

9 October 2012

ROCKWOOD – MINING INVESTIGATIONS COMMENCE

1. Highlights

- ✓ **Mine planning investigations have commenced at Rockwood;**
- ✓ **Rockwood geological model has been refined to include geological interpretations to support the mine planning exercise;**
- ✓ **An experienced multi-seam mine planner has been appointed;**
- ✓ **Coal quality has been assessed for ‘marketability’ with positive results; and**
- ✓ **Rockwood development plan is being implemented to assess ‘mineability’.**

2. Mine Planning Commences at Rockwood

Following its earlier exploration and coal quality test-work, Endocoal Limited (ASX: **EOC**) is pleased to advise that it has commenced investigations to identify potential open cut mining locations within the tenement area at its Rockwood Project.

Endocoal has appointed Mr Brian Francis, Director of MMG Civil Pty Ltd, to undertake preliminary mining investigations to identify potentially suitable locations for initial mining pits at the Rockwood Project. This task will be based on the exploration outcomes and geological interpretations delivered as a result of Endocoal’s successful drilling programs undertaken at Rockwood during 2011 and 1H 2012.

Mr Francis is involved in mine planning activities for a number of major mining projects located in the Hunter, Gunnedah and Gloucester coalfields. This activity will assist Endocoal to identify the best practical options for first development points into economic coal seams and in planning for expansion of coal mining activities at Rockwood.

3. Mine Planning Approach

The mining options investigation activities will address the particular physical characteristics of the Rockwood coal deposit, namely:

- 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.

The Rockwood exploration results have been utilised in an in-depth geology re-interpretation exercise carried out by Endocoal’s Exploration Manager, Darren Walker, and his geology team. Crop-line locations for various initial seams of interest (‘L’, ‘O’, ‘A’, ‘B’ and ‘C’) have been estimated (where present) and other relevant strata profiles constructed from hole-by-hole analysis and reference to the geological model in place. Fault lines have also been identified and plotted. This information is summarised in the ‘Rockwood – Initial Mining Investigation Area’ plan (see Figure 1 attached).

The geological model has now been refined by inclusion of the above results. Endocoal's geology adviser, JB Mining Services, has completed the update as the basis for the mining investigation now underway. Rockwood JORC Resources remain unchanged at 447Mt, with 47Mt at 'Indicated' status.

It is anticipated that first-cut mine concept assessments will begin to come available for internal review in early-November 2012. The program will then be progressed based on the outcomes achieved. Subsequent planning decisions will optimise the mine planning process to deliver early conceptual mine design outcomes for initial operations at Rockwood where economic viability has been established as part of the ongoing mine project assessment process.

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>

4. Rockwood Development Plan

Noting the above, Endocoal is now focussing its future activities at the Rockwood Project as follows:

- 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'; and
- Confirming likely product coal specifications and value-in-use applications for output from the potential mining locations identified.

5. Commentary

Commenting on the commencement of mine planning at Rockwood, Endocoal's Chief Executive Officer, Tim Hedley said:

"Endocoal's intention has always been to move quickly from exploration success into the real value-adding stages of project planning and then into mine development.

At Rockwood, with its anthracite coal deposit, we have now initiated a study to identify potential initial mining locations. We will then begin assessment of mine development opportunities that may be available.

The specialist mine planner we have engaged has had wide experience in planning mining pits in multi-seam environments, featuring a range of seam thicknesses, as well as in structurally altered strata. These types of seam configurations are being mined successfully elsewhere in Queensland and in the Hunter Valley. We have good reason to believe the same proven techniques can be applied just as well at Rockwood to deliver successful mine outcomes.

The next key stage will be to use outputs from this preliminary investigation to tighten our focus onto the most prospective initial mining sites at Rockwood. This will assist in firming-up plans for in-fill drilling for confirmation of reserves. It will occur in parallel with other tasks determining likely product coal specifications, to assist in identifying potential markets for this type of coal."

