



No. B-131400
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

IN THE MATTER OF THE NOTICE OF INTENTION

TO MAKE A PROPOSAL OF

EASTCOAL INC.

("EastCoal" or the "Company")

**FIRST REPORT TO THE COURT
SUBMITTED BY DELOITTE RESTRUCTURING INC.
IN ITS CAPACITY AS TRUSTEE UNDER THE NOTICE OF INTENTION TO MAKE
A PROPOSAL FILED BY EASTCOAL INC.**

November 29, 2013

**FIRST REPORT OF TRUSTEE UNDER THE NOTICE OF INTENTION TO MAKE
A PROPOSAL FILED BY EASTCOAL INC.**

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1. INTRODUCTION

1.1 This report is filed by Deloitte Restructuring Inc. in connection with its appointment as Trustee under the Notice of Intention to make a Proposal (“**NOI**”) filed pursuant to Section 50.4 of the *Bankruptcy and Insolvency Act* (the “**Proposal Trustee**”) by EastCoal Inc. (“**EastCoal**” or the “**Company**”) on November 5, 2013.

2. PURPOSE OF REPORT

2.1 The purpose of this report is to provide this Honourable Court with a summary of the following:

- (i) Background information on the Company, including its corporate history, structure, and operations;
- (ii) Commentary on the Company’s financial position and the causes of its financial difficulties;
- (iii) Commentary on the Company’s cash flow projections to February 15, 2014 and the actual cash flow results since the filing of the NOI;
- (iv) Discussion regarding the Company’s preliminary restructuring plan and the steps undertaken to-date; and
- (v) The Company’s request for a 45 day extension of the time required to file a Proposal.

3. TERMS OF REFERENCE

3.1 In preparing this report, we have relied upon financial information of the Company, discussions with management (“**Management**”) and its legal advisors.

3.2 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 and the reader is cautioned that this report may not disclose all significant matters about the Company. 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.

3.3 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.

3.4 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.

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

4. BACKGROUND

4.1 EastCoal was incorporated under the laws of British Columbia on December 15, 1986 under the name of 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.

4.2 The Company is 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 are held through subsidiary companies, whereby Gramisco Holdings Ltd., a 100% owned subsidiary registered in Cypress, holds a 99.9% interest in each of: East Coal Company LLC ("**East Coal Company**" or "**ECC**"), the owner of Verticalnaya; Inter-Invest Coal LLC ("**Inter-Invest**"), the owner of Menzhinsky; and Ukraine Energy Ltd. ("**Ukraine Energy**"), a company that provides administrative functions for the operating companies. EastCoal in turn directly holds the remaining 0.01% 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**.

4.3 The Company is publicly traded on the TSX Venture Exchange (TSX-V:ECX) and on the London Stock Exchange (AIM:ECX). EastCoal's head office is located in, Vancouver, British Columbia.

5. FINANCIAL POSITION AND CAUSES OF FINANCIAL DIFFICULTY

5.1 Between January 1, 2010 and June 30, 2013, the Company experienced comprehensive losses of \$46.6 million. Included in this loss is \$37.1 million in losses from discontinued operations relating to Menzhinsky. Over the same time period, the Company raised \$64.8 million through various share issuances, with the most recent fundraising occurring in June, 2013 totaling \$7.7 million. The Company also invested approximately \$45.2 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**.

5.2 Over the past year, 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 London Stock Exchange, through a listing on the Alternative Investment Market ("**AIM**").
- (ii) In December 2012, the Company entered into a loan agreement with Salida Capital LP ("**Salida**") whereby Salida 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 £9.5 million.
- (iii) 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 a new convertible debenture.

- (iv) In March 2013, the Company converted a US\$4 million debenture owed to Aponet Enterprises Ltd. into common shares.
- (v) 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.
- (vi) 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.
- (vii) 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.
- (viii) From June 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.

5.3 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.

5.4 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 resolved to place Inter-Invest into liquidation in Ukraine. Inter-Invest is insolvent, with approximately \$18.8 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 Proposal Trustee has been

advised that a bankruptcy order was issued by the Commercial Court of Lugansk Region in Ukraine on November 25, 2013.

5.5 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.

5.6 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.

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

5.8 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 resolved that a NOI be filed on November 5, 2013.

