

Quarter Ending 31 December 2011

QUARTER HIGHLIGHTS

- Increased JORC Resources to 348.5Mt;
- Rockwood JORC Resource increased to 312.5Mt, with 44.5Mt at Indicated status;
- Rockwood coal quality study identifies potential PCI anthracite coal product;
- Meteor Downs South project evaluation has focused on mine planning and scheduling, mine site access and infrastructure and rail and port logistics;
- Exploration drilling completed at Inderi;
- Initial drilling at Essex tenement intersects coal seams; and
- Six new exploration tenement areas applied for in the Bowen Basin region.

1. EXPLORATION ACTIVITIES

During the December 2011 quarter, the Company increased the overall level of JORC Resources to 348.5Mt.

1.1 ROCKWOOD EXPLORATION OPERATIONS

During the December 2011 quarter, 15 drill holes were completed. These included 8 core holes (1,678m) and 7 open holes (715m) for total drilling of 2,393m. Up to four drilling rigs were operational on the Rockwood site during finalisation of the infill drilling leading to the upgraded Rockwood JORC Resource announced in late October 2011.

On 31 October 2011, Endocoal announced a >500% increase in the total Rockwood JORC Resource from 51.6Mt to 312.5Mt. This was based on the drilling program completed as at 21 October 2011. This update included 44.5Mt of Indicated Resource, up from the previous estimate of 18.6Mt. This lifted the total resources for the Company to 348.5 Mt, comprising the Orion Downs and Rockwood Projects combined.

Increased drilling during 2011 has improved Endocoal's understanding of the Rockwood coal seam stratigraphy. It has also proved the seam stratigraphy lateral consistency to the east and south of the original northern Rockwood project area. This result coupled with geophysical and geological interpretations during the quarter prompted Endocoal to revise the Rockwood Exploration Target to 400 Mt to 900 Mt as announced on 18 November 2011.

A decision was taken by the Company to wind down field activities during November 2011 in preparation for the expected 2011/12 wet season period. By the end of the December 2011 quarter, field activities had ceased at the Rockwood Project and all ground disturbances from exploration activities had been rehabilitated.

1.2 ROCKWOOD COAL QUALITY ANALYSIS

PCI coal quality was confirmed at Rockwood in an announcement dated 16 November 2011. This followed a study conducted by Gallagher Consulting, with input from ALS. Outcomes from these studies confirmed that Rockwood coal is likely to be suitable for the PCI market. The high rank, high carbon, high energy coal at Rockwood is expected to be classed as anthracite.

Information sourced during the December 2011 quarter indicates that internationally, the supply of anthracite from traditional sources is being limited by increasing domestic demand (e.g. in Vietnam), whilst in other cases, some producers may be having difficulty meeting quality requirements. It also

appears that some producers may have been affected by higher freight costs in accessing growing Asian markets.

Endocoal anticipates the low volatile Rockwood PCI product may have a higher calculated coke replacement ratio than that for high volatile PCI coals. This, along with the broader market considerations above, suggests that opportunities may exist for the development of the Rockwood coal deposit to provide PCI product coal.

1.3 ORION DOWNS EXPLORATION ACTIVITIES

Field exploration work at the Orion Downs project consisted of cleaning out remaining drill holes for geophysical logging as well as the final drilling and rehabilitation activities for 2011.

One drilling rig was operational during the December 2011 Quarter with the majority of the activity at the Inderi Project being a total of 665m drilled in 3 open holes.

All ground disturbances on the Meteor Downs South Project were fully rehabilitated during the quarter. All drill holes that did not intersect coal at the Inderi Project were also fully rehabilitated.

1.4 ESSEX EXPLORATION ACTIVITIES

One drill hole was completed at the Essex Project during the quarter as part of a scout drilling program planned for the area. The drill hole, along a road corridor, was completed to a depth of 320m and intersected several coal seams.

Analysis of geophysical logs for the completed drill hole suggests that the coal seams intersected are similar in nature to the seam stratigraphy identified at the Rockwood Project. The drill hole was fully rehabilitated after drilling.

1.5 SEISMIC SURVEY PROGRAM

The results of the seismic survey programs completed at the Rockwood and Springton Projects were received in November 2011. These are currently being analysed by the exploration team. These results, in conjunction with existing geological data and interpretations, will be used to develop the exploration plan for the 2012 drilling programs.

1.6 DESKTOP STUDIES AND PROJECT REVIEWS

Project reviews were completed during December 2011 on all Endocoal granted tenements. Desktop studies were also completed for all of Endocoal's granted tenements with the aim of revisiting the current geological thinking on these tenements using new information gained during 2011. The results are being utilised to assist exploration planning for the 2012 field season.

1.7 NEW PROJECTS

As part of ensuring that Endocoal has a continual pipeline of projects in the future the Company applied for 6 new tenements during the quarter. All tenements applied for are in the Bowen Basin and have been identified by Endocoal as being prospective for coal resources.

