



Endocoal Limited

ABN 13 132 183 281

Circular to Shareholders

Including:

Notice of Annual General Meeting

Explanatory Memorandum

Proxy Form

Date of Meeting

Friday 30 November 2012

Time of Meeting

11:00am (AEDT)

Place of Meeting:

Offices of Gilbert & Tobin

Level 37, 2 Park Street

Sydney

NSW 2000



Notice of Annual General Meeting

Notice is hereby given that the fifth Annual General Meeting (**AGM**) of the members of **Endocoal Limited** ("the Company") will be held at the offices of Gilbert and Tobin, Level 37, 2 Park Street, Sydney, NSW 2000 on **Friday, 30 November 2012** commencing at **11:00am (AEDT)**, Australian Eastern Standard Time.

Items of Business:

Item 1 will not be voted on. Items 2, 3 and 4 will be proposed as ordinary resolutions. Item 5 will be proposed as a special resolution.

1 Financial Statements and Directors' and Auditors' Reports

To receive and consider the Financial Statements of the Company for the period ended 30 June 2012 together with the Directors' Report and the Auditors' Report.

2 RESOLUTION 1 - Adoption of Remuneration Report

To consider and, if thought fit, pass the following non-binding resolution as an ordinary resolution:

Resolution supported by the Board

'That the Company's Remuneration Report for the financial year ended 30 June 2012 be adopted.'

Note: The vote on this Resolution is advisory only and does not bind the Directors or the Company. The chairperson intends to vote all undirected proxies in favour of the Resolution.

Voting exclusion

The Company will disregard any votes cast on Ordinary Resolution 1 - Adoption of Remuneration Report by any Director, or other member of Key Management Personnel of the Company, details of whose remuneration are included in the report. This voting exclusion extends to closely related parties of such persons, and the exercise of proxy votes by such persons. However, such a person may cast a vote if they do so as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form. The Chairperson is able to vote undirected proxies on a resolution to adopt a Remuneration Report if:

- (a) *the vote is not cast on behalf of a member of the Key Management Personnel whose remuneration details are included in the Remuneration Report, or a closely related party of such a member; and*
- (b) *the proxy appointment expressly authorises the Chairperson to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.*

3 RESOLUTION 2 - Re-election of Director – Phil McCarthy

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

Resolution supported by the Board

“That for the purposes of Listing Rule 14.4 and rule 79 of the Company’s constitution and for all other purposes Mr Phil McCarthy, being a Director of the Company who retires in accordance with rule 79 of the Company’s constitution and being eligible, is re-elected as a Director of the Company.”

4 RESOLUTION 3 - Re-election of Director – Lex Hansen

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

Resolution supported by the Board

“That for the purposes of Listing Rule 14.4 and rule 79 of the Company’s constitution and for all other purposes Mr Lex Hansen, being a Director of the Company who retires in accordance with rule 79 of the Company’s constitution and being eligible, is re-elected as a Director of the Company.”

5 RESOLUTION 4 - Election of Director – Ray Miller

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

Resolution supported by the Board

“That in accordance with rule 80 of the Company’s constitution, Mr Ray Miller, having been proposed by Director Phil McCarthy and seconded by Director Gavin Solomon and having consented to his nomination as a Director of the Company, is appointed as a Director of the Company with effect from closure of the General Meeting.”

6 RESOLUTION 5 – Approval of additional 10% Placement Capacity under Listing Rule 7.1A

To consider and, if thought fit, pass the following resolution as a special resolution:

Resolution supported by the Board

“That for the purposes of ASX Listing Rule 7.1A and for all other purposes, the issue of up to 10% of the Company’s Share Capital calculated in accordance with Listing Rule 7.1A, and on the terms and conditions set out in the Explanatory Statement, is approved.”

Voting exclusion

The Company will disregard any votes cast on Resolution 5 – Approval of 10% Placement Capacity under Listing Rule 7.1A, by a person (and any associates of such a person) who may participate in the 10% Placement Facility and a person who might obtain a benefit, except solely in the capacity of a holder of Shares, if the Resolution is passed. However, such a person may cast a vote if they do so as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form.

7 Other Business

To transact any other business which may be brought forward in accordance with the Company's constitution.

