

Quarter Highlights

- 28% increase in JORC Resources from 388.7Mt in 2011 to 498.5Mt in September 2012 quarter.
- Mining Lease Application for Meteor Downs South has progressed with Environmental Management Plan completion of fieldwork and baseline studies activities.
- Continuing assessment of a major anthracite-style coal deposit at Rockwood in a previously under-explored part of the Bowen Basin.
- Coal plies with coking properties have been identified at Stockyard Creek.
- Desk studies, fieldwork and data re-interpretation are underway to plan future drilling.
- Endocoal continues to develop and deploy a comprehensive and effective Safety and Health Management Plan across all of its operations.
- All Endocoal corporate functions have now been transferred to Brisbane.

1. Exploration

Geology activities are currently being focussed on planning for future drilling programs. This involves desktop studies, re-interpretation of earlier drilling outcomes, as well as ground-based fieldwork.

1.1 Rockwood Project

Exploration and Resources

On the 31st July the Company announced a 33% increase in the Rockwood JORC Resources by 109.8Mt to 447.1Mt. With 47.1Mt now at Indicated status and the remainder at Inferred status the Rockwood Project is a significant coal asset and represents one of the Company's priority projects for further advancement.

The total JORC Resources for Rockwood now stand at:

JORC Resource July 2012	
Measured Resource	0.0 Mt
Indicated Resource	47.1 Mt
Inferred Resource	400.0 Mt
TOTAL	447.1 Mt

Table 1: Rockwood JORC Resources.

1. Exploration

1.1 Rockwood Project Continued

Exploration and Resources Continued

The current JORC Resource identified at the Rockwood Project is now sufficient to enable the focus for exploration activities to shift from a resource discovery phase to a resource development phase. Drilling results from exploration to date has enabled the development of a more robust geological model that includes the current interpretations of geological structures, as well as coal quality and seam continuity.

Planning commenced during the quarter for the next phase of exploration activities at the Rockwood Project. This will focus on identifying potential mine development areas. Infill drilling is being planned within these areas to allow for progression of mine planning activities. Further infill drilling is also being planned to include core hole drilling to enable extended coal quality washability test work.

Project Development

During the quarter the Chief Executive Officer, Tim Hedley, attended the *5th Coaltrans World Anthracite, Coke, Coking Coal and PCI summit*. The intent was for the Company to begin to engage with and better understand the world anthracite industry, the market dynamics in place, as well as the supply and demand situations.

One of the key findings from the conference was the attractiveness of high carbon, high energy, low volatile anthracite in the worldwide market and particularly as steel makers seek to lower input costs. Based on previous preliminary resource overviews of Rockwood quality data and subject to findings from further technical and marketing studies, it is considered that Rockwood product should find a place within the PCI market.

On the 9th October 2012, the Company announced the commencement of conceptual mining investigations on the Rockwood Project, with the appointment of an experienced multi-seam mine planner. The aim is to undertake preliminary mining investigations to identify suitable locations for initial mining pits based on the geological knowledge and interpretations to date.

With the appointment of a mine planning consultant, plus new knowledge gained in regards to world anthracite markets, the Company is now ready to progress the Rockwood Project into the next phase of investigation. To implement this, Endocoal is now focussed on planning for future activities that include:

- Identifying and prioritising potential mining locations;
- Planning for in-fill drilling to confirm seam structure and quality;
- Planning to upgrade JORC Resource status from 'Inferred' to 'Indicated' and 'Measured'; and
- Confirming likely product coal specifications and value-in-use applications for output from the potential mining locations identified.

1.2 Orion Downs Exploration

Field exploration work at the Orion Downs project during the quarter consisted of completing seven ground water monitoring bores and one overburden sampling drill hole. The completion of these holes represents the final drilling requirements for the Meteor Downs South Project's (MDS) Environmental Management Plan (EMP) and the related ground water studies.

On the 29 August 2012, Endocoal announced the completion of all remaining on site field activities required for the MDS EMP. Endocoal is continuing to work closely with its consultants and the stakeholders involved in completing the drafting of the required EMP documentation.

Once drafted, the EMP will be lodged with Department of Environment and Heritage Protection (DEHP) for its review and assessment as Endocoal seeks the granting of the Environmental Approval for MDS. The EMP component is a key stage required to be met for successful granting of a mining lease for MDS.

Along with the successful completion of the parallel processes involving preparation of a Cultural Heritage Management Plan and Land Owner Compensation Agreement for the mining lease area, Endocoal remains hopeful that a mining lease will be granted at MDS in early 2013. This will allow for commencement of site operations

at MDS, with the target remaining for commencement of coal mining in 4Q 2013 as planned, subject to the approval processes and market conditions.

