

District of: British Columbia
Division No. 03 - Vancouver
Court No. B-131400
Estate No. 11-1806986

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

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

REPORT TO COURT ON THE PROPOSAL OF EASTCOAL INC.

**DELOITTE RESTRUCTURING INC.
2800 – 1055 Dunsmuir Street,
Vancouver, BC V7X 1P4**

May 7, 2014

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District of: British Columbia
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FORM 40

Report of Trustee on Proposal
(Section 59(1) and paragraph 58(d) of the Act)

In the matter of the proposal of
EastCoal Inc.
of the City of Vancouver, in the Province of British Columbia

Deloitte Restructuring Inc. ("**Deloitte**"), of the City of Vancouver, in its capacity as trustee ("**Trustee**") acting in the proposal of EastCoal Inc. ("**EastCoal**" or the "**Company**"), hereby reports to the Court as follows:

1. On November 5, 2013, the Company filed a Notice of Intention to Make a Proposal ("**NOI**").
2. The time for filing a proposal in this proceeding was extended pursuant to various orders of the Court, the most recent of which provided that a proposal was to be filed on or before April 17, 2014.
3. Upon filing the NOI, the Company undertook an extensive sales and marketing process, resulting in the sale of substantially all of the Company's assets. The asset sales were approved by the Court on January 16, 2014.
4. Since the completion of the asset sales, the Company has sought to complete a further transaction to capitalize on its status as a publicly listed shell company and to maximize the realizable value associated with the Company's accumulated tax losses. The Company has now entered into several share subscription agreements (the "**Share Subscription Agreements**") with various existing shareholders, including some or all of the existing directors (the "**Investors**").
5. A proposal was filed with the Trustee on April 10, 2014 ("**Proposal**"), a copy of which is attached as Appendix "**A**" to this report ("**Report**"). The Trustee filed a copy of the Proposal with the Official Receiver on April 10, 2014. The Trustee received a Certificate of Filing of a Proposal from the Official Receiver on April 16, 2014.
6. On April 10, 2014 the Trustee filed with the Office of the Superintendent of Bankruptcy ("**OSB**") and the Court, the Company's Cash Flow Statement, along with Form 29 - Trustee's Report on Cash Flow Statement, and Form 30 - Report on Cash Flow Statement made by the Person Making the Proposal. Copies of the Cash Flow Statement, Form 29 and Form 30 are attached as Appendix "**B**" to this Report.

7. On April 11, 2014 the Trustee gave notice (the "**Notice**") to the officers of the Company, to the OSB and to every known creditor affected by the Proposal ("**Affected Creditors**", as defined in the Proposal) of the calling of a meeting of creditors to consider the Proposal to be held on April 22, 2014 (the "**Creditors' Meeting**"). The list of Affected Creditors to whom the Notice was sent, including their names and addresses, is shown in Appendix "**C**" to this Report. A copy of the Notice is attached to this Report and marked as Appendix "**D**".
8. The following items were included with the Notice and are appended to this Report:
 - a. The Company's Statement of Affairs showing a listing of the estimated assets and liabilities – Appendix "**E**";
 - b. List of Affected Creditors, showing the amounts of their claims;
 - c. The Proposal;
 - d. The Trustee's Report to Creditors dated April 11, 2014 ("**Trustee's Report**"), which provides background information concerning these proceedings and the Company – Appendix "**F**";
 - e. Proof of claim form and proxy in blank – Appendix "**G**"; and
 - f. Voting letter – Appendix "**H**".(Appendices "**A**" and "**C**" through "**F**" are collectively referred to as the "**Proposal Package**").
9. On April 11, 2014, immediately after sending the Notice, the Trustee posted a copy of the Proposal Package on its website at: <http://www.deloitte.com/ca/eastcoal>
10. On April 11, 2014, the Company issued a press release informing the Affected Creditors of the calling, time and place of the Creditors' Meeting and directing all interested parties to review details surrounding the Proposal on the Trustee's website. The press release was also posted on the Company's website.
11. Prior to the Creditors' Meeting, the Trustee made a detailed and careful inquiry into the liabilities of the Company, the Company's assets and their value, the Company's conduct and the causes of the Company's insolvency. The Trustee advised of these matters in the Trustee's Report.
12. The Creditors' Meeting was held on April 22, 2014, and was presided over by Huey Lee of Deloitte. The Trustee reported to the creditors at the Creditors' Meeting on the matters required pursuant to the *Bankruptcy and Insolvency Act* ("**BIA**"), including reviewing the Trustee's Report and the terms of the Proposal.
13. In total, there were 9 voting Affected Creditors present, in person or by proxy or voting by voting letter, with claims totaling \$2,804,418.96 and whose claims represented 92.6% of the Company's total liabilities, as listed in the Company's Statement of Affairs. The Proposal was accepted by 100% of the voting Affected Creditors, including the sole secured creditor of the Company. Accordingly, the Proposal was accepted by the Affected Creditors.
14. A copy of the minutes of the Creditors' Meeting is attached and marked as Appendix "**I**".

15. On April 29, 2014, the Trustee gave notice to all the Affected Creditors of the hearing of the application for Court approval of the Proposal on May 16, 2014. This notice was subsequently replaced by a revised notice, sent by the Trustee to all Affected Creditors on April 30, 2014, advising that the Court hearing date had been changed to May 20, 2014. A copy of the revised Form 40.1 is attached and marked as Appendix "J".
16. The Share Subscription Agreements and transactions contemplated by the Proposal (collectively, the "**Transactions**") will result in the Investors owning approximately 95% of the equity of the Company on payment of an amount not less than \$700,000 to the Company. A portion of the proceeds from the Transactions, being \$450,000, will be used to fund a payment to proven unsecured creditors. As agreed by the EastCoal's sole secured creditor, the Company's indebtedness to the secured creditor will be extended for a year, subject to certain conversion rights.
17. The Company's shares were publicly traded on the TSX Venture Exchange (TSX-V:ECX) and are currently publicly traded on the London Stock Exchange (AIM:ECX). On February 27, 2014, the Company's listing on TSX Venture Exchange ("**TSX-V**") was moved to the NEX board, as administered by the TSX-V, as the Company no longer met the continued listing requirements of a Tier 2 issuer on the TSX-V.
18. As a result of the financial uncertainty in connection with the BIA proceedings, trading in the Company's shares on the Alternative Investment Market was suspended on February 26, 2014, pending clarification of the Company's financial position.
19. The Transactions will result in the Company breaching certain listing policy rules of the NEX Exchange. As outlined in the Company's Notice of Application dated April 29, 2014 ("**Notice of Application**"), the Company is seeking an Order extending the stay of proceedings to apply to the TSX Venture Exchange Inc. (the "**Exchange**") to restrain the Exchange from delisting the Company as a result of the Transactions. The Trustee notes that the granting of such Order is a condition precedent of the Share Subscription Agreements and highlights that the Transactions will not complete unless this condition is satisfied. Completion of the Transactions is required in order to fund the terms of the Proposal.
20. The Trustee is of the opinion that:
 - a. The assets of the Company and their fair realizable value thereof as at April 10, 2014 are as follows:

CAD\$000's	Book Value	Estimated Realizable Value
Cash	416	416
Deposit	30	30
GST receivable	29	-
Prepaid insurance and deposits	13	-
Investment in subsidiaries	3	-
Loans to subsidiaries	14	-
Property and equipment	0	-
Reclamation bond	7	5
Total assets	512	451

- b. The estimated liabilities of the Company as at April 10, 2014 are shown in the table below. The Trustee notes that, as at the date of this Report, no material discrepancies have been identified between the liabilities as declared by the Company and as subsequently proved to the Trustee.

CAD\$000's	Book Value
Secured creditors	232
Preferred creditors	-
Unsecured creditors	2,794
Total liabilities	3,026

21. The Trustee is also of the opinion that:

a. The primary causes of the Company's insolvency were a result of:

- Geological issues and technical challenges associated with the wash plant at the Company's Menzhinsky Coking Coal Mine ("**Menzhinsky**") located in the Donbass Region of Ukraine. These issues, combined with falling coal prices, resulted in Menzhinsky incurring significant losses. On May 22, 2013, the Board of Directors of EastCoal resolved to place the Company's Ukrainian subsidiary which held Menzhinsky into liquidation in Ukraine.
- General market conditions in the mining sector, including the decline in commodity values, such that the Company was unable to raise capital to fund operations of the Company's Verticalnaya Anthracite Coal Mine ("**Verticalnaya**"), also located in the Donbass Region of Ukraine. Accordingly, the Company placed Verticalnaya into care and maintenance on October 21, 2013.
- Management estimated that the Company required approximately \$5 million in funding in order to restart Verticalnaya and increase production to a break-even level of 11,000 tonnes per month. Due to the challenging financial markets and ongoing losses, the Company was unable to raise sufficient funds to restart Verticalnaya and to support the ongoing general and administrative expenses of the Company.

b. The conduct of the Company, both prior to and subsequent to the commencement of its Proposal proceedings, is not subject to censure.

c. There are no known facts, mentioned in section 173 of the BIA, that may be proven against the Company.

22. The Trustee is further of the opinion that the Proposal is advantageous to Affected Creditors for the reasons outlined in the Trustee's Report. In particular, the Proposal provides:

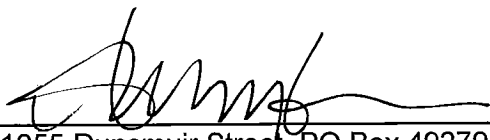
a. Affected Creditors with a result superior to bankruptcy (refer to Section 8 of the Trustee's Report, attached at Appendix "**E**"); and

b. the Company with a recapitalized balance sheet, and should allow EastCoal to continue as a going concern and to raise capital through completion of the Share Subscription Agreements.

23. In the opinion of the Trustee, the Court should grant an order approving the Transactions on the basis that:
- a. The Company has acted in good faith and with due diligence in running a competitive and fair process to solicit interest in the Company and in taking appropriate steps to develop a viable Proposal.
 - b. The Company's creditors have unanimously voted in favour of the Proposal, including the Company's only secured creditor, Mr. Abraham Jonker, and the Company's largest unsecured creditor, Surrey Dynamics Ltd.
24. With the exception of the Court granting the Orders as sought in the Notice of Application, the Trustee understands that all other conditions precedent to the Share Subscription Agreements and Proposal have been waived or satisfied, or will be waived or satisfied, prior to the implementation of the Proposal. In particular, the consolidated audited accounts of the Company for the year ended December 31, 2013 have now been completed and on April 30, 2014 the Company posted them to SEDAR.
25. The Proposal contemplates that all preferred claims, as provided for in section 136 of the BIA, shall be paid in full, without interest or penalty, and subject to the OSB's levy, in priority to all claims of the unsecured creditors. As at the date of this Report, no preferred claims have been filed with the Trustee.
26. The Proposal also contemplates that not later than six months following the Court's approval of the Proposal, the Company shall pay in full all claims, as required by section 60(1.1) of the BIA. As at the date of this Report, no Crown claims have been filed with the Trustee.
27. The Trustee forwarded a copy of this Report to the Official Receiver on this day.

Dated at the City of Vancouver in the Province of British Columbia on this 7th day of May 2014.

Deloitte Restructuring Inc. - Trustee



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Appendix A

IN THE MATTER OF THE PROPOSAL OF
EASTCOAL INC.

OF THE CITY OF VANCOUVER
IN THE PROVINCE OF BRITISH COLUMBIA

PROPOSAL TO CREDITORS

EastCoal Inc. ("**EastCoal**" or the "**Company**"), being insolvent, hereby submits the following Proposal pursuant to the provisions of Part III Division I of the *Bankruptcy and Insolvency Act*.

All defined terms and expressions as used in this Proposal appear in Section 2.0 below.

1.0 PURPOSE AND EFFECT OF PROPOSAL

1.1 General Intent of Proposal

This Proposal is designed to allow the Company to complete a transaction that, on completion, will result in Creditors recovering more than would be recovered in the event of an immediate liquidation and distribution of the Company's assets. The Company has determined that amounts owing to its Creditors exceed the value of its assets. The result is that no claim against the Company will be fully satisfied on a liquidation of its assets.

On January 16, 2014, the Court approved sales of substantially all of the Company's assets to arm's length purchasers. The Proposal, if approved by the Creditors, will allow the Company to capitalize on its status as a publicly listed entity to raise additional funds for distribution to its creditors, in particular by pursuing a transaction under which Salida, together with a group of investors, will subscribe for a majority of the Company's shares in exchange for additional funds that will be used, in part, to make this Proposal to Creditors.

1.2 Overview of Proposal

The general outline of the Proposal is as follows:

- (a) The Company has entered into Share Subscription Agreements (the "**SSAs**") with Salida on the one hand and a group of investors on the other hand, and such SSAs are conditional on (among other things) approval from the Creditors and the Court of this Proposal, under which it will acquire approximately a 95% equity stake in EastCoal on payment of an amount not less than \$700,000 (the "**Sale Proceeds**");

- (b) The claim of the Company's sole secured creditor shall be extended for an additional 12 months, subject to a right of conversion on any subsequent equity raise carried out by the Company;
- (c) Further, \$450,000 from the Sale Proceeds shall be paid to the Trustee and form an Unsecured Cash Pool for distribution to the remaining Creditors;
- (d) Crown Claims, if any, will be paid in accordance with the requirements of the BIA;
- (e) Claims of Preferred Creditors, if any, will be paid from the Unsecured Cash Pool; and
- (f) Claims of Unsecured Creditors will be paid on a pro rata basis from the balance of the Unsecured Cash Pool.

1.3 Persons Affected

The Proposal applies to every Creditor, whether or not the Creditor has proven a claim against the Company under the Proposal for the purpose of receiving a payment under the Proposal pursuant to the provisions of section 3.0.

2.0 INTERPRETATION

2.1 Definitions

In this Proposal, the following terms are defined:

- (a) **"Affected Creditors"** means the holders of Crown Claims, the Secured Creditors, the Preferred Creditors and Unsecured Creditors.
- (b) **"BIA"** means the *Bankruptcy and Insolvency Act* (Canada), as amended from time to time.
- (c) **"Business Day"** means any day other than a Saturday, Sunday or statutory holiday in British Columbia.
- (d) **"Claims"** means any indebtedness, liability, action, cause of action, suit, debt due, account, bond, covenant, contract, counterclaim, demand, claim, right and obligation of any nature whatsoever of the Company or their successors and assigns or their respective directors, to any person, whether liquidated, unliquidated, fixed, contingent, matured, legal, equitable, secured, unsecured, present, future, known or unknown, and whether by guarantee, surety or otherwise, in any way, and whether in whole or in part, incurred or arising or relating to the period prior to or existing on the Claims Date, and including any claim arising from a breach or termination, occurring prior to the Effective Date, of any contract entered into prior to the Claims Date, together with all Claims in respect of the costs of remedying any environmental condition or damage affecting real property whether the condition or the damage occurred or existed before or after the Claims Date.

- (e) **"Claims Date"** means the date of the Notice of Intention to File a Proposal, being November 5, 2013.
- (f) **"Company"** or **"EastCoal"** means EastCoal Inc.
- (g) **"Court"** means the Supreme Court of British Columbia, Judicial District of Vancouver.
- (h) **"Creditor"** means any person having a Claim.
- (i) **"Creditors' Meeting"** means the meeting of Creditors called pursuant to the BIA for the purpose of considering and voting on the Proposal.
- (j) **"Crown Claims"** means Claims of Her Majesty in Right of Canada or a province that are described in section 60(1.1) of the BIA.
- (k) **"Effective Date"** means the date on which the Order of the Court approving this Proposal becomes final and may no longer be appealed.
- (l) **"Inspectors"** means the inspectors appointed pursuant to Section 56 of the BIA.
- (m) **"Preferred Creditors"** means any Creditor entitled to receive payment of any amount owed to it in priority to other Unsecured Creditors as provided for in Section 136 of the BIA.
- (n) **"PPR"** means the British Columbia Personal Property Registry.
- (o) **"Proposal"** means this proposal made pursuant to the provisions of Part III, Division I of the BIA, as filed on April 10, 2014, and as amended or supplemented from time to time.
- (p) **"Proven Claim"** means a Claim which has been accepted by the Trustee, or by subsequent Order of the Court, as to the proper amount owing to a Creditor under this Proposal.
- (q) **"Released Parties"** means each and every present and former director of the Company, and their respective successors and assigns.
- (r) **"Salida"** means a group of investors led by Salida Capital International Ltd. who account for an aggregate of at least \$300,000 of the Sale Proceeds and which are party to certain of the SSAs.
- (s) **"Secured Creditors"** means those Creditors holding perfected security interests against the assets of the Company.
- (t) **"SSAs"** means the various conditional Share Subscription Agreements among EastCoal on the one hand and Salida and the group of investors on the other hand, each accepted by EastCoal and dated April 10, 2014, the form of which is attached hereto as Schedule "A".
- (u) **"Trustee"** means Deloitte Restructuring Inc., the Trustee acting under the Proposal.

- (v) **“Unsecured Cash Pool”** means a fund of \$450,000, to be held by the Trustee for distribution to the Preferred Creditors and the Unsecured Creditors in accordance with the terms of this Proposal.
- (w) **“Unsecured Creditors”** means those creditors with Claims, except for those Claims that:
 - (i) have been finally and conclusively disallowed pursuant to the provisions of the BIA by the Trustee, or the Court (as may be applicable);
 - (ii) may be contingent or unliquidated and found by the Trustee, or the Court (as may be applicable) not to be provable;
 - (iii) are Crown Claims;
 - (iv) are Claims of Preferred Creditors; or
 - (v) are Claims of Secured Creditors.

2.2 Section References

In this Proposal, a reference to a section, clause or paragraph shall, unless otherwise stated, refer to a section, clause or paragraph of the Proposal.

2.3 Interpretation Not Affected By Headings

The division of the Proposal into sections, clauses and paragraphs and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of the Proposal.

2.4 Date For Any Action

In the event that any date on which any action is required to be taken hereunder is not a Business Day, such action shall be required to be taken on the next succeeding day which is a Business Day.

3.0 PROPOSAL TO CREDITORS

3.1 Secured Claims

The Claims of Secured Creditors shall be modified as follows:

- (a) The Claims of Secured Creditors shall be payable by the Company 12 months after the Effective Date;
- (b) Notwithstanding this proposal process, interest shall continue to accrue on the Claims of Secured Creditors in accordance with their terms from the Claims Date up to the date of payment;
- (c) The Claims of Secured Creditors shall continue to be secured by any security currently held by such Creditor; and

- (d) If, at any time while a Secured Creditor's Claim is outstanding, the Company consummates:
- (i) a fundraising through the issuance of securities of the Company; or
 - (ii) a merger, acquisition, share exchange, plan of arrangement, amalgamation or any other transaction or series of transactions in which the shareholders of the Company immediately prior to the transaction or series of transactions do not own a majority of the outstanding shares and a majority of the voting power of the surviving entity or entities after the transaction or series of transactions; or
 - (iii) a sale, lease, exclusive license or other disposition of all or substantially all of the Company assets or business or any of the Company's material subsidiary's assets or business (for securities of the Company); or
 - (iv) an acquisition, lease, exclusive license or other acquisition of assets by the Company or any material subsidiary of the Company (for securities of the Company),

(each, a "**Transaction**") the Secured Creditor shall have the right to convert any or all of its Claim into additional securities at the same rate provided for in the Transaction.

