

ENDOCOAL LIMITED WELCOMES FIRB APPROVAL FOR U&D MINING SCHEME OF ARRANGEMENT

6 December 2012

Highlights

- ✓ **FIRB approval received for U&D Mining scheme of arrangement**
- ✓ **Ernst & Young appointed as independent expert**
- ✓ **Transaction timetable remains on track for expected completion in March 2013**

FIRB Approval

Endocoal Limited (ASX: EOC, **Endocoal**) welcomes receipt of the letter issued by the Foreign Investment Review Board (**FIRB**), dated 5 December 2012, stating that there are no objections to the acquisition of Endocoal by U&D Mining Industry Australia (**U&D Mining**). FIRB has also stated that it has no objections to the provision of the A\$4.0 million loan facility to Endocoal.

The FIRB letter is attached to this announcement.

FIRB's approval of the transaction and loan facility satisfies a key condition outlined in the Scheme Implementation Agreement agreed with U&D Mining and which was announced to the ASX on 29 October 2012.

Endocoal notes that the approval was received within the mandatory Foreign Investment Review Board review period and is confident the scheme timetable remains consistent with that previously announced to the ASX.

Independent Expert Appointed

Endocoal has appointed Ernst & Young Transaction Advisory Services Limited (**Ernst & Young**) to provide an Independent Expert Report that will state whether in Ernst & Young's opinion, the proposed transaction is in the best interests of Endocoal shareholders. Ernst & Young is progressing its report and has also enlisted the services of Behre Dolbear Australia Pty Ltd to provide technical input on Endocoal's assets.

The Endocoal shareholder meeting to consider the U&D Mining proposal is expected to be held in late February 2013. The Endocoal Board continues to support the transaction in the absence of a superior proposal and subject to Ernst & Young concluding that the transaction is in the best interests of Endocoal shareholders.

Endocoal is preparing an Explanatory Memorandum that will be distributed to all shareholders in advance of this meeting. Distribution is expected in late January 2013. The Explanatory Memorandum will discuss the merits of the transaction and will incorporate Ernst & Young's report.

Transaction Update

Endocoal, in conjunction with U&D Mining, is continuing its efforts to ensure the remaining conditions outlined in the Scheme Implementation Agreement are satisfied in a timely manner.

U&D Mining and its related entity Yima Coal have also indicated to Endocoal that they have commenced proceedings to apply for all relevant Chinese approvals necessary to complete the transaction.

Both Endocoal and U&D Mining remain confident that completion of the transaction is on track for expected completion in March 2013. As previously mentioned, the timetable has been designed to allow for sufficient time for Endocoal and U&D Mining to obtain the necessary approvals to complete.

Endocoal will provide further updates on progress of the transaction as necessary.

For further enquiries please contact: *Tim Hedley, CEO & Managing Director* Tel: +61 417 771 198

Yours faithfully



Company Secretary

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 (ASX: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: 186.9m

Unlisted Options & Rights: 20.8m

Directors & Management**Phillip McCarthy**

Non-Executive Chairman

Tim Hedley

CEO & Managing Director

Peter Edwards

CFO and Company Secretary

Lex Hansen

Non-Executive Director

Gavin Solomon

Non-Executive Director

Ray Miller

Non-Executive Director



Australian Government
Foreign Investment Review Board

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5 December 2012
File: F2012/09944

Mr Fai Peng Chen
Minter Ellison Lawyers
GPO Box 769
MELBOURNE VIC 3001

Dear Mr Chen

I refer to correspondence received on 2 November 2012 concerning the proposal for U & D Mining Industry (Australia) Pty Ltd:

- to acquire, via a scheme of arrangement up to 100 per cent of Endocoal Limited; and
- enter into a simultaneous loan agreement to provide an interim debt funding to Endocoal Limited for its working capital prior to the Scheme implementation.

There are no objections to this proposal in terms of the Government's foreign investment policy.

This statement of no objections stands for 12 months from today to allow this proposal to be undertaken. If U & D Mining Industry (Australia) Pty Ltd wishes to proceed with the proposal after this date, a new foreign investment application would be required.

Should there be any material change(s) that would alter the proposal outlined in the application submitted on 2 November 2012, those changes may not fall within this statement of no objections and a new application for the revised proposal may be required.

Please note that the Government expects all entities operating in Australia to maintain the highest standards of corporate behaviour, irrespective of whether those entities are Australian or foreign owned. Persons involved in operating these entities are expected to understand Australia's regulatory environment and abide by all the relevant requirements. Some of the obligations of which foreign investors should be aware are outlined in the fact sheets on the Foreign Investment Review Board's website at <http://www.firb.gov.au> under the *Investor Obligations* section. These requirements are ongoing and may change from time to time. Accordingly, investors are expected to keep themselves up-to-date with any changes to their obligations that may occur.

Yours sincerely

Peter Van de Maele
Foreign Investment Review Board Secretariat

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