

# **Endocoal Limited**

ABN 13 132 183 281

## **Interim financial report 31 December 2012**

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The interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2012.

# Directors' report

Your directors present their report on the consolidated entity (referred to hereafter as "the group") consisting of Endocoal Limited ("the company") and the entities it controlled at the end of, or during, the half year ended 31 December 2012.

## Directors

The following persons were directors of Endocoal Limited during the whole of the financial year and up to the date of this report:

Philip James McCarthy  
Herbert Gavin Solomon  
William Alexander Hansen

Timothy Peter Hedley was appointed as a Managing Director on 25 October 2012 and continues in office at the date of this report. Prior to that time Mr Hedley was the Chief Executive Officer for the company and now has the title of CEO & Managing Director.

Raymond Bruce Miller was appointed a Director on 30 November 2012 at the Company's Annual General Meeting and continues in office at the date of this report.

Alan John Broome was a director at the beginning of the financial year until his resignation on 24 July 2012. Mr Broome was also the Company's Chairman until his resignation.

Frederick Yu was a director at the beginning of the financial year until his resignation on 25 October 2012.

Rodney John Austin was a director at the beginning of the financial year until his resignation immediately after the Company's Annual General Meeting on 30 November 2012. Mr Austin was appointed Interim Chairman on 24 July 2012 and held that position until his resignation.

Mr McCarthy was appointed Chairman after the Annual General Meeting on 30 November 2012 and continues in that capacity at the date of this report.

## Principal activities

The group's principal activities during the period focused on the exploration for coking, thermal and PCI coal projects in the Bowen Basin of Queensland.

## Dividends - Endocoal Limited

No dividends were paid during the period and no recommendation is made as to the payment of dividends.

## Review of operations

During the period the Company announced an increase of 109.8Mt in the JORC Resources at the Rockwood (EPC 1514) tenement - increasing Rockwood to 447.1Mt. Total JORC Resources for the Group are 498.5Mt including 51.4Mt at the Orion Downs (EPC 1517) tenement. Initial coal laboratory analysis completed on Rockwood core samples from drilling in the previous financial year indicated that coal in the deposit is of a high carbon, high energy and low volatile anthracite type. Product 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. The Company commenced preliminary investigations to identify potentially suitable locations for initial mining pits at the Rockwood Project.

## Review of operations (continued)

The Company completed all major onsite field activities required for the Environmental Management Plan (EMP) for the Meteor Downs South (MDS) Project. The MDS open cut mine has been designed to deliver an average annual production of 1.5Mtpa over an expected 9-year mine life. It will deliver direct-ship thermal coal for export and hence will not require a coal preparation plant for washing/beneficiation. The Company is hopeful to lodge the final EMP in the first quarter of 2013 with the commencement of mining activity in late 2013.

The Company was pleased to announce the granting of four new Exploration Permits for Coal (EPC). These are Overlander (EPC 2025), Mt Inglis (EPC 2253), Carfax West (EPC 2822) and Thirty Mile Creek (EPC 2854). Both Overlander and Mt Inglis are located at the southern boundary of Endocoal's existing Orion Downs (EPC 1517) tenement, which contains the MDS Project referred to above. The other two tenements are located north-east of Dysart in Central Queensland. Carfax West adjoins the south western boundary of Rockwood (EPC 1514) Project mentioned above and Thirty Mile Creek is considered prospective for coal seams contained in the Rangal Coal Measures.

Elsewhere the Company is the priority applicant for the following six EPC's under application, Bundarra (EPC 2173), Milray (EPC 2262), Kola Bar (EPC 2283), Cooper Creek (EPC 2306), Sandilands (EPC 2348) and Turrawulla (EPC 2596). Further, the Company has received an advice of intent to grant the Cooper Creek tenement.

Exploration team geologists engaged in field mapping exercises on the Mt Inglis tenement (EPC 2253) located a coal seam outcropping on a creek bank, on the western side of the Springsure anticline structure. Planning is underway for more extensive geological reconnaissance to track and map the outcrop north and south of the initial discovery site, as well as to check other seam outcrops in the area.

