



NUCOAL
RESOURCES NL

Quarterly Report for the 3 months ended 31 December 2010

Highlights

ASX: NCR

SHARE INFORMATION

Issued Shares: 587.7m

BOARD OF DIRECTORS

Chairman: G. Galt

Managing Director: G. Lewis

Non-Exec: M. Davies

Non-Exec: A. Poole

Non-Exec: M. Chester

Non-Exec: J. Beecher

COMPANY SECRETARY

M. Etcell

PRINCIPAL CONTACT

Glen Lewis – Managing Director

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KEY PROJECT

DOYLES CREEK

Ownership: 100%

Location: Hunter Valley, NSW

Indicated resource: 12.9 mt

Inferred Resource: 484.8 mt

TOTAL Resources: 497.7mt

Resource Definition and Upgrade

- Substantial increase in interim JORC-compliant coal resource from 420.3 Mt to 497.7 Mt of premium quality semi soft coking coal and premium thermal coal;
- Upgrade of 12.9 Mt to Indicated Resource status;
- Increase in the exceptional quality Whynot seam to 85.3 Mt;
- Inclusion of the 5th seam, the West Borehole to the resource base adding 59.5 Mt. The Australasian Montrose seam should be included in the next statement after further quality data is obtained;
- Decrease in raw ash for the Whybrow, Redbank Creek and Woodlands Hill seams from the June mineral resource report;
- An increase of data points in the estimation from 20 to 28. The database now includes 11 of the recently completed 15 drill holes;

Development Concept Study Completed

- Draft underground mine plans prepared by Independent Consultants for five target seams, plans indicate high conversion ratio from resources to reserves, single seam and multi seam combinations possible, training mine layouts specifically incorporated into all scenarios evaluated;
- +30 year mine life anticipated for single seam scenarios;
- Base case single longwall scenario produces between 4.5 to 5 Mtpa of semi soft coking coal from the Whynot seam for at least the first ten years. At 100% yield, average forecast FOB cash cost during this period is estimated at A\$60 per tonne excluding royalties;
- Seven potential product transport corridors identified between the Project and existing rail heads;
- Total initial capital requirements estimated at approximately A\$500m utilising owner operated mining. For the first ten years, this estimate assumes only coal crushing and handling plant (as opposed to full coal washing plant) as production from the Whynot seam during this period should not need washing;
- Economic modelling indicates a financially robust project in excess of 20% IRR;
- Following consideration of the Concept studies, the NuCoal Board has approved the immediate commencement of Pre-feasibility studies.
- NuCoal planning to apply for PWCS port access in the July 2011 nominations
- Training mine Strategic Alliances progressed and training initiatives continued.

Resource Definition and Upgrade

1. Mineral Resources

The mineral resources for Doyles Creek EL7270 have been updated from the previous June 2010 resource statement. Total Resources have increased from 420.3 Mt (inferred resource) to 497.7 Mt (indicated and inferred Resource). The December 2010 resource estimate comprises 12.9 Mt of indicated resource and 484.8 Mt of inferred resource. The West Borehole seam has been added to the December 2010 resource estimate in addition to the four target seams reported in the June 2010 resource estimate. In addition, recent drilling has increased confidence in the inferred resources and continuity and quality data relating to the seams. Importantly, drilling results continue to confirm the exceptional quality of the Whynot seam which is expected to underpin the economics of the Doyles Creek Project.

2. Drilling Data Points

Additional drilling in the last six months has increased the total number of data points available to estimate resources from 20 to 28. A total of 11 boreholes from the current NuCoal drilling program at Doyles Creek have been included in the December 2010 resource estimate. Exploration drilling has focused in the north east and central part of the licence area. Fifteen drill holes have been completed to date out of the 25 hole phase 2 drilling program with three rigs currently operating.

3. Whynot seam

The resource estimate for the Whynot seam has increased from 74.7 Mt to 85.3 Mt. This comprises 5.1 Mt of indicated resource and 80.2 Mt of inferred resource. The increased resource is based on a geological reinterpretation using the additional drilling data. The southern area of the EL is now interpreted to contain a thicker seam section from the coalescence of the Whynot seam and the lower Whynot seam split. Additional drilling is required to better define the seam thickness which has the potential to marginally increase the overall Whynot resource. The Whynot seam has not been affected by any igneous intrusions and in situ ash is extremely low at 7%. It is considered that this seam can be mined and sold without washing as a premium semi soft coking coal or premium thermal coal product. It has a CSN of 4-7.5 and a CV of 7,300 to 7,850.