Following the Effective Date, the Company and any of the Secured Creditors may, if mutually agreed upon in writing, enter into new agreements reflecting the foregoing arrangement.

EastCoal is aware of one Claim to a Secured Creditor, which Creditor is owed approximately \$232,153.42.

3.2 Crown Claims

Not later than six months following the Court's approval of the Proposal, the Company shall pay in full all Crown Claims, as required by section 60(1.1) of the BIA.

During the term of the Proposal, the Company will remit all required income tax, employee source deductions, and GST/HST installments directly to Canada Revenue Agency and file the required GST returns on time, with payment of any balance due made on filing. Without limitation to the foregoing, during the term of the Proposal, the Company shall pay all amounts required to be paid pursuant to section 60(1.2) of the BIA.

EastCoal is not aware of any outstanding Crown Claims.

3.3 Preferred Claims

The Claims of all Preferred Creditors, if any, shall be paid in full, without interest or penalty, and subject to the Superintendent of Bankruptcy's levy, in priority to all claims of the Unsecured Creditors.

Without limiting the foregoing, the Company shall pay immediately after the Effective Date, or sooner at its option, all amounts required to be paid to employees by section 60(1.3) of the BIA.

EastCoal is not aware of any outstanding Claims to Preferred Creditors.

3.4 Unsecured Claims

The Company estimates that the Claims of Unsecured Creditors will total approximately \$3,000,000.

Unsecured Creditors will receive funds from a cash pool of \$450,000 on a pro rata basis on account of their respective Claims.

Based on the estimated amount of the Claims of Unsecured Creditors, each Unsecured Creditor will receive approximately \$0.15 per dollar of Claim. If the amounts of Claims of Preferred Creditors or Claims of Unsecured Creditors are greater than estimated, the amount received per dollar of Claim by each Unsecured Creditor will be reduced.

Payments to the Unsecured Creditors shall be without interest or penalty and subject to deduction of the BIA Section 147 levy payable to the Superintendent of Bankruptcy, which levy is calculated as follows:

- (a) 5% on the amount up to \$1,000,000;
- (b) 1.25% on the amount over \$1,000,000 and up to \$2,000,000; and
- (c) 0.25% on the amount over \$2,000,000.

3.5 Timing and Payment

Following the Effective date, and upon satisfaction of all conditions to this Proposal and the SSAs, the following transactions, actions and events will be consummated:

- (a) The transaction contemplated by the SSAs shall complete;
- (b) The Company shall pay the Unsecured Cash Pool to the Trustee within 10 business days of completion of the share subscription transactions under the SSAs; and
- (c) The Trustee shall make the payments from the Unsecured Cash Pool to the Affected Creditors in accordance with this Proposal as soon as reasonably practicable following receipt of the Unsecured Cash Pool, less such reserves as the Trustee shall deem necessary or appropriate, and the balance shall be paid in such number of installments as the Trustee shall deem appropriate.

Notwithstanding the foregoing, the Company shall pay the Unsecured Cash Pool to the Trustee on or before June 30, 2014.

3.6 Effect of Payment

Upon the Trustee making the payments from the Unsecured Cash Pool to the Affected Creditors in accordance with this Proposal, the Company, its successors and assigns, and its directors shall be deemed to have satisfied in full the terms of the Proposal.

4.0 PROOF OF CLAIMS

4.1 Claims Process

In order to be eligible to vote at the Creditors' Meeting each Creditor shall file a Proof of Claim with the Trustee in accordance with the applicable provisions of the BIA and thereafter the Trustee shall administer the claims in accordance with the provisions of section 135 of the BIA.

Forthwith after the Creditors' Meeting, the Trustee shall give notice (the "**Notice**") pursuant to section 149 of the BIA, by registered mail, to every Person with a Claim that the Trustee has notice or knowledge of, but whose claim has not been filed or proved.

In order to receive a distribution from the Unsecured Cash Pool, a Creditor must submit a Proof of Claim prior to the time the Trustee distributes funds in accordance with the Proposal.

4.2 Claims Bar

Any Person who does not prove his Claim within thirty (30) days of the mailing of the Notice, shall forever be barred from making a claim in this Proposal or sharing in any dividend hereunder, subject to any exceptions set out in sections 149(2), (3) and (4) of the BIA, regardless of whether such Person was sent a Notice or whether such Person received such Notice.

5.0 TRUSTEE, MONITORING AND ADMINISTRATIVE COSTS

5.1 The Trustee is acting in its capacity as Trustee and not in its personal capacity and no officer, director, employee or agent of the Trustee shall incur any obligations or liabilities in connection with the Proposal or in connection with the business or liabilities of the Company.

5.2 The fees for the Trustee's services will be based on time spent by the Trustee and the various members of its staff at their respective billing rates plus any direct out of pocket expenses incurred. The Court will tax the Trustee's fees and disbursements. The Trustee will be entitled to take regular interim fees upon creditor, inspector, or Court approval.

5.3 The Company shall pay, in priority to all amounts to be distributed to Creditors under the Proposal, all amounts required to be paid by sub-section 60(1) of the Act. Without limiting the generality of the foregoing, the Trustee's fees, expenses and legal costs arising out of this Proposal and under the Act shall be paid by the Company. If the Company is declared to be in default under the Proposal, the Trustee's fees and costs will rank first in priority in relation to the Preferred Creditors and the Unsecured Creditors.

5.4 The Trustee shall be indemnified in full by the Company for all personal liability arising from fulfilling any duties or exercising any powers or duties conferred upon them by this Proposal or under the BIA, except for any wilful misconduct or gross negligence.

6.0 INSPECTORS

At the Creditors' Meeting, the Affected Creditors will be entitled to appoint one or more, but not exceeding five, Inspectors, whose powers shall be as follows:

- (a) advising the Trustee in respect of such matters as may be referred to the Inspectors by the Trustee;
- (b) advising the Trustee concerning any dispute that may arise as to the validity of the Claims of Affected Creditors under this Proposal;
- (c) exercising all powers given to the Inspectors of a bankrupt estate appointed pursuant to the provisions of the BIA; and
- (d) altering or extending the time for payments to be made pursuant to this Proposal, but not the total amount paid.

7.0 RELEASE OF DIRECTORS

Upon the Effective Date, the Released Parties shall be released and discharged by all Affected Creditors from all Claims which any Affected Creditor may have or have been entitled to assert against any of the Released Parties for which they would be by law liable in their capacity as directors for the payment of such Claims, provided that nothing herein shall release or discharge any of the Released Parties from any Claims that are set out in section 50(14) of the BIA.

8.0 CONSENTS, WAIVERS AND AGREEMENTS

On the Effective Date, all Affected Creditors shall be deemed to have consented and agreed to all of the provisions of the Proposal in its entirety. Each Affected Creditor will be deemed to have waived any default by the Company in any provision, express or implied or in any agreement existing between the Affected Creditor and the Company that occurred on or prior to the Effective Date. Each Affected Creditor will be deemed to have agreed that, to the extent there is any conflict between the provisions of any such agreement and the provisions of the Proposal, the provisions of the Proposal take precedence and priority and the provisions of any such agreement are amended accordingly.

9.0 MISCELLANEOUS

9.1 Paramountcy

From and after the Effective Date, any conflict between the covenants, warranties, representations, terms, conditions or obligations, expressed or implied, of any contract, mortgage, security agreement, indenture, trust indenture, loan agreement, commitment letter, agreement for sale, by-laws of the Company, lease or other agreement, whether written or oral, and any and all amendments or supplements thereto existing between any third party and the Company as at the Effective Date will be

deemed to be governed by the terms, conditions and provisions of the Proposal, which shall take precedence and priority.

9.2 Binding Effect

The provisions of the Proposal will be binding on the Affected Creditors, the Company, and their respective heirs, executors, administrators, personal and legal representatives, successors, and assigns, on the Effective Date.

9.3 Annulment of Proposal

If the Proposal is annulled by an Order of the Court, all payments on account of Claims made pursuant to the terms of the Proposal will reduce the Claims of the Affected Creditors.

9.4 Modification of Proposal

The Company reserves the right to file any modification of or amendment to the Proposal by way of supplementary proposal or proposals lodged with the Trustee at any time prior to the conducting of votes upon the Proposal by the Creditors at the Creditors' Meetings convened by the Company for that purpose, in which case any such supplementary proposal or proposals shall, for all purposes, be and be deemed to be a part of and incorporated into the Proposal.

9.5 Conditions on Proposal Implementation

The implementation of the Proposal by the Company shall be conditional upon:

- (a) all applicable judicial consents, Orders and approvals required or desirable for the completion of the transactions contemplated by this Proposal or any aspect thereof having first been obtained or received;
- (b) without limiting the generality of the foregoing, an Order from the Court:
 - (i) confirming and approving the transactions contemplated by the SSAs; and
 - (ii) if required to maintain the Company's status as a publicly listed company, that 69.6(2) of the BIA does not apply in respect of any action, suit or proceeding that may be taken by the TSX Venture Exchange Inc. or the NEX Board as a result of the transactions contemplated by this proposal or the SSAs; and
- (c) the sanction and approval of the Proposal by the Court in accordance with the provisions of the BIA.

9.6 Report of the Trustee

The filing of the Proposal will be accompanied by the report of the Trustee pursuant to the Act.

9.7 Completion of the Trustee's Duties

Upon the Trustee making the final distribution to the Creditors pursuant to section 3.6, the terms of this Proposal shall be deemed to be fully performed and the Trustee shall provide a certificate to the

Company and to the Official Receiver pursuant to Section 65.3 of the BIA and the Trustee shall be entitled to be discharged.

The Company hereby makes this Proposal to its Creditors as evidenced by its execution hereof below.

Dated at Vancouver, British Columbia, this 10th day of April, 2014.

EASTCOAL INC.

Per:



Abraham Jonker, Director

SCHEDULE "A"

Form of Share Subscription Agreement

EASTCOAL INC. SUBSCRIPTION AGREEMENT (Canada and Non-U.S. Only)

Date: _____, 2014

To: **The Board of Directors of EastCoal Inc. (the "Corporation")**

The undersigned (hereinafter referred to as the "**Subscriber**") hereby irrevocably subscribes for and agrees to purchase _____ Common shares in the capital of the Corporation (the "**Shares**") set forth below, for the aggregate subscription price of \$_____ (the "**Aggregate Subscription Price**"), representing a subscription price of \$0.005 per Share, upon and subject to the terms and conditions set forth in "Terms and Conditions of Subscription for Shares of EastCoal Inc." attached hereto as Schedule A (together with this face page, page 2 and the Appendix hereto attaching the proposal to the creditors in substantially final form (the "**Proposal**") of the Corporation to be submitted to creditors of the Corporation pursuant to the provisions of Part III Division I of the *Bankruptcy and Insolvency Act* (Canada), the "**Subscription Agreement**").

_____ (Name of Subscriber - please print)
By: _____ (Authorized Signature)
_____ (Official Capacity or Title - please print)
_____ (If Subscriber is not a natural person, please print name of individual whose signature appears above.)
_____ (Subscriber's Address, including province)
_____ (Telephone Number) (E-Mail Address)
_____ (Signature of Witness, if Subscriber is an individual)
_____ (Print name of Witness)

<u>Disclosed Beneficial Principal Information:</u> If the Subscriber is signing as agent for a principal, complete the following (a "Disclosed Beneficial Principal"):
_____ (Name of Disclosed Beneficial Principal)
_____ (Disclosed Beneficial Principal's Address)
_____ (Disclosed Beneficial Principal's Telephone Number)
_____ (Disclosed Beneficial Principal's E-Mail Address)

By executing this Subscription Agreement, you are consenting to the collection, use and disclosure of personal information in the manner described in the privacy notices in paragraphs 16 and 17 of this Subscription Agreement.

Register the Shares (if different from above):
(Name)
(Account reference, if applicable)
(Address)

Deliver the Shares (if different from above):
(Name)
(Account reference, if applicable)
(Address)

ACCEPTANCE: The Corporation hereby accepts the subscription as set forth above on the terms and conditions contained in this Subscription Agreement.

DATED the _____ day of _____, 2014.

EASTCOAL INC.

By: _____
Authorized Signatory

SCHEDULE A

TERMS AND CONDITIONS OF SUBSCRIPTION FOR COMMON SHARES OF EASTCOAL INC.

Terms of the Offering

1. The Subscriber acknowledges (on its own behalf and, if applicable, on behalf of each person on whose behalf the Subscriber is contracting) that this subscription is subject to rejection or allotment by the Corporation in whole or in part and that the Corporation may close the Offering (as defined herein) in one or more closings in its sole discretion. If this subscription is rejected by the Corporation, this subscription and all unused monies tendered therewith shall be returned forthwith to the Subscriber, without interest or deduction.
2. The Subscriber acknowledges (on its own behalf and, if applicable, on behalf of each person on whose behalf the Subscriber is contracting) that upon acceptance by the Corporation of this Subscription Agreement, this Subscription Agreement will constitute a binding obligation of the Subscriber (including, if applicable, each person on whose behalf the Subscriber is contracting) subject to the terms and conditions contained herein.
3. The Subscriber acknowledges (on its own behalf and, if applicable, on behalf of each person on whose behalf the Subscriber is contracting) that:
 - (a) the Shares subscribed for by it hereunder will be subject to, among other things, the requisite approval of the Proposal by creditors of the Corporation and the requisite approval by the Court of the Proposal, and it will form part of a larger issuance and sale by the Corporation of up to _____ Shares at an issue price of \$0.005 per Share or such greater number of Shares as may be determined by the Corporation (the "**Offering**"); and
 - (b) the Offering is subject to a minimum subscription of \$700,000.
4. In this Subscription Agreement all references to dollar amounts are to Canadian dollars, unless otherwise indicated.

Representations, Warranties and Covenants by Subscriber

5. The Subscriber (on its own behalf and, if applicable, on behalf of each person on whose behalf the Subscriber is contracting hereunder) represents, warrants and covenants to the Corporation and its counsel (and acknowledges that the Corporation its counsel, are relying thereon) both at the date hereof and at the Closing Time (as defined herein) that:
 - (a) it has been independently advised as to the restrictions with respect to trading in the Shares imposed by applicable securities legislation in the jurisdiction in which it resides or to which it is otherwise subject, it confirms that no representation (written or oral) has been made to it by or on behalf of the Corporation with respect thereto, it acknowledges that it is aware of the characteristics of the Shares, the risks relating to an investment therein and of the fact that it will not be able to resell the Shares except in accordance with limited exemptions under applicable securities legislation and regulatory policy until the expiration of the applicable restricted period and compliance with the other requirements of applicable law;
 - (b) it agrees that the certificates representing the Shares shall bear the following legend indicating that the resale of such securities is restricted and it further acknowledges that it should consult its own legal counsel in its jurisdiction of residence or to which it is otherwise subject for full particulars of applicable resale restrictions and that it is the Subscriber's responsibility to comply with such restrictions before selling the Shares:

“WITHOUT PRIOR WRITTEN APPROVAL OF TSX VENTURE EXCHANGE AND COMPLIANCE WITH ALL APPLICABLE SECURITIES LEGISLATION, THE SECURITIES REPRESENTED BY THIS CERTIFICATE MAY NOT BE SOLD, TRANSFERRED, HYPOTHECATED OR OTHERWISE TRADED ON OR THROUGH THE FACILITIES OF TSX VENTURE EXCHANGE OR OTHERWISE IN CANADA OR TO OR FOR THE BENEFIT OF A CANADIAN RESIDENT UNTIL [INSERT DATE FOUR MONTHS AND A DAY FROM THE CLOSING DATE].”

- (c) the Shares shall not be resold until after the expiry of the applicable "hold" or "restricted" period attaching to such Shares under applicable securities laws unless sold pursuant to an exemption under all applicable securities laws, and neither the Corporation nor any transfer agent of the Corporation will register any transfers of such Shares not made in compliance with such restrictions on resale;
- (d) it has not received or been provided with, nor has it requested, nor does it have any need to receive, any offering memorandum, prospectus, sales or advertising literature, or any other document describing or purporting to describe the business and affairs of the Corporation which has been prepared for delivery to, and review by, prospective purchasers in order to assist it in making an investment decision in respect of the Shares and that the decision to enter into the Subscription Agreement and purchase the Shares has not been based upon any verbal or written representation as to fact or otherwise made by or on behalf of the Corporation except as set forth herein;
- (e) it has not become aware of nor has it purchased the Shares as a result of any advertisement in printed media of general and regular paid circulation (or other printed public media), radio, television or telecommunications or other form of advertisement (including electronic display such as the Internet) with respect to the Corporation or the distribution of the Shares;
- (f) it is purchasing the Shares as principal for its own account, not for the benefit of any other person, for investment only and not with a view to the resale or distribution of all or any of the Shares, it is resident in or otherwise subject to applicable securities laws of the jurisdiction set out as the "Subscriber's Address" on the face page hereof and is purchasing the Shares pursuant to the "Business Combination and Reorganization" exemption from the prospectus requirement pursuant to section 2.11 of National Instrument – *Prospectus and Registration Exemptions* ("**NI 45-106**");
- (g) if it is not purchasing the Shares as a principal, it is duly authorized to enter into this Subscription Agreement and to execute and deliver all documentation in connection with the purchase on behalf of each beneficial purchaser for whom it is acting, each of whom is purchasing as principal for its own account, not for the benefit of any other person, for investment only and not with a view to the resale or distribution of all or any of the Shares, it acknowledges that the Corporation is required by law to disclose to certain regulatory authorities the identity of each beneficial purchaser of Shares for whom it may be acting, it and each beneficial purchaser is resident in or otherwise subject to the jurisdiction set out as the "Subscriber's Address" and "Disclosed Beneficial Principal's Address", respectively, on the face page hereof, and each beneficial purchaser complies with subparagraph 4(g) hereof by virtue of its place of residence or by virtue of the securities laws of such place being applicable to the Subscriber or it is acting as agent for one or more Disclosed Beneficial Principals, each of such principals is purchasing as principal for its own account, not for the benefit of any other person, for investment only, and not with a view to the resale or distribution of all or any of the Shares, and each of such principals complies with subparagraph 4(g) hereof as are applicable to it;
- (h) it (and any beneficial purchaser for whom it is acting) acknowledges that:
 - i) no securities commission or similar regulatory authority has reviewed or passed on the merits of the Shares;
 - ii) there is no government or other insurance covering the Shares;