On 26 September 2012, the Orion Downs tenement was renewed for a further five year period with no relinquishment of any part of the tenement required as part of the renewal. This recognises the significant effort and success that Endocoal has enjoyed in its exploration programs at Orion Downs. This has yielded the MDS Project and the Inderi Project.

Exploration is now being planned to begin on other target areas identified within the Orion Downs and adjacent tenements. Initial work is planned to involve geological mapping and traverses to identify outcrops and geological units within the Bandanna Formation and other coal bearing measures across the adjoining areas.

1.3 Stockyard Creek/ Cedars/ Barfield

Work completed at the Stockyard Creek Project during the quarter resulted in the confirmation of a coking style coal product from further preliminary washability testing. Two coal seams, each approximately 3 metres thick have been intersected in five holes, with the upper coal seam intersected at a depth of 42.7m from the surface.

Coal quality results received during the quarter confirmed that the two seams intersected contain coal plies with attractive coking coal properties. While washability characteristics are indicative only at this stage, further coal quality analysis planned for the next stage of exploration will involve more detailed sizing and analysis pre-treatment programs. These are expected to provide more comprehensive insights into likely coal washing properties. Treatment options, such as two product stream washing (e.g. for thermal and coking output), is also to be evaluated to assist in maximising product coal yield performance.

In excess of 100km of the sedimentary basin/ volcanic contact zone is available for future exploration within the combined Cedars/ Barfield/ Stockyard Creek tenement area. This is the geological environment that hosts the initial coal discovery at Stockyard Creek.

Endocoal's Exploration Team has identified other potential target zones within these tenements similar to the characteristics of the Stockyard Creek discovery area. Planning has been completed for an initial exploration program involving regional geological mapping in conjunction with ground survey techniques and geophysical data reviews. Planning is also underway for a resource definition drilling program within the Stockyard Creek Project area.

1.4 New Exploration Tenements Granted

During the quarter Endocoal was formally granted several new coal exploration tenements resulting from the new projects strategy the Company has implemented during the last 2 years to ensure a continuous pipeline of new exploration areas. As shown in the attached 'Endocoal Current Mining Tenure' map, these include:

- EPC 2025 (Overlander);
- EPC 2253 (Mt Inglis);
- EPC 2822 (Carfax West); and
- EPC 2854 (Thirty Mile Creek).

Notification has recently been received from the Department of Natural Resources and Mines of their intention to grant EPC 2461 (12 Mile Creek) to Endocoal in the near future. Elsewhere, Endocoal is the Priority Applicant for six other EPCs under application. These comprise:

- EPC 2173 (Bundarra);
- EPC 2262 (Milray);
- EPC 2283 (Kola Bar);
- EPC 2306 (Cooper Creek);
- EPC 2348 (Sandilands); and
- EPC 2596 (Turrawulla).

Desktop reviews and preliminary data assessments are underway for recently granted tenements with the intention to develop initial targets and assessments in order to include preliminary field exploration activities in future exploration program planning.