## Corporate activity

During the period ended 31 December 2012, the Company relocated its Corporate Head Office from Sydney to Taringa in Brisbane, and also changed its Registered Head Office to Suite 2, 1 Swann Road, Taringa, Queensland. Mr Justin Clyne, the Sydney based Company Secretary, resigned and was replaced by Brisbane based Mr Peter Edwards. Mr Edwards is also the Company's Chief Financial Officer.

On 24 July 2012 Mr Alan Broome resigned from the position of Chairman and Mr Rodney Austin was appointed as Interim Chairman until his resignation after the Company's Annual General Meeting on 30 November 2012. At that date Mr Phil McCarthy was appointed as the new Chairman and holds that position at the time of this report.

On 25 October 2012 the Company announced the resignation of Mr Frederick Yu from the Board and the appointment of the Company's Chief Executive Officer Mr Timothy Peter Hedley to Managing Director. Mr Hedley is the Managing Director and CEO at the time of this report. On 30 November 2012 at the Annual General Meeting Mr Raymond Bruce Miller was appointed as a Director.

## Acquisition by U&D Mining

On 29 October 2012 the Company was pleased to announce that it had entered into a Scheme Implementation Agreement (SIA) with U&D Mining Industry (Australia) Pty Ltd (U&D), under which U&D would acquire all the ordinary shares in Endocoal Limited by way of a Scheme of Arrangement (Scheme), subject to shareholder and regulatory approvals and in the absence of a superior proposal. Under the terms of the scheme, Endocoal shareholders will receive cash consideration of A\$0.38 per Endocoal share, valuing Endocoal Limited at approximately \$71 million. Further details of the scheme are available on the Company website [www.endocoal.com.au](http://www.endocoal.com.au). Further information on the U&D acquisition is shown under the matters subsequent to the reporting date heading below.

## Funding from U&D Mining

Simultaneously with the SIA, Endocoal Limited entered into a 12 month Loan Facility Agreement with U&D to provide interim debt funding of A\$4 million. The Loan Facility received FIRB approval on 6 December 2012 and the Loan is being used to meet working capital requirements. At the time of this report the Company had drawn down A\$2.5 million of the loan.

## **Matters subsequent to the reporting date**

Subsequent to the reporting date the Company has progressed through the U&D Scheme process. On 25 January 2013 the Company obtained approval from the Supreme Court of Australia to proceed with the scheme process to hold a Shareholder meeting to vote on the Scheme. As a result, the Company distributed its notice of meeting, proxy form and a Comprehensive Scheme Booklet incorporating an Independent Experts Report to all Shareholders. On 28 February 2013, the Company held a Scheme Meeting, where Shareholders voted in favour of the Scheme.

## **Likely developments**

Once U&D Mining advise receipt of the Chinese approvals the Company will apply to the Federal Court to approve the scheme. The implementation date for completing the acquisition by paying consideration to Shareholders is scheduled to occur two weeks after the Federal Court approves the scheme. Immediately after the Implementation date, the Company will be de-listed from the Australian Stock Exchange and all of the current Directors of the Company are expected to resign and other Directors will be appointed. Endocoal will become a 100% owned subsidiary of U&D Mining Industry (Australia) Pty Ltd.

## **Auditor's Independence declaration**

A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 5.

This report is made in accordance with a resolution of Directors.



PJ McCarthy  
Chairman

Sydney  
7 March 2013



## **Auditor's Independence Declaration**

As lead auditor for the review of Endocoal Limited for the half-year ended 31 December 2012, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Endocoal Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'Craig Thomason', with a long horizontal flourish extending to the right.