- iii) it has been offered the opportunity to ask questions and receive answers concerning the terms and conditions of the Offering and to obtain any information the undersigned deems necessary to verify the accuracy of any information regarding the Corporation;
 - iv) there are risks associated with the purchase of the Shares, which securities are a speculative investment that involves a high degree of risk of loss of the Subscriber's entire investment;
 - v) there are restrictions on the Subscriber's ability to resell the Shares and it is the responsibility of the Subscriber to find out what those restrictions are and to comply with them before selling the Shares;
 - vi) the Corporation may complete additional financings in the future in order to develop the proposed business of the Corporation and to fund its ongoing development. There is no assurance that such financings will be available and if available, on reasonable terms. Any such future financings may have a dilutive effect on existing securityholders, including the Subscriber. If such future financings are not available, the Corporation may be unable to fund its ongoing development and the lack of capital resources may result in the failure of its business venture;
 - vii) it is capable of assessing the proposed investment as a result of the Subscriber's financial experience or as a result of advice received from a registered person other than the Corporation or any affiliates thereof;
 - viii) it acknowledges and agrees that if any of the Shares subscribed for are required, pursuant to applicable securities laws or the rules of any stock exchange on which the Shares may be listed, to be placed in escrow or otherwise dealt with in order to obtain the listing of the Shares on such exchange, it will enter into such escrow and other agreements as may be required in connection therewith; and
 - ix) the Corporation has advised the Subscriber that the Corporation is relying on an exemption from the requirements to provide the Subscriber with a prospectus and to sell securities through a person or company registered to sell securities under the *Securities Act* (British Columbia) and other applicable securities laws and, as a consequence of acquiring Shares pursuant to such exemption, certain protections, rights and remedies provided by the *Securities Act* (British Columbia) and other applicable securities laws, including statutory rights of rescission or damages, will not be available to the Subscriber;
- (i) it confirms that neither the Corporation nor any of its directors, officers, employees or representatives have made any representations (oral or written) to the Subscriber:
- (i) that any person will resell or repurchase the Shares;
 - (ii) that any person will refund the purchase price of the Shares;
 - (iii) as to the future price or value of the Shares; or
 - (iv) that the Shares will be listed and posted for trading on a stock exchange or that application has been made to list and post the Shares for trading on a stock exchange;
- (j) it is aware that the Shares have not been and will not be registered under the United States Securities Act of 1933, as amended ("**U.S. Securities Act**"), or the securities laws of any state of the United States, and that the Shares may not be offered or sold, directly or indirectly, without registration under the U.S. Securities Act and applicable state securities

laws (or compliance with the requirements of an exemption or exclusion from such registration requirements);

- (k) the offer of the Shares was not received on behalf of a subscriber in the United States, and the person making the order to purchase the Shares and executing and delivering this Subscription Agreement on behalf of the Subscriber was not in the United States when the order was placed and this Subscription Agreement was executed and delivered;
- (l) it undertakes and agrees that it will not offer or sell the Shares, except in accordance with the provisions of applicable securities legislation, regulations, rules, policies and orders and stock exchange rules, including, without limitation, any applicable provisions of the U.S. Securities Act and applicable state securities laws;
- (m) if the Subscriber is a corporation, partnership, unincorporated association or other entity, it has been duly incorporated or created, it is valid and subsisting under the laws of its jurisdiction of incorporation or creation, it has the legal capacity to enter into and be bound by this Subscription Agreement and all necessary approvals of directors, shareholders or otherwise in respect of its entering into this Subscription Agreement have been given and obtained;
- (n) if the Subscriber is an individual, it is of the full age of majority and is legally competent to execute this Subscription Agreement and take all action pursuant hereto;
- (o) this Subscription Agreement has been duly and validly authorized, executed and delivered by, and constitutes a legal, valid, binding and enforceable obligation of the Subscriber;
- (p) in the case of a subscription by it for Shares acting as agent for a disclosed principal, it is duly authorized to enter into, execute and deliver this Subscription Agreement and all other necessary documentation in connection with such subscription on behalf of such principal and this Subscription Agreement has been duly authorized, executed and delivered by or on behalf of, and constitutes a legal, valid, binding and enforceable agreement of, such principal which is purchasing for its own account, not for the benefit of any other person and not with a view to resale or distribution of any of the Shares;
- (q) it has such knowledge and experience in financial and business affairs as to be capable of evaluating the merits and risks of its investment and is able to bear the economic risk of loss of its investment or, where it is not purchasing as principal, each beneficial purchaser is able to bear the economic risk of loss of its investment;
- (r) other than the representations and warranties contained herein, it has not relied upon any verbal or written representation as to fact or otherwise made by or on behalf of the Corporation or otherwise, and agrees that the Corporation and the Corporation's counsel assume no responsibility or liability of any nature whatsoever for the accuracy, adequacy or completeness of any other available information or as to whether all information concerning the Corporation required to be disclosed by the Corporation has been generally disclosed and acknowledges that no person in the employment of, or acting as agent of, the Corporation has any authority to make any representation or warranty in respect of the Corporation and any such statements made by any such person are given or made without liability or responsibility and the Subscriber hereby releases the Corporation and the Corporation's directors, officers, employees, agents, advisors and shareholders from any claims that may arise in respect of such statements;
- (s) it confirms that no representation has been made to it with respect to the future value or price of the Shares or that the Shares will be listed on any particular stock exchange or that application has been or will be made for such listing;

- (t) it acknowledges that the Corporation's counsel are acting as counsel to the Corporation and not as counsel to the Subscriber;
- (u) it understands, acknowledges and is aware that the Shares are being offered for sale only on a "private placement" basis and that the sale and delivery of the Shares is conditional upon such sale being exempt from the requirements under applicable securities legislation as to the filing of a prospectus or delivery of an offering memorandum or upon the issuance of such orders, consents or approvals as may be required to permit such sale without the requirement of filing a prospectus or delivering an offering memorandum and, as a consequence: (i) it is restricted from using most of the civil remedies available under securities legislation; (ii) it may not receive information that would otherwise be required to be provided to it under securities legislation; and (iii) the Corporation is relieved from certain obligations that would otherwise apply under securities legislation;
- (v) if required by applicable securities legislation, regulations, rules, instruments, policies or orders or by any securities commission, stock exchange or other regulatory authority, the Subscriber will execute, deliver, file and otherwise assist the Corporation in filing, such reports, undertakings and other documents with respect to the issue of the Shares;
- (w) the entering into of this Subscription Agreement and the completion of the transactions contemplated hereby by the Subscriber do not and will not result in a violation of any of the terms or provisions of any law applicable to the Subscriber, and if the Subscriber is not a natural person, any of the Subscriber's constating documents, or any agreement to which the Subscriber is a party or by which it is bound;
- (x) it acknowledges that it has been encouraged, and has had the opportunity, to obtain independent legal, tax and investment advice with respect to the Corporation's status both before and after the completion of the Offering and its subscription for the Shares and accordingly, has had the opportunity to acquire an understanding of the meanings of all terms contained herein relevant to the Subscriber for purposes of giving representations, warranties and covenants under this Subscription Agreement; and
- (y) it has been independently advised as to or acknowledges that it is aware of the potential tax consequences to the Subscriber with respect to the acquisition of the Shares, and confirms that no representation has been made to it by or on behalf of the Corporation with respect thereto; and
- (z) it acknowledges and agrees with the terms set out in the Proposal and the actions to be taken by the Corporation pursuant to paragraph 13 of this Subscription Agreement.

Closing

6. The Subscriber agrees to deliver to the Corporation: (a) this duly completed and executed Subscription Agreement, including the face page and page 2; (b) such other reports, undertakings and other documents as the Corporation may request; and (c) a certified cheque or bank draft payable to "EastCoal Inc." for the Aggregate Subscription Price or payments of the same amount in such other manner as is acceptable to the Corporation. If this subscription is rejected by the Corporation, this subscription and all unused monies tendered therewith shall be returned forthwith to the Subscriber, without interest or deduction.
7. The sale of the Shares and the closing of the Offering shall be conditional upon the following conditions being satisfied or waived (if applicable) in accordance with the terms of this Subscription Agreement:
 - (a) the Corporation having accepted this Subscription Agreement;
 - (b) the payment by the Subscriber of the Aggregate Subscription Price in the manner prescribed in this Subscription Agreement;

- (c) the irrevocable subscriptions for a minimum of \$700,000 shall have been received by the Corporation in connection with the Offering;
- (d) the completion of the consolidated audited accounts of the Corporation for the year ended December 31, 2013 prepared in accordance with the requisite auditing standard; and
- (e) and the grant of an order of the Court in a form reasonably acceptable to the Corporation approving of the transaction(s) and restraining the NEX Board and the TSX Venture Exchange from enforcing the NEX rules which would otherwise be applicable to the transaction(s) against the Corporation following the completion of the Offering,

(collectively, the "**Conditions**").

- 8. The Conditions contained in paragraphs 7(c) and (d) are for the mutual benefit of the Corporation and the Subscriber and either party may, at any time, waive such Conditions by notice to the other party. The Conditions contained in paragraphs 7(a), (b) and (e) are for the sole benefit of the Corporation and are not capable of being waived by the Subscriber.
- 9. If any of the Conditions is not satisfied or waived (if applicable) by 12:00 p.m. (Vancouver time) on June 30, 2014, each of the Corporation and the Subscriber's further rights and obligations under this Subscription Agreement shall immediately terminate and the subscription amount received by the Corporation from the Subscriber will be promptly returned to it without interest or deduction.
- 10. If all the Conditions have been satisfied or waived (if applicable), the sale of the Shares pursuant to this Subscription Agreement will be completed at the offices of Dentons Canada LLP, the Corporation's counsel, in Vancouver, British Columbia at such time as the Corporation may determine (the "**Closing Time**") or such other date or dates as the Corporation may determine (the "**Closing Date**"). At the applicable Closing Time, Corporation shall deliver to the Subscriber evidence of the issuance of a certificate representing the Shares registered pursuant to the registration instructions on page 2 of this Subscription Agreement and such other documentation as may be required.
- 11. The Corporation shall be entitled to rely on delivery of a facsimile or other electronic copy of executed subscriptions, and acceptance by the Corporation of such facsimile or other electronic subscriptions shall be legally effective to create a valid and binding agreement between the Subscriber and the Corporation in accordance with the terms hereof. In addition, this Subscription Agreement may be executed in counterparts, each of which shall be deemed to be an original and all of which shall constitute one and the same document.

Representations, Warranties and Covenants by the Corporation

- 12. The Corporation is a corporation incorporated, organized and existing under the laws of British Columbia. The Corporation has the corporate power and capacity to enter into this Agreement and to issue the Shares. The issuance of the Shares to Subscriber has been duly authorized by all necessary corporate action on the part of the Corporation. In consideration of payment of the Aggregate Subscription Price, the Shares will be issued to Subscriber as fully paid and non-assessable shares of the Corporation.
- 13. The Corporation will:
 - (a) at or prior to the Closing Time, take all reasonable and appropriate steps, and shall ensure that the Corporation's existing issued share capital is consolidated on a ratio of 10:1;
 - (b) at or prior to the Closing Time, take all reasonable and appropriate steps to terminate the Corporation's existing employment and consultancy contracts in existence as at the date of this Subscription Agreement with all remaining employees employed by the Corporation and all remaining consultants retained by the Corporation;

- (c) as soon as reasonably practicable following the Closing Time, take all reasonable and appropriate steps to ensure that the board of the Corporation as it is constituted as at the date of this Subscription Agreement is retained and take all reasonable and appropriate steps to have Hendrik Dietrichsen appointed as Company Secretary on market standard terms and conditions to be agreed between Mr. Dietrichsen and the Corporation and appointed to the board as a non-executive director subject, in each case, to the approval of the NEX board of the TSX Venture Exchange and the filing by Mr. Dietrichsen of a personal information form or such other information as may be required by the NEX board of the TSX Venture Exchange;
- (d) following the Closing Time and at all material times thereafter ensure that a market standard policy of directors' and officers' liability insurance is maintained with an aggregate coverage limit of no less than \$25,000,000 per annum and for a period of no less than 1 year following the Closing Time; and
- (e) at the Closing Time pay to the Trustee such portion of the proceeds of the Offering as set out in the Proposal for distribution to unsecured creditors.

General

- 14. Throughout this Subscription Agreement, if the Subscriber is contracting on behalf of another person or persons, all representations, warranties, covenants, acknowledgements, confirmations and statements made by the Subscriber hereunder shall be true with respect to such person or persons on whose behalf the Subscriber is contracting as if such representations, warranties, covenants, acknowledgements, confirmations or statements were made directly by such person or persons.
- 15. The Subscriber agrees (on its own behalf and, if applicable, on behalf of each person on whose behalf the Subscriber is contracting) that the representations, warranties and covenants of the Subscriber herein will be true and correct both as of the execution of this Subscription Agreement and as of the Closing Time and will survive the completion of the issuance of the Shares. The representations, warranties and covenants of the Subscriber herein are made with the intent that they be relied upon by the Corporation and its counsel in determining the eligibility of a purchaser of Shares and the Subscriber agrees to indemnify and hold harmless the Corporation and its affiliates, shareholders, directors, officers, partners, employees and agents (including its counsel), from and against all losses, claims, costs, expenses and damages or liabilities whatsoever which any of them may suffer or incur which are caused or arise from a breach thereof. The Subscriber undertakes to immediately notify the Corporation at **EastCoal Inc., care of Dentons Canada LLP, 20th Floor, 250 Howe Street, Vancouver, British Columbia, V6C 3R8, Attention: Michael Stephens** of any change in any statement or other information relating to the Subscriber set forth herein which takes place prior to the Closing Time.
- 16. The Subscriber acknowledges that this Subscription Agreement hereto require the Subscriber to provide certain personal information to the Corporation. Such information is being collected by the Corporation for the purposes of completing the Offering, which includes, without limitation, determining the Subscriber's eligibility to purchase the Shares under applicable securities legislation, preparing and registering certificates representing the Shares to be issued to the Subscriber and completing filings required by any stock exchange or securities regulatory authority. The Subscriber's personal information may be disclosed by the Corporation to: (a) stock exchanges or securities regulatory authorities; (b) the Corporation's registrar and transfer agent; (c) Canada Revenue Agency; and (d) any of the other parties involved in the Offering, including legal counsel, and may be included in record books in connection with the Offering. By executing this Subscription Agreement, the Subscriber is deemed to be consenting to the foregoing collection, use and disclosure of the Subscriber's personal information. The Subscriber also consents to: (i) the filing of copies or originals of any of the Subscriber's documents described in paragraph 4 hereof as may be required to be filed with any stock exchange or securities regulatory authority in connection with the transactions contemplated hereby; and (ii) the collection, use and disclosure of personal information provided herein and other personal information provided by the Subscriber or collected by the Corporation as reasonably necessary in connection with the Subscriber's

subscription of Shares for the purposes of meeting legal, regulatory, self-regulatory, security and audit requirements of applicable laws.

17. The Subscriber represents and warrants that the funds representing the Aggregate Subscription Price which will be advanced by the Subscriber to the Corporation hereunder will not represent proceeds of crime for the purposes of the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada) (the "**PCMLTFA**") and the Subscriber acknowledges that the Corporation may in the future be required by law to disclose the Subscriber's name and other information relating to this Subscription Agreement and the Subscriber's subscription hereunder, on a confidential basis, pursuant to the PCMLTFA. To the best of its knowledge: (a) none of the subscription funds to be provided by the Subscriber (i) have been or will be derived from or related to any activity that is deemed criminal under the laws of Canada, the United States, or any other jurisdiction, or (ii) are being tendered on behalf of a person or entity who has not been identified to the Subscriber, and (b) it shall promptly notify the Corporation if the Subscriber discovers that any of such representations ceases to be true, and to provide the Corporation with appropriate information in connection therewith.
18. The obligations of the parties hereunder are subject to acceptance of the terms of the Offering by all required regulatory approvals.
19. The Subscriber acknowledges and agrees that all costs incurred by the Subscriber (including any fees and disbursements of any special counsel retained by the Subscriber) relating to the sale of the Shares to the Subscriber shall be borne by the Subscriber.
20. Time shall be of the essence hereof.
21. This Agreement is governed by, and shall be interpreted and enforced in accordance with the Laws of the province of British Columbia and the federal Laws of Canada applicable therein. The Subscriber, in its personal or corporate capacity and, if applicable, on behalf of each beneficial subscriber for whom it is acting, irrevocably attorns to the jurisdiction of the Province of British Columbia.
22. All notices and other communications hereunder shall be in writing and shall be deemed to have been duly given if mailed or transmitted by facsimile or other electronic form. Notices to the Subscriber shall be directed to the address listed on the face page and notices to the Corporation shall be directed to **EastCoal Inc., care of Dentons Canada LLP, 20th Floor, 250 Howe Street, Vancouver, British Columbia, V6C 3R8, Attention: Michael Stephens.**
23. This Subscription Agreement represents the entire agreement of the parties hereto relating to the subject matter hereof and there are no representations, covenants or other agreements relating to the subject matter hereof except as stated or referred to herein.
24. The terms and provisions of this Subscription Agreement shall be binding upon and enure to the benefit of the Subscriber and the Corporation and their respective heirs, executors, administrators, successors and assigns; provided that, except for the assignment by a Subscriber who is acting as nominee or agent for the beneficial owner and as otherwise herein provided, this Subscription Agreement shall not be assignable by the Subscriber without prior written consent of the Corporation.
25. The Subscriber, on its own behalf and, if applicable, on behalf of others for whom it is contracting hereunder, agrees that this subscription is made for valuable consideration and may not be withdrawn, cancelled, terminated or revoked by the Subscriber, on its own behalf and, if applicable, on behalf of others for whom it is contracting hereunder.
26. Neither this Subscription Agreement nor any provision hereof shall be modified, changed, discharged or terminated except by an instrument in writing signed by the party against whom any waiver, change, discharge or termination is sought.
27. The invalidity, illegality or unenforceability of any provision of this Subscription Agreement shall not affect the validity, legality or enforceability of any other provision hereof.

28. The headings used in this Subscription Agreement have been inserted for convenience of reference only and shall not affect the meaning or interpretation of this Subscription Agreement or any provision hereof.
29. The covenants, representations and warranties contained herein shall survive the closing of the transactions contemplated hereby.

