ABN 82 000 738 885

# East Coast Minerals NL
# and its controlled entities

# Annual Financial Report

# For the year ended
# 30 June 2010

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## DIRECTORS
Graham Libbesson (Non-Executive Director & Chairman)
Edward Mead (Managing Director & CEO)
Sevag Chalabian (Non-Executive Director)

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Graham Libbesson

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## AUDITORS
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## BANKERS
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## SOLICITORS
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# CHAIRMAN'S LETTER TO SHAREHOLDERS

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Dear shareholders,

The last year has been a challenging time in the resources sector. But through this time the company has continued to build our portfolio of projects in Western Australia and assess other promising opportunities both within Australia and overseas.

We have also had set backs in particular the issues with our investment with Energie Future.

One positive consequence of ending our involvement in Energie Future is that management is now free to devote all its energy and resources to the pursuit of potential new projects and joint venture arrangements around the world.

The philosophy of the Company has not changed in the last 12 months and our desire is to become a "mining house" whereupon we take an interest in promising mining opportunities and apply our expertise to commercialise and crystallise the opportunity, thereby creating shareholder wealth. From there we need to extract the wealth created by either selling or spinning off investments into new vehicles. In this way we should be able to achieve a good return for the Company and its shareholders.

The support from Exchange Minerals Limited provided over the year has also aided the company, both financially through a convertible note, and in the identification of West Coast Potash which is a project with good potential for success. We are confident there will be other opportunities available for the company in the future.

To some extent we have been constrained by the world economy, but we have been able to raise funds to meet our commitments and to advance our projects. We would always prefer to be raising at higher share prices and have less dilution for existing shareholders but market conditions unfortunately dictate what management are able to achieve.

Over the year we have continued to investigate a number of opportunities but have decided not to progress with these based on a risk/reward analysis. However, we continue to evaluate opportunities which may be more promising.

I would like to take this opportunity of thanking my fellow directors and management for the efforts they have made this year. I particularly would like to thank John Hartigan for his extreme efforts in testing situations during the year.

In addition, I would like to thank all our loyal shareholders. I would like to stress the directors hold significant shares, purchased with cash, and options in East Coast and have a very keen interest in the Company succeeding and creating wealth for its shareholders.

Yours sincerely,

Graham Libbesson
**Chairman**

**Sydney, 20 September 2010**

East Coast is continuing to build a portfolio of projects in Western Australia (see Figure 1), with a fourth project to be added with shareholder approval of the Potash Holdings acquisition. The latest potential acquisition would offer East Coast exposure to the Potash market which is undergoing significant movements. These movements relate to increasing global population having to grow food crops on farm land that is becoming less arable. This is translating into significant price increases.

During the year East Coast continued to develop the Elizabeth Hill Silver Project by drilling anomalies identified from geophysical surveys. Unfortunately, the drilling was a technical success and intersected silver mineralisation, however the tenor was not of the grades previously mined underground or in line with the current resource. The Mustang anomaly remains untested.

Work also started on Gossan Dam after the granting of the exploration tenement, with initial work looking at the next best steps based on all currently available data. This is nearing completion.

Work on heritage agreements was started for the granting of Kurabuka Creek.

During the year East Coast made a significant investment in Energie Future. Unfortunately this investment was plagued by ongoing issues with both the minority shareholders and the technology providers to the project. On the 20 August 2010, the Company announced that it had disposed of this investment at a loss of approximately $113,000. This loss was in addition to the amounts spent during the year.


**Figure 1: East Coast Minerals Western Australian project locations**

## Energie Future (East Coast 56.54%)

During the year East Coast made a significant investment both in financial resources and time in Energie Future. The strategy was focused around achieving a "pre feasibility" study and considerable effort was undertaken in trying to achieve this objective. Unfortunately, due to a number of issues including the in ability to raise funds in Energie Future for the "pre feasibility" study, such objective was not able to be achieved. A number of issues that then arose between the minority shareholders of Energie Future as well as the technology partner. As noted above, the issues were resolved by East Coast exiting from this investment.

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

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

17 Reverse Circulation (RC) holes for 2,602m were completed during the year targeting the Sub-audio Magnetic (SAM, Figure 2) and Electromagnetic (EM) anomalies identified. Assay results have shown anomalous silver assays being returned over significant portions of the SAM anomalies 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.

The Mustang anomaly (Figure 2) remains undrilled and is immediately adjacent to two base metal (Zinc, Silver, Lead, Copper) prospects discovered by Fox Resources in 2007. Fox subsequently did limited drill testing of Sunchaser and Conquest and identified copper and zinc mineralisation. Best intercepts at Sunchaser were 6.1m @ 3.1% Zinc from 28.4m and at Conquest 25m @ 0.52% Copper from 144m. ECM is therefore encouraged by these drill results as the Mustang anomalies are within the same mineralising system.

### *Geology*

The 17 RC holes drilled this year intercepted granite, monzogranite and 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 mapping, potentially opening up further zones of prospectivity in the immediate area.

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.

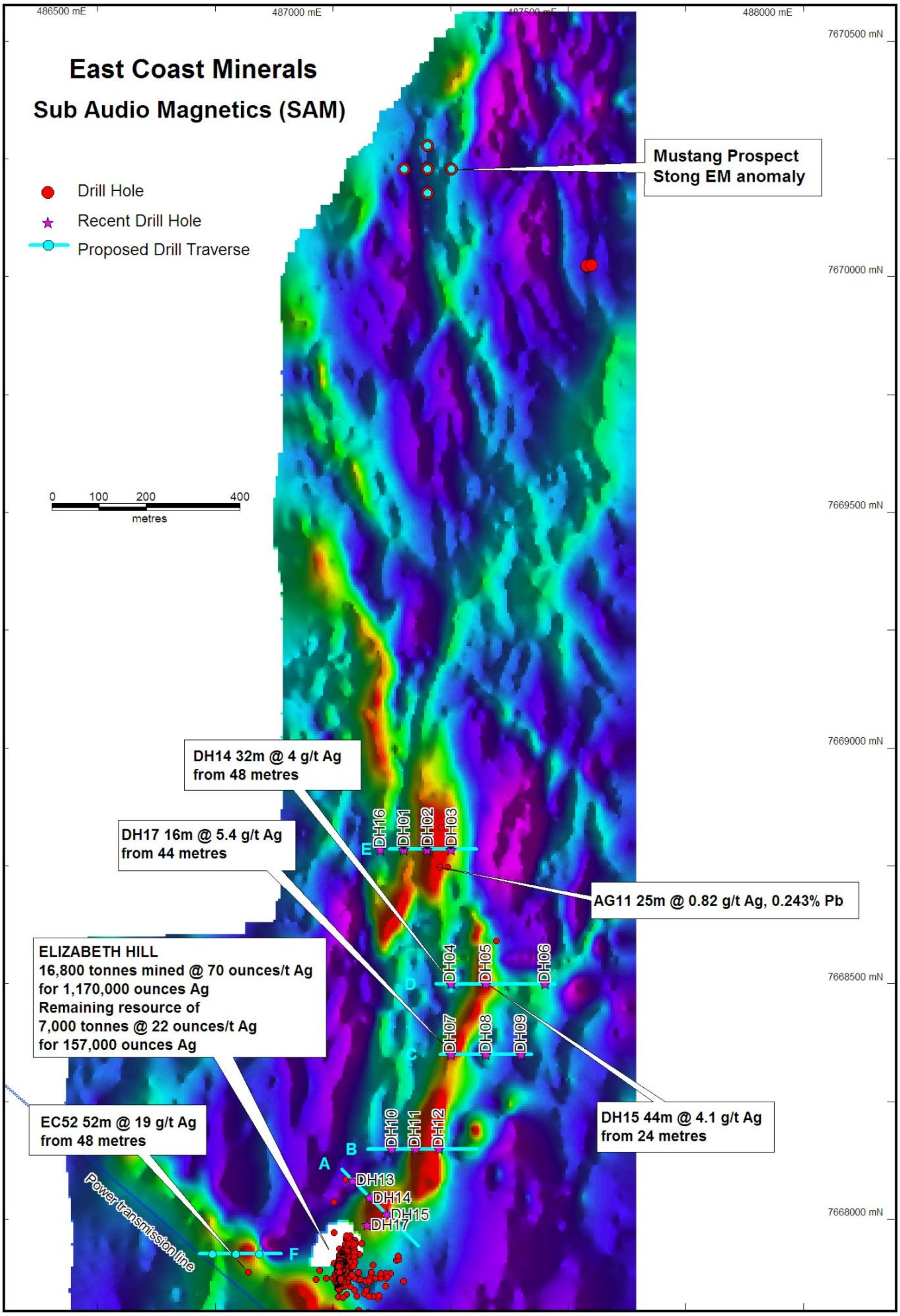


Figure 21: Sub Audio Magnetics (SAM) results with anomalies, EM anomalies, all current drilling and proposed drill traverses at Elizabeth Hill

## Gossan Dam Silver and Base Metal Prospect (East Coast 80%)

The Exploration License over 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 (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 undertaken in finalising a Heritage Agreement which will then allow the tenement to be granted.

### Tenement Schedule

| Tenement Type & No. | Applicant / Holder | PROJECT |
|---|---|---|
| E70/3545 | East Coast Metals Pty Limited | Gossan Dam |
| ELA09/1701 | East Coast Metals Pty Limited | Kurabuka Creek |
| M47/340 | Legend Mining Ltd and East Coast Minerals NL | Elizabeth Hill |
| M47/341 | Legend Mining Ltd and East Coast Minerals NL | Elizabeth Hill |
| M47/342 | Legend Mining Ltd and East Coast Minerals NL | Elizabeth Hill |
| M47/343 | Legend Mining Ltd and East Coast Minerals NL | Elizabeth Hill |
| E47/587 | Legend Mining Ltd and East Coast Minerals NL | Elizabeth Hill |
| M47/414 | Legend Mining Ltd and East Coast Minerals NL | Elizabeth Hill |
| M47/415 | Legend Mining Ltd and East Coast Minerals NL | Elizabeth Hill |

## Potash Holdings (acquisition subject to shareholder approval)

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 Exchange Minerals Limited (EML) being the future 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 to be submitted to suitable drilling companies. Sampling of core and ditch cuttings for potash from Hamelin Pool-1 and 2, Yaringa East extension and Yaringa-1 is to be attempted in September 2010.

### *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.

### *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;
- 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

### *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:

- CSA Global geologists will sample material from potash prospective horizons of the Yaringa Formation. The sampling will be undertaken in September at the West Australian Core Library which is operated by the Department of Mines and Petroleum (DMP). Sampling will be from historical core and ditch cuttings from Hamelin Pool-1 and 2, Yaringa East extension and Yaringa-1. Assaying will primarily be for potassium (potash) but a full multi-element suite will be assayed for, which includes elements such as lithium. It is East Coast's intention to cover several mineralisation models for the area which also include oil and gas.

- Drilling of a hole (well) to twin Yaringa-1 is scheduled to commence in the second half of 2010 with tenders to go out to suitable drilling companies. Regulatory approval to drill has been submitted to the DMP;
- Reprocessing of historical seismic data to delineate the Yaringa Formation;

### *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.

Edward Mead
**Managing Director**

**Sydney, 20 September 2010**

**Corporate Governance Statement**

The East Coast Minerals NL group ("**East Coast**"), through its Board and executives, recognises the need to establish and maintain corporate governance policies and practices that reflect the requirements of the market regulators and participants, and the expectations of members and others who deal with East Coast. These policies and practices remain under constant review as the corporate governance environment and good practices evolve.

In August 2007, the ASX updated its corporate governance principles and companies were given a period of time to report against what became 8 principles. This statement outlines the main corporate governance practices of East Coast during the financial year against those new requirements, which are captured now under the heading Corporate Governance Principles and Recommendations, published in August 2007 by the ASX Corporate Governance Council.

**ASX Corporate Governance Principles and Recommendations**

The 8 Corporate Governance Principles and Recommendations on how to achieve best practice for each principle are set out in a different format to that used previously, with a comment for each recommendation identifying whether East Coast's approach conformed to the 8 principles. It should be noted that East Coast is currently a small cap listed company and that where its processes do not fit the model of the 8 principles, the Board believes that there are good reasons for the different approach being adopted.

Reporting against the 8 Principles, we advise as follows:

***Principle 1: Lay solid foundations for management and oversight***

*1.1 Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.*

The primary responsibilities of East Coast's board include:

- the establishment of long term goals of the Company and strategic plans to achieve those goals;
- the review and adoption of the annual business plan for the financial performance of the company and monitoring the results on a monthly basis;
- the appointment of the Managing Director;
- ensuring that the Company has implemented adequate systems of internal control together with appropriate monitoring of compliance activities; and
- the approval of the annual and half-yearly statutory accounts and reports.

The Board meets on a regular basis, normally monthly, to review the performance of the Company against its goals both financial and non-financial. In normal circumstances, prior to the scheduled monthly board meetings, each board member is provided with a formal board package containing appropriate management and financial reports.

The responsibilities of senior management including the Managing Director are contained in letters of appointment and job descriptions given to each appointee on appointment and updated at least annually or as required.