1.8 RA 384 RESTRICTION LIMITS

In August 2011, the Queensland Government announced a temporary halt on exploration within 2km of towns with a population greater than 1,000 persons. Restricted Area 384 was declared to include south east Queensland and applies to exploration for all commodities.

It is anticipated that there will be minimal impact on Endocoal's tenements from the impact of RA 384. Endocoal has not yet received notification to indicate that any of its tenements are impacted by this decision.

2. MINE DEVELOPMENT ACTIVITIES

2.1 METEOR DOWNS SOUTH PROJECT EVALUATION

Activities at Meteor Downs South (MDS) during the December 2011 quarter focussed on the MDS Project Evaluation and determining requirements for the near-term development of an open cut mine to produce a minimum 1.5 million tonnes per annum of direct-ship thermal coal. Three main areas of assessment and evaluation have been involved comprising:

- i. Mine design, operations planning and scheduling;
- ii. Mine-site access and infrastructure; and
- iii. The provision of logistics involved in gaining access to off-site rail and port capacity.

Mining-related studies involved the finalisation of geological modelling for the MDS deposit and the evaluation of coal quality and properties as a precursor to the assessment of cost-effective means of developing an open cut mine. Mining plans have been developed based on the mining contractor model, utilising truck and excavator methods.

The provision of safe and efficient access to the MDS area, along with the location and design of mine-site infrastructure has also been undertaken during the December 2011 quarter. This has included the design and costing of a suitable mine infrastructure area (MIA) with equipment maintenance, workforce amenities, offices and other essential facilities to support the mining operations (e.g. magazine for blasting materials, fuel storage, plus other ancillary items). This work has also included the provision of a run-of-mine (ROM) dump station and coal sizing facility, along with an adjacent crushed coal stockpiling area from which road haulage trucks can be loaded for product coal despatch. The design of a rail loop connecting to the Bauhinia line, along with train-loading facilities was also included in project design work undertaken.

Discussions have continued relating to the securing of access to rail and port capacity to support the shipping of export coal through port facilities at Gladstone, as well as other new ports that are being planned for elsewhere on the Central Queensland coast. This remains work in progress, involving third-party processes and negotiations with rail and port providers and other involved parties.

The outcomes from the above mining, infrastructure and logistics investigations, aimed at establishing the best arrangements for the development of a mine at MDS, are being consolidated into the 'Meteor Downs South Project Evaluation'.

In parallel with the above activities, other tasks have been underway to progress preparation of the Environmental Management Plan (EMP) for Meteor Downs South. This will require completion and approval prior to the granting of the Mining Lease for MDS. During the period, various environmental baseline studies have commenced, with other planning and identification of further technical resources for deployment in 2012 to complete the overall suite of environmental studies involved.

2.2 ACCESS TO NORTHERN BOWEN BASIN PORTS

The Company has continued to monitor progress with these potential port developments. During the period each proponent at Dudgeon Point and Abbot Point has been updated with details of the upgraded JORC Resource outcomes for the Rockwood project area, confirming Endocoal's continuing interest in securing access to export port capacity in this region to support development of an export mine based on a PCI product coal.

3. CORPORATE MATTERS

During the course of the December 2011 quarter, the Company held its fourth Annual General Meeting on 18 November 2011 with three resolutions being put to shareholders for a vote. The Notice of Meeting was sent out to shareholders on 19 September, well in advance of the meeting in accordance with the requirements of the Corporations Act.

The Board was pleased to report immediately following the meeting that all three resolutions had passed with the Company welcoming the re-election of Mr Gavin Solomon to the Board pursuant to

the ASX's policy, and the Company's Constitutional requirements, relating to the rotation of directors. Mr Solomon has been a director of the Company since its incorporation in July 2008.

Mr Frederick Yu, who was appointed to the Board in June 2011 to fill a casual vacancy, was also re-elected. Mr Yu is a director of Hidili Asset Management, who has been a substantial shareholder in the Company since the IPO in April 2010.

The remuneration report was also adopted by shareholders with an overwhelming 84.9% of votes cast in favour of the report.

On 8 December, the Company announced to the ASX that it had received unsolicited approaches from a number of interested parties regarding potential corporate transactions at the asset and/or corporate level. As a result of this development, the Company appointed Grant Samuel Corporate Finance Pty Limited as its financial advisor to review and manage all such potential transactions and to assist in the establishment of a data room for this purpose.

Endocoal reiterates that any such approaches received so far have been preliminary and incomplete, and it is highly uncertain whether they will lead to any proposal for consideration by the Company's directors and shareholders.

The Company takes this opportunity to once again reiterate its statement to the market on 8 December that the Board *"...remains committed to maximising shareholder value from the Company's current suite of projects and tenements..."*

The effect of the unsolicited approaches meant that ASX Listing Rule 7.9 was invoked which provides that companies may not issue securities without shareholder approval for a period of 3 months after being notified in writing that a party is making, or proposes to make, a takeover bid.