4. Whybrow seam

The Whybrow seam resource has increased slightly based on an area of thicker coal (5m thick) identified in the central area of the EL. An indicated resource of 7.8 Mt is reported for the first time, which combined with an inferred resource of 105.6 Mt, amounts to a total resource of 113.4 Mt. Approximately 30% of the Whybrow seam is expected to be semi soft coking coal with the balance thermal coal.

5. Woodlands Hill seam

The Woodlands Hill seam resource remains similar with an inferred resource of 140.8 Mt. Additional drilling has confirmed the known trends of this semi soft coking coal. The Woodlands Hill seam is the deepest mining target ranging in depth from 300m to 600m. This seam's working thickness deteriorates to the east of the EL and also to the west.

6. West Borehole seam

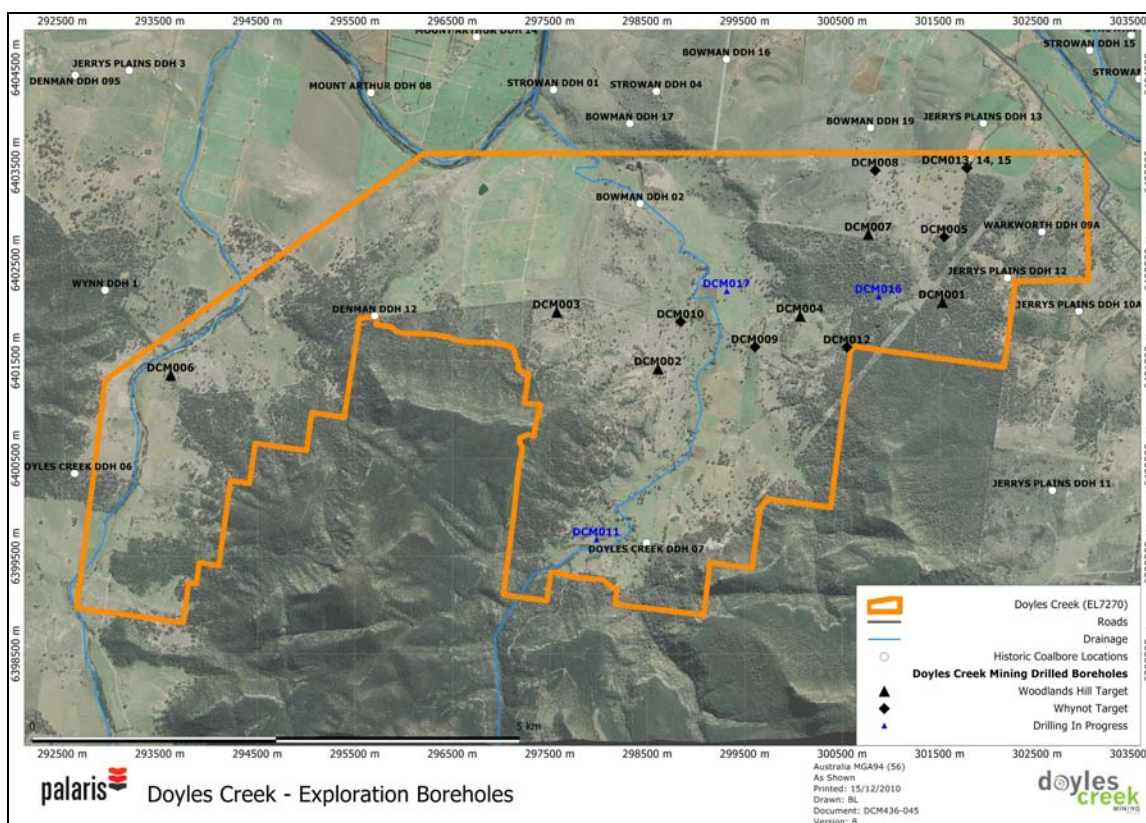
The West Borehole seam has been included in the resource estimate for the first time based on data provided by additional drilling within EL7270. The West Borehole seam is located at the base of the Newcastle Coal Measures and overlies the other target seams in EL7270 from the Whittingham Coal Measures. The seam has an inferred resource estimated at 59.5 Mt. The seam subcrops in the east of the EL area and is generally between two and three metres thick but thins in the west.