The primary responsibilities of senior management are:

- Achieve East Coast's objectives as established by the Board from time to time;
- Operate the business within the cost budget set by the Board;
- Ensure that East Coast appointees work with an appropriate Code of Conduct and Ethics;
- Ensure that East Coast appointees are supported, developed and rewarded to the appropriate professional standards.

*1.2 Companies should disclose the process for evaluating the performance of senior executives and appointees.*

The performance of all senior executives and appointees is reviewed at least once a year by the Managing Director, in conjunction with the Board's Remuneration and Nominations Committee. They are assessed against personal and Company Key Performance Indicators established from time to time as appropriate for East Coast.

*1.3 Companies should provide the information indicated in the Guide to reporting on Principle 1.*

A performance evaluation for each senior executive has taken place in the reporting period in line with the process disclosed.

A Statement covering the primary responsibilities of the Board is set out in 1.1 above.

A Statement covering the primary responsibilities of the senior executives is set out in 1.1 above.

The East Coast Corporate Governance Charter is available on the East Coast web site, and includes sections that provide a board charter. The East Coast Board reviews its charter when it considers changes are required.

**Principle 2: Structure the board to add value**

*2.1 A majority of the Board should be independent directors.*

East Coast operates in a market where it finds that it must regularly seek investor support to raise additional capital. As a consequence, Board members often themselves have a significant interest in the company. During the reporting period, the East Coast Board consisted of two non-executive directors, and one Managing Director. All of the non-executive directors are considered independent directors.

*2.2 The Chairperson should be independent.*

Graham Libbesson, the non executive chairman, is independent.

*2.3 Chief Executive Officer should not be the same as Chairman.*

Edward Mead was appointed Managing Director on 30th October 2009, replacing Richard Sealy who resigned on this date.

*2.4 A nomination committee should be established.*

The Remuneration and Nomination Committee is established with the current Board as its members.

*2.5 Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.*

The East Coast Board has only a few board members, who are in regular contact with each other as they deal with matters relating to East Coast's business. The Board uses a personal evaluation process to review the performance of directors, and at appropriate times the Chairman takes the opportunity to discuss Board performance with individual directors and to give them his own personal assessment. The Chairman also welcomes advice from Directors relating to his own personal performance. The Remuneration and Nomination Committee determines whether any external advice or training is required. The Board believes that this approach is most appropriate for a company of the size and market cap of East Coast.

2.6 *Companies should provide the information indicated in the Guide to reporting on Principle 2*

A description of the skills and experience of each director is contained in the 2010 Directors Report.

Graham Libbesson and Sevag Chalabian are considered to be independent because they do not have significant shareholding in the Company and are not employed by the Company.

Directors are able to take independent professional advice at the expense of the Company, with the prior agreement of the Chairman.

The Remuneration and Nomination committee consisted of Graham Libbesson, Sevag Chalabian and Edward Mead. A number of informal meetings were held during the year, attended by all members.

An evaluation of the Board directors took place during the reporting period and was in accordance with the process described in 2.5 above.

New directors are selected by the Remuneration and Nomination committee and their appointment voted by the Board. Each year, in addition to any Board members appointed to fill casual vacancies during the year, one third of directors retire by rotation and are subject to re-election by shareholders at the Annual General Meeting.

A copy of the Remuneration and Nomination committee charter is available on the East Coast web site. As the full Board participates in the appointment process for new directors, there is some informality in the appointment process. The details of attendance at meetings are set out in the Directors' report.

**Principle 3: Promote ethical and responsible decision-making**

3.1 *Companies should establish a code of conduct and disclose the code or a summary of the code as to:*

- *the practices necessary to maintain confidence in the company's integrity;*
- *the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and*
- *the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.*

East Coast's policies contain a formal code of conduct that applies to all directors and employees, who are expected to maintain a high standard of conduct and work performance, and observe standards of equity and fairness in dealing with others. The detailed policies and procedures encapsulate the Company's ethical standards.

The code of conduct is contained in the East Coast Corporate Governance Charter.

*3.2 Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.*

*3.3 Companies should provide the information indicated in the Guide to reporting on Principle 3.*

East Coast's shares are listed on the Australian Securities Exchange. The Company's policies relating to Board and employee trading in shares has been designed to meet the requirements of the law. The policy is set out in the East Coast Corporate Governance Charter and is publicly available.

**Principle 4: Safeguard integrity in financial reporting**

*4.1 Establish an audit committee.*

The company has an Audit, Corporate Governance and Risk Management Committee.

*4.2 Audit, Corporate Governance and Risk Management committee composition.*

The Audit committee consists of Graham Libbesson and Sevag Chalabian, both of whom are independent non executive directors. Graham Libbesson is the Chairman of the committee and is considered to be the appropriate chairman, despite being the Board's chairman, as he is also a highly qualified accountant. The board believes that the committee is of an appropriate size (2 persons rather than 3) for the Company.

*4.3 A formal charter should be established for the audit committee.*

The Company has adopted an Audit, Corporate Governance and Risk Management Committee charter. It is publicly available on the East Coast web site.

4.4 *Companies should provide the information indicated in the Guide to reporting on Principle 4.*

The Audit, Corporate Governance and Risk Management Committee met twice during the course of the year.

The Audit, Corporate Governance and Risk Management Committee provide a forum for the effective communication between the Board and external auditors.

The committee reviews:

- the annual and half-year financial reports and accounts prior to their approval by the board;
- the effectiveness of management information systems and systems of internal control; and
- the efficiency and effectiveness of the external audit functions.

The committee meets with and receives regular reports from the external auditors concerning any matters that arise in connection with the performance of their role, including the adequacy of internal controls.

In conjunction with the auditors the Audit, Corporate Governance and Risk Management Committee monitors the term of the external audit engagement partner and ensures that the regulatory limit for such term is not exceeded. At the completion of the term, or earlier in some circumstances, the auditor nominates a replacement engagement partner. The committee interviews the nominee to assess relevant prior experience, potential conflicts of interest and general suitability for the role. If the nominee is deemed suitable, the committee reports to the Board on its recommendation.

The Audit, Corporate Governance and Risk Management Committee also reviews the East Coast Corporate Governance and Risk Management processes to ensure that they are effective enough for a listed public company that is currently small cap.

**Principle 5: Make timely and balanced disclosure**

*5.1 Written policies and procedures should be established to ensure an entity complies with the ASX Listing Rule disclosure requirements and that senior management is accountable for compliance.*

The East Coast board and senior management are conscious of the ASX Listing Rule Continuous Disclosure requirements, which are supported by the law, and take steps to ensure compliance. The company has a policy, which can be summarised as follows:

- The Board, with appropriate advice, determines whether an announcement is required under the Continuous Disclosure principles;
- All announcements be monitored by the Company Secretary; and
- All media comment to be handled by the Managing Director.

*5.2 East Coast's disclosure policy to shareholders is set out as part of the East Coast Corporate Governance charter, which is publicly available on the East Coast web site, as are all of East coast's recent announcements.*

**Principle 6: Respect the rights of shareholders**

*6.1 Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.*

East Coast provides information to its shareholders through the formal communications processes (e.g. ASX releases, general meetings, annual report, and occasional shareholder letters). This material is also available on the East Coast website (www.eastcoastminerals.com).

Shareholders are encouraged to participate in general meetings and time is set aside for formal and informal questioning of the Board, senior management and the auditors. The external audit partner attends the annual general meeting to be available to answer any shareholder questions about the conduct of the audit and the preparation and content of the audit report.

*6.2 The Company's communications policy is described in 5.1 and 5.2, and 6.1 above.*

**Principle 7: Recognise and manage risk**

*7.1 Companies should establish a sound system for the oversight and management of material business risks.*

The Company has established policies for the oversight and management of material business risks.

The Board monitors the risks and internal controls of East Coast through the Audit, Corporate Governance and Risk Management Committee. That committee looks to the executive management to ensure that an adequate system is in place to identify and, where possible, on a cost effective basis appropriate for a small cap company, to manage risks inherent in the business, and to have appropriate internal controls.

As part of the process, East Coast's management formally identifies and assesses the risks to the business, and these assessments are noted by the Audit, Corporate Governance and Risk Management Committee and the Board.

7.2 The Board has required management to design and implement the risk management and internal control system appropriate to a small cap company of the size of East Coast to manage the Company's material business risks and report to it on whether those risks are being managed effectively. Management has reported to the board as to the effectiveness of the Company's management of its material business risks.

7.3 The Board has received assurance from the Managing Director and the chief financial officer (or its equivalent) that the declaration provided in accordance with section 295A of the Corporations Act 2001 is founded on a sound system of risk management and internal control appropriate for a small cap company of the size of East Coast, and that the system is operating effectively in all material respects in relation to financial reporting risks.

7.4 The Board has received the report from Management under Recommendation 7.2; and the Board has received the assurances referred to under Recommendation 7.3. The Company's policies on risk oversight and management of material business risks for a small cap company the size of East Coast are not publicly available.

**Principle 8: Remunerate fairly and responsibly**

*8.1 Establish a remuneration committee.*

East Coast has established a Remuneration and Nomination committee. Sevag Chalabian (non executive director) is the Chairman of that Committee and Graham Libbesson (non executive director) and Ed Mead (Managing Director) are members of that Committee.

*8.2 Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.*

The remuneration details of non executive directors, executive directors and senior management are set out in the Remuneration Report that forms part of the Directors' report.

Senior Executives remuneration packages are reviewed by reference to East Coast's performance; the executive director's or senior executive's performance, comparable information from industry sectors and other listed companies in similar industries, which guidance from external remuneration sources. This provides a basis to ensure that base remuneration is set to reflect the market for a comparable role.

The performance of the executive director and senior executives is measured against criteria agreed annually and bonuses and incentives are linked to predetermined performance criteria and may, with shareholder approval, include the issue of shares and / or options.

There are no schemes for retirement benefits, other than statutory superannuation for non-executive directors.

For a small cap company like East Coast it is not appropriate to carry a statement on prohibiting transactions in associated products.

A copy of the Remuneration and Nomination committee charter is publicly available on the East Coast web site.

Your directors present their report on East Coast Minerals NL (**East Coast** or the **Company**) for the period 1 July 2009 to 30 June 2010.

## *Current Directors*

| | |
|---|---|
| **GRAHAM LIBBESSON**<br>LLB, B.Com, CA.<br>Non-Executive Chairman & Company Secretary | Mr Libbesson is a Chartered Accountant with over 30 years experience in management, mergers and acquisitions and financial transactions. Mr Libbesson is also Chairman of Artemis Resources Limited. He has been a director of other listed and private companies, and a member of various audit committees.<br><br>Mr Libbesson was appointed a director on 17 December 2007 and Chairman on 2 July 2008. |
| **EDWARD MEAD**<br>BSc Geology, MAUSIMM<br>Executive Director | Mr Mead is a qualified geologist and a member of the Australian Institute of Mining and Metallurgy and has previously acted as an independent consultant to the Company. Mr Mead has substantial experience in the area of mining, exploration and project development. He has worked in Mozambique, Cameroon, Democratic Republic of Congo, South Africa and Australia in a variety of commodities and projects at different stages, which is considered to bring a wealth of experience to the Company to assist it with its ongoing exploration operations and in assisting with the evaluation of new opportunities.<br><br>Mr Mead has over the last 15 years worked for the Geological Survey of Western Australia, Portman Mining, Western Mining Corporation, Sons of Gwalia and worked as a consultant to a number of other private companies. Mr Mead has also worked in oil and gas with Baker Hughes Inteq. More recently Mr Mead was the Geology Manager for Fox Resources Limited and the technical Director for Comdek Ltd (now Resource Generation Ltd).<br><br>Mr Mead was appointed an Executive Director on 30 October 2009. |
| **SEVAG CHALABIAN**<br>B Econ, B Laws, M Laws & Mgmt.<br>Non-Executive Director | Mr Chalabian is a practicing commercial lawyer with particular specialisation in corporate and commercial transactions in the mining and property industries.<br><br>Mr Chalabian is Chairman of Apollo Minerals Limited and Non-Executive Director of Bisan Limited.<br><br>Mr Chalabian was appointed a director on 24 June 2008. |

## *Former Directors*

| | |
|---|---|
| **RICHARD SEALY**<br>(resigned 30 October 2009) | Mr Sealy resigned as managing director of East Coast on 30 October 2009. |

Directors have been in office since the start of the financial period to the date of this report unless otherwise stated.

## *Company Secretary*

| | |
|---|---|
| **GRAHAM LIBBESSON** | Mr Libbesson was appointed as company secretary on 30 July 2010, following the resignation of Mr Hartigan. Mr Libbesson's experience is outlined above. The Company is looking to appoint another Company Secretary when an appropriate replacement can be found. |
| **JOHN HARTIGAN**<br>B Com, FAICD, FCIS, FCPA, ANZIIF (Senior Associate), AIMM<br>(resigned 30 July 2010) | Mr Hartigan resigned as company secretary of East Coast on 30 July 2010. |

## SIGNIFICANT CHANGES IN STATE OF AFFAIRS

The following significant changes in the state of the affairs of the parent entity occurred during the year:

- the Company issued under a share purchase plan 7,305,754 shares at 6 cents;
- the Company also made placements of 6,000,000 and 11,000,000 ordinary shares at 6 cents and 2 cents respectively;
- on 5 November 2009 a number of shareholders owning ordinary shares paid to 2 cents ("partly paid shares") converted 4,777,580 partly paid shares into fully paid ordinary shares; and
- the Company entered into an unsecured loan facility with Exchange Minerals, with the amount of the facility being $2 million. Further details can be found in note 12.

