

# Further Market Update

28 June 2010



ABN 82 000 738 885

## Key Points

- Unsecured Loan Facility Documentation covering the unsecured monies detailed in the 15 June Market Update completed with Exchange Minerals Limited (“Exchange”).
- East Coast completes Placement on 25 June 2010 of 11 million fully paid listed ordinary shares (“Shares”) to raise \$220,000 before costs.
- East Coast continues to pursue its investment in the proposed potash project and this week expects to close the formal extension of time to complete the transaction with Exchange.
- East Coast continues to negotiate with all of the parties involved in the allegations impacting the relationships with In Situ Energy, LLC (“ISE”), the technology provider, which has asserted certain rights over the Rawlins project option, and the allegations made by the Energie Minority shareholders. This matter continues to impact the status of ECM’s investment in Energie Future N.L. (“Energie”), which is currently highly uncertain and may cause a need to review the carrying value of the investment in Energie.
- After meeting its obligations under the Energie Shareholders agreement, East Coast has now ceased funding Energie.
- East Coast continues to raise capital for its operations.
- All material contracts are under review.

## East Coast Minerals N.L. (ASX:ECM) (East Coast) sets out below a further market update:

### Unsecured Loan Facility Documentation

In the Market Update issued on 15 June, East Coast advised that it had received an advance draw-down on an unsecured basis from Exchange during March of \$450,000 and a further \$500,000 in May 2010 (“**Advance Loans**”). These funds have been used for working capital and administrative costs, East Coast has now entered into unsecured formal facility documentation (“**Loan**”) in relation to those Advance Loans.

The key terms of the Loan are as follows:

- total Unsecured Loan Facility - \$2 million;
- interest rate – 12%, accruing monthly in arrears, and unless paid within 3 business days of month end, will be capitalised at the option of East Coast;
- security – nil;
- term of loan – repayable by no later than 31 October 2011 or is to be repaid by the proposed Convertible Note; and
- balance available for draw-down is \$1,050,000, including repayment of other loans.

### **Placement of 11 million Shares completed at \$0.02 per share before costs.**

Concurrently with the release of this announcement, East Coast has released an ASX Appendix 3B providing details of a Placement of 11 million fully paid listed ordinary shares (“**Shares**”) to a sophisticated investor at \$0.02 before costs. It is anticipated that further capital raisings will be announced in the near future.

### **Planned Investment in the Potash Project:**

On 29 April 2010, East Coast announced that it had entered into a conditional Heads of Agreement with Exchange for the acquisition from Exchange of 70% of Potash Holdings Pty Limited (“**Potash**”). That announcement set out details of the proposed transaction. The Heads of Agreement anticipated that the documentation could be completed by 31 May 2010. That proved not to be possible and an in principle understanding was established that the Heads of Agreement will be varied to extend the date for completion of the documentation to 31 August 2010. The Company has now received formal confirmation from Exchange confirming this position and these formalities are expected to be completed this week. The completion of the formalities is expected to take place in conjunction with the outcome of further funding from the issue of the 80 million shares as discussed under the heading of corporate matters below.

### **Energie Future N.L. (“Energie”)**

On 4<sup>th</sup> March 2010, East Coast provided an update on developments in relation with the technology provider, InSitu Energy LLC (“**ISE**”). In that announcement, it was noted that ISE had cancelled its arrangements that were previously intended with the Memorandum of Understanding. In addition, in the March 2010 Quarterly Activity statement issued on 29 April 2010, it was noted that letters alleging breach of directors duties and an alleged failure to comply with the terms of the Shareholders Agreement, had been sent to the directors, but the allegations have not been particularised, and no litigation proceedings have been commenced. The East Coast’s directors deny the allegations.

It was also noted in the 29 April Activity statement that under the terms of the Shareholders’ Agreement, East Coast has agreed to subscribe for preference shares to fund Energie’s operation up to \$1.5million, or for 12 months, whichever occurs first, in accordance with budgets approved by Energie’s board. East Coast complied with that agreement and the 12 month period concluded at the end of last week. At that time, the East Coast escrowed shares held by Vanstra Pty Ltd were released from escrow, and the Consulting Agreement with Vanstra Pty Ltd expired and was not extended.

Further to the matters covered in the 15 June Market Update that ISE’s legal representatives have issued a letter to a wholly owned subsidiary of Energie advising that its acquisition of the Rawlins option was not in accord with the representations made to ISE, and that appropriate contract negotiations and funding arrangements were not in place. ISE has put a proposal requesting that the Rawlins option be transferred back to them for no consideration, and that if that occurs expeditiously, then ISE is presently willing to release any and all claims. The timing of some of the key dates identified as applying to the allegations fall prior to East Coast’s investment in Energie.

The boards of East Coast and Energie have been attempting to find a basis to resolve the issues. ISE has agreed to a short extension of time but little progress has been made in the attempts to try to find a way forward, with attempts to resolve the dispute with Energie minority shareholders showing no sign of success. However, on the possibilities that the difficulties with the Energie Minorities, and with ISE and the Rawlins option can be resolved, the board of Energie continues to seek out alternative sources of funding to facilitate advancement of the project in what are difficult times.

With this background, the board of East Coast remains uncertain as to the outcome of any of the above matters and the effect, if any, this may have on its investment in Energie. In view of the above uncertainties, the carrying value of the investment in Energie will also need to be reviewed as at 30 June 2010. Further details will be provided as and when information is available.

In addition to the above, whilst East Coast has met all of its funding obligations in accordance with the Shareholders Agreement up to 25 June 2010, the Directors have advised that it will provide no further funding for Energie. However, the board of East Coast will consider any case by case matter as and when such matter arises.

## **Other corporate matters**

### *Issue of capital*

The Company is in advanced negotiation in relation to the issue of 80 million securities with a broker. Further details of this issue will be made available when they are completed.

In addition, when the next general meeting of members is convened, the Directors intend to seek approval to be able to issue additional securities in order to fund the operations of the Company.

### *Review of contracts*

The Directors are currently reviewing all contracts with a view of re-negotiating them so as to preserve cash resources. Further details will be made available when details of these are known.

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### **Competent Persons Statement**

The information in this report that relates to exploration results is based on information compiled by Ed Mead who is a member of the Australian Institute of Mining and Metallurgy and is a consultant to and Director of East Coast Minerals. Ed Mead's services are provided under contract by Doralada Pty Ltd. Ed Mead 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, Mineral Resources and Ore Reserves'. Ed Mead consents to the inclusion in the report of the matters based on their information in the form and context in which it appears.