

June Quarterly Activities Report

27th July 2010



Key Points

Potash Holdings

- Work is continuing to advance this opportunity.

Elizabeth Hill

- Drilling at Elizabeth Hill totalled 5 RC holes for 975m.
- Anomalous zones of Silver intersected;
 - 32m @ 4g/t Ag, EH14, 72-104m
 - 44m @ 4.1g/t Ag, EH15, 24-68m
 - 16m @ 5.4g/t Ag, EH17, 44-60m

Energie Future

- Funding obligations completed and ECM directors have resigned from the board of Energie.

Capital Raisings

- A capital raising of \$220,000 was completed during the quarter, with a further \$521,000 raised since 1 July 2010.

Further EML Loan Advance

- A further unsecured loan advance of \$500,000 was received from Exchange Minerals Limited (EML).

Termination of Corporate Advisory Agreement

- The Company has terminated its Corporate Advisory Agreement with Gravner Limited (Gravner) resulting in a cancellation of 50 million options and future payment obligations and the issue of 10 million ordinary shares as consideration.

East Coast Minerals NL (ASX: ECM) (East Coast) is pleased to announce the Company's Quarterly Activities Report for the period ended 30 June 2010.

Potash Holdings

East Coast has entered into an agreement to purchase up to 70% of Potash Holdings which owns shares in West Coast Potash Pty Ltd (WCP), with EML being the long term future joint venture partner. EML has acquired under a staged arrangement from an external third party (Vendor) the shares in WCP. East Coast's dealings are with EML.

The project is located in the Southern Carnarvon Basin of Western Australia (Figure 1).

CSA Global has been engaged to complete a high level assessment of the project and complete technical work to lay the foundation for drilling and expedite the regulatory processes to allow drilling. A tender document for the initial drilling program is expected to be submitted to suitable drilling companies shortly. Resampling of core and ditch cuttings for potash from Hamelin Pool-1 and 2, Yaringa East extension and Yaringa-1 is to be attempted.

Terms of Acquisition

The key terms of the acquisition have previously been announced. However, a summary of the key terms are as follows:

- Initial acquisition of 49% - subject to shareholder approval, an amount of \$650,000 is payable to EML and this amount is expected to be added to the proposed secured Convertible Loan;
- Cost for an additional 14% - subject to exercising an option to purchase an additional amount of \$750,000 is payable in cash to the Vendor in cash by 19 November 2010. Failure to exercise the option and make the payment will mean that the Vendor will be able to repurchase the whole economic interests for \$1;
- Success fee payment to the Vendor - \$3.5 million payable assuming an Exploration Target (as certified by a third party) of 3.5 million tonnes at a minimum grade of 1.5% KCl is achieved. The success fee is payable 50% in cash and 50% in East Coast shares, at East Coast's election and this amount is payable 19 June 2011; and
- Final 7% - this can only be acquired from the Vendor when a bankable feasibility is completed and payment is to be determined by two independent valuations.

In addition to the above, East Coast will meet all funding obligations associated with the Potash project.



Figure 1: Project locations.

Highlights

The key highlights of the Potash project are as follows:

- it represents an opportunity to invest in a highly prospective potash project through East Coast;
- previous drilling has demonstrated the potential for a very substantial potash deposit;
- solution mining and solar evaporation is viable - significantly cheaper than other methods;
- close to a coastal town and major port, with a major highway running through the project;
- an ideal location for export to Asian markets;
- off-take arrangements are potentially available as the project currently is not affiliated with any producers; and
- Australian Government mining “super profit” tax does not apply to Potash.

Historic Exploration

The Potash project has had significant work performed to it and the following significant events have occurred:

- wells were drilled in the late 1960s as part of oil and gas exploration. Recovery feasibility tests were carried out on the results using solar evaporation of a brine estimated to contain 5.3% potassium chloride (KCl), a substantially higher grade than at some profitable mines operating in other parts of the world; and
- the potential for a significant potash deposit exists. Regional gravity data indicates that the evaporate horizons may have developed in a sub-basin exceeding fifty kilometres in length.

