1. Highlights

✓ Endocoal has completed the Meteor Downs South Open Cut Project Evaluation;
✓ Direct-ship thermal coal product for consumption by Asian customers;
✓ Mining cost of $29.17/t for run-of-mine (ROM) coal delivered to the ROM-sizer;
✓ The study has identified, for the Free-on-Truck despatch (FOT) option:
  - Production of 1.5-1.9Mtpa
  - Mine life of 9-10 years;
  - CAPEX of A$42.0M; and
  - OPEX of A$37.11/t.
✓ Open cut optimised to deliver a high productivity outcome > 20,000t/employee/year
✓ Next steps to finalise off-take / joint venture arrangements and transport logistics.

2. Background

Endocoal Limited (ASX:EOC) (Endocoal) is pleased to announce the completion of the ‘Meteor Downs South Project Evaluation’ (MDS Project Evaluation). The MDS Project Evaluation was completed on schedule by end-Q1 2012.

Key parameters

The ‘Meteor Downs South Project, Mining Evaluation Study’, prepared by Minserve, brought together inputs from component reports, consolidating capital and operating costs for a high-productivity, direct-ship open cut mine at MDS:

- Producing 1.5-1.9Mtpa;
- Over a 9-10 year mine life; and
- Delivering a productivity level of greater than 20,000t/employee/year.

An initial financial assessment has been undertaken to determine the economic viability of the MDS open cut project. This has confirmed the availability of 13.02Mt of Mineable Reserves, based on the mine layout, mode of operation, equipment selection and the mining schedule to be adopted.

Access to the remaining resources (approximately 3.8Mt) identified at MDS will be possible through later taking up other opportunities to access this coal, including highwall auger mining, or possibly through some form of ‘boundary agreement’ should this be negotiated with the adjacent tenement holder.

Consultants

Key consultants involved in preparing the ‘Meteor Downs South Project Evaluation’ were:

<table>
<thead>
<tr>
<th>Project Team Members</th>
<th>Area of Responsibility</th>
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</thead>
<tbody>
<tr>
<td>JB Mining Services</td>
<td>Geological structure and coal quality modelling, plus MDS JORC Resource Statement.</td>
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<tr>
<td>Gallagher Consulting</td>
<td>Coal quality and properties assessment.</td>
</tr>
<tr>
<td>The Minserve Group</td>
<td>Mine planning and design, operations scheduling and costing.</td>
</tr>
<tr>
<td>TMM Group</td>
<td>Mine site access, infrastructure (including train load-out) and site services.</td>
</tr>
<tr>
<td>Balance Resources</td>
<td>Rail access, port access and logistics.</td>
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<td>Salva Resources</td>
<td>Marketing study.</td>
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3. Study Results

The MDS Project Evaluation has focussed on delivery of capital costs (CAPEX) and operating costs (OPEX) at distinct project stages. Those being discussed at this stage comprise:

i. **Actual Mining Cost** – Run of Mine (ROM) cost of A$29.17/t for coal mined and hauled to the ROM sizing station;

ii. **Free on Truck Cost** (FOT) – A$37.11/t for sized coal delivered into a road-haul truck at the crushed coal product stockpile, with other normal mine site operating costs included (workshop, offices, amenities, etc). (A$42.52/t with post-production costs, including royalty, marketing, insurance, research levy, etc).

For the FOT case, the capital cost estimate is A$42.0m, including a 12.5% provision for Project Delivery Costs (Owner + EPCM), plus 10% Contingency provision. This is based on the application of a ‘Mining Contractor Model’, where Endocoal, as the mine site owner, will provide site access and basic site infrastructure, while the Mining Contractor to be engaged will supply the mining equipment, mining staff and workforce.

The optimisation of a smaller-scale mine with a limited mine life (9-10 years) has been targets. The MDS project will deliver workforce productivity averaging 20,480t/person/year (for the years in full production). This compares very favourably with the QLD open cut average of 9,664t/person/year for the 12-month period to March 2011 (as per QLD Government Statistics).

The MDS mining study has undergone a peer review involving a Hunter Valley-based, mining engineering and capital projects engineer with broad experience in dealing with excavator-and-truck mines of a similar scale and with a similar operational focus to that now being proposed for MDS.

4. Next Steps

Endocoal will now evaluate potential coal off-take and joint venture agreement opportunities.

Investigations underway to deliver suitable logistics outcomes and to secure access to rail and port infrastructure will continue. The Company is actively engaged in various processes involving QR Rail and QLD port operators regarding future access to rail and port capacity. Also, preliminary discussions have been held with other mining companies where under-utilised capacity may become available. The aim is to enable first production from MDS during late 2013.

5. Commentary

Commenting on the outcome of the MDS Project Evaluation, Endocoal’s Chief Executive Officer, Tim Hedley said:

“The completion of the MDS Project Evaluation represents a significant milestone for Endocoal. Work done to date confirms the Project is attractive and financially robust. We will continue our efforts towards obtaining environmental approvals and a Mining Lease in late 2012. Endocoal will now also assess potential off-take and JV arrangements to ensure we can optimise capital expenditure funding to deliver the open cut mine development at Meteor Downs South.”

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

Competent Person’s Statement:

In accordance with the Australian Securities Exchange requirements, the technical information contained in today’s announcement titled “Meteor Downs South Open Cut Project Evaluation Completed” 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.
Competent Person’s Statement:

In accordance with the Australian Securities Exchange requirements, the technical information relating to the Meteor Downs South JORC Resources contained in today’s announcement titled “Meteor Downs South Open Cut Project Evaluation Completed” has been reviewed by Phill Sideys, B.App.Sc. (Geology), employed by JB Mining Services. Mr Sides is a member of the Australian Institute of Geoscientists 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 Sides consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.

Statement of Compliance:

The information in this report that relates to Proven and Probable Reserves at Endocoal’s South Meteor Downs Project is based on a mine plan, a mine schedule and costs prepared by The Minserve Group Pty Ltd. Mr Jeff Jamieson was responsible for the report’s preparation and the reserve statement therein. He is both a Fellow of the Australasian Institute of Mining and Metallurgy, and a Chartered Professional (Mining) and is a Competent Person as defined in the 2004 Edition of the ‘Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves’. Mr Jamieson consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

About Endocoal

Endocoal is an Australian public company focused on the exploration and development of coal tenements in the Bowen Basin, Queensland’s premier coal producing region. The Company is currently proceeding to develop export-quality thermal coal mines at its flagship Orion Downs tenement, positioned close to existing infrastructure networks, and deliver coal to export markets. Endocoal also has an additional nine tenements in the Bowen Basin region which will be subject to further drilling and exploration, with priority for the Rockwood tenement which is prospective for PCI coal; and the Talwood/Pretoria Hill tenements which are prospective for Coking Coal. Scout drilling has also commenced at the greenfield Stockyard Creek Project as part of the 2012 exploration program now underway.

Endocoal Limited
ACN 132 183 281
ASX CODE: EOC

Securities Information
Ordinary Fully Paid Shares: 186.9m
Unlisted Options: 21.4m
Converting Preference Shares: 7.0m

Directors & Management
Alan Broome AM  Non-Executive Chairman
Phillip McCarthy  Non-Executive Director
Tim Hedley  Chief Executive Officer
Lex Hansen  Non-Executive Director
Rod Austin  Non-Executive Director
Gavin Solomon  Non-Executive Director
Fred Yu  Non-Executive Director