7. Redbank Creek seam

The Redbank Creek inferred resource of 98.7 Mt is similar to the June 2010 resource estimate. The Redbank Creek seam resource is located in the western part of the licence area. In the east, the seam is significantly intruded by igneous sills and has less than 20m separation from the overlying Whybrow seam. The close proximity beneath the Whybrow seam in this area is not considered to offer an economic mining option.

8. Australasian Montrose Seam

The Australasian Montrose seam should be included in the next resource statement after further quality data is obtained. This work is in progress.



Seam	Indicated Resources (Mt)	Ash % (ad)	Inferred Resources (Mt)	Ash % (ad)	Total Resources (Mt)
West Borehole			59.5	31.3	59.5
Whybrow	7.8	18.5	105.6	17.7	113.4
Redbank Creek			98.7	31.4	98.7
Whynot	5.1	6.8	80.2	8	85.3
Woodlands Hill			140.8	38	140.8
TOTAL	12.9		484.8		497.7

Table 1.1 EL7270, Doyles Creek Indicated and Inferred Resources



Diamond drill rig – hole DCM0010

Development Concept Study

The key objectives of the Study were to assess:

- ✚ Potential development and mine planning options for the Project;
- ✚ The financial robustness of the Project;
- ✚ Key project risks and determine whether any fatal flaws exist;
- ✚ Infrastructure and processing requirements and options;
- ✚ Environmental and community considerations;
- ✚ Training mine facility infrastructure and other requirements.

The Study was conducted by independent technical consultants Palaris Mining with the assistance of –

- ✚ Downer EDI Engineering - Coal Processing studies;
- ✚ Parsons Brinckerhoff - Surface Infrastructure;
- ✚ ACIRL- Coal quality analysis.

1. Target Seams for Mining

Five of the coal seams present on the Doyles Creek exploration tenement were targeted for mining. The following table outlines the key attributes of these seams:

Seam	Seam Thickness (m)	Depth of Cover (m)	Interburden (m)	Semi soft / thermal split
(Descending)	Average	Range	Range	
West Borehole	2.3	60 - 300	-	100% Thermal
Whybrow	3.3	150 - 400	95 - 120	30% SS, 70% Thermal
Redbank Creek	3.5	200 - 400	5 - 35	100% Thermal
Whynot	2.3	100 - 550	35 - 70	100% Premium SS
Woodlands Hill	3.4	250 - 700	120 - 150	100% Premium SS

Doyles Creek Coal Seams Summary

Mine Plans were prepared for portions of all five target seams with appropriate allowances being made for geology and other constraints. These plans are preliminary in nature in keeping with the scope of the Study and will be refined in Pre-Feasibility and Bankable Feasibility Studies. In developing all mine plans, sufficient coal has been identified and incorporated to underpin the longevity of the Underground Training Mine Facility. Assuming that these, or similar layout plans, are supported as further detailed geological information is obtained, some 260 Mt of the current resource of 498 Mt is therefore able to be laid out for mining. The plans therefore demonstrate that a high ratio of resource to reserve conversion of approximately 52% is possible at Doyles Creek as shown in the following table:







Seam	Development 000's	CM Extract 000's	Longwall 000's	Total
West Borehole	2,552	0	33,749	36,301
Whybrow	5,460	624	49,089	54,549
Redbank Creek	2,455	1,450	27,089	29,544
Whynot	3,834	0	40,250	44,084
Woodlands Hill	5,763	624	90,480	96,243
Total	20,064	2,698	240,657	260,721

Potential mining tonnage by seam – (Source: Development Concept Study by Palaris Mining)

2. Mine Scheduling

Mining schedules were developed for a number of scenarios based on the mining layout plans. Both single and multi seam combinations were examined and evaluated. A base case scenario was adopted for evaluation. This scenario proposed a single longwall operation commencing in the Whynot seam for a period of approximately ten years before progressing to the next target seam. The overall mine life for this scenario was in excess of 30 years.

