



This is the 1st affidavit
of Abraham Jonker in this case
and was made on 28 / 11 / 2013

No. B131400
Estate No. 11-1806986
Vancouver Registry

**IN THE SUPREME COURT OF BRITISH COLUMBIA
IN BANKRUPTCY AND INSOLVENCY**

**IN THE MATTER OF THE PROPOSAL OF
EASTCOAL INC.**

AFFIDAVIT

I, **ABRAHAM JONKER**, of Suite 605, 1166 Alberni Street, Vancouver, British Columbia, Chartered Accountant, SWEAR THAT:

1. I am the President, acting Chief Financial Officer and a director of EastCoal Inc. (the "**Company**"), and as such have personal knowledge of the facts and matters hereinafter deposed to by me save and except where stated to be made upon information and belief and where so stated I verily believe the same to be true.
2. I am authorized to make this affidavit on behalf of the Company.

Background to the Company and Financial Difficulty

3. The Company is a publicly listed company which develops and operates (through wholly owned subsidiaries) coal mining interests in the Ukraine.
4. Currently, the Company indirectly owns 100% of the following companies and mining interests:
 - (a) East Coal Company LLC ("**EEC**"), a Ukrainian incorporated entity, which holds the mining licenses to the Verticalnaya Mine; and
 - (b) Inter-Invest Coal LLC ("**IIC**"), a Ukrainian incorporated entity which holds the mining licenses to the Menzhinsky Mine,both of which mines are located in South Eastern Ukraine.

5. In early 2013, IIC encountered an operational failure and various technical issues at the Menzhinsky Mine which negatively impacted the ability of the mine to operate profitably. As a result, in May, 2013, the Company was forced to place IIC into a liquidation process pursuant to Ukrainian law.

6. Since that time, the Company's focus has been on developing the Verticalnaya Mine. In June, 2013, the Company completed a private placement the gross proceeds of which were \$7.7 million. The net proceeds from the private placement were used to, among other things, attempt to bring the Verticalnaya Mine to a production level of 11,000 tonnes per month ("**Target Production**").

7. Unfortunately, due to certain regulatory and operational delays, the Company has been unable to bring the Verticalnaya Mine to Target Production and become cash-flow positive. The Company has continued to explore further financing options, but in November, 2013 the Company's financial situation became critical and it was forced to consider its restructuring options.

8. As a result, on November 5, 2013 the Company filed a Notice of Intention to File a Proposal (the "**NOI**"), appointing Deloitte Restructuring Inc. (the "**Trustee**") as trustee. Now shown to me and attached hereto as **Exhibit "A"** is a copy of the NOI. The Company's objective in filing the NOI is to provide it with the necessary time to arrange further financing in order to fund a proposal and allow the Company to ramp up production at the Verticalnaya Mine to Target Production.

Assets and Liabilities

9. The assets of the Company are made up of (i) cash and (ii) shares in the subsidiary companies through which it develops and operates its mining interests in the Ukraine.

10. As of November 22, 2013, the Company had cash on hand in the approximate amount of \$259,000.

11. In addition, and as discussed in more detail below, approximately \$240,000 was garnished from the Company's bank account in June, 2013. In light of these proposal proceedings, the Company is seeking the return of those funds.

12. I am a secured creditor of the Company, pursuant to a \$200,000 loan advanced November 28, 2012. The loan is secured by a General Security Agreement over the Company's present and after-acquired property.

13. In addition, and as set out in the NOI, the Company also has unsecured liabilities of approximately \$2.8 million. The largest unsecured creditors include:

- (a) Surrey Dynamics Inc., which is owed approximately \$1.5 million pursuant to a convertible debenture dated January 3, 2012;
- (b) Dentons Canada LLP, the Company's legal counsel, which is owed approximately \$300,000 in respect of fees incurred prior to the NOI; and
- (c) PricewaterhouseCoopers LLP, the Company's former auditors, which owed approximately \$300,000.

Lawton Litigation and Garnished Funds

14. On or about June 3, 2013, a former executive of the Company, George Lawton ("**Lawton**") commenced an action (the "**Lawton Litigation**") against the company for an alleged breach of his employment contract arising from his alleged termination.