## PRINCIPAL ACTIVITIES

The principal activity of the Company during the financial period was mineral exploration and investment. There have been no significant changes in the nature of the Company's principal activities during the financial period.

## SIGNIFICANT AFTER BALANCE SHEET DATE EVENTS

Since balance date the following events have occurred:

- Agreement with minority shareholders of Energie Future N.L. (EFNL) and sale of shares; on 20 August 2010 East Coast Minerals entered into a confidential deed of agreement with the minority shareholders of EFNL. The effect of this deed is that there are no further claims by either the minority shareholders or ECM for any matters arising from past dealings pursuant to a Shareholders Agreement dated 25 June 2009. As part of the terms of settlement, ECM subscribed for 1 preference share at a face value of US$100,000 (AUD$113,611) and subsequently sold all of its preference shares of 975,001 and its 51,000,000 ordinary shares for $1 to the minority shareholders. As a result, a loss of AUD$113,611 arising from the disposal of EFNL will occur during the year ending 30 June 2011. There will be a further loss to the consolidated group of $110,113 recognised in the year ending 30 June 2011 on de-consolidation of the EFNL subsidiaries. A positive consequence of ending our involvement in Energie Future is that East Coast is able to pursue potential projects and/or joint venture arrangements with the proposed technology providers to Energie Future - InSitu Energy LLC and/or its partner Raven Ridge. I note that pursuant to a confidential deed of settlement, East Coast can have no involvement with either the Rawlins or Sydney Basin projects. The board of East Coast considers that InSitu Energy and/or Raven Ridge could be attractive joint partners in projects around the world, not only in coal and underground coal gasification, but also, a broad range other exploration and mining opportunities.

  During the period 1 July 2010 up to the date of sale, the directors of ECM believe that EFNL did not trade. The reason for this belief is that ECM's funding obligations ceased on 25 June 2010 and subsequent to that date, and up the point in time that ECM representatives resigned as directors of Energie (i.e. 14 July 2010) no expenditure was in fact incurred by Energie. The directors of ECM believe that based on their communications with the sole director of EFNL from 15 July through to 20 August 2010 that there was no further expenditure incurred. In view of the above, the directors believe that there are no profits or losses that need to be consolidated in the financial statements up to the date of exit. As noted above, a loss on disposal of EFNL of AUD$113,611 plus a further loss to the consolidated group of $110,113 on de-consolidation of the EFNL subsidiaries will be the only financial impact given that the carrying value of EFNL as at 30 June 2010 has been fully impaired.

- Termination of corporate advisory agreement; subsequent to the end of the financial year, East Coast Minerals has terminated its agreement with Gravner Limited, resulting in a cancellation of 50 million share options and all future payment obligations. 10 million ordinary shares were granted as consideration for the termination.

- Issue of shares and options; subsequent to the end of the financial year, East Coast Minerals has allotted and issued the following shares:

| | Fully paid ordinary shares | Unlisted options |
|---|---|---|
| 14 July 2010 | 24,809,525 | 35,809,525 |
| 27 July 2010 | 11,140,684 | - |
| 29 July 2010 | 4,120,133 | 4,120,133 |
| **Shares and options issued subsequent to 30 June 2010** | **40,073,342** | **39,929,658** |

The options were allotted at no cost with an exercise price of 4 cents per share and expire 14 July 2013, if not already exercised.

There are no other matters or circumstances that have arisen since the end of the financial period that have significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

## LIKELY FUTURE DEVELOPMENTS AND EXPECTED RESULTS

Likely developments in the operations of the Company and the economic entity and the expected results of those operations in future financial years have not been included in this report as an inclusion of such information is likely to result in unreasonable prejudice to the Company and its controlled entities.

## PERFORMANCE IN RELATION TO ENVIRONMENTAL REGULATION

The consolidated entity will comply with its obligations in relation to environmental regulation on the Western Australian tenements.

## OPERATING RESULTS

The loss of the consolidated entity attributable to equity holders of the parent company after providing for income tax amounted to $3,051,929 (2009: $2,338,713).

The loss for the year was extremely disappointing. However, the loss was impacted by a number of “one off” or “non-recurring” items. Below is a table summarising the impact of such losses:

| | **2010** **$** | 2009 $ |
|---|---|---|
| **Comprehensive loss for the period** | **3,366,184** | 3,025,629 |
| **Add back:** | | |
| Operating loss from Energie Future N.L attributable to outside interests | **314,255** | 30,613 |
| Operating loss from Energie Future N.L. attributable to parent | **408,835** | 38,402 |
| Legal fees associated with Energie Future N.L. | **188,015** | - |
| Corporate Finance Fees – Gravner Limited | **488,508** | 320,000 |
| Impairment of investments: | | |
| Elizabeth Hill tenements | **446,591** | 281,198 |
| Energie Future N.L. | **107,253** | 251,323 |
| Other | **-** | 656,303 |
| Total one-off adjustments | **1,953,457** | 1,577,839 |
| **Loss after normalisation adjustment** | **1,412,727** | 1,447,790 |

## GOING CONCERN

This financial report has been prepared on a going concern basis as the directors believe that the Company will be able to realise its assets and settle its liabilities in the normal course of business and at the amounts stated in the financial report. The continuation of the Company to operate as a going concern is dependent upon the following:

- the ability to make a call on the partly paid shares, which are disclosed in note 13 to the financial statements;
- the company has raised $900,523 via capital raisings subsequent to year end, as disclosed in note 25 to the financial statements;
- the ability to issue additional shares under the Corporations Act 2001;
- the Company has received a letter of continuing financial support from a major shareholder, to provide financial support as required, including underwriting a capital raising to the extent of $2,000,000 at terms and conditions acceptable to the directors. Further, the same major shareholder will inject additional funds of approximately $450,000 via a convertible note. The issue of the convertible note will require shareholder approval;
- it is proposed that the loans from Exchange Minerals Limited will be capitalised as a Convertible Loan, subject to shareholder approval. If this occurs, the Convertible Loan will not be payable until five years time, at the election of Exchange Minerals Limited; and
- the ability of the economic entity to further scale back certain parts of their activities that are non essential so as to conserve cash.

However, should the anticipated capital raisings not generate sufficient cash flows as expected, the Company may not be able to pay their debts as and when they become due and payable and they may be required to realise assets and extinguish liabilities other than in the ordinary course of business and at amounts different to those stated in the financial statements. This report does not include any adjustments relating to the recoverability and classification of recorded assets amounts and classification of liabilities that might be necessary should the company not continue as a going concern.

## DIVIDENDS PAID OR RECOMMENDED

The directors do not recommend the payment of a dividend and no amount has been paid or declared by way of a dividend to the date of this report.

## COMPANY SECRETARY

Mr Libbesson is the Company Secretary. Specific information in relation to his qualifications and experience is listed above.

## REMUNERATION REPORT (AUDITED)

### Remuneration Policy

The remuneration policy of East Coast has been designed to align director objectives with shareholder and business objectives by providing a fixed remuneration component which is assessed on an annual basis in line with market rates. The Board of East Coast believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best directors to run and manage the Company, as well as create goal congruence between directors and shareholders.

The Board’s policy for determining the nature and amount of remuneration for board members is as follows:

- The remuneration policy, setting the terms and conditions (where appropriate) for the executive directors and other senior staff members, was developed by the Chairman and Company Secretary and approved by the Board;
- In determining competitive remuneration rates, the Board may seek independent advice on local and international trends among comparative companies and industry generally. It examines terms and conditions for employee incentive schemes, benefit plans and share plans. Independent advice may be obtained to confirm that executive remuneration is in line with market practice and is reasonable in the context of Australian executive reward practices;

- The Company is a mineral exploration company, and therefore speculative in terms of performance. Consistent with attracting and retaining talented executives, directors and senior executives, such personnel are paid market rates associated with individuals in similar positions within the same industry. Options and performance incentives may be issued particularly if the Company moves from exploration to a producing entity and key performance indicators such as profit and production can be used as measurements for assessing executive performance;
- All remuneration paid to directors is valued at the cost to the Company and expensed. Where appropriate, shares given to directors and executives are valued as the difference between the market price of those shares and the amount paid by the director or executive. Options are valued using the Black-Scholes methodology.

The Board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The Chairman in consultation with independent advisors determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability.

## COMPANY SHARE PERFORMANCE & SHAREHOLDER WEALTH

During the financial year the Company's share price traded between a low of $0.01 and a high of $0.13**.** In order to keep all investors fully-informed and minimize market fluctuations the Board will maintain promotional activity amongst the investor community so as to increase awareness of the Company.

**DIRECTORS' AND EXECUTIVE OFFICERS' EMOLUMENTS**

Other than the directors and company secretary, the Company had no Key Management Personnel for the financial period ended 30 June 2010.

Directors' remuneration and other terms of employment are reviewed annually by the Board having regard to performance against goals set at the start of the year, relative comparative information and independent expert advice.

Except as detailed in Notes (a) – (d) to the Remuneration Report, no director has received or become entitled to receive, during or since the financial period, a benefit because of a contract made by the Company or a related body corporate with a director, a firm of which a director is a member or an entity in which a director has a substantial financial interest. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors and shown in Notes (a) – (d) to the Remuneration Report, prepared in accordance with the Corporations regulations, or the fixed salary of a full time employee of the Company.

**(a) Remuneration of Directors and Key Management Personnel**

The Board of Directors is responsible for determining and reviewing compensation arrangements. The Board will assess the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team. Remuneration of Directors of the Company and consolidated entity is set out below.

| **Group Key Management Personnel** | | Short-term benefits | | | Post-employment benefits | Equity-settled share-based payments | | |
|---|---|---|---|---|---|---|---|---|
| | | Salary, fees and leave | Profit share and bonuses | Other | Pension and super | Shares | Options | **Total** |
| **G. Libbesson** | 2010 | 72,211 | - | - | - | 56,600 | 100,200 | 229,011 |
| | 2009 | 41,587 | - | - | - | - | 6,000 | 47,587 |
| **E. Mead** | 2010 | 30,000 | - | - | - | 56,600 | 63,500 | 150,100 |
| | 2009 | - | - | - | - | - | - | - |
| **S. Chalabian** | 2010 | 41,424 | - | - | - | 18,867 | 83,500 | 143,791 |
| | 2009 | 39,324 | - | - | - | - | 6,000 | 45,324 |
| **R. Sealy** | 2010 | 13,333 | - | - | 1,200 | - | - | 14,533 |
| | 2009 | 36,667 | - | - | 3,075 | - | 6,000 | 45,742 |
| **J. Hartigan** | 2010 | - | - | - | - | - | 25,050 | 25,050 |
| | 2009 | - | - | - | - | - | - | - |
| **Total KMP** | **2010** | **156,968** | **-** | **-** | **1,200** | **132,067** | **272,250** | **562,485** |
| | **2009** | **117,578** | **-** | **-** | **3,075** | **-** | **18,000** | **138,653** |

Mr Hartigan did not directly receive remuneration for his role as Company Secretary. Mr Hartigan receives consulting fees on a time basis as disclosed in Note 18 “Related Party Transactions”.

In addition to Mr Mead’s and Mr Sealy’s remuneration for their roles as director, fees have been paid to Sealy Consulting Services Pty Limited (of which Mr Sealy is a Director and Shareholder) and Doraleda Pty Ltd (of which Mr Mead is a Director and Shareholder), however, these are consulting fees billed on a time basis and are disclosed fully in Note 18 “Related Party Transactions”.

**(b) Key Management Personnel**

Other than the Directors, the Company had no Key Management Personnel for the financial period ended 30 June 2010.

**(c) Employee Related Share-based compensation**

To ensure that the Company has appropriate mechanisms to continue to attract and retain the services of Directors and Employees of a high calibre, the Company has a policy of issuing options that are exercisable in the future at a certain fixed price.

**Options Granted to Key Management Personnel**

The following options were granted to key management personnel during the year. These options are not exercisable unless the ECM share price reaches a point equal to or greater than 20c:

| Grant date | Expiry date | Exercise price | Value per option at grant date | Number Issued |
|---|---|---|---|---|
| 27 Nov 2009 | 27 Nov 2012 | $nil* | $0.0334 | 6,250,000 |
| 30 Apr 2010 | 30 Apr 2013 | $nil* | $0.0127 | 5,000,000 |

* Upon exercising these options the key management personnel will be issued with 9c partly paid shares, paid to 1c. In order for these shares to become fully paid ordinary shares, a payment of 8c per share will be required.

Fair values at issue date are determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the options, the expected price volatility of the underlying share and the risk free rate for the term of the option. Further details on the share options issued to key management personnel is included in the Director’s report.

The model inputs for options granted during the year ended 30 June 2010 included:

(a) Exercise price of $nil on or before expiry date

(b) Expected price volatility 100%, based on historical data

(c) Risk-free interest rate ranges of 4.72 - 4.89% (short term) and 4.97 - 5.25% (long term).

(d) Dividends – none.