The Company indicated to the market that it would require funds during the first half of the 2012 calendar year in order *"...to continue planning for the Meteor Downs South open-cut thermal coal project, for further drilling at the Rockwood PCI project, as well as to commence exploration at other Bowen Basin tenements."*

Accordingly, the Company lodged a Notice of Extraordinary General meeting on 8 December seeking shareholder approval for the issue of up to 30,000,000 securities to enable the Company to undertake a capital raising thereafter to secure funding to achieve its stated objectives.

SIGNIFICANT EVENTS SUBSEQUENT TO THE QUARTER:

The issue of the 30,000,000 securities was approved by shareholders on 9 January 2012.

On 23 January 2012, the Company announced that it had successfully raised a total of \$12,000,000 before costs by the issue of 30,000,000 new ordinary shares at a price of \$0.40 per share. It is expected that the capital raising will be completed on 3 February 2012. Following completion of the Placement, the Company will have a total of 186,929,401 ordinary shares on issue.

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

About Endocoal

Endocoal is an Australian public company focused on the exploration and development of coal tenements in the Bowen Basin, Queensland's premier coal producing region. Tenements include Orion Downs, with a Mining Lease Application lodged April 2011 for the Meteor Downs South Project and a Project Evaluation Study due for completion in 1st quarter 2012 which is prospective for Thermal Coal; at the Rockwood tenement the Company recently announced 312.5Mt JORC Resource. Coal quality testing confirms PCI Coal Deposits. Endocoal also has an additional nine tenements in the Bowen Basin region which will be subject to further drilling and exploration, with a priority to the Rockwood tenement.

Endocoal Limited

ACN 132 183 281

ASX CODE: EOC

Securities Information

Ordinary Fully Paid Shares: 156.9m

Unlisted Options: 19.65m

Converting Preference Shares: 7.0m

Directors & Management

Alan Broome AM

Non-Executive Chairman

Phillip McCarthy

Non-Executive Director

Tim Hedley

Chief Executive Officer

Lex Hansen

Non-Executive Director

Rod Austin

Non-Executive Director

Gavin Solomon

Non-Executive Director

Fred Yu

Non-Executive Director

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 2011

CONSOLIDATED STATEMENT OF CASH FLOWS

		Current quarter \$A'000	Year to date (6 months) \$A'000
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors	0	0
1.2	Payments for (a) exploration & evaluation (b) development (c) production (d) administration	(4,280) - - (1,140)	(12,305) - - (2,448)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	125	442
1.5	Interest and other costs of finance paid	(18)	(18)
1.6	Income taxes paid	-	-
1.7	Other- gst	(14)	(419)
Net Operating Cash Flows		(5,327)	(14,748)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets	(102) (28) (12)	(170) (41) (27)
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		(142)	(238)
1.13	Total operating and investing cash flows (carried forward)	(5,469)	(14,986)

1.13	Total operating and investing cash flows (brought forward)	(5,469)	(14,986)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	8,000
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	3,000
1.17	Repayment of borrowings	(1,000)	(3,000)
1.18	Dividends paid	-	-
1.19	Other-Share issue costs	(15)	(382)
	Net financing cash flows	(1,015)	7,618
	Net (increase) /decrease in cash held	(6,484)	(7,368)
1.20	Cash at beginning of quarter/year to date	10,718	11,602
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	4,234	4,234

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	63
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

The Company's principle activity for the quarter was exploration drilling on the Orion Downs and Rockwood tenements.

Other major activities involved the Meteor Downs South Project Evaluation and the commencement of baseline studies for the Meteor Downs South Environmental Management Plan.

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

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	-	-
3.2 Credit standby arrangements	-	-

ESTIMATED CASH OUTFLOWS FOR NEXT QUARTER *

	\$A'000
4.1 Exploration and evaluation	4,199
4.2 Development	-
4.3 Production	-
4.4 Administration	879
Total	5,078

* Weather in the tenement areas permitting.

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	3,549	3,578
5.2	Deposits at call	685	7,140
5.3	Bank overdraft	-	-
5.4	Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)		4,234	10,718

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	N/A	N/A	N/A
6.2	Interests in mining tenements acquired or increased	N/A	N/A	N/A

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>	7,000,000	NIL	.0002	Fully Paid
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	NIL	NIL	NIL	NIL
7.3	*Ordinary securities	156,929,401	112,102,735	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>	19,650,000	-	<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	250,000	-	\$0.40	18 November 2011
7.11	Debentures <i>(totals only)</i>	-	-		
7.12	Unsecured notes <i>(totals only)</i>	-	-		

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 half yearly review is yet to be finalised.

Sign here:  Date: 30 January 2012
(Chief Executive Officer)

Print name: Tim Hedley

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.