

# September Quarterly

## Activities Report

29 October 2010



ABN 82 000 738 885

### Key Points

#### Elizabeth Hill

- Re-estimation of the remaining historical shallow silver resource is underway, with a view to looking at the economics to mine based on recent increases in the silver price to around US\$23 ounce.

#### Potash Holdings

- Work is continuing on this opportunity.
- Sampling of Yaringa-1 completed and assays are pending.
- Program of Work approval to drill a twin hole of Yaringa-1 has been received.
- Acquisition still under review.

#### Corporate matters

- Company currently reviewing a number of acquisitions and details to follow as soon as they are to hand.
- EGM for the approval of the Convertible Notes with Exchange Minerals to be held on the 29 November 2010.
- Approval to be sort for the issue of up to 200 million securities at 80% of the VWAP and up to 300 million ordinary shares at a fixed price of 3 cents and 300 million options with an exercise price of 4 cents price at the forthcoming AGM and EGM on 29 November 2010.
- Additional draw down made from Exchange Minerals Limited.

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

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

The Elizabeth Hill project is a long standing project of East Coast located near Karratha, Western Australian.

### ***Exploration Work during the Quarter***

A re-estimation of the remaining historical shallow silver resource is underway, with a view to looking at the economics to mine based on recent increases in the silver price to round US\$23 ounce.

The price of silver was around US\$5 ounce when the underground mining operation at Elizabeth Hill was undertaken. On completion of the resource estimation, calculations into the viability of either open cut or underground mining will be assessed. Results of this work will be announced when they come to hand.

### ***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.

## **Potash Holdings**

East Coast has entered into a conditional agreement to purchase up to 70% of Potash Holdings Pty Limited (Potash Holdings), which in turn owns 70% of the shares in West Coast Potash Pty Ltd (WCP). Potash Holdings is a wholly owned subsidiary of Exchange Minerals Ltd (EML) and has acquired under a staged arrangement from an external third party (Vendor) the shares in WCP. East Coast's dealings are with EML.

Previous details of the terms of the proposed acquisition of the shares in Potash Holdings from EML have been announced. The acquisition of the shares in Potash Holdings is subject to shareholder approval. It is noted that the negotiations and formal documentation with EML continue to formalise the terms of the potential acquisition. As part of these negotiations, East Coast is attempting to secure funding for this project, particularly given the level of commitments associated with these tenements.

Under the terms of the proposed acquisition with EML, East Coast provides a management role for Potash, including WCP. In addition, East Coast has funded expenditure as at 30 September 2010 of sum \$163,000. This amount plus any other amount spent subsequent to 30 September 2010, but prior to acquisition, will be used to offset interest and principal amounts provided by EML.

### ***Sampling of Historic drill holes (Wells)***

On the 13<sup>th</sup> and 14<sup>th</sup> September 2010, Yaringa-1, Yaringa east, and Hamelin Pool 1 and 2 wells were viewed for potential re-logging and sampling at the West Australian Department of Mines and Petroleum (DMP) Core Library. The logging was deemed to be excellent and a decision was made not to log the wells.

From the above visit, it was deemed that only sampling of Yaringa-1 was required and a request was placed on the 14<sup>th</sup> September 2010 at DMP to undertake this work. On the 22<sup>nd</sup> September 2010, WCP has received approval to sample Yaringa-1 based on a list of conditions. CSA Global geologists who are also advising WCP made a request to the DMP Core Library to have Yaringa-1 ditch cuttings made available for sampling of material in potash prospective horizons of the Yaringa Formation from this well. Assaying will primarily be for potassium (potash) but a full multi-element suite will be assayed for, which includes elements such as lithium. Results will be announced when they come to hand.

#### *Program of Work (POW)*

A POW was submitted to the DMP and approval has been received to drill an initial well to twin Yaringa-1 and sample the evaporite sequence for potassium (potash).

It is noted that Yaringa-1 which was drilled in 1966 was the basis of further potash exploration in 1968, with the drilling of two further wells (Hamelin Pool 1 and 2) and a study into the potential viability of solution mining and solar evaporation of a 5.3% KCl brine.

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

The Exploration License over the Gossan Dam 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.

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

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

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

### **Corporate Matters**

#### *Acquisitions*

The Company is in the process of reviewing a number of transactions. Further details will be made available as soon as they come to hand.

#### *Existing cashflows*

The Directors are mindful of the Company's cash position and are undertaking all possible steps in which to address this issue. Further details of these initiatives have been detailed below.

### *Additional loan draw down from EML*

The Directors have drawn since 30 September an additional amount of \$110,000 from EML. There are plans for an additional draw-down between the date of this announcement and the meetings set out below.

### *Shareholders meetings*

East Coast is planning to hold its Annual General Meeting (AGM) and Extraordinary Meeting (EGM) on the 29 November 2010. Apart from statutory matters such as the annual financial report, key matters to be addressed include:

- issue of options to directors of 12,000,000 Options to acquire 12,000,000 Fully Paid Ordinary Shares exercisable 60 days from the date of any trade in the Company's Shares recorded on the ASX which is equal to or greater than 6 cents, with an exercise price of 4 cents;
- 300,000,000 Placement Shares at a fixed price of 3 cents per share and up to 300,000,000 Placement Options at a price of 4 cents for the purposes of financing the Company's working capital and future acquisitions;
- approval of 200,000,000 Securities at a price equal to no less than 80% of the last five days volume weighted average price (VWAP).

The proceeds from the above will be used to assist East Coast:

- to provide it with working capital;
- finance any potential acquisitions; and
- meet its obligations associated with Potash Holdings, should such acquisition be completed.

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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.