Craig Thomason  
Partner  
PricewaterhouseCoopers

7<sup>th</sup> March 2013

# ENDOCOAL LIMITED

## Consolidated statement of comprehensive income

For the half year ended 31 December 2012

	Half Year	
	31 December 2012 \$	31 December 2011 \$
<b>Revenue from continuing operations</b>	54,391	290,818
Accountancy and audit expenses	(25,319)	(87,035)
Corporate consultants and secretarial expenses	(850,937)	(507,315)
Corporate office	(303,464)	(437,255)
Depreciation	(35,059)	(23,449)
Employee benefit expenses	(445,537)	(406,677)
Finance costs	(21,257)	(42,954)
Legal fees	(73,818)	(121,282)
Share based payments	(28,951)	(234,784)
Share of net profit / (loss) of associate	-	894
Exploration and evaluation expenses written off	(6,372)	(22,041)
Travel and accommodation expenses	(51,540)	(83,759)
Other expenses	(51,444)	(64,797)
<b>Loss before income tax</b>	<b>(1,839,307)</b>	<b>(1,739,636)</b>
Income tax (expense) / benefit	-	-
<b>Loss for the half year</b>	<b>(1,839,307)</b>	<b>(1,739,636)</b>
Other comprehensive income for the half year, net of tax	-	-
<b>Total comprehensive loss for the half year attributable to the owners of Endocoal Limited</b>	<b>(1,839,307)</b>	<b>(1,739,636)</b>
<b>Earnings per share for profit attributable to the ordinary equity holders of the company</b>	<b>Cents</b>	<b>Cents</b>
Basic loss per share	(0.98)	(1.14)
Diluted loss per share	(0.98)	(1.14)

*The above consolidated financial statements should be read in conjunction with the accompanying notes*

**ENDOCOAL LIMITED**  
**Consolidated balance sheet**  
As at 31 December 2012

	Notes	31 December 2012 \$	30 June 2012 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		1,142,296	5,799,815
Trade and other receivables		233,879	343,102
<b>Total current assets</b>		<b>1,376,175</b>	<b>6,142,917</b>
<b>Non-current assets</b>			
Receivables		584,063	628,403
Intangibles		400,000	400,000
Investment accounted for using the equity method		46,124	46,124
Property, plant and equipment		225,209	259,538
Exploration and evaluation expenditure	5	37,196,928	35,014,872
<b>Total non-current assets</b>		<b>38,452,324</b>	<b>36,348,937</b>
<b>Total assets</b>		<b>39,828,499</b>	<b>42,491,854</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		761,104	2,619,641
Loans from non-financial institutions	6	1,016,988	-
Provisions		76,192	87,641
<b>Total current liabilities</b>		<b>1,854,284</b>	<b>2,707,282</b>
<b>Total liabilities</b>		<b>1,854,284</b>	<b>2,707,282</b>
<b>Net assets</b>		<b>37,974,215</b>	<b>39,784,572</b>
<b>EQUITY</b>			
Contributed equity		47,822,323	47,822,323
Reserves		3,262,726	3,233,776
Accumulated losses		(13,110,834)	(11,271,527)
<b>Total equity</b>		<b>37,974,215</b>	<b>39,784,572</b>

*The above consolidated financial statements should be read in conjunction with the accompanying notes*



# ENDOCOAL LIMITED

## Consolidated statement of changes in equity

For the year ended 31 December 2012

Notes	Contributed equity \$	Reserves \$	Accumulated losses \$	Total equity \$
<b>Opening balance at 1 July 2011</b>	<b>28,816,261</b>	<b>2,878,859</b>	<b>(7,619,746)</b>	<b>24,075,374</b>
Total comprehensive loss for the half year ending 31 December 2011	-	-	(1,739,636)	(1,739,636)
Contributions of equity, net of transaction costs	7,617,676	-	-	7,617,676
Directors and employee share options	-	234,784	-	234,784
<b>Closing Balance at 31 December 2011</b>	<b>36,433,937</b>	<b>3,113,643</b>	<b>(9,359,382)</b>	<b>30,188,198</b>
Total comprehensive income for the half year ending 30 June 2012	-	-	(1,912,145)	(1,912,145)
Contributions of equity, net of transaction costs	11,388,386	-	-	11,388,386
Directors and employee share options	-	120,133	-	120,133
<b>Closing balance at 30 June 2012</b>	<b>47,822,323</b>	<b>3,233,776</b>	<b>(11,271,527)</b>	<b>39,784,572</b>
Total comprehensive loss for the half year ending 31 December 2012	-	-	(1,839,307)	(1,839,307)
Directors and employee share options	-	28,950	-	28,950
<b>Closing balance at 31 December 2012</b>	<b>47,822,323</b>	<b>3,262,726</b>	<b>(13,110,834)</b>	<b>37,974,215</b>