**Shares Granted to Key Management Personnel**

The following shares were granted to key management personnel during the year:

| Grant date | Weighted Average Fair Value | Number Issued | |
|---|---|---|---|
| 30 Apr 2010 | $0.0566 | 6,250,000 | Volume weighted average cost on grant date |

The fair value of shares issued to key management personnel has been determined using the volume weighted average cost of fully paid ordinary shares on the date the shares were granted.

**(d) Share and Option holdings**

All equity dealings with directors have been entered into with terms and conditions no more favourable than those that the entity would have adopted if dealing at arm’s length.

**Shares held by Directors and Officers**

*Ordinary shares held by Directors, Officers and their associated entities*

| | Balance at 1 July 2009 | Received as Remuneration | Options Exercised | Net Change Other | Balance at 30 June 2010 |
|---|---|---|---|---|---|
| G Libbesson [1] | 342,700 | 1,000,000 | - | 1,100,000 | 2,442,700 |
| R. Sealy [2] | 270,270 | - | - | (270,270) | - |
| E. Mead [3] | - | 1,000,000 | - | 1,800,000 | 2,800,000 |
| S. Chalabian [4] | 1,177,580 | 333,333 | - | 1,260,913 | 2,771,826 |
| J. Hartigan | - | - | - | - | - |

*Ordinary partly paid shares held by Directors, Officers and their associated entities*

| | Balance at 1 July 2009 | Received as Remuneration | Options Exercised | Net Change Other | Balance at 30 June 2010 |
|---|---|---|---|---|---|
| G. Libbesson | 950,270 | - | - | (600,000) | 350,270 |
| R. Sealy | 1,680,270 | - | - | (1,680,270) | - |
| E. Mead | - | - | - | 200,000 | 200,000 |
| S. Chalabian | 1,177,580 | - | - | (1,177,580) | - |
| J. Hartigan | - | - | - | - | - |

*Options Held By Directors, Officers and their associated entities*

| | Balance at 1 July 2009 | Received as Remuneration | Options Exercised | Net Change Other | Balance at 30 June 2010 |
|---|---|---|---|---|---|
| G. Libbesson | 1,000,000 | 3,000,000 | - | - | 4,000,000 |
| R. Sealy | 1,000,000 | - | - | (1,000,000) | - |
| E. Mead | - | 5,000,000 | - | - | 5,000,000 |
| S. Chalabian | 1,000,000 | 2,500,000 | - | - | 3,500,000 |
| J. Hartigan | - | 750,000 | - | - | 750,000 |

The share options and shares issued to directors and key management personnel are not issued based on performance criteria, but are issued to the directors of East Coast to increase goal congruence between directors and shareholders.

1 Includes shares held indirectly by Unorfadox Pty Limited ATF Libbesson Superannuation Fund, of which Mr Libbesson is a member and Bunyala Investments Pty Limited ATF Saiala Investments Trust of which his family are potential beneficiaries.

2 Includes shares held indirectly by Sealy Investments Pty Limited, of which Mr Sealy is a shareholder and director. Mr Sealy resigned during the year; his net change other reflects the final 3Z notification lodged with the ASX.

3 Includes shares held indirectly by Doraleda Pty Ltd, of which Mr Mead is a shareholder and director.

4 Includes shares held indirectly by Brutus Investments Pty Limited and STC Advisory Pty Ltd, of which Mr Chalabian is a shareholder and director.

## OPTIONS

At the date of this report, the unissued ordinary shares of East Coast Minerals N.L. under option are as follows:

| Type | No. Issued | No. Quoted | Exercise Price | Expiry Date |
|---|---|---|---|---|
| Ordinary Options | 3,000,000 | - | $0.20 | 21 December 2011 |

At the date of this report, the unissued partly paid shares of East Coast Minerals N.L. under option are as follows:

| Type | No. Issued | No. Quoted | Exercise Price | Expiry Date |
|---|---|---|---|---|
| Partly Paid Share Options | 3,000,000 | - | $nil* | 31 October 2011 |
| Partly Paid Share Options | 6,250,000 | - | $nil* | 27 November 2012 |
| Partly Paid Share Options | 5,000,000 | - | $nil* | 30 April 2013 |
| Partly Paid Share Options | 39,929,658 | - | $nil | 14 July 2013 |

Upon exercising these options the option holder will be issued with 9c partly paid shares, paid to 1c. In order for these shares to become fully paid ordinary shares, a payment of 8c per share will be required.

* These options require the company share price to reach 20 cents prior to becoming exercisable.

The fair value of the share options using a Black and Scholes pricing model is recognised as an expense over the period from grant date to vesting date.

## MEETINGS OF DIRECTORS

The number of directors' meetings (including committees) held during the financial period each director held office during the financial year, and the number of meetings attended by each director are:

| | Directors Meetings | | Audit Committee Meetings | | Remuneration Committee Meetings | |
|---|---|---|---|---|---|---|
| Director | Meetings Attended | Number Eligible to Attend | Meetings Attended | Number Eligible to Attend | Meetings Attended | Number Eligible to Attend |
| G. Libbesson | 23 | 23 | 2 | 2 | 1 | 1 |
| E. Mead | 15 | 15 | - | - | 1 | 1 |
| R. Sealy | 5 | 8 | - | - | - | - |
| S. Chalabian | 19 | 23 | 2 | 2 | 1 | 1 |

## INDEMNIFYING OFFICERS

In accordance with the constitution, except as may be prohibited by the Corporations Act 2001, every officer or agent of the Company shall be indemnified out of the property of the Company against any liability incurred by him or her in his or her capacity as officer or agent of the Company or any related corporation in respect of any act or omission whatsoever and howsoever occurring or in defending any proceedings, whether civil or criminal.

During the financial period, the Company has paid insurance premiums of $7,439 in respect of directors' and officers' liability. The insurance premiums relate to:

- Costs and expenses incurred by the relevant officers in defending legal proceedings, whether civil or criminal and whatever their outcome;
- Other liabilities that may arise from their position, with the exception of conduct involving wilful breach of duty or improper use of information to gain a personal advantage.

## PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceeding to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

## AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the period ended 30 June 2010 has been received and can be found on the following page. No non-audit services have been provided by the auditor of East Coast Minerals N.L. during the year.

This report is made in accordance with a resolution of the directors.

**Edward Mead**
**Managing Director**
**Sydney, 20th September 2010**

RSM Bird Cameron Partners
Chartered Accountants

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**AUDITOR'S INDEPENDENCE DECLARATION**

As lead auditor for the audit of the financial report of East Coast Minerals N.L. for the year ended 30 June 2010, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

RSM Bird Cameron Partners

**RSM BIRD CAMERON PARTNERS**
Chartered Accountants

**C J Hume**
Partner

Sydney, NSW
Dated: 20th September 2010

## STATEMENT OF COMPREHENSIVE INCOME
## FOR THE YEAR ENDED 30 JUNE 2010

| | Note | CONSOLIDATED 2010 $ | CONSOLIDATED 2009 $ |
|---|---|---|---|
| Revenue | **2** | 17,818 | 15,489 |
| Consultancy fees – Exploration and investment acquisition | | (513,969) | (211,694) |
| Consultancy fees – Administration | | (327,925) | (272,013) |
| Consultancy fees – Corporate advisory | | (488,508) | (302,000) |
| Compliance costs | | (107,660) | (80,618) |
| Depreciation | | (1,537) | (540) |
| Directors, officers and employee benefits | | (576,759) | (162,739) |
| Finance costs | **3** | (61,240) | (1,692) |
| Impairment expense | **3** | (554,518) | (532,521) |
| Legal fees | | (408,470) | (62,577) |
| Occupancy expenses | | (66,043) | (41,493) |
| Loss on disposal of investments | | - | (493,208) |
| Other expenses | | (277,373) | (223,720) |
| **(LOSS) BEFORE INCOME TAX** | | (3,366,184) | (2,369,326) |
| Income tax benefit | **4** | - | - |
| **(LOSS) FOR THE YEAR** | | (3,366,184) | (2,369,326) |
| **OTHER COMPREHENSIVE (LOSS)** | | | |
| Change in fair value of financial assets | | - | (656,303) |
| **TOTAL COMPREHENSIVE (LOSS) FOR THE PERIOD** | | **(3,366,184)** | **(3,025,629)** |
| **(LOSS) FOR THE PERIOD ATTRIBUTABLE TO:** | | | |
| Owners of the parent | | (3,051,929) | (2,338,713) |
| Non-controlling interest | | (314,255) | (30,613) |
| | | (3,366,184) | (2,369,326) |
| **OTHER COMPREHENSIVE (LOSS) ATTRIBUTABLE TO:** | | | |
| Owners of the parent | | - | (656,303) |
| Non-controlling interest | | - | - |
| | | - | (656,303) |
| **TOTAL COMPREHENSIVE (LOSS) FOR THE PERIOD** | | **(3,366,184)** | **(3,025,629)** |
| **Earnings per share** | | | |
| Basic and diluted (loss) per share | **19** | (3.94) cents | (4.35) cents |

The Statement of Comprehensive Income is to be read in conjunction with the attached notes

## STATEMENT OF FINANCIAL POSITION
## AS AT 30 JUNE 2010

| | Note | CONSOLIDATED 2010 $ | CONSOLIDATED 2009 $ |
|---|---|---|---|
| **CURRENT ASSETS** | | | |
| Cash and cash equivalents | 5 | 300,689 | 48,904 |
| Trade and other receivables | 6 | 312,801 | 64,168 |
| **TOTAL CURRENT ASSETS** | | 613,490 | 113,072 |
| **NON-CURRENT ASSETS** | | | |
| Trade and other receivables | 6 | - | 27,000 |
| Financial assets | 7 | 10 | 7,510 |
| Property, plant and equipment | | 818 | 2,355 |
| Exploration and evaluation expenditure | 9 | 467,000 | 545,064 |
| Intangible assets | 10 | - | 674 |
| **TOTAL NON-CURRENT ASSETS** | | 467,828 | 582,603 |
| **TOTAL ASSETS** | | 1,081,318 | 695,675 |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 11 | 521,429 | 597,014 |
| Financial liabilities | 12 | 1,611,239 | - |
| **TOTAL CURRENT LIABILITIES** | | 2,132,668 | 597,014 |
| **TOTAL LIABILITIES** | | 2,132,668 | 597,014 |
| **NET ASSETS/(LIABILITIES)** | | (1,051,350) | 98,661 |
| **EQUITY** | | | |
| Issued capital | 13 | 11,045,839 | 9,182,316 |
| Reserves | 14 | 672,650 | 320,000 |
| Retained losses | | (12,370,917) | (9,318,988) |
| Parent entity interest | | (652,428) | 183,328 |
| Non-controlling entity interest | | (398,922) | (84,667) |
| **TOTAL EQUITY** | | (1,051,350) | 98,661 |

The Statement of Financial Position is to be read in conjunction with the attached notes.

## STATEMENT OF CHANGES IN EQUITY
## FOR THE YEAR ENDED 30 JUNE 2010

| CONSOLIDATED | Share Capital $ | Fair Value Reserve $ | Options Reserve $ | Accumulated Losses $ | Non-Controlling Interest $ | Total $ |
|---|---|---|---|---|---|---|
| **At 1 July 2008** | **8,686,730** | **656,303** | **-** | **(6,980,275)** | **-** | **2,362,758** |
| Profit (loss) for the period | - | - | - | (2,338,713) | (30,613) | (2,369,326) |
| Change in fair value of financial assets | - | (656,303) | - | - | - | (656,303) |
| **Total comprehensive income for period** | **-** | **(656,303)** | **-** | **(2,338,713)** | **(30,613)** | **(3,025,629)** |
| Equity facility funding | 145,706 | - | - | - | - | 145,706 |
| Acquisition of Energie Future N.L. | 70,000 | - | - | - | - | 70,000 |
| Pre-acquisition retained earnings | (142) | - | - | - | (54,054) | (54,196) |
| Issue of share capital | 280,022 | - | - | - | - | 280,022 |
| Options granted | - | - | 320,000 | - | - | 320,000 |
| **Balance at 30 June 2009** | **9,182,316** | **-** | **320,000** | **(9,318,988)** | **(84,667)** | **98,661** |
| Profit (loss) for the period | - | - | - | (3,051,929) | (314,255) | (3,366,184) |
| **Total comprehensive income for period** | **-** | **-** | **-** | **(3,051,929)** | **(314,255)** | **(3,366,184)** |
| Issue of share capital | 2,009,804 | - | - | - | - | 2,009,804 |
| Costs associated with capital issues | (146,281) | - | - | - | - | (146,281) |
| Options granted | - | - | 352,650 | - | - | 352,650 |
| **Balance at 30 June 2010** | **11,045,839** | **-** | **672,650** | **(12,370,917)** | **(398,922)** | **(1,051,350)** |

The Statement of Changes in Equity is to be read in conjunction with the attached notes.