Current Mining Tenure

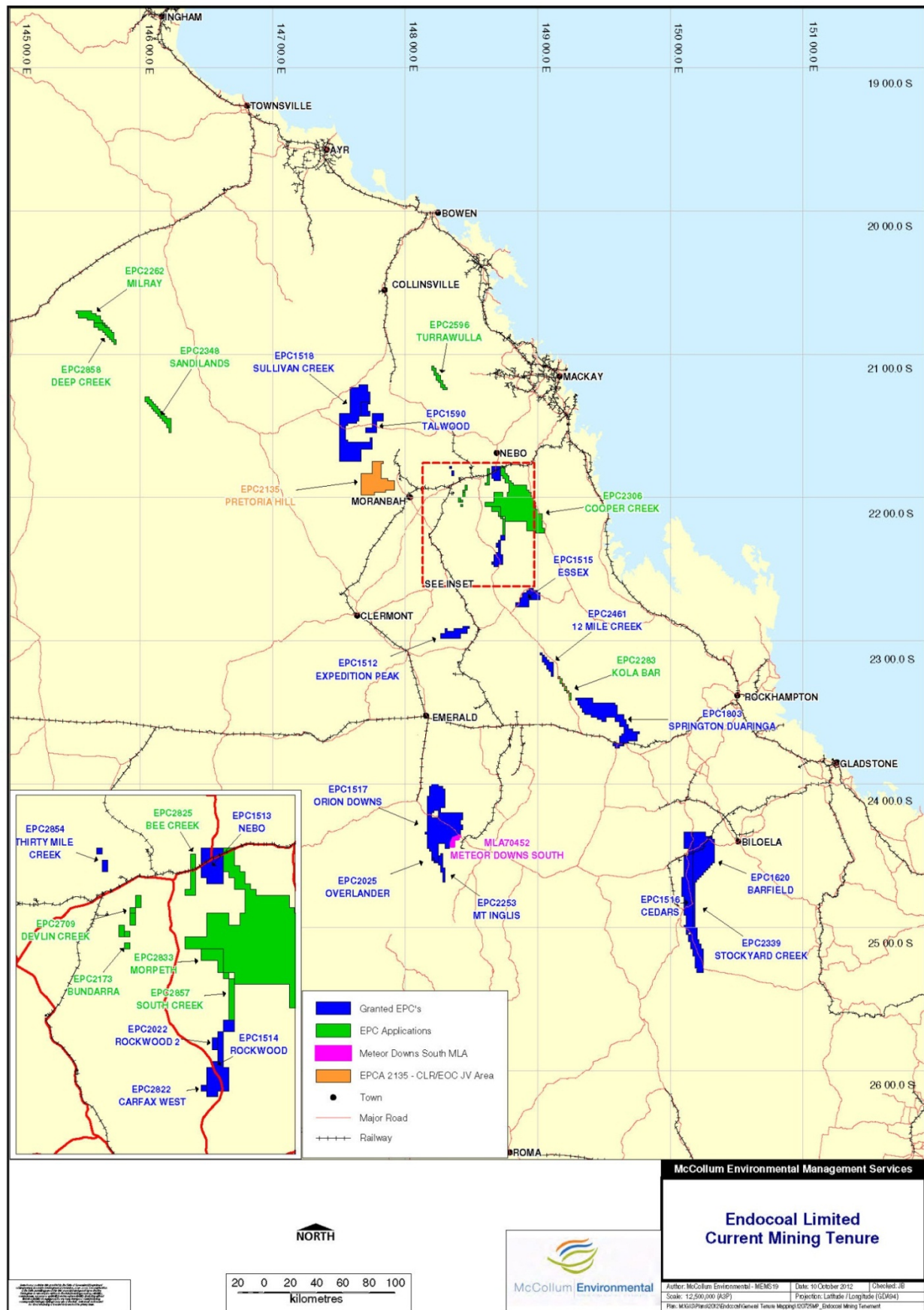


Figure 1: Endocoal's Current Mining Tenure.

2. Corporate Matters

During the quarter ended 30 September 2012, Endocoal, via its corporate advisor Macquarie Capital, continued its active dialogue with a number of parties in relation to potential merger and acquisition transactions. At the same time the Endocoal Board and Management team pursued funding options for the December 2012 quarter and beyond. Both these matters were able to be announced subsequent to the end of the 30 September quarter.

On 5 July 2012 the Company announced the appointment of a new Chief Financial Officer (CFO), Peter Edwards, who is based in Brisbane and who commenced employment in May 2012. On 17 August 2012, the Company announced the resignation of Company Secretary Justin Clyne and the appointment of Peter Edwards to that role. This completed the transition of the Company's corporate office from Sydney to Brisbane. Also at that time the Company changed its registered head office to Suite 2, 1 Swann Road, Taringa, QLD 4068.

On 24 July 2012, the Company announced a notice of extraordinary general meeting (EGM) scheduled for 29 August 2012. The requisition, lodged by a single shareholder through a nominee company, for the EGM was subsequently withdrawn and hence the meeting was cancelled.

Also on 24 July 2012, the Company announced the resignation of Mr Alan Broome as Chairman and the appointment of Mr Rodney Austin as Interim Chairman. The Board announced further Board changes subsequent to the end of the quarter.

In September 2012, the Chief Executive Officer (CEO), Tim Hedley attended the *5th Coaltrans World Anthracite, Coke, Coking Coal and PCI Summit*, in Hong Kong. The purpose was to engage with and better understand the world anthracite industry, and to better understand the potential of our Rockwood anthracite coal deposits.

3. Significant events subsequent to the Quarter

On 25 October 2012, the Company announced changes to the Endocoal Board. Tim Hedley was appointed as CEO and Managing Director, having been the Company's Chief Executive Officer since 4 April 2011. The Board had identified, and recommends the appointment of Brisbane based Ray Miller at the upcoming Annual General Meeting on 30 November 2012.

Mr Rod Austin, the Company's Interim Chairman is not seeking re-appointment upon completion of his current term. With the transition to Brisbane now complete, and with the Company's activities centred in the Bowen Basin, Mr Austin determined it was appropriate to seek Queensland domiciled Directors. Mr Fred Yu resigned from his role as Non-executive Director on 25 October 2012. The Board unanimously thank Fred and Rod for their contribution whilst in the role.

On 29 October 2012, the Company announced a recommended cash offer from U&D Mining of 38 cents per share for 100% of Endocoal's Share Capital through a Scheme of Arrangement. The cash consideration represents a 70.6% premium on 1 month VWAP and puts a value of in excess of \$71 million on the Company. The Endocoal Board unanimously recommend that Endocoal Shareholders vote in favour of the scheme in the absence of a superior proposal and subject to the Independent Expert concluding that the scheme is in the best interests of shareholders.