*The above consolidated financial statements should be read in conjunction with the accompanying notes*

# ENDOCOAL LIMITED

## Consolidated statement of cash flows

for the year ended 31 December 2012

	Half Year	
	31 December 2012	31 December 2011
Notes	\$	\$
<b>Cash flows from operating activities</b>		
Interest received	54,391	441,672
Finance costs paid	(4,269)	(42,954)
Payments to suppliers and employees	(3,524,855)	(2,821,074)
<b>Net cash inflow / (outflow) from operating activities</b>	<b>(3,474,732)</b>	<b>(2,422,356)</b>
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment	(730)	(27,268)
Payments for tenement development costs	(2,179,136)	(12,535,690)
Payments for investment in joint venture partnership	(2,921)	-
<b>Net cash inflow / (outflow) from investing activities</b>	<b>(2,182,786)</b>	<b>(12,562,958)</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	1,000,000	3,000,000
Repayment of borrowings	-	(3,000,000)
Proceeds from issue of shares and other equity securities	-	7,999,998
Payments relating to equity raising	-	(382,322)
<b>Net cash inflow / (outflow) from financing activities</b>	<b>1,000,000</b>	<b>7,617,676</b>
Net increase / (decrease) in cash and cash equivalents	(4,657,519)	(7,367,638)
Cash and cash equivalents at the beginning of the year	5,799,815	11,601,508
<b>Cash and cash equivalents at the end of the year</b>	<b>1,142,296</b>	<b>4,233,870</b>

*The above consolidated financial statements should be read in conjunction with the accompanying notes*

# Notes to the financial statements

## 1. Basis of preparation of half year report

This general purpose consolidated interim financial report for the half-year reporting period ending 31 December 2012 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, the report should be read in conjunction with the annual report for the year ended 30 June 2012 and any public announcements made by Endocoal Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The consolidated Interim financial report was approved by the Board of Directors on 7 March 2013.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

The Group has adopted all of the new and revised standards and interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to their operations and effective for the current reporting period.

## 2 Going concern basis of accounting

The Group has experienced operating losses and negative cashflow in the current period, as expected during the initial project development start-up phase and exploration phase of the business. The Group continually monitors its cashflow requirements to ensure that it has sufficient funds available to meet its contractual commitments and expenses as they fall due. The Group adjusts its spending requirements progressively to ensure that it continues to satisfy its going concern obligations. The Group does not commit to expenditure unless it has sufficient cash reserves to meet the expenditure.

During the period the Directors, via corporate advisor Macquarie Capital, were in active dialogue with a number of parties in relation to potential merger and acquisition transactions culminating in negotiations with U&D Mining (Australia) Pty Ltd (U&D). On 29 October 2012, the Endocoal Board was pleased to announce that it had entered into a Scheme Implementation Agreement with U&D, under which U&D would acquire all of the ordinary shares in Endocoal by way of a Scheme of Arrangement, subject to shareholder and regulatory approval, and in the absence of a superior proposal. Subsequent to the year end, progress on the Scheme has continued. Shareholders approved the Scheme resolution at a shareholder meeting held on 28 February 2013.

Once U&D Mining obtains Chinese regulatory approvals for the acquisition of Endocoal Shares, the company will apply to the Federal Court to approve the Scheme in accordance with section 411(4)(b) of the Corporations Act. The Directors cannot see any reason why Chinese approvals would not be forthcoming, nor any reason why the Federal Court approval would not be granted. The Implementation date, the date on which Scheme Shareholders will be sent the Scheme Consideration, is expected to follow two weeks after the Federal Court approval. The current Directors cannot comment on the intention of the future owner U&D, but see no reason why the group will not continue as a going concern.

Should the scheme not proceed due to failure to obtain Chinese approvals or other breaches by the Bidder, the loan agreement the Company has with U&D Mining (Note 6) will be extended to April 2014, and the interest rate will be reduced to 8%. Should the Scheme not proceed, the continuing viability of Endocoal and its ability to continue as a going concern and meet its debts and commitments as they fall due is dependent upon the Company securing additional funding. There would be a range of strategic options available to the Company including equity raising, debt funding or asset divestment in order to raise additional funds.