BY ORDER OF THE BOARD



Peter Edwards
Company Secretary
26 October 2012



Notes:

These notes form part of the notice of meeting.

Background information

To assist you in deciding how to vote on the above resolutions, background information to the resolutions are set out in the Explanatory Memorandum forming part of this Notice of Annual General Meeting.

Recommendation

The Board believes that the above resolutions are in the best interests of the Shareholders and unanimously recommend that Shareholders vote in favour of each of them.

Voting entitlements

In accordance with the *Corporations Act 2001* (Cth), the Board has determined that, for the purpose of voting at the meeting, Shareholders are those persons who are the registered holders of Company shares at **7.00 p.m (AEDT) on 28 November 2012**. Accordingly, share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the meeting.

Voting in person

To vote in person, attend the Annual General Meeting on Friday 30 November at Gilbert & Tobin's offices at level 37, 2 Park Street, Sydney, NSW 2000. Shareholders are asked to arrive at the venue 15 minutes prior to the 11am start time to allow registration and for checking against the Company's share register.

A member that is a corporation may appoint an individual to act as its representative to vote at the meeting in accordance with section 250D of the *Corporations Act 2001* (Cth). The appropriate "Certificate of Appointment of Corporate Representative" should be shown at the registration desk prior to the AGM. A form of the certificate may be obtained from the Company's share registry at www.boardroomlimited.com.au or Level 7, 207 Kent Street, Sydney.

Voting by proxy

All shareholders who are entitled to attend and vote at the meeting have the right to appoint a proxy to attend and vote for them. The proxy does not have to be a shareholder of the Company.

Shareholders holding 2 or more shares can appoint either 1 or 2 proxies. If 2 proxies are appointed, the appointing shareholder can specify what proportion of their votes they want each proxy to exercise. If no proportion is specified, each proxy may exercise half the member's votes. Neither proxy may vote on a show of hands.



If the Chairperson of the meeting is appointed, or taken to be appointed, as a proxy, but the appointment does not specify the way to vote on a resolution, then the Chairperson intends to exercise all available votes in favour of the relevant resolution.

To vote by proxy, you should complete and sign the proxy form in accordance with the instructions set out on the proxy form. To be valid, your proxy form (and any power of attorney under which it is signed) must be received by **11.00am (AEDT) on 28 November 2012** and can be returned in the reply paid envelope provided, deposited at the share registry of the Company, Boardroom Limited, at Level 7, 207 Kent Street, Sydney NSW 2000 or hand delivered to the Company Secretary, Peter Edwards, at Suite 2, 1 Swann Road, Taringa, Qld 4068, or sent by facsimile to Peter Edwards at (07) 3720 9311 by **11.00am (AEDT) on 28 November 2012**.

You may still attend the meeting even if you have appointed a proxy. However, your proxy's authority is suspended in relation to any resolutions on which you choose to vote personally.

Explanatory Notes

These Explanatory Notes contain background material to assist shareholders in relation to the items of business to be considered at the meeting and in deciding how to vote on the resolutions set out in this Notice of Annual General Meeting.

Item 1 **Financial and other reports**

The *Corporations Act 2001* (Cth) (**Corporations Act**) requires the Company to table at the Annual General Meeting (**AGM**) the Financial Statements, the Directors' Report and the Auditor's Report for the last financial year that ended before the Annual General Meeting. These reports are contained in the Company's Annual Financial Report for the year ended 30 June 2012 which was released to ASX on 28 September 2012 and is available from the Company's website www.endocoal.com.au.

Neither the Corporations Act nor the Company's constitution requires a vote of shareholders at the AGM on such statements or reports, but shareholders will be given a reasonable opportunity to ask questions at the AGM of both the Chairperson and the company's auditor, or make comments on the statements or reports and the management and performance of the Company. In addition to asking questions at the AGM, shareholders may address written questions to the Chairperson about the management of the Company.

The Company's auditor PriceWaterhouseCoopers (PwC) will be present at the meeting and shareholders will be given the opportunity to ask the auditor questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies adopted by the Company in relation to the preparation of the financial statements and the independence of the auditor. Shareholders may also submit written questions to PwC to be answered at the meeting in relation to the content of the Auditors' Report or the conduct of the audit of the Company's financial statements for the period ended 30 June 2012.