# STATEMENT OF CASH FLOWS
## FOR THE YEAR ENDED 30 JUNE 2010

| | Note | CONSOLIDATED 2010 $ | 2009 $ |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Payments to suppliers and employees | | (2,123,533) | (981,282) |
| Interest received | | 361 | 15,489 |
| Interest paid | | - | (1,692) |
| **NET CASH USED IN OPERATING ACTIVITIES** | **23** | (2,123,172) | (967,485) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Proceeds from disposal of available for sale investments | | - | - |
| Payments for subsidiaries, net of cash acquired | **23** | - | (75,110) |
| Proceeds from disposal of non-current assets | | 7,500 | 178,977 |
| Payments for exploration expenditure | | (674,228) | (281,198) |
| Purchase of property, plant and equipment | | - | (2,895) |
| Proceeds from loans | | 21,479 | - |
| **NET CASH (USED IN)/PROVIDED BY INVESTING ACTIVITIES** | | (645,249) | (180,226) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from issue of shares | | 1,516,655 | 425,575 |
| Proceeds from draw-down of convertible finance facility | | 1,550,000 | - |
| Costs of issuing share capital | | (46,449) | - |
| **NET CASH PROVIDED BY FINANCING ACTIVITIES** | | 3,020,206 | 425,575 |
| **NET INCREASE/(DECREASE) IN CASH HELD** | | 251,785 | (722,136) |
| Cash at the beginning of the financial period | | 48,904 | 771,040 |
| **CASH AT THE END OF THE FINANCIAL PERIOD** | **5** | 300,689 | 48,904 |

The Statement of Cash Flows is to be read in conjunction with the attached notes

This financial report includes the consolidated financial statements and notes of East Coast Minerals N.L. (the **Company** or **Parent**) and its controlled entities (**Consolidated Group** or **Group**). East Coast Minerals is a no liability company incorporated in Australia. The addresses of its registered office and principal place of business are disclosed in the corporate directory of the annual report.

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

### BASIS OF PREPARATION

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

**a. Going Concern**

As disclosed in the financial statements, the consolidated group recorded an operating loss of $3,366,184, has net cash outflows from operating activities of $2,123,172, and has net liabilities of $1,051,350 for the year ended 30 June 2010. As at that date the company and consolidated entity had net current liabilities of $1,629,392 and $1,519,178 and net liabilities of $1,161,463 and $1,051,350 respectively. These factors indicate a significant uncertainty as to whether the economic entity will continue as going concerns and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The Directors believe after consideration of the following matters, there are reasonable grounds to believe that the economic entity will be able to pay its debts as and when they become due and payable and are going concerns after consideration of the following factors:

- The ability to make a call on the partly paid shares, which are disclosed in note 13 to the financial statements;
- The company has raised $900,523 via capital raisings subsequent to year end, as disclosed in note 25 to the financial statements;
- The ability to issue additional shares under the Corporations Act 2001;
- The Company has received a letter of continuing financial support from a major shareholder, to provide financial support as required, including underwriting a capital raising to the extent of $2,000,000 at terms and conditions acceptable to the directors. Further, the same major shareholder will inject additional funds of approximately $450,000 via a convertible note. The issue of the convertible note will require shareholder approval;
- It is proposed that the loans from Exchange Minerals Limited will be capitalised as a convertible loan, subject to shareholder approval. If this occurs, the convertible loan will not be payable until five years time, at the election of Exchange Minerals Limited; and
- The ability of the economic entity to further scale back certain parts of their activities that are non essential so as to conserve cash.

Accordingly, the Directors believe that the Company will obtain sufficient funding to enable it and the economic entity to continue as going concerns and that it is appropriate to adopt that basis of accounting in the preparation of the financial report.

The financial statements do not include adjustments relating to the recoverability and classification of asset amounts or to the amount and classification of liabilities that might be necessary if the company does not continue as a going concern.

**b. Consolidation Policy**

A controlled entity is an entity over which East Coast Minerals N.L. has the power to govern the financial and operating policies so as to obtain benefits from its activities. In assessing the power to govern the existence and effect of holdings of actual and potential voting rights are considered.

A list of controlled entities is contained in note 8 to the financial statements.

As at the reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the period then ended.

The effects of all transactions between entities in the economic entity have been eliminated in full and the consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent are shown separately within the Equity section of the Statement of Financial Position and Statement of Comprehensive Income. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

**Business Combinations**

Business combinations occur where control over another business is obtained and results in the consolidation of its assets and liabilities. All business combinations, including those involving entities under common control, are accounted for by applying the acquisition method.

The acquisition method requires an acquirer of the business to be identified and for the cost of the acquisition and fair values of identifiable assets, liabilities and contingent liabilities to be determined as at acquisition date, being the date that control is obtained. Cost is determined as the aggregate of fair values of assets given, equity issued and liabilities assumed in exchange for control together with costs directly attributable to the business combination. Any deferred consideration payable is discounted to present value using the entity's incremental borrowing rate.

Goodwill is recognised initially at the excess of cost over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If the fair value of the acquirer's interest is greater than cost, the surplus is immediately recognised in profit or loss.

**c. Income Taxes**

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income). Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses. Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity. Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability. Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised. Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

*Tax Consolidation*

East Coast Minerals N.L. and its wholly-owned Australian subsidiaries have not formed an income tax consolidated group under tax consolidation legislation. Each entity in the group recognises its own current and deferred tax assets and liabilities. Such taxes are measured using the 'stand-alone taxpayer' approach to allocation. Current tax liabilities (assets) and deferred tax assets arising from unused tax losses and tax credits in the subsidiaries are immediately transferred to the head entity.

**d. Exploration and Evaluation Costs**

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

**e. Leases**

A distinction is made between finance leases which transfer from the lessor to the lessee substantially all the risks and rewards incident to ownership of the leased asset and operating leases under which the lessor retains substantially all the risks and rewards.

Where an asset is acquired by means of a finance lease, the fair value of the leased property or the present value of minimum lease payments, if lower, is established as an asset at the beginning of the lease term. A corresponding liability is also established and each lease payment is apportioned between the finance charge and the reduction of the outstanding liability.

Operating lease rental expense is recognised as an expense on a straight line basis over the lease term, or on a systematic basis more representative of the time pattern of the user's benefit.

**f. Financial Instruments**

Financial assets and financial liabilities are recognised when the company becomes party to the contractual provisions of the financial instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

*Classification and subsequent measurement*

Financial instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value.

The amortised cost of a financial asset or a financial liability is the amount initially recognised less principal repayments, plus or minus cumulative amortisation of any difference between the initial amount and maturity amount and less any write-down for impairment.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

A financial asset is derecognised when the contractual rights to the cash flows from the financial assets expire or are transferred and no longer controlled by the entity.

A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires. Financial assets and financial liabilities classified as held for trading are measured at fair value through profit or loss.

Upon initial recognition a financial asset or financial liability is designated as at fair value through profit or loss when:

(a) An entire contract containing one or more embedded derivatives is designated as a financial asset or financial liability at fair value through profit or loss.

(b) Doing so results in more relevant information, because either:

  (i) It eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising gains or losses on them on different bases.

  (ii) A group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to key management personnel.

Investments in equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured are not designated as at fair value though profit or loss. A gain or loss arising from a change in the fair value of a financial asset or financial liability classified as at fair value through profit or loss is recognised in profit or loss.

Financial assets not measured at fair value comprise:

(a) Loans and receivables being non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are measured at amortised cost using the effective interest rate method.

(b) Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured. These are measured at cost together with derivatives that are linked to and must be settled by the delivery of such investments.

(c) Available-for-sale financial assets are non-derivative financial assets which are designated as available-for-sale or that is not classified as loans and receivables, held-to-maturity investments or financial assets as at fair value through profit or loss. A gain or loss arising from a change in the fair value of an available-for-sale financial asset is recognised directly in profit or loss.

Regular way purchases of financial assets are accounted for as follows:

- Financial assets held for trading - at trade date
- Loans and receivables - at trade date
- Available-for-sale financial assets - at trade date

Except for the following all financial liabilities are measured at amortised cost using the effective interest rate method.

(a) Financial liabilities at fair value through profit and loss and derivatives that are liabilities measured at fair value.

(b) Financial liabilities that arise when a transfer of a financial asset does not qualify for de-recognition or are accounted for using the continuing involvement approach.

*Receivables*

Trade accounts and notes receivable and other receivables represent the principal amounts due at balance date plus accrued interest and less, where applicable, any unearned income and provisions for doubtful accounts.

*Trade and Other Payables*

Trade accounts, other payables and accrued liabilities represented the principal amounts outstanding at balance date plus, where applicable, any accrued interest.

**g. Impairment of Assets**

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement. Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether impairment has arisen.

**h. Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of 3 months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

**i. Revenue Recognition**

Interest revenue is recognised using the effective interest method. It includes the amortisation of any discount or premium.

**j. Borrowing Costs**

Borrowing costs are recognised as an expense in the period in which they are incurred except borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period to get ready for its intended use or sale. In this case the borrowing costs are capitalised as part of the cost of such a qualifying asset.

The amount of borrowing costs relating to funds borrowed generally and used for the acquisition of qualifying assets has been determined by applying a capitalisation rate to the expenditures on those assets. The capitalisation rate comprises the weighted average of borrowing costs incurred during the period.

**k. Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST. Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

**l. Comparative Figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

**m. Adoption of new and revised Accounting Standards**

During the current year the group adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory. The following is an explanation of the impact the adoption of these standards and interpretations has had on the financial statements of the group:

*AASB101: Presentation of Financial Statements*

In September 2007, the Australian Accounting Standards Board revised AASB101 and as a result, there have been changes to the presentation and disclosure of certain information within the financial statements. Below is an overview of the key changes and the impact on the company's financial statements.

| Area | Impact |
|---|---|
| Terminology change | The revised version of AASB101 contains a number of terminology changes, including the amendment of the names of the primary financial statements. |
| Reporting changes in equity | The revised AASB101 requires all changes in equity arising from transactions with owners, in their capacity as owners, to be presented separately from non-owner changes in equity. Owner changes in equity are to be presented in the statement of changes in equity, with non-owner changes in equity presented in the statement of comprehensive income. The previous version of AASB101 required that owner changes in equity and other comprehensive income be presented in the statement of changes in equity. |
| Statement of comprehensive income | The revised AASB101 requires all income and expenses to be presented in either one statement, the statement of comprehensive income, or two statements, a separate income statement and a statement of comprehensive income. The previous version of AASB101 required only the presentation of a single income statement. The company's financial statements now contain a statement of comprehensive income. |
| Other comprehensive income | The revised version of AASB101 introduces the concept of 'other comprehensive income' which comprises income and expenses that are not recognised in profit or loss as required by other Australian Accounting Standards. Items of other comprehensive income are to be disclosed in the statement of comprehensive income. Entities are required to disclose the income tax relating to each component of other comprehensive income. The previous version of AASB101 did not contain an equivalent concept. |

**n. New accounting standards and interpretations not yet adopted**

The AASB has issued new, revised and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods and which the group has decided not to early adopt. Unless otherwise noted, the application of the new, revised or amended standard is not expected to have a material impact on the group:

| Standard | Application date of standard | Application date for scheme |
|---|---|---|
| • AASB 9: Financial Instruments and AASB 2009-11: Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12.<br>The changes made to accounting requirements include:<br>- Simplifying the classification of financial assets into those carried at amortised cost and those carried at fair value;<br>- Removing the tainting rules associated with held-to-maturity assets;<br>- Allowing an irrevocable election on initial recognition to present gains and losses on investments in equity investments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.<br>These standards are applied retrospectively and amend the classification and measurement of financial assets. The company has not yet determined the potential impact on the financial statements. | 1.1.2013 | 1.7.2013 |
| • AASB 124: Related Party Disclosures | 1.1.2011 | 1.7.2011 |
| • AASB 2009-4 Amendments to Australian Accounting Standards arising from the Annual Improvements Project | 1.1.2010 | 1.7.2010 |
| • AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions | 1.1.2010 | 1.7.2010 |
| • AASB2009-9 Amendments to Australian Accounting Standards – Additional Exemptions for First-Time Adopters | 1.1.2010 | 1.7.2010 |
| • AASB2009-10 Amendments to Australian Accounting Standards – Classification of Rights Issues | 1.2.2010 | 1.7.2010 |
| • AASB2009-12 Amendments to Australian Accounting Standards | 1.1.2011 | 1.7.2011 |
| • AASB2009-13 Amendments to Australian Accounting Standards arising from Interpretation 19 | 1.7.2010 | 1.7.2010 |
| • AASB2009-14 Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement | 1.1.2011 | 1.7.2011 |
| • AASB Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments | 1.7.2010 | 1.7.2010 |

**o. Significant judgements and key assumptions**

The directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

**p. Key judgements**

The Group capitalises expenditure relating to exploration and evaluation where it is considered likely to be recoverable or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. While there are certain areas of interest from which no reserves have been extracted, the directors are of the continued belief that such expenditure should not be written off since feasibility studies in such areas have not yet concluded. Such capitalised expenditure is carried at reporting date at $467,000 (2009: $545,064).

It is currently assumed that the Company's main assets, exploration expenditure carried forward will generate profitable results in the future. Should this assumption prove incorrect then material adjustments may have to be made for impairment losses in respect of exploration expenditure up to the maximum carrying value of $467,000 at 30 June 2010.