## 2 Going concern basis of accounting (continued)

Endocoal has a successful track record of raising new capital from the market and the Directors are confident that if the U&D Scheme does not proceed, the Group will be successful in one of the above strategic options and therefore, have prepared the financial report on a going concern basis. However, as the Scheme has not yet been finalised, there remains some material uncertainty that, should the U&D Scheme not proceed and when the Group has fully utilised its existing debt facility, may cast significant doubt on whether the Group will continue as a going concern and therefore, whether it will realise its assets and settle its liabilities in the normal course of business and at the amounts as stated in the financial report.

At the time of this report, the Directors are of the opinion that no asset is likely to be realised for an amount less than the amount at which it is recorded in the financial report as at 31 December 2012. Accordingly, no adjustments have been made to the financial report relating to the recoverability and classification at the asset carrying amounts or the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

## 3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Chief Executive Officer is responsible for allocating resources and assessing performance of the operating segments.

The group has only one material business segment consisting of the exploration and development of coking, thermal and PCI coal projects. The Group operates in one geographic area being Australia.

## 4 Related party transactions

The following transactions occurred with related parties and are performed on normal terms and conditions:

	Half Year	
	31 December 2012 \$	31 December 2011 \$
Fees paid to Helmsec Global Capital Pty Limited*	36,000	500,598
Payments to Bligh Energy Services Pty Limited**	38,929	35,004
Payments to Nessgrove Pty Ltd***	10,600	-

\* Fees paid to Helmsec Global Capital Pty Limited in 2012 represent payments made for services rendered in relation to retainers and advisory services charged at industry standard rates. Included in the fees paid to Helmsec in 2011 were services rendered for equity raising of \$382,322 which included payments to third party brokers and other intermediaries.

\*\* Payments to Bligh Energy Services Pty Limited represent rentals for office accommodation in Bligh Street, Sydney. Bligh Energy Services Pty Limited is an associate of the group.

\*\*\* Payments to Nessgrove Pty Ltd represent consultancy costs charged at industry standards. The amount excludes costs associated with services performed by Mr William Hansen as a non-executive director.

## 5 Exploration and evaluation expenditure

	Half Year
	31 December
	2012
	\$
Cost	37,411,213
Expenses written off	(214,285)
Net book amount	<u>37,196,928</u>
<b>Cost</b>	
Opening balance as 1 July 2012	35,222,785
Additions	2,188,428
Closing balance at 31 December 2012	<u>37,411,213</u>
<b>Amortisation and impairment losses</b>	
Opening balance as 1 July 2012	(207,913)
Expenses written off	(6,372)
Closing balance at 31 December 2012	<u>(214,285)</u>
<b>Carrying amounts</b>	
Opening balance at 1 July 2012	35,014,872
Closing balance at 31 December 2012	37,196,928

## 6 Loans from non-financial institutions

Endocoal Limited entered into a 12 month loan facility agreement with U&D Mining (Australia) Pty Ltd, simultaneously with entering into a scheme implementation agreement. The loan facility is for A\$4 million and is being used to meet working capital requirements. The Loan Facility received Federal Investment Review Board (FIRB) approval on 6 December 2012. The loan is at a fixed interest rate of 13%, and interest is capitalised. The loan is expiring within one year.

	31 December	30 June
	2012	2012
	\$	\$
<b>(a) Loans</b>		
Loan from non-financial institutions	1,016,988	-
<b>(b) Financing arrangements:</b>		
The Groups undrawn borrowing facilities were as follows:	3,000,000	-

## 7 Events occurring after the reporting period

Subsequent to the reporting date, Endocoal has drawn down \$1.5 million of the U&D Loan as per the terms of the Loan agreement. As at 7 March 2013 the balance of the undrawn facility is \$1.5 million and the Directors have every belief that these funds will continue to be forthcoming from the Lender.