5.9 A summary of the Company's creditor profile as at November 5, 2013 is provided below.

Creditor Type	Estimated number of Creditors	Estimated balance owing at Nov 5, 2013 (\$000s)
Secured	1	237
Unsecured (Trade and Other)	28	2,857
Total	29	3,094

The creditor balances have been extracted from the records of the Company and may be subject to adjustments once reconciled with creditor claims. The secured creditor is the President of the Company, Mr. Abraham Jonker. The secured creditor has indicated his support of the Company's efforts to restructure its affairs and for the proceedings to be extended for a further 45 days. The Company's largest unsecured creditor is Surrey, with an amount owing of approximately \$1.56 million, representing 54% of unsecured claims as at November 5, 2013.

6. CASH FLOW PROJECTIONS AND PRELIMINARY RESULTS

6.1 Cash flow projections prepared by the Company for a 13-week period to February 1, 2014 were filed with the Office of the Superintendent of Bankruptcy and this Honourable Court on November 13, 2013. A copy of the cash flow projections filed along with actual cash flows for the three weeks ended November 23, 2013 are attached hereto as **Appendix C**.

6.2 The cash flow projections were prepared with the following key assumptions:

- (i) The Company would apply to Court for the release of funds held in trust (\$240,000) by the Supreme Court of British Columbia in relation to an employment claim filed by the Company's former CFO prior to the NOI proceedings;
- (ii) Continued payment of wages and expenses as incurred during the NOI period; and
- (iii) Funds held by EastCoal would not be used to fund Verticalnaya until such time that external funding could be arranged.

6.3 The Proposal Trustee has reviewed the actual cash flow results for the three week period ended November 23, 2013 and notes the following observations:

- (i) Trustee fees and legal fees are lower than projected. This is a timing difference and outstanding fees are expected to be paid by the week ended December 7, 2013.
- (ii) Overall, disbursements for the period are comparable to those projected.
- (iii) Based on these preliminary actual results, the cash flow projections appear to be consistent with Management's assumptions.

6.4 The Company has extended its cash flow projections to the week ended February 15, 2014. The updated cash flow projection is attached hereto as **Appendix D**.

6.5 Based on the assumptions made by EastCoal, in particular the assumed receipt of funds held in trust by the Court referenced in paragraph 6.2(i), the Proposal Trustee believes that the Company will have sufficient funds to meet its current obligations through to February 15, 2014. Should

the funds held in trust by the Court referenced in paragraph 6.2(i) not be received by the Company, the Company will only have sufficient cash to operate until the week ended December 28, 2013.

7. PRELIMINARY RESTRUCTURING PLAN

7.1 The Company has taken the following steps to date in respect to its restructuring plan:

- (i) With the assistance of the Proposal Trustee, the Company undertook a compressed sale and investment solicitation process in which it prepared a marketing document for marketing Verticalnaya to potential investors.
- (ii) With the assistance of the Proposal Trustee, 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.

7.2 As part of the marketing process, interested parties were asked to submit expressions of interest to the Proposal Trustee by no later than November 25, 2013. Although some parties showed initial interest, no formal expressions of interest were received by the Proposal Trustee.

7.3 Subsequent to the NOI filing, and concurrent to the marketing process discussed in section 7.1 above, the Company has held discussions with regard to a potential transaction with its largest unsecured creditor, Surrey. Surrey has indicated an interest in purchasing a majority equity interest in EastCoal with the proceeds being used in part to fund a proposal. In addition, Surrey has expressed interest in providing interim operational financing to ECC. As of the date of this report, the Company is working with Surrey to reach a formal agreement with regard to a possible transaction.

7.4 The Company also continues to receive indications of interest from other parties and is exploring these other financing opportunities.

8. STAY EXTENSION APPLICATION

8.1 The company is seeking a 45 day extension of the time to file a proposal to permit it to reach a formal agreement with an interested party and to allow for a brief period of due diligence.

8.2 The ability of the Company to file a viable proposal will be largely dependent on the following:

(i) Completion of a transaction; and

(ii) The release of the funds held in trust for the proceedings involving the former CFO.

8.3 In our view, the Company has acted and continues to act in good faith and with due diligence. In this regard, the Company has diligently continued to work towards securing financing while minimizing expenditures. The Company continues to negotiate with Surrey and to have discussions with other potential interested parties.

8.4 A viable proposal will be dependent on an interested party completing due diligence on a potential transaction. Accordingly, the Company will require additional time to allow this process to be concluded.

8.5 In our view, in a bankruptcy scenario the value of the Company would be further impaired due to the delisting of the Company from the TSX and AIM. In addition, any value associated with the Company's accumulated tax losses would be lost in a bankruptcy. As a result, in our view the liquidation of the Company's assets in a bankruptcy scenario is likely to result in a nominal return to unsecured creditors. Therefore, the prospects of a going concern restructuring scenario will likely be more attractive to creditors generally.