Written questions of the auditor must be received no later than 5.00pm on Wednesday 28 November 2012. Written questions may be submitted in the reply paid envelope provided, deposited at the share registry of the Company, Boardroom Pty Limited, GPO Box 3993, Sydney, NSW 2001, hand delivered to Level 7, 207 Kent Street, Sydney NSW 2000. Faxed to the Company Secretary at +61 7 3720 9311 or emailed to pedwards@endocoal.com.au.

Item 2

RESOLUTION 1 - Adoption of Remuneration Report

Resolution supported by the Board

A resolution for adoption of the Remuneration Report is required to be considered and voted on in accordance with the Corporations Act.

The Remuneration Report, on pages 8 to 14 of the Company's 2012 Annual Report for the year ended 30 June 2012, sets out the Company's remuneration policies and practices together with details of the remuneration arrangements for the directors and key executives of the Company. The Company's Annual Report was lodged with the ASX on 28 September 2012. A copy of the report is available on the Company website www.endocoal.com.au.

Shareholders will be given reasonable opportunity to ask questions about or make comments on the Remuneration Report. If you would like to submit a question on these matters prior to the Annual General Meeting please email the Company Secretary, Peter Edwards at pedwards@endocoal.com.au by 5.00pm on Wednesday 28 November 2012.

Under the Corporations Act, shareholders entitled to vote at the AGM are entitled to vote on the adoption of the Remuneration Report, however this vote is advisory only and does not bind the Directors or the Company. However, the Board will take into account the discussion of the report and the outcome of the vote when considering the future remuneration arrangements of the Company.

The Board unanimously recommend that shareholders approve the adoption of the Remuneration Report, and the Chairperson intends to vote all undirected proxies in favour of the resolution to adopt the Remuneration Report.

Under the Corporations Act, the Chairperson is able to vote undirected proxies on a resolution to adopt a Remuneration Report if:

- (c) the vote is not cast on behalf of a member of the KMP whose remuneration details are included in the Remuneration Report, or a closely related party of such a member; and
- (d) the proxy appointment expressly authorises the Chairperson to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the KMP.

In accordance with the attached proxy form, if you appoint the Chairperson as your proxy and do not direct the Chairperson how to vote on Resolution 1, you will be deemed to have directed the Chairperson to vote in favour of Resolution 1

If you intend to appoint a member of Key Management Personnel other than the Chairperson as your proxy, you should ensure that you direct your proxy how to vote on Resolution 1.

Election of Directors Items 3 to 5 deal with the re-election and election of Directors. The Company advises that Rod Austin, who was required under Clause 82 of the Company's Constitution to stand for re-election at this AGM has elected not to stand for re-election and as such will cease to be a Director from the close of this AGM.

Item 3 RESOLUTION 2 - Re-election of Director – Phil McCarthy

Resolution supported by the Board

Phil McCarthy, a non-executive Director of the Company, retires by rotation in accordance with rule 79 of the Company's constitution, and being eligible to be re-elected as a Director, offers himself for re-election in accordance with rule 79 of the Company's constitution and ASX Listing Rule 14.4.

Mr McCarthy has over 40 years' experience working in the Australian coal industry in both senior management and industry strategic roles. For 10 years he was CEO and Managing Director of Powercoal Pty Ltd, an 11mtpa underground coal producer (before the company was acquired by Centennial Coal Company Limited). He has also serves as a Director of Jellinbah Resources Pty Ltd, a 4mtpa open cut PCI coal mine in the Bowen Basin, Queensland and has been a member of the Australian Coal Association Executive Committee and the NSW Mineral Council. If re-elected as a Director of the Company at the AGM, the Board intends to appoint Mr McCarthy as non-executive Chairman of the Board.

Item 4 RESOLUTION 3 - Re-election of Director – Lex Hansen

Resolution supported by the Board

Lex Hansen is a non-executive Director of the Company, retires by rotation in accordance with rule 79 of the Company's constitution, and being eligible to be re-elected as a Director, offers himself for re-election in accordance with rule 79 of the Company's constitution and ASX Listing Rule 14.4.