15. As set out above, on or about June 5, 2013, Lawton garnished approximately \$240,000 (the "**Garnished Funds**") from the Company's bank account at Bank of Montreal. To the best of my knowledge, the Garnished Funds remain in Court pending the outcome of the Lawton Litigation.

16. The trial of the Lawton litigation was initially scheduled for three days commencing December 3, 2013. However, in light of these proposal proceedings, I understand the trial has been adjourned.

17. The Company requires access to the Garnished Funds to fund corporate costs and professional fees during the extended proposal period that is currently being sought.

Status of Restructuring Efforts

18. The Company is currently in discussions with a potential investor for an amount which, in my view, would be sufficient to achieve the Company's restructuring objectives, and allow it to present a proposal to its creditors.

19. However, at this time the Company does not have a firm commitment in respect of this further financing, and requires additional time to conclude negotiations with the potential investor.

20. If the Company is able to complete this additional financing, I believe it will be able to present a viable proposal to its creditors. A proposal in those circumstances will likely involve issuing some equity to creditors, and/or a cash payment representing a

portion of claims owed. A proposal on these terms would, in my view, represent a better outcome for creditors than a bankruptcy.

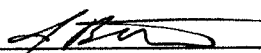
21. If the Company is granted access to the Garnished Funds it will have sufficient cash on hand to carry it through this process.

22. The Company has undertaken this process in good faith and is proceeding with due diligence.

23. The Company and its management has been fully co-operative with the Trustee, and has kept the Trustee apprised of its financing negotiations throughout this process. The Company is working with the Trustee to achieve as favourable an outcome as possible for all of the creditors.

24. I am unaware of any creditor who would be materially prejudiced by an extension of the existing time for filing a proposal. If the extension is not granted, I anticipate that the Company will be unable to file a proposal by December 5, 2013, and will thereafter be deemed to have made an assignment into bankruptcy.

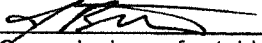
SWORN BEFORE ME at Vancouver, B.C.,
on 28 / 11 / 2013.


A Commissioner for taking Affidavits within
British Columbia

JEFFREY A. BASTIEN
Barrister & Solicitor
DENTONS CANADA LLP
20th Floor, 250 Howe Street
Vancouver, B.C. V6C 3R8
Telephone (604) 687-4460


ABRAHAM JONKER

This is **Exhibit "A"** referred to in the Affidavit of
ABRAHAM JONKER sworn this 28 day
of November, 2013.



A Commissioner for taking
Affidavits within British Columbia

JEFFREY A. BASTIEN
Barrister & Solicitor
DENTONS CANADA LLP
20th Floor, 250 Howe Street
Vancouver, B.C. V6C 3R8
Telephone (604) 687-4460

District of: British Columbia
Division No. 03 - Vancouver
Court No.
Estate No. 11-1806986

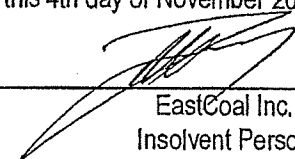
- FORM 33 -
Notice of Intention To Make a Proposal
(Subsection 50.4(1) of the Act)

In the Matter of the Notice of Intention to Make a Proposal of:
EastCoal Inc.
of the City of Vancouver, in the Province of British Columbia

Take notice that:

1. I, EastCoal Inc., an insolvent person, state, pursuant to subsection 50.4(1) of the Act, that I intend to make a proposal to my creditors.
2. Deloitte Restructuring Inc. of 2800 - 1055 Dunsmuir Street, PO Box 49279, Vancouver, BC, V7X 1P4, a licensed trustee, has consented to act as trustee under the proposal. A copy of the consent is attached.
3. A list of the names of the known creditors with claims of \$250 or more and the amounts of their claims is also attached.
4. Pursuant to section 69 of the Act, all proceedings against me are stayed as of the date of filing of this notice with the official receiver in my locality.

Dated at the City of Vancouver in the Province of British Columbia, this 4th day of November 2013.



