

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

IN THE MATTER OF THE PROPOSAL OF
EASTCOAL INC.



NOTICE OF APPLICATION

Name of applicant: EastCoal Inc.

To: Deloitte Restructuring Inc., the proposal trustee herein
Surrey Dynamics Ltd.
George Lawton
Office of the Superintendent of Bankruptcy

TAKE NOTICE that an application will be made by the applicant to the presiding judge or master at the courthouse at 800 Smithe Street, Vancouver, BC on 03 / Mar / 2014 at 9:45 a.m. for the orders set out in Part 1 below.

Part 1: ORDERS SOUGHT

1. An order that the time for service of this Notice of Application be abridged and that the Notice of Application is properly returnable on March 3, 2014.
2. An order extending the time for filing the Proposal herein by 45 days to April 17, 2014.
3. Such further and other relief as this Honourable Court may deem just.

Part 2: FACTUAL BASIS

1. EastCoal Inc. (the "**Company**") is a publicly listed company which developed and operated (through wholly owned subsidiaries) coal mining interests in the Ukraine.
2. At the commencement of these proceedings, the Company's primary asset was a mine located in South Eastern Ukraine, known as the "Verticalnaya Mine" (the "**Mine**"), which the Company operated through a wholly owned subsidiary.

3. The Mine was in the development stage, and the Company had been seeking to bring the Mine to targeted production.
4. While the Company was able to raise significant capital in early 2013, certain regulatory and operational delays prevented the Company from achieving target production at the Mine. As a result, the Company's financial situation became critical in November, 2013, following which the Company filed a Notice of Intention to File a Proposal (the "**NOI**") on November 5, 2013. Deloitte Restructuring Inc. (the "**Trustee**") was appointed trustee in these proposal proceedings.
5. Upon filing the NOI, the Company undertook an extensive marketing process to seek further financing or, alternatively, pursue a sale of its assets. This process resulted in two offers for, collectively, substantially all of the Company's assets, and in particular:
 - (a) a sale of the assets related to the Mine to EFI Holding GmbH for US \$500,000; and
 - (b) a sale of the assets related to the Menzhinsky mine (currently in liquidation proceedings) to Strong Group Corporation Limited for US \$15,020,(collectively, the "**Offers**").
6. On January 16, 2014, the Court granted an order approving the Offers and vesting the Company's title in the assets to the above noted buyers. In addition, the Court granted a further order extending the date by which the Company was required to file a proposal in this proceeding to March 3, 2014, in order to allow the Company to:
 - (a) close the transactions contemplated by the Offers; and
 - (b) allow the Company to pursue a transaction to capitalize on its status as a publicly listed vehicle with significant tax losses (the "**Capitalization Transaction**").
7. The Company has now completed the transactions contemplated by the Offers, and is in receipt of substantially all of the sale proceeds.
8. The Company is in discussions with several parties that are interested in participating in the Capitalization Transaction. However, the Company requires additional time to conclude these negotiations.

9. A condition to any such transaction will be a successful proposal to the Company's creditors, in order to provide a "clean" debt-free company, and if successful would likely improve the terms of any proposal the Company is able to offer to its creditors.
10. The Company has undertaken this process in good faith and is proceeding with due diligence.
11. The Company and its management have been fully co-operative with the Trustee.
12. The Company will have sufficient cash on hand to carry it through this process.
13. The Company is not aware of any creditor who would be materially prejudiced by an extension of time for filing a proposal.

Part 3: LEGAL BASIS

1. *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, s. 50.4(9), *Bankruptcy and Insolvency General Rules*, C.R.C. 1978, c. 368, r. 6(4), and the inherent jurisdiction of this Honourable Court.
2. The Court may grant an extension of time to file a proposal, for up to 45 days at any one time, if it is satisfied that:
 - (a) the insolvent person has acted, and is acting, in good faith and with due diligence;
 - (b) the insolvent person would likely be able to make a viable proposal if the extension being applied for were granted; and
 - (c) no creditor would be materially prejudiced if the extension being applied for were granted.

Part 4: MATERIAL TO BE RELIED ON

1. The Proposal Trustee's Second Report to the Court, dated 09 / Jan / 2014;
2. Order made 16 / Jan / 2014, approving Strong Transaction;
3. Order made 16 / Jan / 2014, approving EFI Transaction;
4. Order made 16 / Jan / 2014, extending proposal proceedings;

5. Affidavit #3 of Abraham Jonker, sworn 26 / Feb / 2014;
6. The Proposal Trustee's Third Report to the Court, to be filed;
7. Such further and other material as counsel may advise and this Honourable Court may permit.

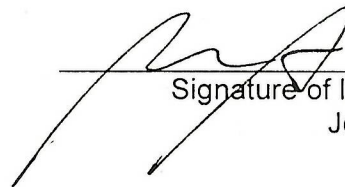
The applicant(s) estimate(s) that the application will take 10 minutes.

- This matter is within the jurisdiction of a master.
- This matter is not within the jurisdiction of a master, unless unopposed.

TO THE PERSONS RECEIVING THIS NOTICE OF APPLICATION: If you wish to respond to this Notice of Application, you must, within 5 business days after service of this Notice of Application or, if this application is brought under Rule 9-7, within 8 business days of service of this Notice of Application,

- (a) file an Application Response in Form 33,
- (b) file the original of every affidavit, and of every other document, that
 - (i) you intend to refer to at the hearing of this application, and
 - (ii) has not already been filed in the proceeding, and
- (c) serve on the applicant 2 copies of the following, and on every other party of record one copy of the following:
 - (i) a copy of the filed Application Response;
 - (ii) a copy of each of the filed affidavits and other documents that you intend to refer to at the hearing of this application and that has not already been served on that person;
 - (iii) if this application is brought under Rule 9-7, any notice that you are required to give under Rule 9-7(9).

Date: 26 / Feb / 2014



Signature of lawyer for filing party
John R. Sandrelli and
Jordan Schultz

To be completed by the court only:

Order made

in the terms requested in paragraphs _____ of Part 1 of this Notice of Application

with the following variations and additional terms:

Date: _____

Signature of Judge Master

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APPENDIX

THIS APPLICATION INVOLVES THE FOLLOWING:

- discovery: comply with demand for documents
- discovery: production of additional documents
- other matters concerning document discovery
- extend oral discovery
- other matter concerning oral discovery
- amend pleadings
- add/change parties
- summary judgment
- summary trial
- service
- mediation
- adjournments
- proceedings at trial

- case plan orders: amend
- case plan orders: other
- experts