Proposed 2010 Exploration Programme

East Coast’s management team is actively involved with EML and the Vendor with the advancement of the project. The following key activities are proposed:

- Resampling of core and ditch cuttings for potash from Hamelin Pool-1 and 2, Yaringa East extension and Yaringa-1 is to be attempted
- drilling of a twin hole of Yaringa-1 is scheduled to commence in the second half of 2010 with tenders to go out shortly to suitable drilling companies;
- analysis is to be made of evaporates to confirm the historic KCl grades at 5.3%; and
- a 3D seismic survey will be designed if required to define the evaporite horizons.

Future Developments

East Coast management are actively pursuing the following:

- a strategic partner to provide initial funding of A\$3-5million to fund the proposed 2010 drilling programme. As part of the funding arrangements an off-take agreement will be offered if required by the strategic investor; and

- additional funding arrangements with the strategic investor will be put in place so as to enable the drilling to achieve a JORC resource (i.e. inferred level of JORC), so as to complete a pre-feasibility study and move to a bankable feasibility study.

Shareholders will also be afforded the opportunity of participating in investment in the Potash project.

Elizabeth Hill (East Coast 69.88% Legend Mining 30.12%)

The Elizabeth Hill project is a long standing project of East Coast located near Karratha Western Australian (Figure 1).

Exploration Work during the Quarter

A further 5 Reverse Circulation (RC) holes for 975m were completed during the quarter targeting the Sub-audio Magnetics (SAM) and Electromagnetic (EM) anomalies identified (Figure 2). The drill program total was 17 RC holes for 2,602m (Appendix 1 - Table 1) with 657 (4m composite)

samples being submitted for assay. Results have been received with anomalous silver assays being returned over significant portions of the SAM anomalies (Appendix 1 - Table 2), see below:

- 32m @ 4g/t Ag, EH14, 72-104m
- 44m @ 4.1g/t Ag, EH15, 24-68m
- 16m @ 5.4g/t Ag, EH17, 44-60m

Unfortunately the results for individual assays did not get above 6.8g/t Ag over 4m. Whilst it is believed that the drill program has been a technical success, the results are not of the tenor previously mined from the underground mine. The directors are in the process of assessing these results to determine the next course of action.

Geology

The holes drilled intercepted granite, monzogranite and (assumed) intrusive gabbro and pyroxenite units. The gabbro and pyroxenite occurs as moderately west dipping, rafts of varying width (2m to +50m) within the granite.

The drilling programme has shown that the gabbroic units are more extensive than previously thought, based on the current GSWA mapping - potentially opening up further zones of prospectivity in the immediate area.