 EastCoal Inc.
 Insolvent Person

To be completed by Official Receiver:

Filing Date _____

 Official Receiver

List of Creditors with claims of \$250 or more.			
Creditor	Address	Account#	Claim Amount
1662287 Ontario Inc	101 Yorkville Avenue Suite 201 Toronto ON M5R 1C1		36,750.00
Abraham Jonker	525 Eleveden Row West Vancouver BC V7S 1Y7		237,224.66
Adnet	Suite 401, 510 West Hastings Street Vancouver BC V6B 1L8		514.50
Aponet	Stasinou 1, Mitsi Building 1, Office 4 Nicosia, 1060 Cyprus		17,492.13
Baker & McKenzie - CIS Ltd.	Renaissance Business Center, 24 Vorovskoho St Kyiv 01054 Ukraine		3,119.31
Cenkos Securities plc	6.7.8 Tokenhouse Yard London, EC2R 7AS United Kingdom		23,519.98
Computershare Investor Services Inc	100 University Avenue, 11th Floor Toronto ON M5J 2Y1		2,456.09
Dentons Canada LLP	20th Floor, 250 Howe Street Vancouver BC V6C 3R8		435,983.55
Executive Travel	201 Empire Road Middelsex, UB67 HA United Kingdom		10,254.06
Frank Moxon	Ancient Meadow House, Milway Lane, Palgrave Suffolk, IP22 1AD United Kingdom		15,000.00
Greg Cameron	168 Bayview Heights Drive Toronto BC M4G 2Y8		15,000.00
Harris, Mericle & Wakayama	999 Third Avenue, Suite 3210 Seattle WA 98104 USA		943.12
IMC Group Consulting Limited	Icon Business Centre, Lake View Drive, Sherwood Park Nottingham, NG15 0DT United Kingdom		77,356.56
John Byrne	Level 9, 175 Collins Street Melbourne, VIC, 3000 Australia		15,000.00
John Conlon	98 Walker Avenue Toronto ON M4U 1G2		15,000.00
Marketwire	48 Yonge Treet, 8th Floor Toronto ON M5E 1G6		407.40
PricewaterhouseCoopers LLP	#700 - 250 Howe Street Vancouver BC V6C 3S7		319,403.72
Stargate Connections Inc.	347 - 6450 Roberts Street Burnaby BC V5G 4E1		4,032.00

List of Creditors with claims of \$250 or more.			
Creditor	Address	Account#	Claim Amount
Surrey Dynamics	Bury House, 1-3 Bury Street, Guilford Surrey, GU24 2A2 United Kingdom		1,564,050.00
Tavistock Communications	131 Finsbury Pavement London, EC2A 1NT United Kingdom		100,355.13
The Answer Company Consulting Ltd.	#303 – 604 Columbia Street New Westminster BC V3M 1A8		9,186.80
Trowers & Hamlins LLP	Sceptre Court, 40 Tower Hill London, EC3N 4DX United Kingdom		178,695.83
Wardell Armstrong International	Wheal Jane, Baldu, Truro Cornwall, TR36 EH United Kingdom		9,801.68
Wasabi Energy Ltd	Level 9, 175 Collins Street Melbourne, VIC, 3000 Australia		2,358.57
Total			3,093,905.09



Industry Canada
Office of the Superintendent
of Bankruptcy Canada

Industrie Canada
Bureau du surintendant
des faillites Canada

District of British Columbia
Division No. 03 - Vancouver
Court No. 11-1806986
Estate No. 11-1806986

In the Matter of the Notice of Intention to make a
proposal of:

EastCoal Inc.
Insolvent Person

DELOITTE RESTRUCTURING INC/RESTRUCTURATION
DELOITTE INC
Trustee

Date of the Notice of Intention: November 05, 2013

CERTIFICATE OF FILING OF A NOTICE OF INTENTION TO MAKE A PROPOSAL
Subsection 50.4 (1)

I, the undersigned, Official Receiver in and for this bankruptcy district, do hereby certify that the aforementioned insolvent person filed a Notice of Intention to Make a Proposal under subsection 50.4 (1) of the *Bankruptcy and Insolvency Act*.

Pursuant to subsection 69(1) of the Act, all proceedings against the aforementioned insolvent person are stayed as of the date of filing of the Notice of Intention.

Date: November 05, 2013, 18:40

E-File/Dépôt Electronique

Official Receiver

#2000 - 300 W. Georgia St., Vancouver, British Columbia, Canada, V6B6E1, (877)376-9902