[Remainder of this page intentionally left blank]

APPENDIX

Form of Proposal to Creditors

[See attached]

Appendix B

EastCoal Inc.
Weekly Cash Flow Forecast (Prepared By Management)
April 6 to June 7, 2014

District of: British Columbia
Division No: 03 - Vancouver
Court No: B-131400
Estate No: 11-1806986

CDN\$	From To	Week 22	Week 23	Week 24	Week 25	Week 26	Week 27	Week 28	Week 29	Week 30	Week 31	Total Actual & Forecast
		Actual 5-Nov-13 5-Apr-14	Forecast 6-Apr-14 12-Apr-14	Forecast 13-Apr-14 19-Apr-14	Forecast 20-Apr-14 26-Apr-14	Forecast 27-Apr-14 3-May-14	Forecast 4-May-14 10-May-14	Forecast 11-May-14 17-May-14	Forecast 18-May-14 24-May-14	Forecast 25-May-14 31-May-14	Forecast 1-Jun-14 7-Jun-14	
Opening cash		310,567	415,965	285,427	200,877	149,877	102,678	102,678	100,178	100,178	67,960	310,567
Receipts												
Funds held in trust by Court		240,707										240,707
Proceeds from sale of subsidiaries		536,388										536,388
Other		1,710										1,710
Investment in EastCoal Inc.		-									700,000	700,000
FX gain		35,498										35,498
Total receipts		814,302	-	-	-	-	-	-	-	-	700,000	1,514,302
Disbursements												
Wages		(117,136)				(19,069)				(19,069)		(155,273)
USD wages		(40,265)				(3,636)						(43,901)
Rent		(15,750)				(3,150)				(3,150)		(22,050)
USD insurance		(51,565)									(50,000)	(101,565)
Telephone and other employee expenses		(2,476)										(2,476)
Travel		(3,179)										(3,179)
Hosting fees		(8,064)				(1,344)						(9,408)
Other office expenses		(26,744)	(11,313)	(2,500)	(11,000)	(5,000)		(2,500)			(2,500)	(61,557)
Trustee fees		(132,335)		(30,000)		(5,000)						(167,335)
Legal fees		(112,940)	(20,000)	(30,000)		(10,000)				(10,000)		(182,940)
Audit fees		(198,450)	(99,225)	(22,050)	(40,000)							(359,725)
Payment to Trustee for Unsecured Cash Pool											(450,000)	(450,000)
Total disbursements		(708,904)	(130,538)	(84,550)	(51,000)	(47,199)	-	(2,500)	-	(32,219)	(502,500)	(1,559,409)
Net change in cash		105,398	(130,538)	(84,550)	(51,000)	(47,199)	-	(2,500)	-	(32,219)	197,500	(45,107)
Closing cash		415,965	285,427	200,877	149,877	102,678	102,678	100,178	100,178	67,960	265,460	265,460

Assumptions

- 1) All obligations incurred after the date of the Notice of Intention to Make a Proposal (November 5, 2013) will be paid in the regular course.
- 2) Certain key employees have agreed to waive/reduce their remuneration for the duration of the proceedings. The remainder of wages continue to be paid when earned throughout the stay period.
- 3) The Company will continue to keep employee expense reimbursements up-to-date.
- 4) The Company has engaged PwC to complete the audit for the financial year ended December 31, 2013 at an estimated cost of \$360,000, including tax and disbursements.
- 5) Amounts included in the cash flow are shown in CDN equivalent. USD transactions are assumed to be at an exchange rate of USD 1:CDN 1.10.

EastCoal Inc. per: Abraham H. Jonker

Dated: April 10, 2014

Deloitte Restructuring Inc. - Trustee

District of: British Columbia
Division No. 03 - Vancouver
Court No. B-131400
Estate No. 11-1806986

_ FORM 29 _
Trustee's Report on Cash-Flow Statement
(Paragraphs 50(6)(b) and 50.4(2)(b) of the Act)

In the Matter of the Proposal of
EastCoal Inc.
of the City of Vancouver, in the Province of British Columbia

The attached statement of projected cash flow of EastCoal Inc., as of the 10th day of April 2014, consisting of the projected weekly cash flows of EastCoal Inc. for the 9 weeks to the expected closing of the transactions outlined in the Proposal of EastCoal Inc., has been prepared by the management of the insolvent person for the purpose described in the notes attached, using the probable and hypothetical assumptions set out in the notes attached.

Our review consisted of inquiries, analytical procedures and discussion related to information supplied to us by: the management and employees of the insolvent person or the insolvent person. Since hypothetical assumptions need not be supported, our procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the projection. We have also reviewed the support provided by: management or the insolvent person for the probable assumptions and preparation and presentation of the projection.

Based on our review, nothing has come to our attention that causes us to believe that, in all material respects,

(a) the hypothetical assumptions are not consistent with the purpose of the projection;

(b) as at the date of this report, the probable assumptions developed are not suitably supported and consistent with the plans of the insolvent person or do not provide a reasonable basis for the projection, given the hypothetical assumptions; or

(c) the projection does not reflect the probable and hypothetical assumptions.

Since the projection is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, we express no assurance as to whether the projection will be achieved.

The projection has been prepared solely for the purpose described in the notes attached, and readers are cautioned that it may not be appropriate for other purposes.

Dated at the City of Vancouver in the Province of British Columbia, this 10th day of April 2014.

Deloitte Restructuring Inc. - Trustee



2800 - 1055 Dunsmuir Street, PO Box 49279
Vancouver BC V7X 1P4
Phone: (604) 640-3368 Fax: (604) 602-1583

District of: British Columbia
Division No. 03 - Vancouver
Court No. B-131400
Estate No. 11-1806986

FORM 29 - Attachment
Trustee's Report on Cash-flow Statement
(Paragraphs 50(6)(b) and 50.4(2)(b) of the Act)

In the Matter of the Proposal of
EastCoal Inc.
of the City of Vancouver, in the Province of British Columbia

Purpose:

The purpose of the Cash Flow Statement is to provide the projected cash flows of EastCoal Inc. for the period of April 6, 2014 to June 7, 2014 being the expected closing date of the transactions outlined in the Proposal of EastCoal Inc.

Projection Notes:

N/A

Assumptions:

- 1) All obligations incurred after the date of the Notice of Intention to Make a Proposal (November 5, 2013) will be paid in the regular course.
- 2) Certain key employees have agreed to waive/reduce their remuneration for the duration of the proceedings. The remainder of wages continue to be paid when earned throughout the stay period.
- 3) The Company will continue to keep employee expense reimbursements up-to-date.
- 4) The Company has engaged PwC to complete the audit for the financial year ended December 31, 2013 at an estimated cost of \$360,000, including tax and disbursements.
- 5) Amounts included in the cash flow are shown in CDN equivalent. USD transactions are assumed to be at an exchange rate of USD 1:CDN 1.10.

Dated at the City of Vancouver in the Province of British Columbia, this 10th day of April 2014.

Deloitte Restructuring Inc. - Trustee



2800 - 1055 Dunsmuir Street, PO Box 49279
Vancouver BC V7X 1P4
Phone: (604) (604) 640-3368 Fax: (604) 602-1583

District of: British Columbia
Division No. 03 - Vancouver
Court No. B-131400
Estate No. 11-1806986

FORM 30
Report on Cash-Flow Statement by the Person Making the Proposal
(Paragraphs 50(6)(c) and 50.4(2)(c) of the Act)

In the Matter of the Proposal of
EastCoal Inc.
of the City of Vancouver, in the Province of British Columbia

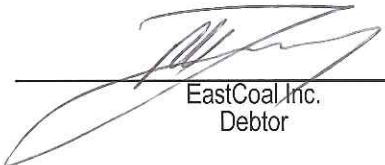
The management of EastCoal Inc., has developed the assumptions and prepared the attached statement of projected cash flow of the insolvent person, as of the 10th day of April 2014, consisting of the projected weekly cash flows of EastCoal Inc. for the 9 weeks to the expected closing of the transactions as outlined in the Proposal of EastCoal Inc.

The hypothetical assumptions are reasonable and consistent with the purpose of the projection described in the notes attached, and the probable assumptions are suitably supported and consistent with the plans of the insolvent person and provide a reasonable basis for the projection. All such assumptions are disclosed in the notes attached.


Since the projection is based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material.

The projection has been prepared solely for the purpose described in the notes attached, using a set of hypothetical and probable assumptions set out in the notes attached. Consequently, readers are cautioned that it may not be appropriate for other purposes.

Dated at the City of Vancouver in the Province of British Columbia, this 10th day of April 2014.



EastCoal Inc.
Debtor



Name and title of signing officer
DIRECTOR, PRESIDENT
& ACTING CFO

District of: British Columbia
Division No. 03 - Vancouver
Court No. B-131400
Estate No. 11-1806986

FORM 30 - Attachment
Report on Cash-Flow Statement by the Person Making the Proposal
(Paragraphs 50(6)(c) and 50.4(2)(c) of the Act)

In the Matter of the Proposal of
EastCoal Inc.
of the City of Vancouver, in the Province of British Columbia

Purpose:

The purpose of the Cash Flow Statement is to provide the projected cash flows of EastCoal Inc. for the period of April 6, 2014 to June 7, 2014 being the expected closing date of the transactions outlined in the Proposal of EastCoal Inc.

Projection Notes:

N/A

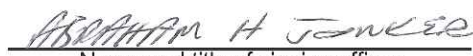
Assumptions:

- 1) All obligations incurred after the date of the Notice of Intention to Make a Proposal (November 5, 2013) will be paid in the regular course.
- 2) Certain key employees have agreed to waive/reduce their remuneration for the duration of the proceedings. The remainder of wages continue to be paid when earned throughout the stay period.
- 3) The Company will continue to keep employee expense reimbursements up-to-date.
- 4) The Company has engaged PwC to complete the audit for the financial year ended December 31, 2013 at an estimated cost of \$360,000, including tax and disbursements.
- 5) Amounts included in the cash flow are shown in CDN equivalent. USD transactions are assumed to be at an exchange rate of USD 1:CDN 1.10.

Dated at the City of Vancouver in the Province of British Columbia, this 10th day of April 2014.



EastCoal Inc.
Debtor



Name and title of signing officer
DIRECTOR, PRESIDENT,
ACTING CFO

Appendix C

Creditor Mailing List

In the Matter of the Proposal of
EastCoal Inc.
of the City of Vancouver, in the Province of British Columbia

Creditor Type	Name	Attention	Address
Director	Abraham H. Jonker		Suite 605 1166 Alberni Street Vancouver BC V6E 3Z3 Fax: (604) 973-0079
Court	Supreme Court of British Columbia	Vancouver/Langley	800 Smithe Street Vancouver BC
Secured	Abraham Jonker		525 Eleveden Row West Vancouver BC V7S 1Y7
Unsecured	1662287 Ontario Inc		101 Yorkville Avenue Suite 201 Toronto ON M5R 1C1
	Abraham Jonker		525 Eleveden Row West Vancouver BC V7S 1Y7
	Adnet		Suite 401, 510 West Hastings Street Vancouver BC V6B 1L8
	Aponet		Stasinou 1, Mitsi Building 1, Office 4 Nicosia, 1060 Cyprus
	Baker & McKenzie - CIS Ltd.		Renaissance Business Center, 24 Vorovskoho St Kyiv 01054 Ukraine
	Cenkos Securities plc		6.7.8 Tokenhouse Yard London, EC2R 7AS United Kingdom
	Chorus Call Canada Corp.		Suite 2020, 1055 West Georgia Street Vancouver BC V6E 3R5
	Computershare Investor Services Inc		100 University Avenue, 11th Floor Toronto ON M5J 2Y1
	CRA - Canada Revenue Agency - Tax - Pacific	Jasmine Bains c/o Burnaby Fraser Tax Services Office, Regional Intake Centre for Insolvency	PO Box 11575 Station Main 9737 King George Highway Surrey BC V3T 0E5 Fax: (604) 586-8252
	Dentons Canada LLP		20th Floor, 250 Howe Street Vancouver BC V6C 3R8
	Executive Travel		201 Empire Road Middelsex, UB67 HA United Kingdom
	Frank Moxon		Ancient Meadow House, Milway Lane, Palgrave Suffolk, IP22 1AD United Kingdom
	George Lawton	Matthew Cooperwilliams, Harris & Company	14th Floor, 550 Burrard Street Vancouver BC V6C 2B5 Fax: (604) 684-6632
	Greg Cameron		168 Bayview Heights Drive Toronto BC M4G 2Y8
	Harris, Mericle & Wakayama		999 Third Avenue, Suite 3210 Seattle WA 98104 USA
	IMC Group Consulting Limited		Icon Business Centre, Lake View Drive, Sherwood Park Nottingham, NG15 0DT United Kingdom
	Innovation Networks	Sandy Mason	230-3771 Jacombs Road Richmond BC V6V 2L9
	Iron Moutain		PO Box 3527 Station A Toronto ON M5W 3G4

Creditor Mailing List

In the Matter of the Proposal of
EastCoal Inc.
of the City of Vancouver, in the Province of British Columbia

Creditor Type	Name	Attention	Address
Unsecured	John Byrne		Level 9, 175 Collins Street Melbourne, VIC, 3000 Australia
	John Conlon		98 Walker Avenue Toronto ON M4V 1G2
	Loomis Express		200 Westcreek Blvd Brampton ON L6T 5T7
	Marketwire		48 Yonge Treet, 8th Floor Toronto ON M5E 1G6
	Mediant Communications LLC		PO Box 29976 New York NY 10087-9976 USA
	PricewaterhouseCoopers LLP		#700 - 250 Howe Street Vancouver BC V6C 3S7
	Roynat Inc. o/a Roynat Lease Finance		Attention: Insurance Tracking Centre, PO Box 4083 Station A Toronto ON M5W 1H7
	Roynat Lease Finance - Toronto		5075 Yonge Street, 2nd Floor North York ON M2N 6C6 Fax: (416) 340-8038
	Shaw Business		2400 - 32 Avenue NE Calgary AB T2E 9A7
	Shaw Cablesystems G.P.		PO Box 2468 Stn Main Calgary AB T2P 4Y2
	Stargate Connections Inc.		347 - 6450 Roberts Street Burnaby BC V5G 4E1
	Surrey Dynamics		Bury House, 1-3 Bury Street, Guilford Surrey, 6U24 A2 United Kingdom
	Tavistock Communications		131 Finsbury Pavement London, EC2A 1NT United Kingdom
	Telus Communications - Corporate	Rick Wan	8th Fl - 3777 Kings Way Burnaby BC V5H 3Z7 Fax: (800) 665-1170
	The Answer Company Consulting Ltd.		#303 - 604 Columbia Street New Westminster BC V3M 1A8
	Trowers & Hamlins LLP		Sceptre Court, 40 Tower Hill London, EC3N 4DX United Kingdom
	Ukraine Coal plc		2 Chapel Court London SE1 1HH United Kingdom
	Vernon King		51 Copperas Lick Branch Prestonburg Kentucky 41653 USA
	Wardell Armstrong International		Wheal Jane, Baldhu, Truro Cornwall, TR36 EH United Kingdom
	Wasabi Energy Ltd		Level 9, 175 Collins Street Melbourne, VIC, 3000 Australia

Appendix D

District of: British Columbia
Division No. 03 - Vancouver
Court No. B-131400
Estate No. 11-1806986

FORM 92

Notice of Proposal to Creditors
(Section 51 of the Act)

In the matter of the Proposal of
EastCoal Inc.
of the City of Vancouver, in the Province of British Columbia

Take notice that EastCoal Inc. of the City of Vancouver in the Province of British Columbia has lodged with us a proposal under the Bankruptcy and Insolvency Act.

A copy of the proposal, a condensed statement of the debtor's assets, and liabilities, and a list of the creditors affected by the proposal and whose claims amount to \$250 or more are enclosed herewith.

A general meeting of the creditors will be held at 2800-1055 Dunsmuir Street, Vancouver, BC on the 22nd day of April 2014 at 10:00 o'clock AM.

The creditors or any class of creditors qualified to vote at the meeting may by resolution accept the proposal either as made or as altered or modified at the meeting. If so accepted and if approved by the court the proposal is binding on all the creditors or the class of creditors affected.

Proofs of claim, proxies and voting letters intended to be used at the meeting must be lodged with us prior to the commencement of the meeting.

Dated at the City of Vancouver in the Province of British Columbia, this 11th day of April 2014.

Deloitte Restructuring Inc. - Trustee



2800 - 1055 Dunsmuir Street, PO Box 49279
Vancouver BC V7X 1P4
Phone: (604) 640-3368 Fax: (604) 602-1583

Appendix E

District of: British Columbia
 Division No. 03 - Vancouver
 Court No. B-131400
 Estate No. 11-1806986

Original Amended

Form 78
 Statement of Affairs (Business Proposal) made by an entity
 (Subsection 49(2) and Paragraph 158(d) of the Act / Subsections 50(2) and 62(1) of the Act)
 In the Matter of the Proposal of
 EastCoal Inc.
 of the City of Vancouver, in the Province of British Columbia

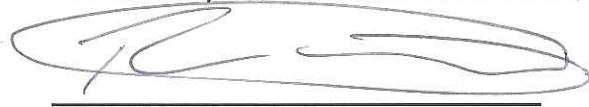
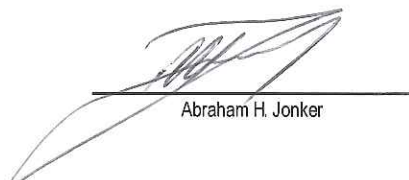
To the debtor:

You are required to carefully and accurately complete this form and the applicable attachments showing the state of your affairs on the date of the filing of your proposal (or notice of intention, if applicable), on the 10th day of April 2014. When completed, this form and the applicable attachments will constitute the Statement of Affairs and must be verified by oath or solemn declaration.

LIABILITIES (as stated and estimated by the officer)	ASSETS (as stated and estimated by the officer)
1. Unsecured creditors as per list "A" 2,793,968.47	1. Inventory 0.00
Balance of secured claims as per list "B" 0.00	2. Trade fixtures, etc. 0.00
Total unsecured creditors 2,793,968.47	3. Accounts receivable and other receivables, as per list "E"
2. Secured creditors as per list "B" 232,153.42	Good 0.00
3. Preferred creditors as per list "C" 0.00	Doubtful 0.00
4. Contingent, trust claims or other liabilities as per list "D"	Bad 0.00
estimated to be reclaimable for 0.00	Estimated to produce 0.00
Total liabilities 3,026,121.89	4. Bills of exchange, promissory note, etc., as per list "F" 0.00
Surplus NIL	5. Deposits in financial institutions 415,965.00
	6. Cash 0.00
	7. Livestock 0.00
	8. Machinery, equipment and plant 0.00
	9. Real property or immovable as per list "G" 0.00
	10. Furniture 0.00
	11. RRSPs, RRIFs, life insurance, etc. 0.00
	12. Securities (shares, bonds, debentures, etc.) 0.00
	13. Interests under wills 0.00
	14. Vehicles 0.00
	15. Other property, as per list "H" 35,003.00
	If debtor is a corporation, add:
	Amount of subscribed capital 89,190,099.00
	Amount paid on capital 89,190,099.00
	Balance subscribed and unpaid 0.00
	Estimated to produce 0.00
	Total assets 450,968.00
	Deficiency 2,575,153.89

I, Abraham H. Jonker, of the City of Vancouver in the Province of British Columbia, do swear (or solemnly declare) that this statement and the attached lists are to the best of my knowledge, a full, true and complete statement of my affairs on the 10th day of April 2014 and fully disclose all property of every description that is in my possession or that may devolve on me in accordance with the Act.

SWORN (or SOLEMNLY DECLARED)
 before me at the City of Vancouver in the Province of British Columbia, on this 10th day of April 2014.

Abraham H. Jonker

RYAN ADKIN
Barrister & Solicitor
DELOITTE TAX LAW LLP
 PO Box 49279 Four Bentall Centre
 2800 - 1055 Dunsmuir Street
 Vancouver, B.C. V7X 1P4
 Telephone: 604-669-4416

District of: British Columbia
 Division No. 03 - Vancouver
 Court No. B-131400
 Estate No. 11-1806986

FORM 78 -- Continued

List "A"
 Unsecured Creditors

EastCoal Inc.