## 2. REVENUE AND OTHER INCOME

| | Consolidated Group | |
|---|---|---|
| | **2010** | 2009 |
| | **$** | $ |
| Interest received – unrelated parties | **511** | 15,489 |
| Other income – management fees | **17,307** | - |
| | **17,818** | 15,489 |

## 3. PROFIT FOR THE YEAR

| | Consolidated Group | |
|---|---|---|
| | **2010** | 2009 |
| | **$** | $ |
| Interest expense on financial liabilities – not at fair value through profit or loss – unrelated parties | **61,240** | 1,692 |
| Foreign currency transaction losses | **5,866** | - |
| Impairment write-downs: | | |
| Capitalised exploration and evaluation expenditure | **446,591** | 281,198 |
| Capitalised underground coal gasification investments | **107,253** | - |
| Goodwill on acquisition of controlled entities | **674** | 251,323 |
| | **554,518** | 532,521 |

## 4. INCOME TAX EXPENSE

**(a)** No income tax is payable by the parent or consolidated entities as they recorded losses for income tax purposes for the period.

| | Consolidated Group | |
|---|---|---|
| | **2010** | 2009 |
| | **$** | $ |
| **(b)** Reconciliation between income tax expense and prima facie tax on accounting loss | | |
| Accounting profit / (loss) | **(3,051,929)** | (2,338,713) |
| Tax at 30% | **(915,579)** | (701,614) |
| Tax effect of non-deductible expenses | | |
| - share based payment expense | **121,295** | 95,155 |
| - other non-deductible expenses | **470** | - |
| Deferred tax assets not recognised | **(793,814)** | (606,459) |
| Income tax expense | **-** | - |
| The applicable weighted average effective tax rates are as follows: | **0%** | 0% |

A deferred tax asset attributable to income tax losses has not been recognised at the balance sheet date as the probability disclosed in note 1(c) is not satisfied and such benefit will only be available if the conditions of deductibility also disclosed in note 1(c) are satisfied.

| **(c)** Deferred tax balances not brought to account: | Consolidated Group | |
|---|---|---|
| | **2010** | 2009 |
| | **$** | $ |
| Deferred tax assets not brought to account, the benefits of which will only be realised if the conditions for deductibility set out in note 1 (c) occur: | | |
| Temporary differences | **81,482** | 1,500 |
| Tax losses: operating losses | **4,431,523** | 3,922,511 |
| | **4,513,005** | 3,924,011 |
| Deferred tax liabilities not brought to account, the outflows from which will only be realised if it becomes probable that the temporary difference will reverse in the foreseeable future: | | |
| Temporary differences | **140,100** | 163,519 |

**Tax-consolidated group**

The entity has yet to make an election to consolidate and be treated as a single entity for income tax purposes.

| **(d)** Franking account balance: | Consolidated Group | |
|---|---|---|
| | **2010** | 2009 |
| | **$** | $ |
| Balance of franking account at year end | **113,705** | 113,705 |

The ability to utilise franking credits is dependent upon there being sufficient available profits to declare dividends.

## 5. CASH AND CASH EQUIVALENTS

| | Consolidated Group | |
|---|---|---|
| | **2010** | 2009 |
| | **$** | $ |
| Cash and cash equivalents | **300,689** | 48,904 |

## 6. TRADE AND OTHER RECEIVABLES

| | | Consolidated Group | |
|---|---|---|---|
| | | **2010** | 2009 |
| | | **$** | $ |
| **CURRENT** | | | |
| Trade and other receivables | | **270,583** | 64,168 |
| Prepayments | | **40,583** | - |
| Loans to related parties | **(a)** | **1,635** | - |
| | | **312,801** | 64,168 |
| **NON-CURRENT** | | | |
| Trade and other receivables | | **-** | 27,000 |

**a. Loans to related parties**

Loans to related parties comprise amounts advanced to the director of a controlled entity to cover reasonable travel costs. The loans are provided for normal business operations and are interest free and generally on 30-day terms and are considered recoverable.

**b. Provision for Impairment of Receivables**

A provision for impairment is recognised when there is objective evidence that an individual receivable is impaired. There has been no impairment recognised in relation to receivables.

**c. Credit Risk – Trade and other receivables**

The group has no significant concentration of credit risk with respect to any single counterparty or group of counterparties. The class of assets described as Trade and Other Receivables is considered to be the main source of credit risk related to the group.

The following table details the group's trade and other receivables exposure to credit risk with ageing analysis. Amounts are considered as 'past due' when the debt has not been settled, with the terms and conditions agreed between the group and the counter party to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully recoverable by the group.

| | Gross amount | Past due and impaired | Past due but not impaired | | | | Within initial trade terms |
|---|---|---|---|---|---|---|---|
| | | | <30 | 31-60 | 61-90 | >90 | |
| **2010** | | | | | | | |
| Trade receivables | 171,649 | - | - | - | - | 52,055 | 119,594 |
| Other receivables | 98,934 | - | - | - | - | - | 98,934 |
| | 270,583 | - | - | - | - | 52,055 | 218,528 |
| **2009** | | | | | | | |
| Trade receivables | 11,525 | - | - | - | - | - | 11,525 |
| Other receivables | 79,643 | - | - | - | - | - | 79,643 |
| | 91,168 | - | - | - | - | - | 91,168 |

## 7. OTHER FINANCIAL ASSETS

| | Consolidated Group 2010 $ | Consolidated Group 2009 $ |
|---|---|---|
| **NON-CURRENT** | | |
| Available for sale investments in related parties carried at fair value: | | |
| - Unlisted shares | **-** | 7,500 |
| - ASX listed shares | **10** | 10 |
| | **10** | 7,510 |

## 8. CONTROLLED ENTITIES

| | Country of Incorporation | Ownership % 2010 | Ownership % 2009 |
|---|---|---|---|
| **Parent Entity:** | | | |
| East Coast Minerals N.L. | Australia | - | - |
| **Subsidiaries:** | | | |
| American Energy Future LLC | USA | 56.54 | - |
| CTL Technologies Pty Limited | Australia | 56.54 | - |
| East Coast Metals Pty Limited | Australia | 100 | 100 |
| Energie Future N.L. | Australia | 56.54 | 56.54 |
| Sydney Basin UCG Pty Limited | Australia | 56.54 | 56.54 |

On 20 August 2010, the Company disposed of its investment in Energie Future N.L. and consequently the investments it holds in subsidiaries American Energy Future LLC, CTL Technologies Pty Limited and Sydney Basin UCG Pty Limited. Refer to note 25 for further details.

## 9. EXPLORATION AND EVALUATION EXPENDITURE

| | | Consolidated Group 2010 $ | Consolidated Group 2009 $ |
|---|---|---|---|
| **NON-CURRENT** | | | |
| Capitalised exploration and evaluation expenditure – at cost | | **2,528,929** | 2,160,402 |
| Less: allowance for impairment | | **(2,061,929)** | (1,615,338) |
| Capitalised exploration and evaluation expenditure | **(a)** | **467,000** | 545,064 |

**a. Reconciliation of carrying amount**

| | 2010 $ | 2009 $ |
|---|---|---|
| Balance at beginning of financial period | **545,064** | 545,064 |
| Expenditure in current period | **368,527** | 281,198 |
| Increase in provision for impairment | **(446,591)** | (281,198) |
| Balance at end of reporting period | **467,000** | 545,064 |

**b. Exploration and Evaluation Phase Costs**

Costs capitalised on areas of interest have been reviewed for impairment factors, such as resources prices, ability to meet expenditure going forward and potential resource downgrades. It is the Directors' opinion that the Company has ownership, or title to the areas of interests it has capitalised expenditure on and has reasonable expectations that its activities are ongoing, and the values of these tenements have not been impaired.

## 10. INTANGIBLE ASSETS

| | | Consolidated Group | |
|---|---|---|---|
| | | **2010** | 2009 |
| | | **$** | $ |
| **NON-CURRENT** | | | |
| Goodwill | | **251,905** | 251,905 |
| Less: allowance for impairment | | **(251,905)** | (251,231) |
| Capitalised exploration and evaluation expenditure | **(a)** | **-** | 674 |

| | Consolidated Group | |
|---|---|---|
| **a. Reconciliation of carrying amount** | | |
| Balance at beginning of financial period | **674** | - |
| Acquisitions through business combinations | **-** | 251,905 |
| Increase in provision for impairment | **(674)** | (251,231) |
| Balance at end of reporting period | **-** | 674 |

The goodwill is attributable to intellectual property and mining licences held by Energie Future N.L. The investment in Energie Future has been fully impaired as at 30 June 2010.

## 11. TRADE AND OTHER PAYABLES

| | Consolidated Group | |
|---|---|---|
| | **2010** | 2009 |
| | **$** | $ |
| **CURRENT** | | |
| Unsecured liabilities | | |
| Trade payables | **269,823** | 178,796 |
| Sundry payables and accrued expenses | **251,606** | 418,218 |
| | **521,429** | 597,014 |
| **(a) Financial liabilities at amortised cost classified as trade and other payables** | | |
| Total current | **521,429** | 597,014 |
| Less: annual leave entitlements | **-** | (3,930) |
| | **521,429** | 593,084 |

## 12. FINANCIAL LIABILITIES

| | Consolidated Group | |
|---|---|---|
| | **2010** | 2009 |
| | **$** | $ |
| **CURRENT** | | |
| Secured convertible loan facility – at amortised cost | **600,000** | - |
| Unsecured loan facility – at amortised cost | **1,011,239** | - |
| | **1,611,239** | |

The secured convertible loan is to Exchange Minerals Limited and is secured by an unregistered floating charge over the assets of the Company, as announced to the market on 12 October 2009. The facility is repayable on 9 October 2010, and bears interest at the fixed rate of 12%, accruing monthly in arrears and payable at the end of the loan term. The facility may be converted into ordinary shares at anytime during the term at the option of Exchange. The conversion rate will be the lower of $0.06 or the volume weighted average price of East Coast shares over the 5 days trading immediately preceding the conversion. A premium of 10%, by way of additional shares, shall be paid to Exchange if the facility is converted. If the loan is converted to shares, East Coast will also issue 6 million unlisted options with an exercise price of $0.15 and expiring two years after the date of issue.

An unsecured loan facility was entered into with a substantial shareholder, as announced to the market on 28 June 2010. The total amount available under the facility is $2,000,000 (undrawn facility available $388,761). The facility is repayable no later than 31 October 2011 and bears interest at the fixed rate of 12%, accruing monthly in arrears, which can be capitalised at the option of East Coast.

## 13. SHARE CAPITAL

| | Consolidated Group | |
|---|---|---|
| | **2010** | 2009 |
| | **$** | $ |
| 87,653,581 (2009: 48,709,334) fully paid ordinary shares | **10,211,488** | 8,252,414 |
| 41,717,538 (2009: 46,495,118) ordinary shares paid to 2c | **834,351** | 929,902 |
| | **11,045,839** | 9,182,316 |

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. At shareholders' meetings each ordinary share is entitled to one vote when a poll is called. Partly paid shares are allocated voting rights in the proportion of the amount paid per share compared to the total amount payable per share.

Reconciliation of movements in share capital during the year:

| | Fully Paid Ordinary Shares | | Ordinary Shares Paid to 2c | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | **No. Shares** | No. Shares | **No. Shares** | No. Shares |
| Balance at beginning of reporting period: | **48,709,334** | 44,996,568 | **46,495,118** | 1,498,550 |
| Shares converted during the year: | | | | |
| • 7 October 2008 | **-** | 95,850 | **-** | (95,850) |
| • 29 October 2008 | **-** | 1,402,700 | **-** | (1,402,700) |
| • 5 November 2009 | **4,777,580** | - | **(4,777,580)** | - |
| Shares issued during the year: | | | | |
| • 19 November 2008 | **-** | - | **-** | 46,495,118 |
| • 5 January 2009 | **-** | 1,214,216 | **-** | - |
| • 25 June 2009 | **-** | 1,000,000 | **-** | - |
| • 3 July 2009 | **6,000,000** | - | **-** | - |
| • 22 September 2009 | **2,750,000** | - | **-** | - |
| • 30 December 2009 | **6,833,334** | - | **-** | - |
| • 11 January 2010 | **4,000,000** | - | **-** | - |
| • 12 January 2010 | **1,250,000** | - | **-** | - |
| • 30 April 2010 | **2,333,333** | - | **-** | - |
| • 16 June 2010 | **11,000,000** | - | **-** | - |
| Balance at end of reporting period | **87,653,581** | 48,709,334 | **41,717,538** | 46,495,118 |

The Board in consultation with management controls the capital of the group in order to ensure that the group can fund its operations and continue as a going concern. The group's capital includes ordinary share capital, both fully paid and partly paid. There are no externally imposed capital requirements.

The Board effectively manages the group's capital by assessing the group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels and share issues.

There have been no changes in the strategy adopted by management to control the capital of the group since the prior year. This strategy is to maintain share capital as dictated by operational requirements and market conditions.

## 14. RESERVES

| | | Consolidated Group | |
|---|---|---|---|
| | | **2010** | 2009 |
| | | **$** | $ |
| Options reserve | **(a)** | **672,650** | 320,000 |
| Fair value reserve | **(b)** | **-** | - |
| | | **672,650** | 320,000 |

**a. Options reserve**

The options reserve represents the charge for outstanding options which have met all conditions precedent to vest, but which have not been exercised.

**b. Fair value reserve**

The fair value reserve represents the revaluation of available for sale financial assets.

