

# Market Update

15 June 2010



ABN 82 000 738 885

## Key Points

- A further advance of \$500,000 received from supporting shareholder, Exchange Minerals Limited (“Exchange”).
- East Coast is in final stages of capital raising.
- East Coast continues to pursue its investment in the proposed potash project, with in-principle extension of time to complete the transaction given by Exchange.
- In Situ Energy, LLC (“ISE”), the technology provider has asserted certain rights over the Rawlins project option, and status of investment in Energie Future N.L. (“Energie”) is currently highly uncertain and this may cause a need to review the carrying value of the investment in Energie.

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

## Funding and corporate matters

### *Loan advance*

Having provided initially a secured Convertible Note facility prior to 31 December 2009, which currently amounts to \$600,000 (“Secured Loan”), East Coast received an advance draw-down on an unsecured basis from Exchange during March of \$450,000 and a further \$500,000 in May 2010 (“Advance Loans”). These funds have been used for working capital and administrative costs.

The Board is very appreciative of the support given to East Coast by Exchange, particularly as investment markets are lacking confidence at the present time. The unsecured loans are to be refinanced from a proposed \$2.7 million convertible note facility (“Convertible Note”). The terms of the loan have not been finalised at the date of this announcement and will be announced when they are finalised. It is anticipated that the Secured Loan and Advance Loans will be refinanced by the Convertible Note.

The funding considered represents Exchange’s confidence in East Coast.

### *Convertible Note and Potash transaction*

On 29 April 2010, East Coast announced that it had entered into a conditional Heads of Agreement with Exchange for the acquisition from Exchange of 70% of Potash Holdings Pty Limited (“Potash”). That announcement set out details of the proposed transaction. The Heads of Agreement anticipated that the documentation could be completed by 31 May 2010, but that has not been possible and the Heads have expired. However, the parties have an in principle understanding that the Heads of Agreement will be varied to extend the date for completion of the documentation to 31 August 2010, and the documentation to formalise that variation is being prepared.

Potash is a 70% shareholder in a company known as West Coast Potash Pty Limited, which is the owner of 13 granted Exploration tenements covering 4,700 sq/km in the Southern Carnarvon Basin of Western Australia and are to be targeted for evaporites containing potash.

The Convertible Note, which is subject to shareholder approval and documentation, is currently being drafted for submission for the approval of the Convertible Notes, and the proposed acquisition of the investment in Potash.

Both transactions, the Convertible Note approval and the Potash acquisition approval, are expected to be approved concurrently at a forthcoming shareholders’ meeting.

East Coast has also taken an active role in Potash’s daily business activities so as to ensure a smooth transition, assuming that shareholders approve such transaction. The board of East Coast is also in current negotiations for funding for the proposed Potash transaction.

### *Capital raising*

The board is also currently actively seeking funding and expects to be able to announce shortly the outcome from those activities.

### *Other corporate matters*

In addition, a review of certain aspects of the East Coast’s corporate structure is underway with the view of moving to simplify it.

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

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

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

It was also noted in the 29 April Activity statement that under the terms of the Shareholders’ Agreement, East Coast has agreed to subscribe for preference shares to fund Energie’s operation up to \$1.5million, or for 12 months, whichever occurs first, in accordance with budgets approved by Energie’s board. East Coast is complying with that agreement.

Since the announcement of the above, the following matters have transpired:

- ISE's legal representatives have issued a letter to a wholly owned subsidiary of Energie advising that its acquisition of the Rawlins option was not in accord with the representations made to ISE, and that appropriate contract negotiations and funding arrangements were not in place. ISE has put a proposal requesting that the Rawlins option be transferred back to them for no consideration, and that if that occurs expeditiously, then ISE is presently willing to release any and all claims. The timing of some of the key dates identified as applying to the allegations fall prior to East Coast's investment in Energie. The board of Energie is considering its position in this matter, with a view to defending its position and more importantly, trying to resolve a way forward;
- in recent days, unsuccessful attempts have been made to resolve the dispute with Energie minority shareholders; and
- on the assumption that the difficulties with ISE and the Rawlins option can be resolved, the board of Energie is attempting to identify alternative sources of funding to facilitate advancement of the project.

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

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### Competent Persons Statement

The information in this report that relates to exploration results is based on information compiled by Ed Mead who is a member of the Australian Institute of Mining and Metallurgy and is a consultant to and Director of East Coast Minerals. Ed Mead's services are provided under contract by Doraleda Pty Ltd. Ed Mead has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Ed Mead consents to the inclusion in the report of the matters based on their information in the form and context in which it appears.