No.	Name of creditor	Address	Unsecured claim	Balance of claim	Total claim
1	1662287 Ontario Inc	101 Yorkville Avenue Suite 201 Toronto ON M5R 1C1	36,750.00	0.00	36,750.00
2	Abraham Jonker	525 Eleveden Row West Vancouver BC V7S 1Y7	16,931.51	0.00	16,931.51
3	Adnet	Suite 401, 510 West Hastings Street Vancouver BC V6B 1L8	619.50	0.00	619.50
4	Aponet	Stasinou 1, Mitsi Building 1, Office 4 Nicosia, 1060 Cyprus	17,492.13	0.00	17,492.13
5	Baker & McKenzie - CIS Ltd.	Renaissance Business Center, 24 Vorovskoho St Kyiv 01054 Ukraine	5,020.14	0.00	5,020.14
6	Centos Securities plc	6.7.8 Tokenhouse Yard London, EC2R 7AS United Kingdom	23,529.81	0.00	23,529.81
7	Chorus Call Canada Corp.	Suite 2020, 1055 West Georgia Street Vancouver BC V6E 3R5	38.13	0.00	38.13
8	Computershare Investor Services Inc	100 University Avenue, 1th Floor Toronto ON M5J 2Y1	2,845.59	0.00	2,845.59
9	CRA - Canada Revenue Agency - Tax - Pacific Attn: Jasmine Bains c/o Burnaby Fraser Tax Services Office, Regional Intake Cent	PO Box 11575 Station Main 9737 King George Highway Surrey BC V3T 0E5	0.00	0.00	0.00
10	Dentons Canada LLP	20th Floor, 250 Howe Street Vancouver BC V6C 3R8	320,232.55	0.00	320,232.55
11	Executive Travel	201 Empire Road Middlesex, UB67 HA United Kingdom	10,258.34	0.00	10,258.34
12	Frank Moxon	Ancient Meadow House, Milway Lane, Palgrave Suffolk, IP22 1AD United Kingdom	16,109.59	0.00	16,109.59
13	George Lawton Attn: Matthew Cooperwilliams, Harris & Company	14th Floor, 550 Burrard Street Vancouver BC V6C 2B5	1.00	0.00	1.00
14	Greg Cameron	168 Bayview Heights Drive Toronto BC M4G 2Y8	16,109.59	0.00	16,109.59
15	Harris, Mericle & Wakayama	999 Third Avenue, Suite 3210 Seattle WA 98104 USA	945.93	0.00	945.93
16	IMC Group Consulting Limited	Icon Business Centre, Lake View Drive, Sherwood Park Nottingham, NG15 0DT United Kingdom	77,388.88	0.00	77,388.88
17	Innovation Networks Attn: Sandy Mason	230-3771 Jacombs Road Richmond BC V6V 2L9	483.00	0.00	483.00
18	Iron Moutain	PO Box 3527 Station A Toronto ON M5W 3G4	309.98	0.00	309.98
19	John Byrne	Level 9, 175 Collins Street Melbourne, VIC, 3000 Australia	16,931.51	0.00	16,931.51
20	John Conlon	98 Walker Avenue Toronto ON M4V 1G2	16,931.51	0.00	16,931.51
21	Loomis Express	200 Westcreek Blvd Brampton ON L6T 5T7	40.82	0.00	40.82
22	Marketwire	48 Yonge Treet, 8th Floor Toronto ON M5E 1G6	407.40	0.00	407.40
23	Mediant Communications LLC	PO Box 29976 New York NY 10087-9976 USA	29.65	0.00	29.65

10-Apr-2014

Date

Abraham H. Jonker

District of: British Columbia
 Division No. 03 - Vancouver
 Court No. B-131400
 Estate No. 11-1806986

FORM 78 -- Continued

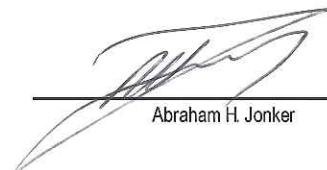
List "A"
 Unsecured Creditors

EastCoal Inc.

No.	Name of creditor	Address	Unsecured claim	Balance of claim	Total claim
24	PricewaterhouseCoopers LLP	#700 - 250 Howe Street Vancouver BC V6C 3S7	319,403.72	0.00	319,403.72
25	Roynat Inc. o/a Roynat Lease Finance	Attention: Insurance Tracking Centre, PO Box 4083 Station A Toronto ON M5W 1H7	0.00	0.00	0.00
26	Roynat Lease Finance - Toronto	5075 Yonge Street, 2nd Floor North York ON M2N 6C6	0.00	0.00	0.00
27	Shaw Business	2400 - 32 Avenue NE Calgary AB T2E 9A7	6,247.04	0.00	6,247.04
28	Shaw Cablesystems G.P.	PO Box 2468 Stn Main Calgary AB T2P 4Y2	1.00	0.00	1.00
29	Stargate Connections Inc.	347 - 6450 Roberts Street Burnaby BC V5G 4E1	4,032.00	0.00	4,032.00
30	Surrey Dynamics	Bury House, 1-3 Bury Street, Guilford Surrey, 6U24 A2 United Kingdom	1,584,349.35	0.00	1,584,349.35
31	Tavistock Communications	131 Finsbury Pavement London, EC2A 1NT United Kingdom	100,397.06	0.00	100,397.06
32	Telus Communications - Corporate Attn: Rick Wan	8th Fl - 3777 Kings Way Burnaby BC V5H 3Z7	1.00	0.00	1.00
33	The Answer Company Consulting Ltd.	#303 - 604 Columbia Street New Westminster BC V3M 1A8	9,186.80	0.00	9,186.80
34	Trowers & Hamlins LLP	Sceptre Court, 40 Tower Hill London, EC3N 4DX United Kingdom	178,770.48	0.00	178,770.48
35	Vernon King	51 Copperas Lick Branch Prestonburg Kentucky 41653 USA	1.00	0.00	1.00
36	Wardell Armstrong International	Wheal Jane, Baldhu, Truro Cornwall, TR36 EH United Kingdom	9,805.77	0.00	9,805.77
37	Wasabi Energy Ltd	Level 9, 175 Collins Street Melbourne, VIC, 3000 Australia	2,366.69	0.00	2,366.69
Total:			2,793,968.47	0.00	2,793,968.47

10-Apr-2014

Date


 Abraham H. Jonker

District of: British Columbia
 Division No. 03 - Vancouver
 Court No. B-131400
 Estate No. 11-1806986

FORM 78 -- Continued

List "B"
 Secured Creditors

EastCoal Inc.

No.	Name of creditor	Address	Amount of claim	Particulars of security	When given	Estimated value of security	Estimated surplus from security	Balance of claim unsecured
1	Abraham Jonker	525 Eleveden Row West Vancouver BC V7S 1Y7	232,153.42	Cash in bank - Chequing - 00041159595 - Bank of Montreal	28-Nov-2012	232,153.42	183,811.58	
				Other - Deposit	28-Mar-2014	0.00	30,000.00	
				Other - Intangible assets	28-Mar-2014	0.00	1.00	
				Other - Office equipment	28-Mar-2014	0.00	1.00	
				Other - Prepaid insurance and deposits	28-Mar-2014	0.00	1.00	
				Other - Reclamation bond	28-Mar-2014	0.00	5,000.00	
				Other - GST receivable	28-Mar-2014	0.00		
				Other - Investment in subsidiary	28-Mar-2014	0.00		
				Other - Loans to subsidiary	28-Mar-2014	0.00		
Total:			232,153.42			232,153.42	218,814.58	0.00

10-Apr-2014

Date

Abraham H. Jonker

District of: British Columbia
Division No. 03 - Vancouver
Court No. B-131400
Estate No. 11-1806986

FORM 78 -- Continued

List "C"
Preferred Creditors for Wages, Rent, etc.

EastCoal Inc.

No.	Name of creditor	Address and occupation	Nature of claim	Period during which claim accrued	Amount of claim	Amount payable in full	Difference ranking for dividend
Total:					0.00	0.00	0.00

10-Apr-2014

Date


Abraham H. Jonker

District of: British Columbia
Division No. 03 - Vancouver
Court No. B-131400
Estate No. 11-1806986

FORM 78 -- Continued


List "D"
Contingent or Other Liabilities

EastCoal Inc.

No.	Name of creditor or claimant	Address and occupation	Amount of liability or claim	Amount expected to rank for dividend	Date when liability incurred	Nature of liability
Total:			0.00	0.00		

10-Apr-2014

Date



Abraham H. Jonker

District of: British Columbia
Division No. 03 - Vancouver
Court No. B-131400
Estate No. 11-1806986

FORM 78 -- Continued

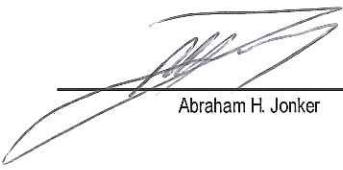
List "E"
Debts Due to the Debtor

EastCoal Inc.

No.	Name of debtor	Address and occupation	Nature of debt	Amount of debt (good, doubtful, bad)	Folio of ledgers or other book where particulars to be found	When contracted	Estimated to produce	Particulars of any securities held for debt
			Total:	0.00 0.00 0.00			0.00	

10-Apr-2014

Date


Abraham H. Jonker

District of: British Columbia
Division No. 03 - Vancouver
Court No. B-131400
Estate No. 11-1806986

FORM 78 -- Continued

List "F"

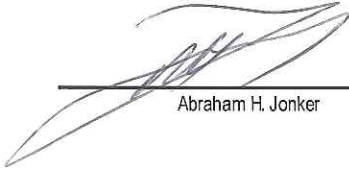
Bills of Exchange, Promissory Notes, Lien Notes, Chattel
Mortgages, etc., Available as Assets

EastCoal Inc.

No.	Name of all promissory, acceptors, endorsers, mortgagors, and guarantors	Address	Occupation	Amount of bill or note, etc.	Date when due	Estimated to produce	Particulars of any property held as security for payment of bill or note, etc.
Total:				0.00		0.00	

10-Apr-2014

Date


Abraham H. Jonker

District of: British Columbia
Division No. 03 - Vancouver
Court No. B-131400
Estate No. 11-1806986

FORM 78 -- Continued

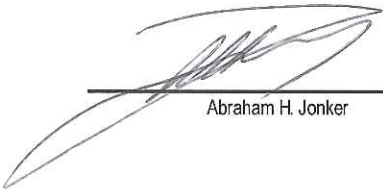
List "G"
Real Property or Immovables Owned by Debtor

EastCoal Inc.

Description of property	Nature of debtor interest	In whose name does title stand	Total value	Particulars of mortgages, hypothecs, or other encumbrances (name, address, amount)	Equity or surplus
Total:			0.00		0.00

10-Apr-2014

Date



Abraham H. Jonker

District of: British Columbia
 Division No. 03 - Vancouver
 Court No. B-131400
 Estate No. 11-1806986

FORM 78 -- Concluded

List "H"
 Property


EastCoal Inc.

FULL STATEMENT OF PROPERTY

Nature of property	Location	Details of property	Original cost	Estimated to produce
(a) Stock-in-trade			0.00	0.00
(b) Trade fixtures, etc.			0.00	0.00
(c) Cash in financial institutions	Bank of Montreal Vancouver BC	00041159595	415,965.00	415,965.00
(d) Cash on hand			0.00	0.00
(e) Livestock			0.00	0.00
(f) Machinery, equipment and plant			0.00	0.00
(g) Furniture			0.00	0.00
(h) Life insurance policies, RRSPs, etc.			0.00	0.00
(i) Securities			0.00	0.00
(j) Interests under wills, etc.			0.00	0.00
(k) Vehicles			0.00	0.00
(l) Taxes			0.00	0.00
(m) Other		Deposit GST receivable Prepaid insurance and deposits Investment in subsidiary Loans to subsidiary Intangible assets Reclamation bond Office equipment	30,000.00 28,819.00 12,894.00 2,702.00 13,839.00 0.00 7,000.00 300.00	30,000.00 0.00 1.00 0.00 0.00 1.00 5,000.00 1.00
			Total:	450,968.00

10-Apr-2014

Date


 Abraham H. Jonker

Court No. B-131400

Estate No. 11-1806986

In the Matter of the Proposal of
EastCoal Inc.
of the City of Vancouver, in the Province of British
Columbia

Form 78 (Bill C-12)
Statement of affairs (Business bankruptcy)

Deloitte Restructuring Inc. - Trustee

2800 - 1055 Dunsmuir Street, PO Box 49279
Vancouver BC V7X 1P4
Phone: (604) 534-0921 Fax: (604) 534-7429

Appendix F

District of British Columbia
Division No. 03 - Vancouver
Court No. B-131400
Estate No. 11-1806986

IN THE SUPREME COURT OF BRITISH COLUMBIA
IN THE MATTER OF THE PROPOSAL OF
EASTCOAL INC.

TRUSTEE'S REPORT TO CREDITORS

April 11, 2014

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1. INTRODUCTION

EastCoal Inc. (“**EastCoal**” or the “**Company**”) filed a proposal to its creditors (“**Proposal**”) under Part III, Division I of the *Bankruptcy and Insolvency Act* (“**BIA**”) with Deloitte Restructuring Inc. (“**Deloitte**” or “**Trustee**”) on April 10, 2014. The Proposal was filed with the Office of the Superintendent of Bankruptcy on April 10, 2014.

The purpose of this report (“**Report**”) is to:

- (i) Provide background information concerning the Company, its financial situation and the cause of the Company’s financial difficulties;
- (ii) Outline the key terms of the Proposal;
- (iii) Compare the amounts distributable under the Proposal to the estimated distribution to unsecured creditors in the event the Proposal is not accepted, and the Company is deemed to have made an assignment in bankruptcy; and
- (iv) Assist the creditors in evaluating the Proposal and to provide a recommendation to unsecured creditors on the Proposal.

Further details on these proceedings can be found at www.deloitte.com/ca/eastcoal.

2. TERMS OF REFERENCE

In preparing this Report, we have relied upon financial information of the Company, financial projections prepared by management (“**Management**”), as well as discussions with Management and its legal advisors.

The financial information of the Company has not been audited, reviewed or otherwise verified by us as to its accuracy or completeness, nor has it necessarily been prepared in accordance with generally accepted accounting principles. Additionally, none of our procedures were intended to disclose defalcations or other irregularities. Were we to perform additional procedures or to undertake an audit examination of the financial statements in accordance with generally accepted auditing standards, additional matters may have come to our attention. Accordingly, we do not express an opinion or provide any other form of assurance on the financial or other information

presented herein. We may refine or alter its observations as further information is obtained or brought to its attention after the date of this Report.

The financial projections attached to this Report were prepared by Management (except where noted). Although we have reviewed the assumptions underlying the projections for reasonableness, financial projections, by their nature, are dependent upon future events, which are not susceptible to verification. Actual results will vary from the information presented and the variations may be material.

We assume no responsibility or liability for any loss or damage occasioned by any party as a result of the circulation, publication, reproduction or use of this Report. Any use which any party makes of this Report, or any reliance or decisions to be made based on this Report, is the sole responsibility of such party.

All currency amounts referenced in this Report are expressed in Canadian dollars, unless otherwise specified.

3. BACKGROUND

EastCoal was incorporated under the laws of British Columbia on December 15, 1986 as Lysander Gold Corporation. On June 30, 1999, the Company was renamed to Lysander Minerals Corporation and on January 12, 2011, the Company was renamed again to EastCoal Inc. The final name change occurred in order to reflect the Company's focus on the coal industry. EastCoal's head office is located in Vancouver, British Columbia.

The Company was publicly traded on the TSX Venture Exchange (TSX-V:ECX) and is currently publicly traded on the London Stock Exchange (AIM:ECX). On February 27, 2014, the Company's listing on TSX Venture Exchange ("TSX-V") was moved to the NEX board, as administered by the TSX-V, as the Company no longer met the continued listing requirements of a Tier 2 issuer on the TSX-V. As a result of the financial uncertainty in connection with the BIA

proceedings, trading in the Company's shares on the Alternative Investment Market (“AIM”) was suspended on February 26, 2014, pending clarification of the Company's financial position.

At the commencement of these proceedings, the Company was focused on developing the Verticalnaya Anthracite Coal Mine (“**Verticalnaya**”) located in the Donbass Region of Ukraine. The Company also previously operated the Menzhinsky Coking Coal Mine (“**Menzhinsky**”) located in the same region of Ukraine. Both mines were held through subsidiary companies, whereby Gramsico Holdings Ltd. (“**Gramsico**”), a 100% owned subsidiary registered in Cyprus, held a 99.9% interest in each of: East Coal Company LLC (“**ECC**”), the owner of Verticalnaya; Inter-Invest Coal LLC (“**Inter-Invest**”), the owner of Menzhinsky; and Ukraine Energy Ltd. (“**UE**”), a company that was intended to solely perform administrative functions for the operating companies. EastCoal in turn directly held the remaining 0.1% of each of the three operating subsidiaries which are all registered in Ukraine. A copy of the EastCoal organizational chart is attached hereto as **Appendix A**.

Between January 1, 2010 and June 30, 2013, the Company experienced comprehensive losses of approximately \$47 million. Included in this loss is approximately \$37 million in losses from discontinued operations relating to Menzhinsky. Over the same time period, the Company raised approximately \$65 million through various share issuances, with the most recent fundraising occurring in June 2013 totalling approximately \$8 million. The Company also invested approximately \$45 million into developing Verticalnaya and Menzhinsky. A summary of the historical financial performance of the Company from fiscal 2010 to June 30, 2013 is attached hereto as **Appendix B**.

Over the past 18 months, the Company has raised financing for its operations:

- (i) In October 2012, as a result of the Company's focus on Eastern Europe combined with anticipated investor interest from the United Kingdom, the Company prepared to apply for admission to the AIM.
- (ii) In November 2012, the Company entered into a loan agreement with Arcourt Resources NL, Mr. John Conlon and Mr. Abraham Jonker (the “**Lenders**”), under which each of the

Lenders advanced \$200,000 to the Company (aggregate principal sum of \$600,000) under the terms of the loan agreement. The amounts owing to Arcourt Resources NL and Mr. John Conlon were subsequently repaid by the Company in January 2013.

- (iii) In December 2012, the Company entered into a loan agreement with Salida Capital LP whereby Salida Capital LP provided the Company with a loan facility of up to \$2 million. During the same month, the loan was converted into common shares concurrently with the commencement of trading on AIM and the closing of an equity placing of approximately £10 million.
- (iv) In January 2013, the Company issued a new convertible debenture to Surrey Dynamics Limited (“**Surrey**”) in the principal amount of US\$1.5 million. The Company had previously issued a three year convertible debenture dated November 26, 2009 to Surrey in the principal amount of US\$3 million in the transaction through which the Company purchased Verticalnaya from Surrey. US\$1.5 million of this debenture was repaid in December 2012, and the remaining US\$1.5 million was rolled over into the above mentioned new convertible debenture.
- (v) In March 2013, the Company converted a US\$4 million debenture owed to Aponet Enterprises Ltd. into common shares.
- (vi) In May 2013 Surrey entered into an agreement with the Company whereby Surrey waived all events of default existing under the debenture issued in January 2013 as well as any further defaults that arose before June 30, 2013.
- (vii) Also in May 2013, the Company entered into a \$350,000 loan agreement with Salida Capital International Corp. that would be repaid upon the completion of an equity private placement expected in June 2013.
- (viii) In June 2013, the Company closed a brokered private placement of common shares with aggregate gross proceeds of \$7.7 million. These newly issued common shares commenced trading on June 7, 2013.
- (ix) From September 2013 onwards the Company continued to have discussions with a variety of parties to attract investment in order to fund the continued development of Verticalnaya. Management has advised that they were not successful in reaching any further financing arrangements.