Key attributes of the Whynot seam are:

-  Average seam thickness of 2.3 metres;
-  Average ash content of 7%
-  100% yield as no washing required;
-  CSN of between 4 and 7.5;
-  CV of between 7300 and 7850;
-  Low moisture and sulphur content.

The base case scenario was modeled with a 380m width longwall. Production levels varied between 4.5 Mt and 5 Mt per annum over the life of the Whynot seam operation. Operating costs were determined on the basis that no coal preparation plant was installed at the site and that only coal crushing and handling was in operation. On this basis FOB cash cost for the mine was estimated at approximately A\$60/saleable tonne excluding royalties.

3. Infrastructure

Key project infrastructure was scoped conceptually for the base case scenario, with mine entries at the eastern side of the exploration tenement. From this location, seven different transport corridors were identified to existing railheads within a maximum distance of 20 kilometres. A number of these will be further evaluated during Pre-Feasibility Studies.

Other infrastructure components were conceptually evaluated and suitable arrangements were proposed for all aspects of access roads, surface buildings and services connection.

4. Capital Costs

Capital cost was estimated for the base case scenario. The total initial capital cost is estimated at \$500m. This allows for deferral of a coal preparation plant (with an expected capital outlay of \$100 million) for a minimum of 10 years after initial project development. Capital cost estimates include surface facilities, training mine facilities and equipment, mine access, production and coal clearance equipment, services and associated infrastructure.

5. Economic Modeling

Economic modeling was prepared for the base case scenario using the inputs developed in the mining schedule and consequent operating cost and capital cost estimates. Forecast coal prices used were appropriate for the quality of coal to be produced and accounted for the expected forward curve for pricing and exchange rates.

The modeling demonstrated a financially robust project with an IRR well in excess of 20%.

6. Pre Feasibility Study Scope and Timetable

As a result of the information produced in the Concept Study, the Directors of NuCoal decided to immediately commence Pre-Feasibility Studies.

A number of the key aspects in the Development Concept Study will be further assessed in the Pre-Feasibility Study. Each option will be evaluated for technical, commercial and HSEC merits in order to determine a single development concept for evaluation in the Bankable Feasibility Study (BFS). The planned activities of the Training Mine Facility will be incorporated into the Pre-Feasibility Study (PFS) to optimise the training mine / commercial operations interaction and to maximise the quality of training provided.

The Pre Feasibility Study is scheduled for completion in June 2012 which includes an expanded scope to cover some items usually covered in the BFS, as per the schedule attached. Exploration drilling will continue during the PFS to complete the evaluation of the mineral resources on the Doyles Creek tenement with a view to expanding the current mineral resource of 497.7 Mt and upgrading the resources into indicated then measured categories. Continuation of environmental monitoring and community relations activities will remain a priority.

More detailed discussions will be held for rail and port access during H1 2011, with NuCoal planning to apply for PWCS port access in the July 2011 nominations.

	FYE 2011		FYE 2012		FYE 2013	
	Dec-10	Jun-11	Dec-11	Jun-12	Dec-12	Jun-13
Project Phases						
Exploration						
Concept Study						
Pre-Feasibility						
Feasibility						
Environmental Assessment						

Planned Reporting / Exploration - June Half 2011

- Planned completion of phase 2 drill programme of 25 holes for resource infill and extension.
- Updated JORC-Compliant Resource Statement: June 2011

Training Mine Update

Discussions have continued with the Strategic Alliance Partners (Hunter Valley Training Company, Westpac Rescue Helicopter Service and The University of Newcastle). A formal Partnership Agreement has been executed with the Westpac Rescue Helicopter Service to provide financial assistance to that organisation for training related activities.

A Trainee Geologist commenced working on the Doyles Creek Project as a positive step towards supporting the training mine concept and 3 Trainee Drillers have been employed on the Project during the exploration phase. In addition, the inaugural University Scholarship program, sponsored by Doyles Creek Mining, has commenced. This program provides five sponsored positions at The University of Newcastle, with the scholarships being available to students from the Upper Hunter region who wish to pursue a career in geology or earth sciences. The scholarships are valued at up to \$7,000 each per year for three years. Five apprentices (3 in Mechanical and 2 Electrical), funded by Doyles Creek Mining, have been selected and will commence in February 2011 in conjunction with Hunter Valley Training Company.