The Company also announced as part of the U&D offer, that U&D had provided a \$4 million loan facility for working capital, and to relieve the need of Endocoal to raise additional new equity prior to the scheme implementation.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

Endocoal Limited

ACN

132 183 281

Quarter ended ("current quarter")

30 September 2012

Consolidated statement of cash flows

		Current quarter \$A'000	Year to date (3 months) \$A'000
Cash flows related to operating activities *			
1.1	Receipts from product sales and related debtors	0	0
1.2	Payments for (a) exploration & evaluation	(2,923)	(2,923)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(978)	(978)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	46	46
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other- gst	250	2,50
Net Operating Cash Flows		(3,605)	(3,605)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	(10)	(10)
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		(10)	(10)
1.13	Total operating and investing cash flows (carried forward)	(3,615)	(3,615)

* The cash flow relating to operating activities includes some minor reclassifications relating to prior quarterly reports.

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

	Current quarter \$A'000	Year to date (12 months) \$A'000
1.13 Total operating and investing cash flows (brought forward)	(3,615)	(3,615)
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-Share issue costs	-	-
Net financing cash flows	-	-
Net (increase) /decrease in cash held	3,615	3,615
1.20 Cash at beginning of quarter/year to date	5,800	5,800
1.21 Exchange rate adjustments to item 1.20	-	-
1.22 Cash at end of quarter	2,185	3,615

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	56
1.24	Aggregate amount of loans to the parties included in item 1.10	Nil
1.25	Explanation necessary for an understanding of the transactions	

The major activity for the quarter was the Meteor Downs South Project Evaluation, as well as baseline studies for the Meteor Downs South Environmental Management Plan.

The Geology team were involved in desktop studies of our tenements.

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
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Not applicable

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
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Not applicable

+ See chapter 19 for defined terms.

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	4,000	-
3.2 Credit standby arrangements	-	-

The company formally entered into a 12 month loan facility agreement with U&D Mining Industry (Australia) Pty Ltd on 26 October 2012, to provide interim debt funding of \$4,000,000. The loan agreement was executed simultaneously with a Scheme Implementation Agreement (SIA). Further information about the SIA is available on the company website. www.endocoal.com.au.

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	837
4.2 Development	-
4.3 Production	-
4.4 Administration	1,683
Total	2,520

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	1,370	1,485
5.2 Deposits at call	815	4,315
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	2,185	5,800

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	NIL	N/A	N/A	N/A
6.2 Interests in mining tenements acquired or increased	EPC2253 EPC2822 EPC2854	Mt Inglis Carfax West Thirty Mile Creek	- - -	100% 100% 100%

+ See chapter 19 for defined terms.

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 (cents)	Amount paid up per security (cents)
7.1	Preference securities <i>(description)</i>	NIL	NIL	-	Fully Paid
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	7,000,000			
7.3	*Ordinary securities	186,929,401	186,929,401	Various	Fully paid
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	NIL	NIL	NIL	NIL
7.5	*Convertible debt securities <i>(description)</i>	N/A	N/A	N/A	N/A
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	N/A	N/A	N/A	N/A
7.7	Options <i>(description and conversion factor)</i>	20,450,000	-	<i>Exercise price</i> Various	<i>Expiry date</i> Various between 2012 and 2015.
7.8	Issued during quarter	-	-	-	-
7.9	Exercised during quarter	-	-	-	-
7.10	Expired during quarter	-	-	-	-
7.11	Debentures <i>(totals only)</i>	-	-		
7.12	Unsecured notes <i>(totals only)</i>	-	-		

+ See chapter 19 for defined terms.

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 4).
- 2 This statement does give a true and fair view of the matters disclosed. The numbers provided are unaudited numbers as the annual financial report is yet to be finalised.

Sign here: _____
(CEO & Managing Director)

Date: 30 October 2012

Print name: Tim Hedley

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 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 Accounting Standards ASX will accept, for example, the use of International Accounting 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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Corporate Directory

Endocoal Limited

ACN: 132 183 281

ASX: EOC

Corporate Directory

Mr Rod Austin

Interim Chairman

Mr Tim Hedley

CEO & Managing Director

Mr Gavin Solomon

Non-executive Director

Mr Lex Hansen

Non-executive Director

Mr Phil McCarthy

Non-executive Director

Mr Darren Walker

Exploration Manager

Mr Peter Edwards

Chief Financial Officer

Company Secretary

Registered Office

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Email : enquiries@boardroomlimited.com.au

Web : www.boardroomlimited.com.au

Auditors

PricewaterhouseCoopers Chartered Accountants

Bankers

ANZ Bank

Solicitors

Gilbert and Tobin

Norton Rose

Clayton Utz



QUARTERLY **EX**PLORER

www.endocoal.com.au