During the first quarter of 2013, production at Menzhinsky was not at the level or quality anticipated by the Company due to geological issues, resulting in the need to rewash coal before delivery to its primary customer. As a result of the geological problems, operations at Menzhinsky were discontinued two months earlier than the Company had planned.

Concurrent to the geological issues, the Company also encountered repeated technical challenges with the Company's wash plant. These issues, combined with falling coal prices, resulted in Menzhinsky incurring significant losses. Given the Company's financial position and working capital constraints, on May 22 2013, the Board of Directors of EastCoal (the "**Board**") resolved to place Inter-Invest into liquidation in Ukraine. Inter-Invest was insolvent, with approximately \$19 million in outstanding liabilities as at June 30, 2013 (exclusive of amounts owed to EastCoal). Inter-Invest encountered delays with the insolvency process in Ukraine and the Trustee was advised that a bankruptcy order was issued by the Commercial Court of Lugansk Region in Ukraine on November 25, 2013.

Given the Company's lack of liquidity resulting from the problems with Menzhinsky, beginning in May 2013, ECC had insufficient funds to pay the employees working at Verticalnaya. Concurrently, the electricity provider for Verticalnaya warned that electricity service would be disrupted unless ECC paid outstanding amounts. EastCoal utilized the funds raised in the June 2013 private placement to fund the required payments for Verticalnaya.

Although Verticalnaya entered into production during the third quarter of 2013, as a result of continued financial difficulties and an inability to readily obtain funding for operations, the Company placed Verticalnaya into care and maintenance on October 21, 2013.

Management estimated that the Company required approximately \$5 million in funding in order to restart Verticalnaya and increase production to a break-even level of 11,000 tonnes per month.

Due to the challenging financial markets and ongoing losses, and in order to allow time for the Company to restructure its operations and affairs, the Company filed a Notice of Intention to Make a Proposal (“**NOI**”) pursuant to the BIA on November 5, 2013. Deloitte consented to act as trustee under the NOI.

4. SALE AND INVESTMENT SOLICITATION PROCESS

In November 2013, with the assistance of the Trustee, the Company undertook a compressed sale and investment solicitation process to allow the Company to solicit the market, gauge interest in the Company and/or its assets, and determine whether a transaction could be achieved that would result in realizations greater than liquidation value.

Over 50 potential buyers or investors were contacted in order to raise debt or equity financing or to purchase an equity interest in ECC. Parties contacted included: Ukrainian coal or energy producers; Ukrainian investment banks; mining companies operating in Europe; private equity firms; and publicly traded coal producers traded on the Canadian and Australian stock exchanges.

On December 5, 2013, the Court granted the Company an extension of the time to make a Proposal to January 17, 2014 to allow the Company to attempt to close a financing or investment transaction to maximize realizable value for the creditors.

The Company continued to seek potential investors and held discussions with several interested parties. In particular, the Company held discussions with and received formal expressions of interest from EFI Holding GmbH (“**EFI**”) regarding the sale of the Company’s interest in ECC and UE (“**ECC/UE Transaction**”), and Strong Group Corporation Limited (“**Strong Group**”) regarding the sale of the Company’s interest in Inter-Invest (“**Inter-Invest Transaction**”). With the exception of these parties, no other formal expressions of interest were received by the Company.

After negotiations and discussions with EFI and Strong Group, transaction terms acceptable to the Company were agreed to during the week ended December 27, 2013.

EastCoal agreed terms to sell the Company's interest in ECC and UE to EFI for aggregate cash consideration of US\$500,000 and the granting to EastCoal of a royalty on the profits of ECC of US\$1 per tonne of coal produced ("**ECC Royalty**").

EastCoal also agreed terms to sell the Company's interest in its insolvent subsidiary Inter-Invest to Strong Group for aggregate cash consideration of US\$15,020.

Both the ECC/UE Transaction and the Inter-Invest Transaction were approved by the Court on January 16, 2014 and the Company was granted a further extension of the time to make a Proposal to March 3, 2014 in order to complete the sale transactions.

During the week ended February 14, 2014, the Company received substantially all of the cash consideration in respect of the ECC/UE Transaction. The transaction completed on February 24, 2014.

On February 24, 2014, the Company received substantially all of the cash consideration in respect of the Inter-Invest Transaction. The transaction completed on February 24, 2014.

5. INVESTMENT TRANSACTION PROCESS

After formalizing the sale of its Ukrainian subsidiaries, the Company solicited interest for a further investment in EastCoal, as a publicly listed company, in order to maximize the realizable value associated with the accumulated tax losses along with its public listings, and to potentially allow the Company to continue as a going concern ("**Investment Transaction**"). Throughout February 2014, the Company held discussions with several potential investors, in addition to a number of existing shareholders.

On March 3, 2014, the Court granted the Company an extension of the time to make a Proposal to April 17, 2014 to allow it to conclude negotiations relating to a potential Investment Transaction, and to formulate a proposal to the Company's unsecured creditors.

During the first two weeks of March 2014, the Company continued its discussions with potential interested parties and subsequently requested that formal expressions of interest be submitted to the Company during the week ending March 21, 2014. The Company received three initial offers to recapitalize the Company through an Investment Transaction.

All the offers received contemplated the investor(s) making an equity investment in the Company for a majority equity interest in the Company. The offers proposed that the proceeds of the equity financing were to be used to fund the ongoing working capital requirements of the Company, in addition to a payment to fund a proposal to unsecured creditors in full and final settlement of all claims as at the commencement of the Company's insolvency proceedings on November 5, 2013.

The Company held discussions with the secured creditor, Mr. Abraham Jonker, and largest unsecured creditor, Surrey, to apprise them of the offers received and to seek their support to move forward with an Investment Transaction in order to make a proposal to the creditors.

After considering the offers at hand and discussions with key stakeholders, the Board resolved to proceed with the recapitalization proposal made by a consortium of existing shareholders of EastCoal, including EastCoal's largest shareholder, Salida Capital International Ltd. (collectively, the "**Consortium**"). Under the terms of the offer, the Consortium would subscribe for new shares in EastCoal for aggregate consideration of not less than \$700,000 (the "**Sale Proceeds**"), such that the Consortium would obtain a post-transaction equity interest in the Company of approximately 95% ("**Consortium Transaction**"). The Consortium Transaction also included a payment to fund a proposal to unsecured creditors of \$450,000, and provided terms that were acceptable to EastCoal's only secured creditor.

The Board's decision to proceed with the Consortium Transaction and to make a proposal to creditors, as contemplated in the Proposal, was made to allow the Company to continue as a going concern while maximizing realizations to unsecured creditors as compared to a bankruptcy of the Company.

The Trustee is in receipt of a deposit from the Consortium in the amount of \$50,000. In the event that the Consortium does not make payment to the Company of the balance of the Sale Proceeds by June 30, 2014 in accordance with the terms of the Share Subscription Agreements ("SSAs"), the deposit will be forfeited to the Company.

We note that the Consortium Transaction is subject to the completion of the consolidated audited accounts of the Company for the year ended December 31, 2013. The Company has engaged a firm to undertake this audit and the process is underway. Based on the progress made to date, Management does not anticipate any issues in completing the audit. The Consortium Transaction is also subject to the granting of an order of the Court approving the Consortium Transaction and matters ancillary thereto, including an order restraining the NEX board of the TSX-V and the TSX-V from taking steps to enforce the rules of the NEX board of the TSX-V as a result of the completion of the Consortium Transaction.

The Trustee is informed by the Company that the Consortium includes the following related parties:

- Mr. John Conlon: Director and shareholder of EastCoal;
- Mr. John Byrne: Director and shareholder of EastCoal;
- Mr. Abraham Jonker: Director, President and Acting CFO of EastCoal, secured creditor; and
- Surrey: shareholder and largest unsecured creditor of EastCoal.

Given Mr. Jonker's involvement with the Consortium, and to ensure a fair and transparent process, Mr. Jonker recused himself from the Investment Transaction process at the point at which the initial Consortium offer was made. In addition, the Trustee worked with the

Company to monitor progress of the Investment Transaction process and was involved in reviewing the offers with the Company and the Board.

It is the Trustee's opinion that the Company has acted in good faith and with due diligence in running a competitive and fair process to solicit interest in the Company and in taking appropriate steps to develop a viable proposal to its creditors.

6. SUMMARY OF THE PROPOSAL

A copy of the detailed Proposal is included as an enclosure. This Report is not a substitute for reading the Proposal and creditors are strongly encouraged to review the Proposal in its entirety prior to voting on the Proposal.

The purpose of the Proposal is to allow the Company to complete a transaction that, if successful, will result in creditors recovering more than would be recovered in the event of a bankruptcy of EastCoal and immediate liquidation and distribution of the Company's assets.

The Proposal is being made to the secured creditor, preferred creditors, and unsecured creditors.

The key terms of the Proposal are summarized as follows:

1. The Company has entered into SSAs with the Consortium, conditional on, among other things, approval from the creditors and the Court of this Proposal, under which it will acquire an equity stake of approximately 95% in EastCoal on payment of an amount not less than \$700,000.
2. The claim of the Company's sole secured creditor shall be extended for an additional 12 months, subject to a right of conversion on any subsequent equity raise carried out by the Company. The claims of the secured creditor shall continue to be secured by the security currently held by the secured creditor.

3. Within 10 days of completion of the Consortium Transaction, the Company is to make a cash payment of \$450,000 from the Sale Proceeds (“**Unsecured Cash Pool**”) which is to be used to fund the Proposal and will be available for distribution to preferred, priority and unsecured claims in accordance with the terms of the Proposal.
4. If accepted by the proven creditors and the Court, the Proposal will become binding on the Company and all creditors.
5. Not later than six months following the Court’s approval of the Proposal, the Company shall pay in full all Crown claims, as required by section 60(1.1) of the BIA. The Company does not anticipate there being any Crown claims.
6. The claims of all preferred creditors as provided for in Section 136 of the BIA, if any, shall be paid in full, without interest or penalty, and subject to the Superintendent of Bankruptcy’s levy, in priority to all claims of the unsecured creditors. Without limiting the foregoing, the Company shall pay immediately after the date on which the Order of the Court approving this Proposal becomes final and may no longer be appealed, or sooner at its option, all amounts required to be paid to employees by section 60(1.3) of the BIA. The Company does not anticipate there being any preferred creditor claims.
7. Each unsecured creditor will, in full and final satisfaction of its claims, receive funds from the Unsecured Cash Pool on a pro rata basis on account of their respective claims. Payments to the unsecured creditors shall be without interest or penalty and subject to deduction of the BIA Section 147 levy payable to the Superintendent of Bankruptcy (“**OSB Levy**”).
8. The fees for the Trustee’s services will be based on time spent by the Trustee and the various members of its staff at their respective billing rates plus any direct out of pocket expenses incurred. The Court will tax the Trustee’s fees and disbursements. The Company shall pay, in priority to all amounts to be distributed to creditors under the Proposal, all amounts required to be paid by sub-section 60(1) of the BIA, including the Trustee’s fees, expenses and legal costs arising out of the Proposal.
9. Upon the Trustee making the payments from the Unsecured Cash Pool to the creditors in accordance with this Proposal, the Company, its successors and assigns, and its directors shall be deemed to have satisfied in full the terms of the Proposal.

7. ESTIMATED FINANCIAL POSITION

The Company's Statement of Affairs dated April 10, 2014 ("SOA") is included as an enclosure to this Report. The total assets and liabilities of the Company as reported in the SOA are as follows:

Assets	\$ 450,968
Liabilities	\$ 3,026,122

7.1 Assets

7.1.1 Cash

The Company reported \$415,965 in cash or cash equivalents in the SOA.

The Company has updated its cash flow forecast for the period ended June 7, 2014 ("**Updated Cash Flow Forecast**"), attached hereto as **Appendix C**, to account for the Consortium Transaction and the cost of a financial audit which is required in order for the Company to maintain its listed status.

As reflected in the Updated Cash Flow Forecast, the cash balance is expected to reduce to approximately \$201,000 by the date of the Creditor's meeting on April 22, 2014. The projected expenses to be incurred during this period primarily include audit costs, rent, payroll and funding provided to the Trustee to be deposited into the Estate trust account for the purpose of covering the costs of administering the Estate.

Based on the Updated Cash Flow Forecast prepared by the Company, the proceeds from the Consortium Transaction and existing cash on hand should be sufficient to allow the Company to make the \$450,000 payment required to fund the Unsecured Cash Pool under the Proposal, leaving a cash balance as at June 7, 2014 of approximately \$265,000 for the Company's ongoing working capital requirements.

7.1.2 Gramisco

The Company holds a 100% equity interest in Gramisco. The Company's balance sheet as at April 9, 2014 includes a value of \$2,702 in respect of the Company's investment in Gramisco, in addition to an intercompany loan owing from Gramisco to EastCoal of \$13,839. We understand from Management that Gramisco is a shell holding Company with no tangible assets with any realizable value. Accordingly, for the purposes of the SOA, Management has estimated that the Company's investment in, and loan to, Gramisco has no realizable value.

7.1.3 Intangible assets

As a shell Company, EastCoal has accumulated capital tax losses of approximately \$44 million, and non-capital tax losses of approximately \$8 million. The Company holds the ECC Royalty and is also listed on the TSX-V and AIM.

The intangible assets of EastCoal (ECC Royalty, listed shell and tax losses) have been valued in the SOA at \$1 as a result of the uncertainty associated with the future operations and profitability of Verticalnaya, and the potential difficulty in utilizing the accrued tax losses of the Company.

In a bankruptcy, it would likely be very difficult to realize value from the intangible assets since tax legislation restricts the use of tax losses once the business ceases, and the Company would likely lose its listed status. The ECC Royalty may also be difficult to realize on due to the uncertainty surrounding the ability of ECC to operate the mine profitability, and more generally due to the current political sensitivities and unrest in Ukraine.

7.1.4 Other assets

Other assets of the Company disclosed in List H to the SOA include:

- (i) Deposit of \$30,000 (fee retainer) in the Estate trust account funded by the Company for the purposes of covering the costs of administering the Estate and Trustee fees;
- (ii) Reclamation bond with a net book value of approximately \$7,000 and an estimated realizable value of \$5,000 given the likely costs associated with collecting this deposit;

- (iii) GST receivable of approximately \$29,000 which is not expected to be recoverable due to Canada Revenue Agency (“**CRA**”) making adjustments to the Company’s input tax credit returns as a result of the Company compromising creditor claims through the Proposal process;
- (iv) Prepaid insurance and deposits of approximately \$13,000 with an estimated realizable value of \$1; and
- (v) An unencumbered office printer with an estimated realizable value of \$1.

7.2 Liabilities

7.2.1 Secured creditors

The Company has a sole secured creditor, Mr. Abraham Jonker. The secured creditor holds a General Security Agreement over the property of the Company that was registered on November 28, 2012 in the Personal Property Securities Registry. The amount owed to the secured creditor under a loan agreement with the Company dated November 28, 2012 was \$232,153 in the SOA.

The secured creditor has agreed to support the Proposal filed by the Company. Under the Proposal, the secured creditor will extend the loan for an additional 12 months, subject to a right of conversion on any subsequent equity raise carried out by the Company (as provided for in section 3.1 of the Proposal). The claims of the secured creditor shall continue to be secured by any security currently held.

7.2.2 Priority and preferred creditors

According to Management, the Company is current on remitting employee source deductions. Any employee source deductions that may be owed at the date of the Proposal was filed, represent a deemed trust claim that is required to be paid within six months of the Court approval of the Proposal. In a bankruptcy, the deemed trust claim for employee source deductions must be paid in priority to all other secured and unsecured creditors.

The *Wage Earner Protection Program Act* (“**WEPPA**”) pays employees for wages, severance and certain expenses owed, for the six month period preceding the date of bankruptcy to a

maximum of \$3,738 per employee. Upon payment to an employee, WEPPA is entitled to an assignment of the employees' claim in the bankruptcy.

Pursuant to the provisions of the BIA, employees have a secured claim over the current assets of the employer company to a limit of \$2,000 for each employee for outstanding wages and vacation pay due for the six month period preceding the date of bankruptcy. The claim ranks in priority to all other secured claims against the current assets with the exception of the claim of CRA for source deductions.

At the date of filing the Proposal the employee wages were current, accordingly, there are no amounts owed to employees with the exception of vacation pay which is paid in the ordinary course of business, when vacations are taken.

The Trustee has estimated the secured claim of employees to be approximately \$4,000 in a bankruptcy scenario.

7.2.3 Unsecured creditors

Amounts owing to unsecured creditors, as listed in the SOA, total approximately \$2.8 million.

8. FINANCIAL INFORMATION TO EVALUATE THE PROPOSAL

A Statement of Estimated Realizations comparing the estimated outcome for unsecured creditors under both the terms of the Proposal and in the event of a bankruptcy scenario is enclosed as **Appendix D**. The estimated amount available for distribution to creditors, net of the 5% OSB Levy, is as follows:

Proposal	\$423,000
Bankruptcy	\$nil (“ Low ” scenario) to \$23,000 (“ High ” scenario)

Based on the listing of unsecured creditors included in the SOA, under the Proposal it is estimated that creditors will receive a dividend of approximately \$0.15 for every \$1.00 claimed (net of the 5% OSB Levy). We note that the dividend that creditors will receive will vary in accordance with the quantum of unsecured creditor claims accepted as proven claims under the Proposal.

If the Proposal is not approved by the creditors and the Court, the Company will be deemed to have made an assignment in bankruptcy and it is likely that the secured creditor will enforce its security. In a bankruptcy scenario, the ability of a Bankruptcy Trustee to realize any significant proceeds from the sale of the Company's intangible assets is likely to be significantly restricted. As discussed earlier in this Report, the Company has previously undertaken an extensive sale process exploring all options for realizing value from the Company. The impact of a Bankruptcy is likely to further weaken interest in the Company's assets and will compromise the ability of any potential purchaser to utilize the Company's accrued tax losses. Further, as at the date of the creditors' meeting, the cash held by the Company is likely to be approximately \$201,000 as a result of the Company continuing to fund the operating costs of the Company, Trustee and legal fees, and the costs of the audit.

The estimated amount available for distribution to creditors under a bankruptcy scenario of \$nil to \$23,000 (net of the 5% OSB Levy) is approximately equivalent to a maximum dividend of \$0.01 for every \$1.00 claimed by unsecured creditors.

In summary, the Trustee is of the view that the return to unsecured creditors under the Proposal will exceed the likely return in a bankruptcy scenario.