Trainee Drillers - David Simpson, Candice Howarth and Mick Kelly

Corporate

Cash and deposits were A\$4.1 million as at 31 December 2010.

It is proposed to secure an Engineering Manager in the March quarter 2011 to assist with the preparation of Pre-Feasibility Studies and Infrastructure design.

About NuCoal

NuCoal owns a 100% interest in the Doyles Creek Project, which is strategically located adjacent to many world class operating coal mines in the lower Hunter Valley in New South Wales Australia. The Project is situated near the town of Jerrys Plains approximately 105kms from the port of Newcastle and within 15km of a rail coal loading facility at Wambo.

The Doyles Creek tenement contains a 497.7 Mt JORC-compliant Inferred and Indicated Resource of premium quality thermal and semi soft coking coal. The coal seams are outlined in the latest Resource Statement dated December 2010 which details good quality, known coal brands such as “Whybrow Coal”, “Whynot Coal” and “Woodlands Hill Coal”. These coal brands are produced from other collieries in the Hunter Valley and are marketed for sale to overseas steel mills and both the domestic and international power generation industry. Please also refer to the NuCoal website at www.nucoal.com.au.

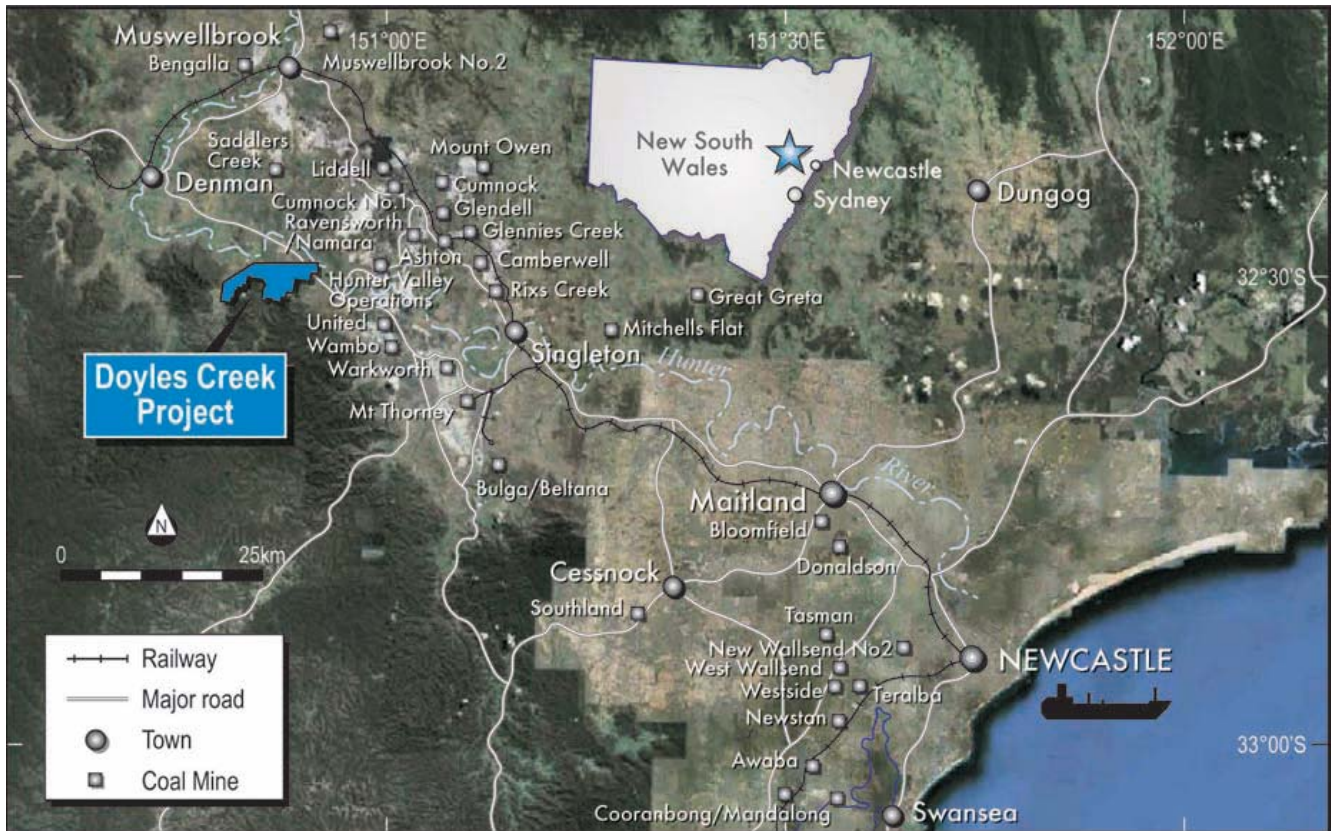
An integral part to the Doyles Creek Project is a specialised coal centric training facility which will be established and run in parallel with mine development. The ultimate outcome is for attendees, both new entrant and existing black coal workers, to qualify up to certificate level 4 under the accreditation of the Coal Training Package MNC04, endorsed by the National Training Quality Council of Australia. The on-site training facility will broaden the educational experience by providing attendees with both theoretical and practical mining experience. The site will encompass best practice training rooms and workshop facilities plus accommodation and associated amenities. No such facility - a training facility situated within an operating mine - currently exists in Australia.