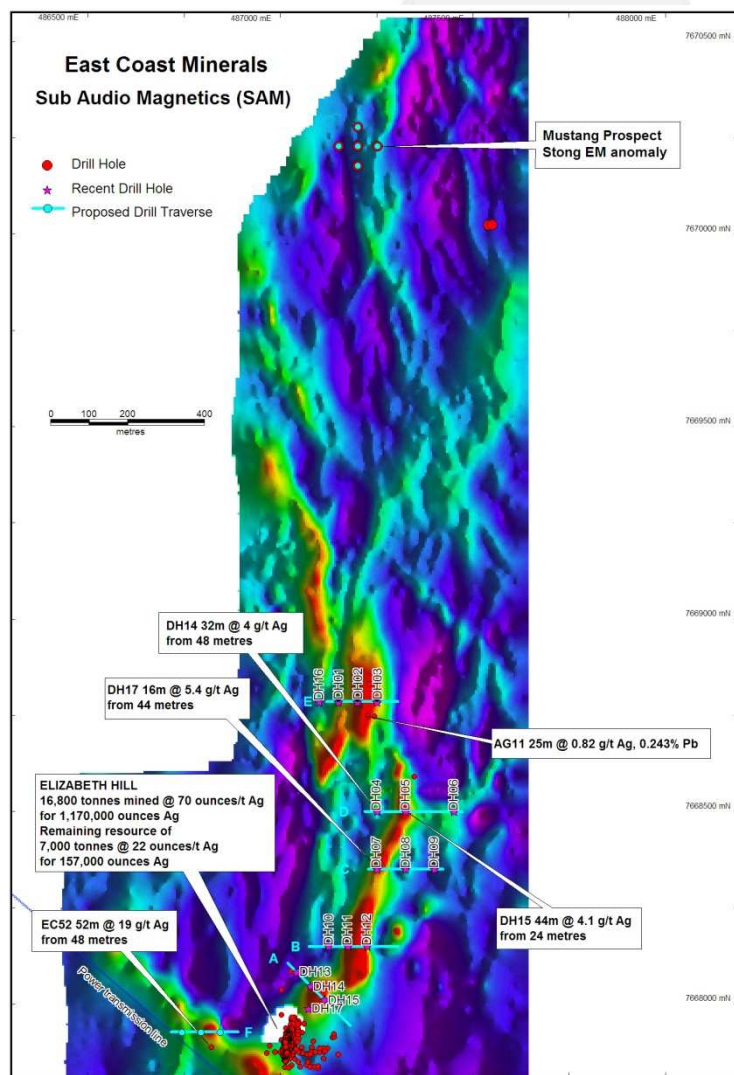


Figure 2: Drill results overlying SAM

A review of the program will be required to assess the potential of the newly identified gabbroic zones and whether potential exists for the development of nickel sulphides.

Previous Mining and History

Silver was mined by East Coast and Legend Mining from the Elizabeth Hill underground mine between 1998 and 2000. 16,800 tonnes of ore grading 2,100 g/t silver (70 oz/t) was mined to produce 1,170,000 ounces of silver.

Exploratory efforts were focused to the south of Elizabeth Hill until December 2002 in an effort to delineate a repeat of the Elizabeth Hill silver deposit, but drilling failed to locate any further mineralisation. The 13 EM and SAM anomalies identified in 2009 are immediately adjacent to and north of Elizabeth Hill underground mine and have not been drill tested.

Gossan Dam (EL 70/3545, East Coast 80%)

The Exploration License over the Gossan Dam (Figure 1) base metal and silver prospect is near Mukinbudin, which is 300Km east of Perth in Western Australia. No resource has been defined in the area, but significant mineralisation has been identified by rock chip sampling and limited drilling from previous companies.

In 1970, Asarco Australia Ltd carried out rock chip sampling. The results recorded maximum values of **3.25% Zn (Zinc), 1.16% Pb (Lead), 77g/t Ag (Silver) and 9.6% Mn (Manganese)**.

In 1976, Otter Exploration NL carried out further rock chip sampling and returned grades of up to **6.8% Zn, 6.7% Pb and 127g/t Ag** from the gossan and **5.2% Zn, 2.4% Pb and 98g/t Ag** from the surrounding syenite host rocks.

In 1977, Shell Minerals Exploration (Australia) Pty Ltd undertook drilling. The best results recorded averaged **1.03 metres @ 1.00% Cu, 1.50% Pb, 1.70% Zn and 760g/t Ag (fillet sample)** and **0.65% Cu, 1.58% Pb, 1.81% Zn and 680g/t Ag (quarter BQ core sample) from 85.09m**. A total of 7 Diamond Drill holes for 930.95 metres and 3 Percussion holes for 141 metres have been drilled. All drilling undertaken was based on the view that the mineralisation dipped to the south.

In 1997, Merrit Mining NL undertook further sampling of gossans. The best results recorded were **2.23% Zn, 1.01% Pb, 34.8 g/t Ag and 12.9% Mn**. All the previous work has concluded that potential exists for extensions to the known high grade silver mineralisation. However, the complex geophysical magnetic anomalies remain untested and no drilling has ever tested the potential for a north dipping mineralised system.

East Coast is in the final stages of a desk top study to outline potential exploration initiatives to look at methods of defining targets. Regional airborne magnetic and radiometric data has been acquired and processed. Due to seasonal pastoralist cropping a field visit is not scheduled until later in the year.

Kurabuka Creek (ELA 09/1701, East Coast 80%)

An exploration application was applied for at Kurabuka Creek (Figure 1) in the Gascoyne mineral field. The area is prospective for base metals and silver. Recent work has been in finalising a Heritage Agreement which will then allow the tenement to be granted.