9. CONDUCT OF THE COMPANY

Prior to the filing of the Proposal, the Trustee has undertaken a limited financial review of the Company's operations and has had discussions with Management regarding financial matters. The Trustee has not undertaken any examinations to identify preference transactions, settlements or other reviewable transactions.

10. PREVIOUS BUSINESS DEALINGS WITH THE COMPANY

Deloitte has had no previous business dealings with the Company and has no known conflict of interest.

11. REMUNERATION OF THE TRUSTEE

The Trustee's fees and disbursements will be paid from the funds available in the Proposal based on the time and expenses incurred, subject to taxation by the Court. During the period of the NOI proceedings, from November 5, 2013 to February 28, 2014, the Trustee has incurred fees of \$125,890 and disbursements of \$150 (net of GST). The Trustee's activities during this period have included:

- (i) Reviewing and monitoring of the Company's weekly cash flow results, and discussions with the Company on material variances to the cash flow forecast;
- (ii) Assisting Management with the sale and investment solicitation process, as described in section 4 of this Report;
- (iii) Monitoring of the Investment Transaction Process, as described in section 5 of this Report;
- (iv) Statutory reporting to the Court associated with the three extensions to the NOI proceedings;
- (v) Assisting the Company with the preparation and filing of the proposal and preparing the Trustee's Report to Creditors;
- (vi) Discussing with numerous creditors the status of the proceedings; and
- (vii) Discussing and corresponding on the proceedings with Dentons Canada LLP, counsel to the Company.

The Trustee has received funds totaling \$162,335, including a retainer of \$30,000, towards payment of its fees.

The Trustee estimates that its fees under the Proposal from March 1, 2014 to discharge will amount to approximately an additional \$65,000 (net of GST) depending on the number and complexity of the creditor claims received in the Proposal and the timely progression of the Proposal process. The Proposal contemplates that the Trustee will be authorized to draw fees as they are incurred, upon Court approval of the Proposal, subject to taxation by the Court upon completion of the administration of the Estate.

12. TIMING AND PROCESS

A formal meeting of creditors to consider and vote on the acceptance or rejection of the Proposal is scheduled for April 22, 2014 at the offices of the Trustee.

The Proposal has to be accepted by a majority in number and two-thirds of the value of creditors' claims, either present and voting in person or by proxy, or otherwise voting by voting letter.

Upon approval of the Proposal by the creditors, an application will be made to Court for an order approving the Proposal. The Court will set a date to hear the application and notice of the Court hearing will then be sent to every creditor with a proven claim.

Following Court approval of the Proposal and the closing of the Consortium Transaction, all funds to be distributed to creditors will be paid to the Trustee. The Trustee will in turn make all payments to creditors with proven claims in accordance with the Proposal.

Should the motion in support of the Proposal not gain the required statutory creditor majorities, the Company will be automatically deemed to have made an assignment in bankruptcy. In such a scenario, the creditors may elect to retain the Trustee to administer the Estate or may substitute a new trustee in bankruptcy.

13. VOTING ON THE PROPOSAL

It is required that all creditors who wish to vote on this Proposal forthwith submit to the Trustee a completed proof of claim with a statement of account supporting the claim to allow for timely processing. All claims must be submitted in Canadian dollars converted at the closing exchange rate in effect on the date of the NOI, November 5, 2013 (GBP:CAD 1.6762, USD:CAD 1.0448, USD:AUD 0.9911). Those creditors who do not plan to attend the meeting in person, or to be represented by proxy, may register their vote on the Proposal by use of the enclosed voting letter. Note that creditors voting by voting letter must also submit a completed proof of claim with a statement of account attached.

In order for a vote and/or proxy to be valid, a proof of claim must be submitted to the Trustee before the scheduled meeting of creditors. Electronic submission is acceptable. You may fax the above documents to the attention of Mr. Paul Chambers at Deloitte (fax (604) 602-1583). It is not necessary to mail original copies to the Trustee.

If accepted and approved by the Court, the Proposal becomes binding on all creditors, whether they voted for or against the Proposal.


14. TRUSTEE'S RECOMMENDATION

It is the Trustee's opinion that the Proposal is in the best interests of the creditors since it provides for the Company to continue as a going concern and a return to the unsecured creditors that will exceed the likely return in a bankruptcy scenario. The Trustee therefore recommends that the creditors accept the Company's Proposal. The Trustee intends to vote any proxies naming the Trustee in favor of the Proposal.

DATED AT the City of Vancouver, in the Province of British Columbia, this 11th day of April,
2014.

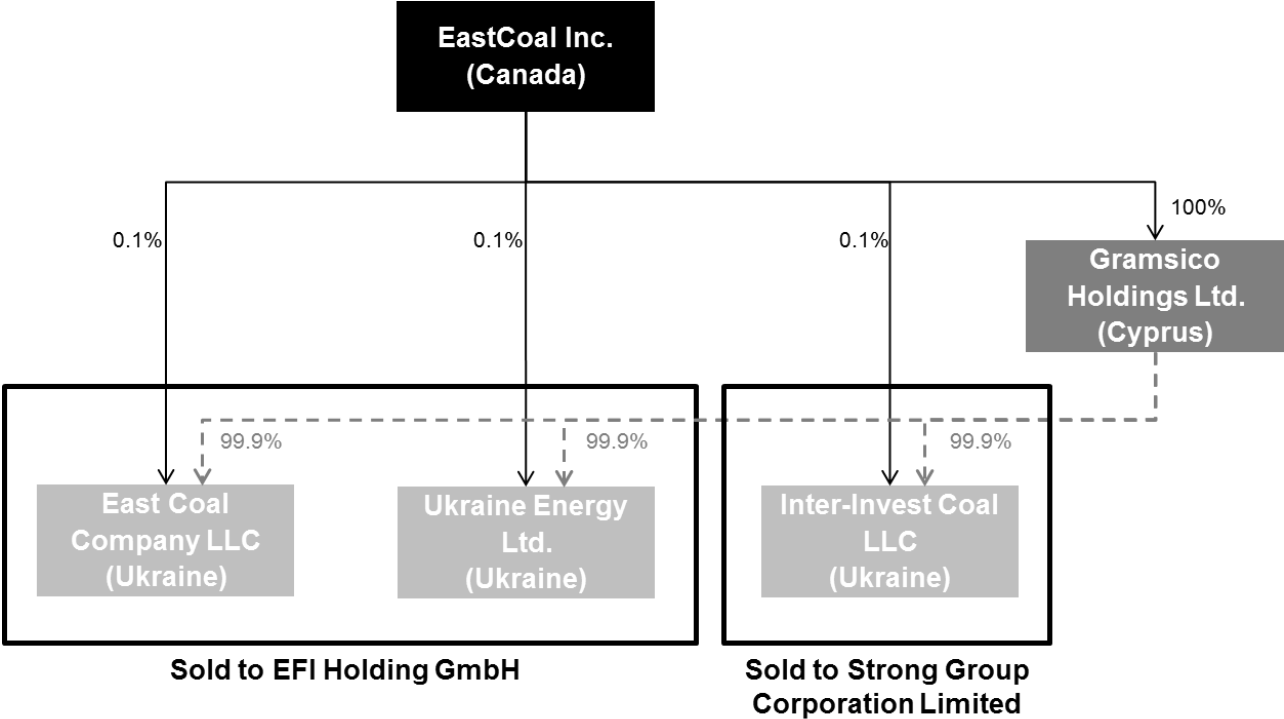
DELOITTE RESTRUCTURING INC.

In its capacity as the Trustee under the Proposal of
EastCoal Inc.
and not in its personal capacity



Huey Lee, MBA, CMA, CIRP
Senior Vice President

**APPENDIX A
EASTCOAL INC. ORGANIZATIONAL CHART**



APPENDIX B
SUMMARY OF THE HISTORICAL FINANCIAL PERFORMANCE OF THE
COMPANY FROM JANUARY 1, 2010 TO JUNE 30, 2013

EastCoal Inc.**Summary consolidated balance sheet**

(in \$000)	6/30/2013	12/31/2012	12/31/2011	12/31/2010
Assets				
Current assets	5,072	13,323	11,483	9,140
Mineral Properties	55,156	57,618	34,323	21,627
Non-current inventory	-	4,992	-	-
Property, plant & equipment	6,180	12,115	4,774	306
Goodwill	-	4,940	-	-
Intangibles	247	327	103	6
Other	7	7	2,320	9
Total assets	66,662	93,322	53,003	31,088
Liabilities				
Trade and other payables	2,406	8,211	1,833	462
Loans and convertible debentures	1,281	10,099	3,095	3,591
Asset retirement obligation	655	588	544	345
Pension	318	3,591	-	-
Deferred tax	3,081	4,114	4,747	4,007
Discontinued operations	18,774	-	-	-
	26,515	26,603	10,219	8,405
Equity				
Share capital	89,191	81,626	57,577	32,884
Contributed surplus	9,968	9,364	2,792	6,014
Deficit & other comprehensive income	(59,012)	(24,271)	(17,585)	(16,215)
	40,147	66,719	42,784	22,683
	66,662	93,322	53,003	31,088

Sources: The above is based on audited financial statements provided by the Company for the years ended December 31, 2011 and December 31, 2012. The values provided for June 30, 2013 are based on the latest unaudited interim financial statements released by the Company.

EastCoal Inc.

Summary consolidated income statement

(in \$000)	6 months	12 months	12 months	12 months
	to 6/30/13	to 12/31/12	to 12/31/11	to 12/31/10
Revenue (Menzhinsky mine)	804	3,988	-	-
Cost of sales	(5,768)	(7,894)	-	-
Margin	(4,964)	(3,906)	-	-
Expenses	(4,451)	(5,257)	(2,421)	(2,622)
Loss before other income (expense)	(9,415)	(9,163)	(2,421)	(2,622)
Other income (expense)	(29,469)	1,355	1,423	(761)
Loss before income taxes	(38,884)	(7,808)	(998)	(3,383)
Income tax recovery (expense)	1,230	2,456	(649)	(28)
Net loss	(37,654)	(5,352)	(1,647)	(3,411)
Cumulative translation adjustment	2,913	(1,334)	277	(430)
Comprehensive loss	(34,741)	(6,686)	(1,370)	(3,841)

Loss from discontinued operations and impairment of Menzhinsky mine included above	37,111	-	-	-
---	--------	---	---	---

Sources: The above is based on audited financial statements provided by the Company for the years ended December 31, 2011 and December 31, 2012. The values provided for the six months to June 30, 2013 are based on the latest unaudited interim financial statements released by the Company.

EastCoal Inc.

Summary consolidated cash flow statement

(in \$000)	6 months	12 months	12 months	12 months
	to 6/30/13	to 12/31/12	to 12/31/11	to 12/31/10
Operating activities				
Loss	(37,654)	(5,352)	(1,647)	(3,411)
Items not affecting cash	28,846	(1,932)	656	2,812
Changes in non-cash working capital balances	2,381	(381)	(432)	4
	(6,427)	(7,665)	(1,423)	(595)
Investing activities	281	(17,165)	(16,859)	(11,448)
Financing activities				
Proceeds from issuance of shares	6,503	26,886	20,125	11,318
Debt	(693)	62	-	-
Discontinued operations	(598)	-	-	-
	5,212	26,948	20,125	11,318
Net increase (decrease) in cash	(934)	2,118	1,843	(725)
Cash and cash equivalents, beginning of period	4,773	2,655	812	1,537
Cash and cash equivalents, end of period	3,839	4,773	2,655	812

Sources: The above is based on audited financial statements provided by the Company for the years ended December 31, 2011 and December 31, 2012. The values provided for the six months to June 30, 2013 are based on the latest unaudited interim financial statements released by the Company.

APPENDIX C
UPDATED CASH FLOW FORECAST FOR THE PERIOD ENDED JUNE 7, 2014

EastCoal Inc.
Weekly Cash Flow Forecast (Prepared By Management)
April 6 to June 7, 2014

District of: British Columbia
Division No: 03 - Vancouver
Court No: B-131400
Estate No: 11-1806986

CDN\$	From To	Week 22	Week 23	Week 24	Week 25	Week 26	Week 27	Week 28	Week 29	Week 30	Week 31	Total Actual & Forecast
		Actual 5-Nov-13 5-Apr-14	Forecast 6-Apr-14 12-Apr-14	Forecast 13-Apr-14 19-Apr-14	Forecast 20-Apr-14 26-Apr-14	Forecast 27-Apr-14 3-May-14	Forecast 4-May-14 10-May-14	Forecast 11-May-14 17-May-14	Forecast 18-May-14 24-May-14	Forecast 25-May-14 31-May-14	Forecast 1-Jun-14 7-Jun-14	
Opening cash		310,567	415,965	285,427	200,877	149,877	102,678	102,678	100,178	100,178	67,960	310,567
Receipts												
Funds held in trust by Court		240,707										240,707
Proceeds from sale of subsidiaries		536,388										536,388
Other		1,710										1,710
Investment in EastCoal Inc.		-									700,000	700,000
FX gain		35,498										35,498
Total receipts		814,302	-	-	-	-	-	-	-	-	700,000	1,514,302
Disbursements												
Wages		(117,136)				(19,069)				(19,069)		(155,273)
USD wages		(40,265)				(3,636)						(43,901)
Rent		(15,750)				(3,150)				(3,150)		(22,050)
USD insurance		(51,565)									(50,000)	(101,565)
Telephone and other employee expenses		(2,476)										(2,476)
Travel		(3,179)										(3,179)
Hosting fees		(8,064)				(1,344)						(9,408)
Other office expenses		(26,744)	(11,313)	(2,500)	(11,000)	(5,000)		(2,500)			(2,500)	(61,557)
Trustee fees		(132,335)		(30,000)		(5,000)						(167,335)
Legal fees		(112,940)	(20,000)	(30,000)		(10,000)				(10,000)		(182,940)
Audit fees		(198,450)	(99,225)	(22,050)	(40,000)							(359,725)
Payment to Trustee for Unsecured Cash Pool											(450,000)	(450,000)
Total disbursements		(708,904)	(130,538)	(84,550)	(51,000)	(47,199)	-	(2,500)	-	(32,219)	(502,500)	(1,559,409)
Net change in cash		105,398	(130,538)	(84,550)	(51,000)	(47,199)	-	(2,500)	-	(32,219)	197,500	(45,107)
Closing cash		415,965	285,427	200,877	149,877	102,678	102,678	100,178	100,178	67,960	265,460	265,460

Assumptions

- 1) All obligations incurred after the date of the Notice of Intention to Make a Proposal (November 5, 2013) will be paid in the regular course.
- 2) Certain key employees have agreed to waive/reduce their remuneration for the duration of the proceedings. The remainder of wages continue to be paid when earned throughout the stay period.
- 3) The Company will continue to keep employee expense reimbursements up-to-date.
- 4) The Company has engaged PwC to complete the audit for the financial year ended December 31, 2013 at an estimated cost of \$360,000, including tax and disbursements.
- 5) Amounts included in the cash flow are shown in CDN equivalent. USD transactions are assumed to be at an exchange rate of USD 1:CDN 1.10.

EastCoal Inc. per: Abraham H. Jonker

Dated: April 10, 2014

Deloitte Restructuring Inc. - Trustee

APPENDIX D
STATEMENT OF ESTIMATED REALIZATIONS COMPARING THE ESTIMATED
OUTCOME FOR UNSECURED CREDITORS UNDER THE PROPOSAL AND IN THE
EVENT OF A BANKRUPTCY

Appendix D
In The Matter of the Proposal of
EastCoal Inc.
Statement of Estimated Realizations
Page 1 of 2

(CDN\$'000)	Proposal	Bankruptcy		Notes
		Low	High	
Estimated Receipts				
Payments under the Proposal	450	-	-	1
Cash	-	201	226	2
Intangible assets	-	-	50	3
Estate trust account funded by Company	68	60	60	4
Reclamation bond	-	-	7	5
Office furniture & equipment	-	-	-	6
Prepaid expenses	-	-	6	7
	518	261	349	
Estimated Disbursements				
Trustee fees & outlays: Mar 1, 2014 to discharge	(68)	(68)	(89)	8
Contingency for legal fees and other costs	(5)	(5)	-	
	(73)	(73)	(89)	
Available for Distribution	445	188	260	
Secured/Priority Creditors				
Secured creditor claim	-	(232)	(232)	
Priority and preferred creditors	-	(4)	(4)	9
	-	(236)	(236)	
Available for Unsecured Creditors	445	-	24	
Levy (5%)	(22)	-	(1)	
Available for distribution to Unsecured Creditors	423	-	23	
Unsecured Creditor claims per Statement of Affairs	2,794	2,794	2,794	10
Estimated deficiency to Unsecured Creditors	(2,371)	(2,794)	(2,771)	
Estimated dividend to unsecured creditors (\$ per \$claim)	0.15	-	0.01	

Notes:

- 1) Under the terms of the Proposal, the Company will make a payment to fund the Unsecured Cash Pool of \$450,000.
- 2) Under the Low Bankruptcy scenario, it is assumed that a deemed bankruptcy occurs following the meeting of creditors. At this point, Management forecast a cash balance of approx. \$201,000. The High Bankruptcy scenario allows for an upside of \$25,000 in the event that the Company is able to reduce its cash expenditures in the period prior to the meeting of creditors.
- 3) Under a Bankruptcy scenario, it is likely that realizations from any sale of the ECC Royalty, Company shell and/or tax losses will be significantly reduced. An indicative range of \$nil to \$50,000 is included for the purposes of this analysis.
- 4) These amounts represent funds provided by the Company to the Trustee for the purpose of covering the costs of administering the estate after March 1, 2014. As at the date of the Proposal these funds amounted to \$30,000 (a fee retainer). Under the Proposal, the Company will fund the estimated costs of the Trustee in full. Under the Bankruptcy scenario, the Trustee is expected to receive one further payment from the Company prior to the meeting of creditors, in the sum of \$30,000, as per the Updated Cash Flow Forecast.
- 5) Under the Bankruptcy scenario a range of \$nil to \$7,000 is assumed in respect of the \$7,000 reclamation bond held by the BC Government.

>> Notes continued overleaf.

Appendix D
In The Matter of the Proposal of
EastCoal Inc.
Statement of Estimated Realizations
Page 2 of 2

Notes (continued):

- 6) Realizations from furniture & equipment are likely to be minimal. The Company owns one office printer.
- 7) Under the Bankruptcy scenario, recoveries from prepaid expenses are estimated at between \$nil to \$6,000 (50% of net book value).
- 8) Trustee fees related to the NOI proceedings and Proposal for the period March 1, 2014 to discharge are estimated at approx. \$68,000 (gross of GST). Under a Bankruptcy scenario it is estimated that Trustee fees may amount to approximately \$68,000 under the "Low" scenario and \$89,000 under the "High" scenario, reflecting the additional effort required to effect a sale of the Company's intangible assets and tax losses.
- 9) Under the Proposal, employees will be paid wages to their proposed termination dates (no wages outstanding, therefore no preferred or priority claims). In the Bankruptcy scenario, it is assumed that employees are terminated early with wages owing. There are two employees that are in non-officer positions who would be eligible for priority claims under BIA subsection 81.3.
- 10) The amount shown as owing to unsecured creditors is based on the Company's Statement of Affairs. Actual proven claims may differ from the amount shown.