Subsequent to the reporting date, the Company obtained Court approval to hold a Shareholder Meeting. On 28 February 2013, the Company held its Shareholder Meeting, (Scheme Meeting) where Shareholders voted in favour of the Scheme.

## 8 Contingencies

### Contingent liabilities

Other than bank guarantees the group had no contingent liabilities. Included in cash and cash equivalents at 30 June 2012 and 31 December 2012 is a term deposit of \$315,000 which is pledged as security for a bank guarantee and therefore not available for use by the Group.

## 9 Commitments

### (a) Capital commitments

Capital expenditure contracted for at the reporting date that was not recognised as a liability was \$850,352 (30 June 2012: \$635,968).

### (b) Lease expenditure commitments

The group has non-cancellable operating leases for office facilities with leased terms of one year (Brisbane) and three years (Sydney), with an option to extend for further periods. The operating lease contract contains market review clauses in the event that the consolidated entity exercises its option to renew. The consolidated entity does not have an option to purchase the leased asset at the expiry of the lease period.

	<b>31 December</b>	<b>30 June</b>
	<b>2012</b>	<b>2012</b>
	\$	\$
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	99,213	119,746
Later than one year but not later than five years	78,436	122,020
	<u>177,649</u>	<u>241,766</u>

# Directors' declaration

In accordance with a resolution of the Directors of Endocoal Limited, we state that:

- 1 In the opinion of the directors:
  - (a) the financial statements and notes set out on pages 6 to 13 are in accordance with the Corporations Act 2001, including:
    - (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
    - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and its performance for the half year ended on that date, and
  - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable



P J McCarthy  
Chairman

Sydney, 7 March 2013



## **Independent auditor's review report to the members of Endocoal Limited**

### **Report on the Interim Financial Report**

We have reviewed the accompanying interim financial report of Endocoal Limited, which comprises the consolidated balance sheet as at 31 December 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for the Endocoal Limited Group (the consolidated entity). The consolidated entity comprises both Endocoal Limited (the company) and the entities it controlled during that half-year.

#### *Directors' responsibility for the interim financial report*

The directors of the company are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the interim financial report that is free from material misstatement whether due to fraud or error.

#### *Auditor's responsibility*

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Endocoal Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the review of the interim financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### *Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.





*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Endocoal Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

*Material Uncertainty Regarding Continuation as a Going Concern*

Without modifying our conclusion, we draw attention to Note 2 in the financial report, which indicates that the consolidated entity has experienced operating losses and negative cashflows in the current period. This condition, along with the other matters as set forth in Note 2, indicates the existence of a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report.

PriceWaterhouseCoopers

PriceWaterhouseCoopers

A handwritten signature in black ink, appearing to read 'Craig Thomason', with a long, sweeping horizontal stroke at the end.

Craig Thomason  
Partner

7th March 2013

# Directory

## Directors:

P McCarthy - Chairman  
R Miller \*  
W Hansen \*\*  
G Solomon \*\*\*  
T Hedley

- \* Chairman of the Audit and Risk Management Committee
- \*\* Chairman of the Health, Safety Environment and Community Committee
- \*\*\* Chairman of the Remuneration Committee

## Management group

*CEO & Managing Director*  
T Hedley

*Chief Financial Officer*  
*Company secretary*  
P Edwards

*Exploration Manager*  
D Walker

## Registered Office

Suite 2, 1 Swann Road  
Taringa QLD 4068  
Australia

## Principal place of business and postal address

Suite 2, 1 Swann Road  
Taringa QLD 4068  
Australia

**Telephone** : +61 7 3720 9300  
**Facsimile** : +61 7 3720 9311  
**Email** : Brisbaneadmin@endocoal.com.au  
**Web** : www.endocoal.com.au

## Share registry

Boardroom Limited  
Level 7, 207 Kent Street  
Sydney NSW 2000  
Australia  
**Postal address:**  
GPO Box 3993, Sydney NSW 2001

**Telephone** : (within Australia) 1300 737 760  
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## Auditors

PricewaterhouseCoopers Chartered Accountants

## Bankers

ANZ Bank

## Solicitors

Norton Rose  
Gilbert + Tobin  
Clayton Utz