Mr Hansen has almost 50 years' experience working in the mining industry. He was previously an Executive Director of Corporate Finance (Mining) at HSBC Bank Australia Limited, where he had regional responsibility for debt and equity investment appraisals and underwriting transactions in the resources sector. Lex has broad experience in all aspects of the coal industry.

Item 5 RESOLUTION 4 - Election of Director – Ray Miller

Resolution supported by the Board

The Board unanimously recommend the election of Ray Miller as a non-executive Director of the Company. Ray has extensive, diverse international and domestic experience. He has proven leadership skills and was Chairperson of ASX listed companies Meridian Minerals (ASX:MII) 2008~2011 and Qmaster (ASX:QML)

2007~2011. Ray's most recent executive position was as Managing Director of Gallipoli Mining Pty Ltd. Prior to joining Gallipoli Mining 2004~2008, Ray was Chief Financial Officer of ASX listed MIM Holdings Limited 2000~2003, and before that Ray had over 9 years' experience at BHP as Vice President Finance and Executive General Manager Positions.

Item 6 RESOLUTION 5 – Approval of 10% Placement Capacity under Listing Rule 7.1A

Resolution supported by the Board

Under Resolution 5, the Board is seeking Shareholder approval to create an ability to issue up to an additional 10% of the issued share capital of the Company under ASX Listing Rule 7.1A (**10% Placement**). Resolution 5 is a special resolution and requires approval of 75% of the votes cast by Shareholders present and eligible to vote. The only class of securities that may be issued under the 10% Placement are existing quoted securities, namely ordinary, fully paid Shares.

Eligibility criteria

Under Listing Rule 7.1A, an eligible listed entity may, subject to shareholder approval by way of special resolution, issue Shares comprising up to 10% of its issued share capital, in addition to the normal 15% new issue capacity under Listing Rule 7.1 without seeking Shareholder approval at that time. An eligible entity for the purposes of Listing Rule 7.1A is an entity that is not included in the S&PI ASX 300 Index and has a market capitalisation of \$300 million or less. The Company is an eligible entity.

Placement capacity under listing Rule 7.1 and 7.1A

The 10% Placement is in addition to a listed entity's usual 15% placement capacity under Listing Rule 7.1.

As at the date of this Notice of Meeting, the Company has 186,929,401 fully paid ordinary shares (**Shares**) on issue and therefore, in addition to any other Shares which it can issue under the permitted exceptions to Listing Rules 7.1 and 7.1A, if this resolution is approved it would give the Company the capacity to issue:

- 28,039,410 equity securities under Listing Rule 7.1; and
- 18,692,940 Shares under Listing Rule 7.1A, subject to shareholder approval being obtained under Resolution 5.

The actual number of Shares that the Company will have capacity to issue under Listing Rule 7.1A will be calculated at the date of issue of the Shares in accordance with the formula in Listing Rule 7.1A.2.

Minimum issue price

In accordance with Listing Rule 7.1A, Shares issued by the Company under a 10% Placement must be issued at a price that is not less than 75% of the VWAP (volume weighted average price) of the Shares calculated over the 15 trading days on which trades in its Shares were recorded immediately before:

- the date on which the issue price of the Shares is agreed; or
- the issue date (if the Shares are not issued within five trading days of the date on which the issue price is agreed).

Placement period

Under Listing Rule 7.1A, shareholder approval of a 10% Placement is valid from the date of this AGM until the earlier to occur of:

- 12 months after the date of the AGM (being 30 November 2013); and
- the date of approval by Shareholders of a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities), or Listing Rule 11.2 (disposal of main undertaking),

or such longer period if allowed by ASX.

Shareholder approval under Listing Rule 7.1A does not lapse if the Company's market capitalisation subsequently exceeds \$300 million or if it is included in the S&P/ASX 300 Index at some time during that period, provided that the Company meets the criteria set out in Listing Rule 7.1A on the date of the AGM.

Dilution to existing shareholdings

If Resolution 5 is approved by Shareholders and the Company issues Shares under the 10% Placement, there is a risk of economic and voting dilution to existing Shareholders as a result. Further, as the market price of the Company's Shares may be significantly lower on the issue date than on the date of the AGM approval, and because the Shares may be issued at a price that is at a discount to the market price on the issue date, there is a risk that the 10% Placement may raise less funding than it would based on current market prices.

