

# March Quarterly Activities Report

29<sup>th</sup> April 2009



ABN 82 000 738 885

## Key Points

### Elizabeth Hill

- Drilling at Elizabeth Hill totalled 12 RC holes for 1,675m.
- 408 (4 metre composite) samples taken and submitted for assay.
- No significant visual zones of mineralisation have been identified to date.

### Energie Future

- The MOU between Energie and technology provider, InSitu, has been terminated. Energie and InSitu are continuing to have discussions to see whether resolution can be reached.

### Potential Acquisitions

Negotiations are close to realisation for the acquisition of a controlling interest in Potash tenements in Western Australia. The acquisition will require shareholder approval.

### Corporate matters

- \$2 million secured Convertible Note facility has been announced and the Company is currently in the process of preparing the documentation for shareholder approval.

East Coast Minerals NL (ASX: ECM) (East Coast) is pleased to announce the **Company's Quarterly Activities Report for the period ended 31<sup>st</sup> March 2010:**

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

### *Exploration Work during the Quarter*

12 Reverse Circulation (RC) holes for 1,675m were completed during the quarter targeting the Sub-audio Magnetics (SAM) and Electromagnetic (EM) anomalies identified.

The programme has been plagued by drill rig breakdowns.

## ***Geology***

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

Holes drilled on sections A to E delineate several of these gabbroic units, the main one of which strikes in a roughly northerly direction and seems to be coincident with the SAM anomaly on which the drilling programme was planned. It is possible that this unit, or groundwater associated with its margins, is responsible for the SAM anomaly.

The drilling programme has shown that the gabbroic units are more extensive than previously thought, based on the current 1:10000 GSWA map - potentially opening up further zones of prospectivity in the immediate area.

With three holes remaining to be drilled, so far no zones of visual economic interest have been intersected in the drilling. Lithologies are generally unaltered and unaccompanied by ore minerals characteristic to Volcanic Hosted Massive Sulphide (VHMS) deposits.

One drill hole has been added to the drill program to look at an extension to known silver mineralisation at the underground mine.

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.

408 (4 metre composite) samples have so far been forwarded to SGS laboratories for multi-element assay.

## ***Previous Mining and History***

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

Exploratory efforts were focused to the south of Elizabeth Hill until December 2002 in an effort to delineate a repeat of the Elizabeth Hill silver deposit, but drilling failed to locate any further mineralisation. The 13 EM and SAM anomalies identified in 2009 are immediately adjacent to and north of Elizabeth Hill underground mine.

## ***Energie Future NL***

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

A key aspect for the exploitation of the UCG is the use of specialised technology. Energie had been in discussions with a technology provider, InSitu Energy LLC (InSitu), a leader in Fischer Tropsch gas to liquids technology and gasification of coal process. As outlined in the ECM's annual report for the year ended 30 June 2009, Energie was in advanced negotiations in relation to the formation of a joint venture to allow the use of the Fischer Tropsch gas to liquids technology and gasification process, together with a license to use the technology. However, at a recent meeting, InSitu expressed concerns over certain aspects of the proposed joint venture arrangements and have terminated the Memorandum of Understanding (MOU).

Discussions are continuing between Energie and InSitu to see whether any resolution can be reached. In the interim, the minority shareholders of Energie have sent letters to the directors of Energie alleging breaches of directors duties. Further, one of the minority shareholders of Energie has also sent letters to the directors of ECM alleging breaches of the Shareholder Agreement entered into, between amongst others, Energie and ECM (**Shareholder Agreement**). Although the allegations have not been particularised in any detail, the directors of ECM in their capacity as directors of ECM and in their capacity as directors of Energie deny all allegations. No proceedings have been commenced.

Pursuant to the Shareholder Agreement, ECM has agreed to subscribe for preference shares to fund up to \$1.5 million or 12 months of Energie's operation (whichever comes first) in accordance with budgets approved by Energie's board. ECM has funded approx \$850,000 of Energie's costs up to 31 March.

The directors of ECM understand that the direction that Energie will take moving forward, is dependent upon a number of matters, including resolving any ongoing issues with the minority shareholders and InSitu.

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

The Exploration License over the Gossan Dam base metal and silver Prospect has been granted (figure 1). The project 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 will initiate a review into the validity of using modern geophysical methods to look for extensions to known mineralisation and to test for a varying dip of mineralisation.

#### **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. No work has been undertaken on this application.

## Potential Acquisitions - potash project

ECM is separately announcing the proposed purchase of an effective interest in a potash tenement in Western Australia, from one of its substantial shareholders, Exchange Minerals Limited. The proposed acquisition is subject to shareholder approval. The board of ECM is extremely excited about this opportunity.

Funding of the proposed acquisition will be via the secured Convertible Loan (see below) as well as potential capital in the event that the Company receives approval from its shareholders on Friday 30 April 2010 to issue up to a further 80 million shares.

## Corporate - Convertible Note

East Coast has confirmed terms with Exchange Minerals Limited on behalf of its contacts and itself ("Exchange") to provide a secured by way of charge \$2 million convertible note facility ("Convertible Note") to it. The purpose of proceeds from the Convertible Note will now be used for exploration and administrative costs associated with the Company. The Convertible Note is subject to shareholder approval. Documentation is currently being prepared for the approval of the Convertible Notes and will be done concurrently with the proposed acquisition of the Potash project detailed above. The board is confident that approval for the Convertible Note will be obtained as it is in the best interests of the company.

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

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## Competent Persons Statement

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