## 15. FINANCIAL RISK MANAGEMENT

The group's principal financial instruments comprise mainly of deposits with banks, shares in listed companies shown as available for sale financial assets, and loans to subsidiaries.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

| | Consolidated Group | |
|---|---|---|
| | **2010** | 2009 |
| | **$** | $ |
| **Financial Assets** | | |
| Cash and cash equivalents | **300,689** | 48,904 |
| Trade and other receivables | **312,801** | 91,168 |
| Financial assets at fair value through profit or loss | **10** | 7,510 |
| | **613,500** | 147,582 |
| **Financial Liabilities** | | |
| Trade and other payables | **521,429** | 593,084 |
| Financial liabilities | **1,611,239** | - |
| | **2,132,668** | 593,084 |

**Financial Risk Management Policies**

The board's overall risk management strategy seeks to assist the consolidated group in meeting its financial targets, while minimising potential adverse effects on financial performance. Its functions include the review of future cash flow requirements.

**Specific Financial Risk Exposure and Management**

The main risks arising from the Company's financial instruments are interest rate risk, credit risk liquidity risk and price risk.

**a. Interest rate risk**

The group's main interest rate risk arises from exposure to earnings volatility on cash deposits to be applied to exploration and development areas of interest.

It is the group's policy to invest cash in short term deposits to minimise the group's exposure to interest rate fluctuations. The group's deposits were denominated in Australian dollars throughout the year. The group did not enter into any interest rate swap contracts during the period ended 30

June 2010. The financial liabilities of the group are at fixed rates as disclosed in note 12, consequently, the impact on reported profit and equity based on the group's exposure to interest rate risk within reasonably expected ranges would not be material.

**b. Credit Risk**

Credit risk refers to the risk that counterparties will default on its contractual obligations resulting in financial loss to the group.

The group has adopted the policy of only dealing with credit worthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The cash transactions of the group are limited to high credit quality financial institutions.

The group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The carrying amount of financial assets recorded in the financial statements, net of any provisions for losses, represents the group's maximum exposure to credit risk.

*Credit risk exposures*
The maximum exposure to credit risk by class of recognised financial assets at balance date, excluding the value of any collateral or other security held, is equivalent to the carrying value and classification of those financial assets (net of any provisions) as presented in the balance sheet.

The group has no significant concentration of credit risk with any single counterparty or group of counterparties. Trade and other receivables that are neither past due or impaired are considered to be of high credit quality. Aggregates of such amounts are as detailed at Note 6. The trade receivables balances at 30 June 2010 and 30 June 2009 do not include any counterparties with external credit ratings.

**c. Liquidity Risk**

Liquidity risk arises from the possibility that the group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The group manages this risk through the following:

- Preparing forward-looking cash flow analyses in relation to its operational, investing and financing activities;
- Monitoring undrawn credit facilities;
- Managing credit risk related to financial assets; and
- Only investing surplus cash with major financial institutions

The tables below reflect an undiscounted contractual maturity analysis for financial liabilities.

| | Within 1 year | | 1 to 5 years | | Over 5 years | | Total | |
|---|---|---|---|---|---|---|---|---|
| | **2010** | **2009** | **2010** | **2009** | **2010** | **2009** | **2010** | **2009** |
| *Financial liabilities - due for payment:* | | | | | | | | |
| Trade and other payables | 521,429 | 593,084 | - | - | - | - | 521,429 | 593,084 |
| Financial liabilities | 1,611,239 | - | - | - | - | - | 1,611,239 | - |
| Total contractual outflows | 2,132,668 | 593,084 | - | - | - | - | 2,132,668 | 593,084 |
| *Financial assets – cash flows realisable* | | | | | | | | |
| Cash & cash equivalents | 300,689 | 48,904 | - | - | - | - | 300,689 | 48,904 |
| Trade & other receivables | 312,801 | 91,168 | - | - | - | - | 312,801 | 91,168 |
| Financial assets at fair value through profit or loss | - | - | - | 7,510 | 10 | - | 10 | 7,510 |
| Total anticipated inflows | 613,490 | 140,072 | - | 7,510 | 10 | - | 613,500 | 147,582 |
| **Net (outflow)/inflow on financial instruments** | **(1,519,178)** | **(453,012)** | **-** | **7,510** | **10** | **-** | **(1,519,168)** | **(445,502)** |

Cash flows from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflect the earliest contractual settlement dates and do not reflect management's expectations that banking facilities will roll forward.

**d. Price Risk**

Price risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices largely due to demand and supply factors, and performance of the underlying asset.

The group is exposed to securities price risk on investments held for medium to longer terms. Such risk is managed through an appropriate level of review of the fundamentals of each investment or acquisition. The impact on reported profit and equity based on the group's exposure to securities price risk within reasonably expected ranges would not be material.

**Fair value of financial assets and financial liabilities**

There is no difference between the fair values and the carrying amounts of the company's financial instruments. The company has no unrecognised financial instruments at balance date.

## 16. COMMITMENTS FOR EXPENDITURE

The consolidated group currently has commitments for expenditure at 30 June 2010 on its exploration tenements as follows:

| | Consolidated Group | |
|---|---|---|
| | **2010** | 2009 |
| | **$** | $ |
| Not later than 12 months | **-** | 255,500 |
| Between 12 months and 5 years | **-** | - |
| Greater than 5 years | **-** | - |
| | **-** | 255,500 |

The consolidated group has further commitments to spend $113,611 on behalf of Energie Future NL as part of the settlement of litigation and the disposal of East Coast's interest in the company. East Coast has met this commitment subsequent to balance date.

## 17. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The directors are not aware of any contingent liabilities or assets.

## 18. RELATED PARTY TRANSACTIONS

The names of the directors of the company are included in the director's report. Shareholdings in the company held by directors and their associated entities are disclosed in the director's report.

Other than the Directors and the Company Secretary, the Company had no key management personnel for the financial period ended 30 June 2010 or 30 June 2009.

**a. Key Management Personnel**

| | Consolidated Group | |
|---|---|---|
| | **2010** | 2009 |
| | **$** | $ |
| Short-term employee benefits | **156,968** | 117,578 |
| Other long term benefits | **1,200** | 3,075 |
| Options granted | **272,250** | 18,000 |
| Share based payments | **132,067** | - |
| | **562,485** | 138,653 |

**b. Other Related Parties**

Transactions with related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

| | Consolidated Group | |
|---|---|---|
| | **2010** | 2009 |
| | **$** | $ |
| Lands Legal Pty Limited – related party of Mr Chalabian. Payments made were directors fees for Mr Chalabian. | **41,424** | 39,547 |
| Sealy Consulting Services Pty Limited – related party of Mr Sealy. Payments made were consultancy fees outside the role of managing director. | **86,502** | 167,083 |
| Unorfadox Pty Limited – related party of Mr Libbesson. Payments made were directors fees for Mr Libbesson. | **72,211** | 44,391 |
| Doraleda Pty Limited – related party of Mr Mead. Payments made were directors fees for Mr Mead. | **30,000** | - |
| Doraleda Pty Limited – related party of Mr Mead. Payments made were consultancy fees outside the role of managing director. | **99,888** | - |
| Astute Corporate Services Australia Pty Ltd – related party of Mr Hartigan. Consultancy fees for company secretarial services. | **149,877** | 25,100 |

## 19. EARNINGS PER SHARE

| | Consolidated Group | |
|---|---|---|
| | **2010** | 2009 |
| | **$** | $ |
| **Reconciliation of earnings per share** | | |
| Loss as per statement of comprehensive income | **(3,366,184)** | (2,369,326) |
| Less: Loss attributable to non-controlling interest | **314,255** | 30,613 |
| Loss used to calculate basic earnings per share | **(3,051,929)** | (2,338,713) |
| **Reconciliation of weighted average number of ordinary shares** | | |
| Weighted average number of ordinary shares outstanding during the year used in calculating basic earnings per share | **77,500,826** | 53,800,489 |
| Weighted average number of dilutive options outstanding | **-** | - |
| Weighted average number of ordinary shares outstanding during the year used in calculating dilutive earnings per share | **77,500,826** | 53,800,489 |
| Anti-dilutive options on issue not used in dilutive earnings per share calculation | **67,250,000** | 78,000,000 |

The company currently has a number of unlisted options as disclosed in the directors' report and Note 22 "Share Based Payments". These options could potentially dilute basic earnings per share in the future, but have not been included in the earnings per share calculation above due to being anti-dilutive for the period.

## 20. SEGMENT INFORMATION

The group's operations in 2010 are managed in Australia and involve exploration of its mineral properties in Western Australia.

## 21. AUDITORS REMUNERATION

| | Consolidated Group | |
|---|---|---|
| | **2010** | 2009 |
| | **$** | $ |
| Audit or review of the financial statements | **33,000** | 27,000 |
| Other non-audit services | **-** | - |
| | **33,000** | 27,000 |

## 22. SHARE BASED PAYMENTS

Goods or services received or acquired in a share-based payment transaction are recognised as an increase in equity if the goods or services were received in an equity-settled share-based payment transaction or as a liability if the goods and services were acquired in a cash settled share-based payment transaction.

For equity-settled share-based transactions, goods or services received are measured directly at the fair value of the goods or services received provided this can be estimated reliably. If a reliable estimate cannot be made the value of the goods or services is determined indirectly by reference to the fair value of the equity instrument granted.

Transactions with employees and others providing similar services are measured by reference to the fair value at grant date of the equity instrument granted.

**Shares Granted to Key Management Personnel**

The following shares were granted to key management personnel during the year:

| Grant date | Weighted Average Fair Value | Number Issued | |
|---|---|---|---|
| 30 Apr 2010 | $0.0566 | 6,250,000 | Volume weighted average cost on grant date |

The fair value of shares issued to key management personnel has been determined using the volume weighted average cost of fully paid ordinary shares on the date the shares were granted.

**Shares Granted to Consultants**

The following shares were granted to consultants during the year:

| Grant date | Weighted Average Fair Value | Number Issued | |
|---|---|---|---|
| 22 Sep 2009 | $0.0600 | 2,750,000 | Fair value of services received |
| 11 Jan 2010 | $0.0903 | 4,000,000 | Fair value of services received |

The fair value of shares issued to consultants has been determined using the fair value of the services rendered based on consultancy agreements entered with arm's length counterparties.

**Options Granted to Key Management Personnel**

The following options were granted to key management personnel during the year. These options are not exercisable unless the ECM share price reaches a point equal to or greater than 20c:

| Grant date | Expiry date | Exercise price | Value per option at grant date | Number Issued |
|---|---|---|---|---|
| 27 Nov 2009 | 27 Nov 2012 | $nil* | $0.0334 | 6,250,000 |
| 30 Apr 2010 | 30 Apr 2013 | $nil* | $0.0127 | 5,000,000 |

* Upon exercising these options the key management personnel will be issued with 9c partly paid shares, paid to 1c. In order for these shares to become fully paid ordinary shares, a payment of 8c per share will be required.

Fair values at issue date are determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the options, the expected price volatility of the underlying share and the risk free rate for the term of the option. Further details on the share options issued to key management personnel is included in the Director's report.

The model inputs for options granted during the year ended 30 June 2010 included:

(a) Exercise price of $nil on or before expiry date

(b) Expected price volatility 100%, based on historical data

(c) Risk-free interest rate ranges of 4.72 - 4.89% (short term) and 4.97 - 5.25% (long term).

(d) Dividends – none.

**Options Granted to Consultants**

The following options were granted to consultants during the year. :

| Grant date | Expiry date | Exercise price | Value per option at grant date | Number Issued |
|---|---|---|---|---|
| 12 Oct 2009 | 12 Oct 2011 | $0.20 | $0.0268 | 3,000,000 |

Fair values at issue date are determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the options, the expected price volatility of the underlying share and the risk free rate for the term of the option.

The model inputs for options granted during the year ended 30 June 2010 included:

(a) Exercise price of $0.20 on or before expiry date

(b) Expected price volatility 100%, based on historical data

(c) Risk-free interest rate ranges of 4.76%

(d) Dividends – none.

