au.

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	562
4.2 Development	-
4.3 Production	-
4.4 Administration	1,451
Total	2,013

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter \$A'000	Previous quarter \$A'000
5.1	Cash on hand and at bank	827	1,370
5.2	Deposits at call	315	815
5.3	Bank overdraft	-	-
5.4	Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)		1,142	2,185

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	NIL	N/A	N/A
6.2	Interests in mining tenements acquired or increased			

+ See chapter 19 for defined terms.

Issued and quoted securities at end of current quarter

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

		Total number	Number quoted	Issue price per security (cents)	Amount paid up per security (cents)
7.1	Preference *securities <i>(description)</i>	NIL	NIL	-	Fully Paid
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	*Ordinary securities	186,929,401	186,929,401	Various	Fully paid
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	NIL	NIL	NIL	NIL
7.5	*Convertible debt securities <i>(description)</i>	N/A	N/A	N/A	N/A
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	N/A	N/A	N/A	N/A
7.7	Options <i>(description and conversion factor)</i>	20,450,000	-	<i>Exercise price</i> Various	<i>Expiry date</i> Various between 2012 and 2015.
7.8	Issued during quarter	-	-	-	-
7.9	Exercised during quarter	-	-	-	-
7.10	Expired during quarter	-	-	-	-
7.11	Debentures <i>(totals only)</i>	-	-		
7.12	Unsecured notes <i>(totals only)</i>	-	-		

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed. The numbers provided are unaudited numbers as the annual financial report is yet to be finalised.

Sign here:  _____
(CFO & Company Secretary)

Date: 30 January 2013

Print name: Peter Edwards

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 Issued and quoted securities: The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 Accounting Standards ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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Corporate Directory

Endocoal Limited

ACN: 132 183 281

ASX: EOC

Corporate Directory

Mr Phillip McCarthy

Non-executive Chairman

Mr Tim Hedley

CEO & Managing Director

Mr Gavin Solomon

Non-executive Director

Mr Lex Hansen

Non-executive Director

Mr Ray Miller

Non-executive Director

Mr Darren Walker

Exploration Manager

Mr Peter Edwards

Chief Financial Officer
Company Secretary

Registered Office

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Web : www.boardroomlimited.com.au

Auditors

PricewaterhouseCoopers Chartered Accountants

Bankers

ANZ Bank

Solicitors

Gilbert + Tobin

Norton Rose

Clayton Utz



QUARTERLY **EX**PLORER

www.endocoal.com.au