Energie Future NL

ECM currently has a 56.54% shareholding in Energie Future NL (Energie). Energie is a company which is potentially involved in Underground Coal Gasification (UCG), with its principle investments being an application for licenses in the Sydney basin and an option to acquire a site in Rawlins, Wyoming in the United States of America.

Full details of the status of this investment was released in a market update dated 30 June 2010. One of the key points arising from this market update was that East Coast has now ceased funding to Energie. Since the 30 June market update, the East Coast directors have all resigned as directors of that company. As a result, East Coast has lost control (at least temporarily) over Energie.

Notwithstanding the above, East Coast still has a number of rights under the shareholders agreement and any decision to proceed further with this investment will be considered based on the merits of any proposal with the minority shareholders and the technology provider should they arise.

Capital Raisings

During the quarter East Coast successfully completed a capital raising of \$220,000. Since the end of the quarter the Company also raised an additional \$521,000.

The capital raisings were made from a facility to enable the directors to issue up to 80 million securities greater than 80% of the five preceding days of the volume weighted average price. The capital raisings are considered to be an indication of the markets confidence in East Coast future exploration activities.

Loan from EML

During the quarter East Coast received a further unsecured loan advance of \$500,000 from EML. In addition, EML has confirmed that subject to East Coast shareholder approval to the current unsecured loan from EML of \$950,000 plus an existing secured loan of \$650,000 together with the amounts paid in relation to the acquisition of Potash of \$650,000 will be refinanced into a \$2.7 million convertible note facility ("Convertible Note"). Under the terms of the unsecured facility an additional \$450,000 is available for draw down. If drawn down, this amount would also be added to the Convertible Note.

The purpose of proceeds from the Convertible Note will be as follows:

- refinance existing loans currently between East Coast and EML; and
- any additional funds (i.e. up to \$450,000) will be used for exploration and administrative costs associated with the Company.

The Convertible Note is subject to shareholder approval. Documentation is currently being prepared for the approval of the Convertible Notes and will be done concurrently with the proposed acquisition of the Potash project detailed above.

Termination of Corporate Advisory Agreement

The directors have reached agreement with Gravner to terminate the existing Corporate Advisory arrangements. The key terms of the termination are as follows:

1. Payment of 10 million fully paid ordinary shares in East Coast to Gravner and these are to come out of the approved 80 million securities approved by shareholders; and
2. In exchange for the above payment, Gravner is to provide the following:
 - a. full release of all payment obligations for Corporate Advisory service fees;
 - b. full release from all other contingent payments that may be payable to Gravner pursuant to the Corporate Advisory Agreement; and
 - c. cancellation of the 50 million Options which are subject to certain milestones.

Future dealings with Gravner are to be undertaken on terms and conditions to be agreed on a case by case basis.

The Directors of East Coast wish to thank Gravner for its contribution and looks forward to working with Gravner on selected future mandates.

Further updates on the above will be provided to shareholders as soon as they come to hand.

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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 Doralda 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.

Appendix 1

Table 1: Drill hole locations.

hole_id	Northing	Easting	dip	azimuth	depth (m)
DH01	7668785	487150	-60	90	150
DH02	7668785	487200	-60	90	150
DH03	7668785	487250	-60	90	75
DH04	7668500	487250	-70	90	200
DH05	7668500	487325	-70	90	196
DH06	7668500	487450	-70	270	200
DH07	7668350	487250	-70	90	150
DH08	7668350	487325	-70	90	150
DH09	7668350	487400	-70	90	250
DH10	7668150	487125	-60	90	150
DH11	7668150	487175	-60	90	150
DH12	7668150	487225	-60	90	75
DH13	7668083	487042	-60	135	150
DH14	7668047	487078	-60	135	151
DH15	7668011	487114	-60	135	75
DH16	7668785	487100	-60	270	150
DH17	7667989	487072	-60	255	180

Total **2602**

Table 2: Silver intercepts

	Width (m)	Ag g/t	From (m)
DH02	44	1.2	28
DH14	32	4	72
DH11	16	2.25	8
DH12	28	1.53	0
DH15	44	4.1	24
DH17	12	1.6	4
DH17	16	5.4	44