As required by Listing Rule 7.3A.2, the table below shows a number of hypothetical scenarios for a 10% Placement where variable "A" in the formula in Listing Rule 7.1A.2 (representing the Company's share capital) has increased by either 50% or 100%, and the share price has decreased by 50% or increased by 100% from the approximate share price as at the date of finalisation of this Notice of Meeting.

Dilution table

		10% Voting Dilution table		
Share Capital (Variable 'A' in Listing Rule 7.1A.2)		\$0.11	\$0.22	\$0.44
		50% decrease in Issue Price	Issue Price	100% increase in Issue Price
Current	Number of shares	18,692,940 Shares	18,692,940 Shares	18,692,940 Shares
186,929,401 Shares	Funds raised	\$2,056,223.41	\$4,112,446.82	\$8,224,893.64
50% increase	Number of shares	28,039,410 Shares	28,039,410 Shares	28,039,410 Shares
280,394,102 Shares	Funds raised	\$3,084,335.12	\$6,168,670.23	\$12,337,340.47
100% increase	Number of shares	37,385,880 Shares	37,385,880 Shares	37,385,880 Shares
373,858,802 Shares	Funds raised	\$4,112,446.82	\$8,224,893.64	\$16,449,787.29

The dilution table has been prepared on the following hypothetical assumptions. The Company does not represent that they will necessarily occur:

- the Company issues the maximum number of Shares available under the 10% Placement;
- any increase in Variable A (being the issued share capital at the time of issue) is due to an issue of Shares which is an exception in Listing Rule 7.2, for example a pro-rata rights issue. However, a 15% placement under Listing Rule 7.1 does not increase variable "A" for the purposes of calculating the placement capacity under Listing Rule 7.1A;
- the table shows only the effect of issues of Shares under Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1;
- the table does not show the dilution that may be caused to any particular Shareholder by reason of placements under Listing Rule 7.1A, based on that Shareholder's holding at the date of the AGM. For instance, Shareholders will have different outcomes depending on whether or not they participate in a pro-rata issue which has the effect of increasing variable "A"; and
- the current Share price is assumed to be \$0.22, being the Share price on 22 October 2012.

Purpose of the 10% Placement

The Company may seek to issue Shares under the 10% Placement for either:

- cash consideration, such as to fund working capital or towards an acquisition of new assets or investments (and associated costs), or continued exploration and feasibility study expenditure, or for other corporate purposes; or
- non-cash consideration, such as for the acquisition of new assets or investments, subject to any applicable ASX requirements.

In either case, the cash issue price or the value of the non-cash consideration must comply with the minimum issue price noted above.

Allocation policy

The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue under the 10% Placement. The identity of the allottees under the 10% Placement will be determined on a case by case basis having regard to a range of factors, including but not limited to the following:

- the methods of raising funds that are available to the Company, including a rights issue or other issue in which existing shareholders can participate;
- the effect of the issue of the Shares on the control of the Company;
- the financial situation of the Company; and
- advice from corporate, financial and banking advisors (if applicable).

The allottees under the 10% Placement have not been determined as at the date of finalisation of this Notice of Meeting and may include existing substantial Shareholders and/or new Shareholders, but the allottees cannot include any directors, related parties or associates of a related party of the Company without a further specific shareholder approval.

Voting exclusion

A voting exclusion statement is included in the Notice of Meeting. At the date of this Notice of Meeting, the Company has not approached any particular existing Shareholder or an identifiable class of existing Shareholders to participate in, or otherwise obtain any benefit from, the issue of the Shares. No existing Shareholder's vote will therefore be excluded under the voting exclusion in the Notice of Meeting.

Previous approval

The Company has not previously obtained Shareholder approval under Listing Rule 7.1A.

Recommendation

As at the date of this Notice of Meeting, the Company has no plans to raise additional capital. However, most eligible resource companies are seeking this form of newly available shareholder approval to enable a capital raising to be implemented if appropriate during the following year. Accordingly, shareholder approval of Resolution 5 is considered to be a prudent approach.

The Directors believe that Resolution 5 will provide the Company with flexibility to raise capital quickly if advantageous terms are available, and is in the best interests of the Company. The Directors recommend that Shareholders vote in favour of this Resolution.