It should be noted that our estimates are indicative only. Realizations have been estimated based on discussions with management and management's Statement of Affairs, in addition to the various assumptions as set-out in the notes above. Readers are cautioned that actual realizations will vary and variations could be material. Deloitte Restructuring Inc. has not audited, reviewed or otherwise verified this information.

Appendix G

Please submit this Proof of Claim (Form 31) to the Deloitte office administering the Proposal estate.

Fax: (604) 602 - 1583
www.bankruptcy.deloitte.ca

**BANKRUPTCY AND INSOLVENCY ACT
PROOF OF CLAIM FORM**

Sections 50.1, subsections 65.2(4), 81.2(1), 81.3(8), 81.4(8), 102(2), 124(2) and 128(1), and paragraphs 51(1)(e) and 66.14(b) of the Act

Provide the complete address, including postal code, to which any notice or correspondence is to be forwarded.

All notices or correspondence regarding this claim are to be forwarded to the following address: _____

IN THE MATTER OF THE BANKRUPTCY / PROPOSAL / RECEIVERSHIP OF _____ (NAME OF DEBTOR)

of the City of _____ (CITY & PROVINCE), and the claim of _____ (NAME OF CREDITOR)

I, _____, residing in the City of _____ in the Province of _____,

DO HEREBY CERTIFY THAT:

1. I am a creditor of the above-named debtor (or that I am _____ of _____ (POSITION OR TITLE) of _____ (NAME OF CREDITOR OR REPRESENTATIVE))

2. I have knowledge of all circumstances connected with the claim referred to below.

3. The debtor was, at the date of the bankruptcy (or the date of the receivership or, in the case of a proposal, the date of the notice of intention or of the proposal if no notice of intention was filed), namely the _____ day of _____, and still is indebted to the above-named creditor in the sum of \$ _____ as specified in the statement of account (or affidavit) **attached and marked Schedule "A"** after deducting any counterclaims to which the debtor is entitled. (The attached statement of account or affidavit must specify the vouchers or other evidence in support of the claim.)

Ensure you **attach a Schedule "A"** consisting of relevant documents. The amount on Schedule "A" must correspond with the amount on your Proof of Claim.

4. Complete appropriate category:

- A. **UNSECURED CLAIM of \$ _____**
That in respect of this debt, I do not hold any assets of the debtor as security and:
 Regarding the amount of \$ _____, I do not claim a right to a priority.
 Regarding the amount of \$ _____, I claim a right to a priority under Section 136 of the Act.

You must indicate if you are /are not claiming a priority. Ensure you tick the appropriate box. Section 136 may provide a priority to certain creditors such as employees and landlords.

- B. **CLAIM OF LANDLORD FOR DISCLAIMER OF A LEASE of \$ _____**
That I hereby make a claim under Subsection 65.2(4) of the Act, particulars of which are as follows: (Attach full particulars of the claim, including calculations upon which the claim is based.)

If you are a Secured Creditor, you must provide a certified true copy of your registered security and provide full details.

- C. **SECURED CLAIM of \$ _____**
That in respect of this debt, I hold assets of the debtor valued at \$ _____ as security, particulars of which are as follows: (Attach full particulars of the security, including the date on which the security was given and the value at which you assess the security and attach a copy of the security document.)

- D. **CLAIM BY FARMER, FISHERMAN or AQUACULTURIST of \$ _____**
That I hereby make a claim under Subsection 81.2(1) of the Act for the unpaid amount of \$ _____ (Attach a copy of the sales agreement and delivery receipts.)

- E. **CLAIM BY WAGE EARNER OF \$ _____**
 That I hereby make a claim under subsection 81.3(8) of the Act in the amount of \$ _____
 That I hereby make a claim under subsection 81.4(8) of the Act in the amount of \$ _____
(Give full particulars of the claim, including the calculations upon which the claim is based.)

Ensure you indicate whether you or your company are related to the debtor.

- F. **CLAIM AGAINST DIRECTOR of \$ _____** (To be filed when a proposal provides for the compromise of claims against directors).
That I hereby make a claim under Subsection 50(13), particulars of which are as follows: (Attach full particulars of the claim, including the calculations upon which the claim is based.)

Provide a listing of all monies or credits received from the debtor within three months prior to bankruptcy.

- G. **CLAIM OF A CUSTOMER OF A BANKRUPT SECURITIES FIRM \$ _____**
That I hereby make a claim as a customer for net equity as contemplated by section 262 of the Act, particulars of which are as follows: (Give full particulars of the claim, including the calculations upon which the claim is based.)

Insert city, province, and date. Sign the document and have someone witness your signature. Insert your phone number and facsimile number.

5. That, to the best of my knowledge, I am (or the above-named creditor is) (or am not or is not) related to the debtor within the meaning of section 4 of the Act, and have (or has) (or have not or has not) dealt with the debtor in a non-arm's-length manner.

6. That the following are the payments that I have received from, and the credits that I have allowed to, and the transfers at undervalue within the meaning of subsection 2(1) of the Act that I have been privy to or a party to with the debtor within the three months (or, if the creditor and the debtor are related within the meaning of section 4 of the Act or were not dealing with each other at arm's length, within the 12 months) immediately before the date of the initial bankruptcy event within the meaning of Section 2(1) of the Act: (Provide details of payment, credits and transfers at undervalue.)

Dated at _____ (CITY & PROVINCE), this _____ day of _____.

(SIGNATURE OF INDIVIDUAL COMPLETING THIS FORM)

(SIGNATURE OF WITNESS)

(CREDITOR'S PHONE NUMBER)

(CREDITOR'S FACSIMILE NUMBER)

APPLICABLE ONLY IN THE CASE OF BANKRUPTCY OF AN INDIVIDUAL:

I request that a copy of the report filed by the Trustee regarding the bankrupt's application for discharge, pursuant to Subsection 170(1) of the Act, be sent to the above address.

NOTE: If an affidavit is attached, it must have been made before a person qualified to take affidavits or solemn declarations.

WARNINGS: A Trustee may, pursuant to Subsection 128(3) of the Act, redeem a security on payment to the secured creditor of the debt or the value of the security as assessed in a proof of security by the secured creditor. Subsection 201(1) of the Act provides severe penalties for making any false claim, proof, declaration or statement of account.

PLEASE TURN OVER AND COMPLETE THE PROXY ON THE BACK OF THIS FORM.

GENERAL PROXY (with Power of Substitution)

WHERE A CREDITOR IS A CORPORATION, THE PROXY MUST BE COMPLETED AND SIGNED IN THE CORPORATE NAME

IN THE MATTER OF THE BANKRUPTCY / PROPOSAL / RECEIVERSHIP OF _____,

(NAME OF DEBTOR)

I, _____, of the City of _____, in the Province of _____,

(NAME OF CORPORATION)

(CITY)

(PROVINCE)

a creditor in the above matter, hereby appoint _____ of _____

(NAME OF PROXY)

(CITY & PROVINCE)

to be my general proxy in the above matter except as to the receipt of dividends with / without power to appoint another general proxy in his / her place.

Dated at the City of _____, in the Province of _____, this _____ day of _____.

(CORPORATE NAME)

(SIGNATURE OF WITNESS)

(ADDRESS)

(SIGNATURE OF PROXY GRANTOR)

PROXY

The Bankruptcy and Insolvency Act permits a Proof of Claim to be made by a duly authorized agent of a creditor; however, this does not give such a person power to vote at the First Meeting of Creditors or to act as the proxy of the creditors.

GENERAL

- A creditor may vote either in person or by proxy.
- The Trustee may be appointed as a proxy for any creditor.
- A Corporation may vote by an authorized agent at a meeting of creditors.
- Debtors may not be appointed a proxy to vote at any meeting of their creditors.
- In order for a duly authorized person to have a right to vote, they must be a creditor themselves or be the holder of a properly executed proxy, showing the name of the creditor.

**DIRECTIONS AS TO COMPLETING PROOF OF CLAIM FORM
(CLAIMS NOT COMPLETED CORRECTLY IN EVERY RESPECT WILL BE RETURNED)**

Every creditor who does not prove a claim is not entitled to share in any distribution. The checklist below is provided to assist you in preparing the Proof of Claim and, where required, Proxy in a complete and accurate manner. Please check each requirement.

GENERAL

- The signature of a witness is required.
- This document must be signed personally by the person completing the Proof of Claim.
- Give the complete address, including postal code, where any notice or correspondence is to be forwarded.
- The amount on the Statement of Account must correspond with the amount indicated on the Proof of Claim.

PARAGRAPH 1

- The creditor must state the full and complete legal name of the company or firm.
- If the individual completing the Proof of Claim is not the creditor himself, he must state his position or title.

PARAGRAPH 3

- The Schedule A or Statement of Account must be complete and detailed, showing the date, number and amount of all invoices or charges, together with the date, number and amount of all creditors or payments. A Statement of Account is not complete if it begins with an amount brought forward.

PARAGRAPH 4

- All claims must be submitted in Canadian dollars converted at the closing exchange rate in effect on the date of the Notice of Intention to Make a Proposal, November 5, 2013 (GBP:CAD 1.6762, USD:CAD 1.0448, USD:AUD 0.9911).
- A claim by a farmer, fisherman or aquaculturist must attach a copy of the sales agreement and delivery documents.
- Details of Section 136 are available from Deloitte upon request.

PARAGRAPH 5

- All claimants must indicate if they are / are not related to the debtor, as defined in Section 4 of the Bankruptcy and Insolvency Act, "If you are related by blood or marriage to the bankrupt, then you should consider yourself to be a related person pursuant to Section 4. If the bankrupt is a corporation, you would be considered to be related to it if you were a shareholder or if your company was controlled by the same shareholders as the bankrupt corporation."

PARAGRAPH 6

- All claimants must attach a detailed list of all payments or credits received or granted as follows:
 - Within the three months preceding the bankruptcy / proposal, in the case where the claimant and debtor are not related;

Appendix H

District of: British Columbia
Division No. 03 - Vancouver
Court No. B-131400
Estate No. 11-1806986

FORM 37

Voting Letter
(Paragraph 51(1)(f) of the Act)

In the matter of the Proposal of
EastCoal Inc.
of the City of Vancouver, in the Province of British Columbia

I, _____, creditor (or I, _____,
representative of _____, creditor), of _____ (name of city),
a creditor in the above matter for the sum of \$ _____, hereby request the trustee acting with
respect to the proposal of EastCoal Inc., to record my vote _____ (for or against) the
acceptance of the proposal as made on the 10th day of April, 2014.

Dated at _____, this _____ day of _____.

Witness

Individual Creditor

Witness

Name of Corporate Creditor

Per _____
Name and Title of Signing Officer

Return to:
Deloitte Restructuring Inc. - Trustee
Per:
Paul Chambers
2800 - 1055 Dunsmuir Street, PO Box 49279
Vancouver BC V7X 1P4
Phone: (604) 640-3368 Fax: (604) 602-1583
E-mail: pachambers@deloitte.ca

Appendix I

District of: British Columbia
Division No. 03 – Vancouver
Court No. B-131400
Estate No. 11-1806986

**IN THE MATTER OF THE PROPOSAL OF
EASTCOAL INC.
OF THE CITY OF VANCOUVER
IN THE PROVINCE OF BRITISH COLUMBIA**

**MINUTES OF THE MEETING OF CREDITORS
HELD ON APRIL 22, 2014 AT 10:00AM
AT THE OFFICES OF DELOITTE RESTRUCTURING INC.
2800 – 1055 DUNSMUIR STREET, VANCOUVER, BC**

INTRODUCTION

1. Mr. Huey Lee called the meeting to order at 10:01 am (PST). Mr. Lee introduced himself, welcomed those present and advised that he would be acting as Chairperson of the meeting, in his role as designated representative of Deloitte Restructuring Inc., the Trustee under the Proposal of EastCoal Inc. (the “Company”).
2. Mr. Paul Chambers, also of Deloitte Restructuring Inc., acted as Secretary for the meeting.
3. Attached is an attendance register, which forms an integral part of these minutes.
4. The Chairperson indicated that there were three creditors in attendance at the meeting. In addition, the Trustee was appointed as proxy holder for five creditors with claims totaling \$2,219,820.72. Accordingly, a quorum was present and Mr. Lee declared the meeting duly constituted.

PURPOSE OF MEETING

5. The Chairperson noted the purpose of the meeting was to:
 - i. Consider the affairs of the Company and the Proposal dated April 10, 2014;
 - ii. Review the Trustee’s Report to Creditors dated April 11, 2014;
 - iii. Vote on the Proposal;
 - iv. Report on the results of the vote to creditors;
 - v. Outline the next steps based on the result of the vote; and
 - vi. Consider the appointment of inspectors.

DOCUMENTS

6. The Chairperson noted that documents related to the Proposal had been mailed to creditors on April 11, 2014. These documents included:
 - i. Proposal dated April 10, 2014;
 - ii. Form 92 – Notice of Proposal to Creditors dated April 11, 2014;
 - iii. Trustee’s Report to Creditors dated April 11, 2014;
 - iv. Form 78 – Statement of Affairs dated April 10, 2014; and
 - v. Proof of claim form, proxy form and voting letter.

7. Additional documents available for review at the meeting included:
 - i. Cash flow statement dated April 10, 2014;
 - ii. Form 30 – Report on Cash Flow statement by Mr. Abraham Jonker, dated April 10, 2014;
 - iii. Form 29 – Trustee’s Report on Cash Flow Statement dated April 10, 2014; and
 - iv. Affidavit of mailing of the Trustee’s Report to Creditors.

8. The Chairperson enquired if the creditors present had had the opportunity to review the Trustee’s Report to Creditors, the Proposal and related documents which had been mailed in advance of the meeting and were available on the Trustee’s website. The creditors present indicated that they had read the report and Proposal and did not require the Chairperson to review it in further detail.

VOTING

9. The Chairperson then advised that he would move forward with the vote on the Proposal.

10. The Chairperson advised that the Trustee had received a voting letter in favour of the Proposal from the only secured creditor of the Company, Mr. Abraham Jonker, who was also present at the meeting. The value of the proof of claim amounted to \$232,153.42.

11. The Chairperson noted that all the unsecured creditors present at the meeting and all of the creditors that had filed proxies had provided voting letters in favour of the Proposal.

12. In total, the Trustee had received eight voting letters in favour of the Proposal and no voting letters against the Proposal. The Trustee also indicated that one proof of claim had been submitted, with no completed proxy form or voting letter. The result of the vote of unsecured creditors is shown below:

Vote*	\$	No.	\$%	No.%
In favour	2,572,265.54	8	100%	100%
Against	-	-	0%	0%
Total	2,572,265.54	8	100%	100%

*Note: * Vote includes those voting in person, by proxy or by voting letter*

13. The Chairperson declared that the required majority, being a majority in number and two thirds in value, had voted in favour of the Proposal and accordingly declared the Proposal as approved by the creditors.

QUESTIONS & NEXT STEPS

14. The Chairperson then confirmed to creditors that it would be reporting the results of the meeting to the Court and that the Trustee and Company would apply to Court for an Order approving the Proposal.

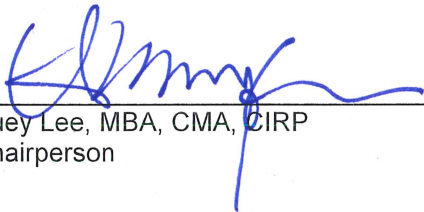
15. The Chairperson asked for any further questions from the creditors. Mr. Jonker enquired as to the Company’s obligations for making an announcement of the result of the meeting of creditors in the UK. Mr. Shultz of Dentons LLP, counsel to the Company, noted that he would assist the Company in preparing the requisite announcement. No further questions were tabled.

16. The Chairperson then noted that the major creditors of the Company were well informed regarding the status of the proceedings and therefore the appointment of inspectors may not be necessary. The Chairperson asked if any creditor present would like to stand as an inspector for the Estate. None of the creditors present were willing to perform the role. Accordingly, no inspectors were appointed.

TERMINATION OF THE MEETING

17. The Chairperson then enquired of creditors whether there was any further business to be discussed. None was forthcoming.
18. The Chairperson thanked those in attendance and declared the meeting of creditors adjourned at 10:08am (PST).

Dated at Vancouver, this 23rd day of April, 2014.



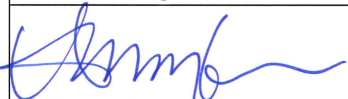
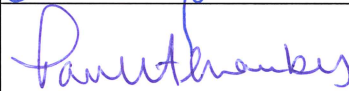


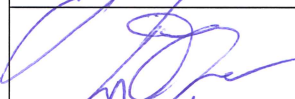
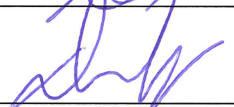
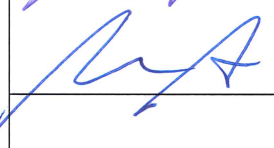
Huey Lee, MBA, CMA, CIRP
Chairperson

First Meeting of Creditors

In the matter of the Proposal of EastCoal Inc.

Date: 22 April 2014

Superintendent Estate No.: 11-1806986

Signature	Name (Print)	Representing	Amount of Claim	Remarks
	HUEY LEE	TRUSTEE/ CHAIR	—	—
	PAUL CHAMBERS	DELOITTE RESTRUCTURING INC.	—	—
	Ashley Turric	Deloitte Restructuring Inc.	—	—
	ABRAHAM JONKER	AH JONKER	Secured: \$232,153.42 Unsecured: \$16,931.51	—
	DAMIEN FORER	EASTCOAL INC.	—	—
	DEAN LAROQUE	PwC	Unsecured \$319,403.72	—
	Jordan Schultz	Dentons LLP	Unsecured - \$200,000	—

Appendix J

District of: British Columbia
Division No. 03 Vancouver
Court No. B-131400
Estate No. 11-1806986

REVISED FORM 40.1
Notice of Hearing of Application for Court Approval of Proposal
(Paragraph 58(b) of the Act)

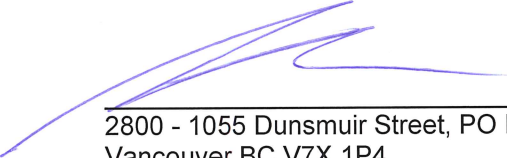
In the matter of the proposal of
EastCoal Inc.
of the City of Vancouver, in the Province of British Columbia

In Supreme Court of British Columbia.
In the matter of the proposal of EastCoal Inc., a debtor.

Take notice that an application will be made to the court, at 800 Smithe Street, Vancouver, British Columbia, on the 20th day of May, 2014, at 9:45AM, to approve the proposal of EastCoal Inc., accepted by the creditors at a meeting held on the 22nd day of April, 2014.

Dated at the City of Vancouver in the Province of British Columbia, this 30th day of April, 2014.

Deloitte Restructuring Inc. - Trustee



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Vancouver BC V7X 1P4
Phone: (604) 640-3044 Fax: (604) 602-1583