For further information, please contact:

GLEN LEWIS

Managing Director
Ph: (02) 4974 5700

The information in this report that relates to exploration results, is based on information compiled by Dr. Ian Stone, who is a Member of the Australasian Institute of Mining and Metallurgy (102087). Dr. Stone is Manager, Geology of Palaris Mining Pty Ltd. He has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity he is undertaking to qualify as a Competent Person, as defined in the 2004 Edition of the *Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves*. Dr. Stone has over 30 years experience in exploration and mining of coal deposits. Dr. Stone consents to the inclusion in this report disclosed by the Company, of the matters based on his information, in the form and context in which it appears.



Proximity of Doyles Creek to Port and Rail infrastructure

Doyles Creek Training Mine and Coal Project- Indicative Development Timeline



Indicative Project Development Timeline

Appendix 5B

Mining exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10

Name of entity

NuCoal Resources NL

ABN

29 060 352 990

Quarter ended ("current quarter")

December 2010

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		
1.2 Payments for (a) exploration & evaluation	(2,042)	(2,980)
(b) development	-	-
(c) production	-	-
(d) administration	(876)	(1,564)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	225	265
1.5 Interest and other costs of finance paid	(10)	(20)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
Net Operating Cash Flows	(2,703)	(4,299)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	(245)
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	-	(245)
1.13 Total operating and investing cash flows (carried forward)	(2,703)	(4,544)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(2,703)	(4,544)
	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	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	(2,703)	(4,544)
1.20	Cash at beginning of quarter/year to date	6,778	8,619
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	4,075	4,075

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	191
1.24 Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

N/A

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

N/A

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

N/A

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	550	550
3.2 Credit standby arrangements	-	-

+ See chapter 19 for defined terms.

Estimated cash outflows for next quarter

		\$A'000
4.1	Exploration and evaluation	(1,480)
4.2	Development	-
4.3	Production	-
4.4	Administration	(1,244)
Total		(2,724)

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	2,075	278
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other - Term Deposit	2,000	6,500
Total: cash at end of quarter (item 1.22)	4,075	6,778

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		
6.2	Interests in mining tenements acquired or increased	N/A		

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

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 (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	589,765,778	365,708,869		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	3,180,000	3,180,000	NIL	NIL
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>			<i>Exercise price</i>	<i>Expiry date</i>
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>				

+ See chapter 19 for defined terms.

7.12	Unsecured notes (totals only)		
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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 5).
- 2 This statement does ~~does not~~* (delete one) give a true and fair view of the matters disclosed.

Sign here: M Etcell
(Director/Company secretary)

Date: 21 Jan 2011

Print name: Megan Etcell

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 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting 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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+ See chapter 19 for defined terms.