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

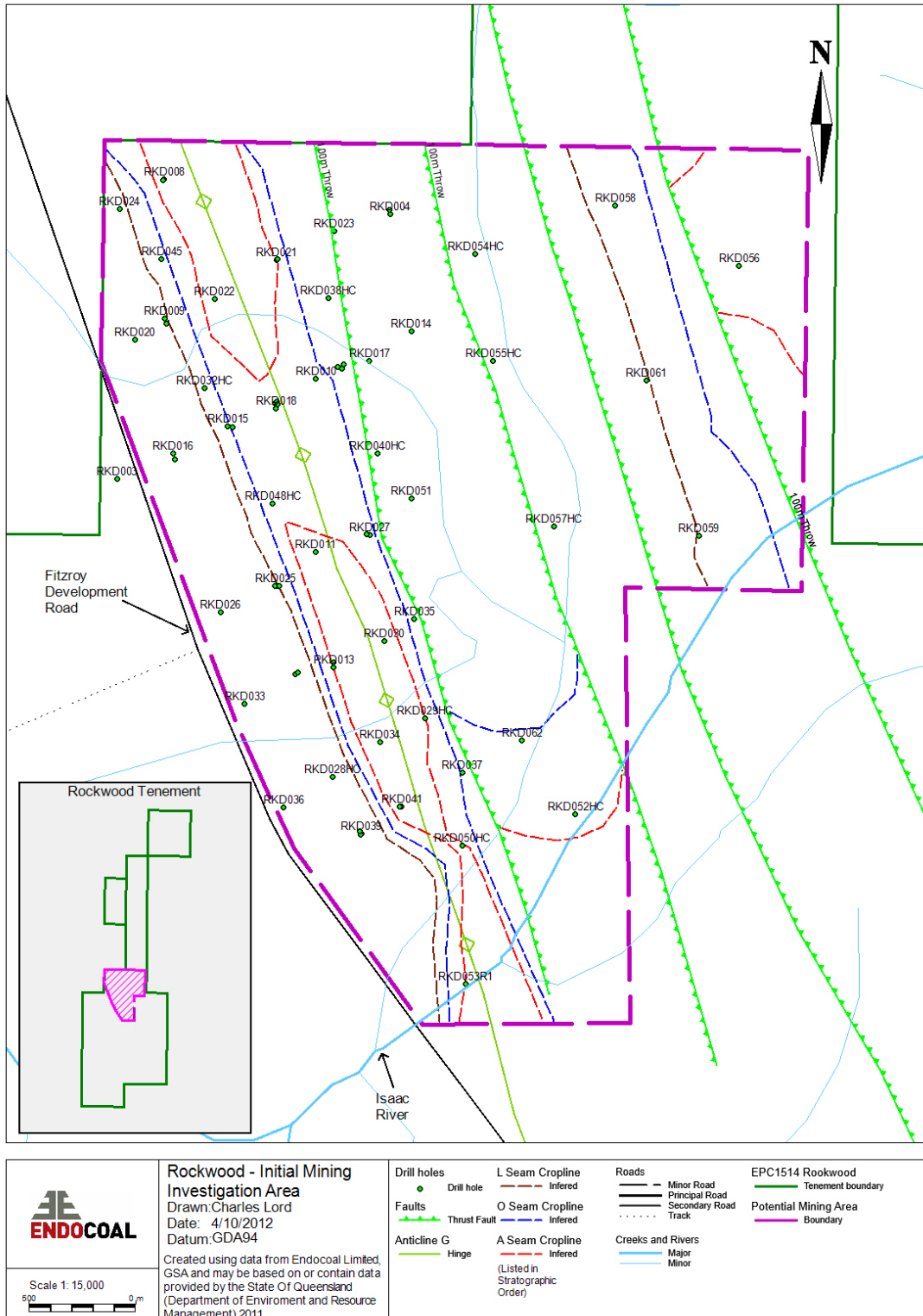


Figure 1: Rockwood - Initial Mining Investigation Area.

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 – Mining Investigations Commence**" 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.

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

Tim Hedley

Chief Executive Officer

Phillip McCarthy

Non-Executive Director

Lex Hansen

Non-Executive Director

Gavin Solomon

Non-Executive Director

Fred Yu

Non-Executive Director