**Expenses arising from share-based payment transactions**

Total expenses arising from share-based payment transactions recognised during the period has been reflected in the statement of comprehensive income as follows:

| | Consolidated Group 2010 $ | 2009 $ |
|---|---|---|
| **Expenses related to options issued to key management personnel:** | | |
| Directors, officers and employee benefits | **272,250** | 18,000 |
| **Expenses related to options issued to consultants:** | | |
| Consultancy fees – Corporate Advisory | **361,083** | 302,000 |
| **Expenses related to shares issued to key management personnel:** | | |
| Directors, officers and employee benefits | **132,067** | - |
| **Total expenses arising from share-based payments** | **756,400** | 320,000 |
| **Items recognised directly in equity:** | | |
| Share options issued to underwriters (costs associated with capital issues) | **80,400** | - |

**Other information**

A summary of the movements in options issued during the year is as follows:

| | Number of options | Weighted average exercise price |
|---|---|---|
| Options outstanding as at 30 June 2008 | - | |
| Granted during the period (Options over partly paid 'A' shares) | 78,000,000 | - |
| Exercised during the period | - | - |
| Expired during the period | (25,000,000) | - |
| **Options outstanding as at 30 June 2009** | **53,000,000** | |
| Granted during the period (Options over fully paid shares) | 3,000,000 | $0.20 |
| Granted during the period (Options over partly paid 'A' shares) | 11,250,000 | - |
| Exercised during the period | - | - |
| Expired during the period | - | - |
| **Options outstanding as at 30 June 2010** | **67,250,000** | |

## 23. CASH FLOW INFORMATION

**a. Reconciliation of net cash used in operating activities with profit after income tax**

| | Consolidated Group | |
|---|---|---|
| | **2010** | 2009 |
| | **$** | $ |
| **Profit/(loss) after income tax** | **(3,366,184)** | (2,338,713) |
| Non-cash flows in profit: | | |
| Depreciation | **1,537** | 540 |
| Net gain on disposal of investments | **-** | 493,208 |
| Share options issued | **352,650** | 320,000 |
| Share based payments | **658,150** | - |
| Impairment loss | **554,518** | 532,521 |
| Changes in assets and liabilities during the financial period: | | |
| (Increase)/decrease in trade and other receivables | **(248,633)** | (61,311) |
| Increase/(decrease) in trade and other payables | **(75,210)** | 11,160 |
| **Net cash inflow/(outflow) from operating activities** | **(2,123,172)** | (1,042,595) |

**b. Non-cash Financing and Investing Activities**

**i. Share issues**

During the year 6,750,000 ordinary fully paid shares with a fair value of $526,083 were issued to consultants and advisors in relation to services provided.

A further 2,333,333 ordinary fully paid shares with a fair value of $132,067 were issued to directors in accordance with the resolution passed at the extraordinary general meeting on 30 April 2010.

**ii. Share option issues**

During the year 14,250,000 options with a fair value of $672,650 were issued to directors and the underwriter's of the company's share issue in July 2009.

## 24. PARENT COMPANY INFORMATION

| | Consolidated Group | |
|---|---|---|
| | **2010** | 2009 |
| | **$** | $ |
| Current assets | **503,276** | 90,425 |
| Total assets | **971,204** | 708,464 |
| Current liabilities | **2,132,668** | 470,951 |
| Total liabilities | **2,132,668** | 470,951 |
| Total equity | **(1,161,463)** | 237,513 |
| Loss for the year | **(3,615,150)** | (2,284,528) |
| Total comprehensive loss | **(3,615,150)** | (2,940,831) |

The parent company has not provided any guarantees. The contingent liabilities and capital commitments of the parent company are the same as those of the consolidated group.

## 25. SIGNIFICANT AFTER BALANCE DATE EVENTS

Since balance date the following events have occurred:

- Settlement with minority shareholders of Energie Future N.L. (EFNL) and sale of shares – on 20 August 2010, East Coast Minerals entered into a confidential deed of settlement with the minority shareholders of EFNL. The effect of this deed is that there are no further claims by either the minority shareholders or ECM for any matters arising from past dealings pursuant to a Shareholders Agreement dated 25 June 2009. As part of the terms of settlement, ECM subscribed for 1 preference share at a face value of US$100,000 (AUD$113,611) and subsequently sold all of its preference shares of 975,001 and its 51,000,000 ordinary shares for $1 to the minority shareholders. As a result, a loss of AUD$113,611 arising from the disposal of EFNL will occur during the year ending 30 June 2011.

  During the period 1 July 2010 up to the date of sale, the directors of ECM believe that EFNL did not trade. The reason for this belief is that ECM's funding obligations ceased on 25 June 2010 and subsequent to that date, and up the point in time that ECM representatives were directors of Energie (i.e. 14 July 2010) no expenditure was in fact incurred by Energie. The directors of ECM believe that based on their communications with the sole director of EFNL from 15 July through to 20 August 2010 that there was no further expenditure incurred. In view of the above, the directors believe that there are no profits or losses that need to be consolidated in the financial statements up to the date of exit. As noted above, a loss on disposal of EFNL of AUD$113,611 plus a further loss to the consolidated group of $110,113 on de-consolidation of the EFNL subsidiaries will be the only financial impact given that the carrying value of EFNL as at 30 June 2010 has been fully impaired.

- Termination of corporate advisory agreement – subsequent to the end of the financial year, East Coast Minerals has terminated its agreement with Gravner Limited, resulting in a cancellation of 50 million share options and all future payment obligations. 10 million ordinary shares were granted as consideration for the termination.

- Issue of shares and options – subsequent to the end of the financial year, East Coast Minerals has allotted and issued the following shares:

| | Fully paid ordinary shares | Unlisted options |
|---|---|---|
| 14 July 2010 | 24,809,525 | 35,809,525 |
| 27 July 2010 | 11,140,684 | - |
| 29 July 2010 | 4,120,133 | 4,120,133 |
| **Shares and options issued subsequent to 30 June 2010** | **40,073,342** | **39,929,658** |

  The options were allotted at no cost with an exercise price of 4 cents per share and expire 14 July 2013, if not already exercised.

There are no other matters or circumstances that have arisen since the end of the financial period that have significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

# DIRECTORS DECLARATION

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 24 to 48, are in accordance with the *Corporations Act 2001* and:

    a. comply with Accounting Standards and the Corporations Regulations 2001; and

    b. give a true and fair view of the financial position as at 30 June 2010 and of the performance for the period ended on that date of the company and consolidated group; and

2. the Managing Director and Company Secretary have each declared that:

    a. the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;

    b. the financial statements and notes for the financial year comply with the Accounting Standards; and

    c. the financial statements and notes for the financial year give a true and fair view.

3. in the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

**Edward Mead**
**Managing Director and Chief Executive Officer**

**Sydney**

**20th September 2010**

RSM Bird Cameron Partners
Chartered Accountants
Chartered Accountants

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**INDEPENDENT AUDITOR'S REPORT**
**TO THE MEMBERS OF**
**EAST COAST MINERALS NL**

**Report on the Financial Report**

We have audited the accompanying financial report of East Coast Minerals N.L. ("the company"), which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

*Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

*Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

*Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

*Auditor's Opinion*

In our opinion:

(a) the financial report of East Coast Minerals N.L. is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2010 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

**Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 17 to 20 of the directors' report for the financial year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001.* Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

*Auditor's Opinion*

In our opinion the Remuneration Report of East Coast Minerals N L for the financial year ended 30 June 2010 complies with section 300A of the *Corporations Act 2001*.

RSM Bird Cameron Partners

RSM BIRD CAMERON PARTNERS
Chartered Accountants

Sydney, NSW
Dated: 20th September 2010

C J Hume
Partner

The following additional information is required by the Australian Stock Exchange pursuant to Listing Rule 4.10.

**a. Distribution of Shareholders**

| Number held | Fully paid shares | Number of shares | % of number of shares | Partly paid shares | Number of shares | % of number of shares |
|---|---|---|---|---|---|---|
| 1 – 1,000 | 684 | 547,132 | 0.43 | 90 | 74,700 | 0.16 |
| 1,001 - 5,000 | 419 | 1,183,413 | 0.93 | 94 | 273,538 | 0.59 |
| 5,001 - 10,000 | 141 | 1,166,225 | 0.91 | 30 | 254,250 | 0.55 |
| 10,001 - 100,000 | 204 | 8,056,503 | 6.31 | 65 | 2,640,888 | 5.68 |
| 100,001+ | 106 | 116,770,650 | 91.42 | 30 | 43,251,742 | 93.02 |
| **Total** | **1,554** | **127,723,923** | **100.00** | **309** | **46,495,118** | **100.00** |

**b.** The number of shareholders who hold less than a marketable parcel of securities is 1,293 and they hold 3,606,283 securities.

**c. Twenty largest holders of each class of quoted equity security**

**Ordinary Shares**

| | Name | No of Ordinary Shares | % |
|---|---|---|---|
| 1. | Merrill Lynch (Australia) Nominees Pty Limited | 14,562,500 | 11.40% |
| 2. | Esperance Minerals NL | 10,373,210 | 8.12% |
| 3. | Pitt Street Absolute Return Fund Pty Limited | 9,523,810 | 7.46% |
| 3. | Mining Investments Limited | 9,523,810 | 7.46% |
| 5. | Gunsynd Investments Pte Ltd | 6,616,667 | 5.18% |
| 6. | Pharlap Holdings Pte Limited | 5,449,999 | 4.27% |
| 7. | Trayburn Pty Ltd | 4,761,905 | 3.73% |
| 8. | Kafta Enterprises Pty Limited | 4,401,969 | 3.45% |
| 9. | Citicorp Nominees Pty Limited | 4,113,710 | 3.22% |
| 10. | Brutus Investments Pty Ltd | 2,438,493 | 1.91% |
| 11. | Mr Edward Clinton Mead | 2,250,000 | 1.76% |
| 12. | HSBC Custody Nominees (Australia) Limited | 1,858,100 | 1.45% |
| 13. | Mr Andrew Paul Donnelly | 1,500,000 | 1.17% |
| 14. | Tabouli Holdings Pty Ltd | 1,497,207 | 1.17% |
| 15. | Mr Keith William Sheppard | 1,400,000 | 1.10% |
| 16. | Bunyala Investments Pty Ltd | 1,310,000 | 1.03% |
| 17. | Falafel Investments Pty Limited | 1,250,000 | 0.98% |
| 18. | Goldshore Investments Pty Ltd | 1,249,999 | 0.98% |
| 19. | J P Morgan Nominees Australia Limited | 1,153,968 | 0.90% |
| 20. | Mr Cameron Pearce | 1,140,684 | 0.89% |
| | | **86,376,031** | **67.63%** |

**Options to acquire fully paid shares (unlisted) – expiring 21 Dec 2011**

| | Name | No of Options | % |
|---|---|---|---|
| 1. | Cunningham Securities Limited | 3,000,000 | 100.00 |
| | | **3,000,000** | **100.00** |

**Options to acquire partly paid shares (unlisted) – expiring 27 Nov 2012**

| | Name | No of Options | % |
|---|---|---|---|
| 1. | Bunyala Investments Pty Ltd | 3,000,000 | 48.00 |
| 2 | STC Advisory Pty Ltd | 2,500,000 | 40.00 |
| 3. | Roquebrune Holdings Pty Ltd | 750,000 | 12.00 |
| | | **6,250,000** | **100.00** |

**Options to acquire partly paid shares (unlisted) – expiring**

| | Name | No of Options | % |
|---|---|---|---|
| 1. | Aviation Holdings Pty Ltd | 1,000,000 | 33.34 |
| 2 | Unorfadox Pty Ltd | 1,000,000 | 33.33 |
| 3. | STC Advisory Pty Ltd | 1,000,000 | 33.33 |
| | | **3,000,000** | **100.00** |

**Ordinary shares partly paid to 2c (unlisted)**

| | Name | No of Shares | % |
|---|---|---|---|
| 1. | Exchange Minerals Limited | 17,250,000 | 41.35% |
| 2. | Gunsynd Investments Pte Ltd | 6,009,559 | 14.41% |
| 3. | Pharlap Holdings Pte Limited | 4,842,891 | 11.61% |
| 4. | Kafta Enterprises Pty Limited | 1,628,641 | 3.90% |
| 5. | Falafel Investments Pty Limited | 1,250,000 | 3.00% |
| 6. | Mr Colin Earl Garnsworthy Bennett & Mrs Burnice Anne Bennett | 875,000 | 2.10% |
| 7. | Hhh Group Pty Ltd | 750,000 | 1.80% |
| 8. | Battle Mountain Pty Ltd | 655,600 | 1.57% |
| 9. | Sealy Investments Pty Limited | 640,270 | 1.53% |
| 10. | Ronay Investments Pty Ltd | 622,725 | 1.49% |
| 11. | Fantasy Knit (Int) Pty Ltd | 450,000 | 1.08% |
| 12. | Tabouli Holdings Pty Ltd | 447,207 | 1.07% |
| 13. | Warr Holdings Pty Limited | 416,667 | 1.00% |
| 14. | Proridge Pty Limited | 416,667 | 1.00% |
| 15. | Unorfadox Pty Ltd | 340,270 | 0.82% |
| 16. | Pharlap Holdings Pte Limited | 338,908 | 0.81% |
| 17. | Mr Garry Edward Hoar & Mrs Robyn Joy Hoar | 260,000 | 0.62% |
| 18. | Jemaya Pty Ltd | 200,000 | 0.48% |
| 19. | Doraleda Pty Ltd | 200,000 | 0.48% |
| 20. | Ronay Investments Pty Ltd | 181,790 | 0.44% |
| | | **37,776,195** | **90.55%** |

**1. Company Secretary**

The name of the company secretary is Mr Graham Libbesson.

**2. Address and telephone details of entity's registered and administrative office**

The address and telephone details of the registered and administrative office in Australia are:
Level 10, 1 Margaret St
Sydney, New South Wales 2000
Telephone: +(612) 9299 8873
Facsimile: +(612) 9262 2885

**3. Address and telephone details of the office at which the register of securities is kept**

The address and telephone of the office at which a register of securities is kept:
Link Market Services
Level 12, 680 George Street
SYDNEY NSW 2000

**4. Stock exchange on which the Company's securities are quoted**

The Company's listed equity securities are quoted on the Australian Stock Exchange

**5. Review of Operations**

A review of operations is contained in the Review of Operations report.

**6. On market buy-back**

There is currently no on-market buy-back.