8.6 As discussed in paragraph 5.9, the Company's primary secured creditor is supportive of an extension of the proceedings while a transaction is formalized and a proposal to creditors is developed. The funds available for the unsecured creditors may be reduced should a successful proposal not be possible since the Company continues to utilize its cash reserves during the NOI process. However, a sale transaction as a going concern would likely produce the best possible result for all stakeholders as opposed to bankruptcy. In summary, it is the Proposal Trustee's view that an extension will not materially prejudice or adversely affect any group of creditors.

9. RECOMMENDATION

9.1 The Proposal Trustee supports the Company's request for a 45 day extension to these proceedings to attempt to close a financing or investment transaction which will likely maximize value for the assets of EastCoal, whereas, should a bankruptcy occur, a liquidation of the Company would take place, which would likely result in an immediate and substantial diminution in realizable value for all unsecured creditors.

All of which is respectfully submitted this 29th day of November 2013.

DELOITTE RESTRUCTURING INC.

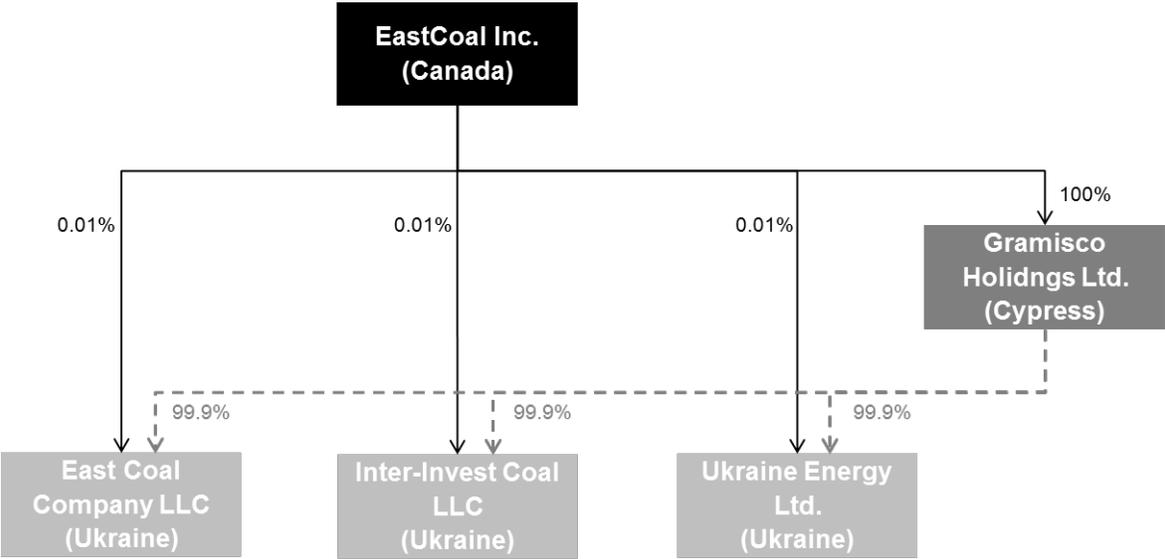
In its capacity as Trustee under the Notice of Intention
to Make a Proposal of EastCoal Inc.
and not in its personal capacity.



Per: Huey Lee, MBA, CMA, CIRP
Senior Vice President

APPENDIX A
EASTCOAL INC. ORGANIZATIONAL CHART

EASTCOAL INC. ORGANIZATIONAL CHART



APPENDIX B
SUMMARY OF HISTORICAL FINANCIAL PERFORMANCE 2010 – 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	-	-	-
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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
CASH FLOW PROJECTIONS COMPARED TO ACTUAL RESULTS FOR THE THREE
WEEKS ENDED NOVEMBER 23, 2013

EastCoal Inc.

**Weekly Cash Flow Projection to Actual Variance
November 5, 2013 to November 23, 2013**

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

CDN\$	From To	Week 1	Week 1	Week 1	Week 2	Week 2	Week 2	Week 3	Week 3	Week 3	Total Forecast	Total Actual	Total Variance
		Forecast	Actual	Variance	Forecast	Actual	Variance	Forecast	Actual	Variance			
Opening cash		310,567	310,567	-	274,703	310,567	35,864	234,400	283,099	48,699	310,567	310,567	-
Receipts													
Funds held in trust by Court				-			-			-	-	-	-
Disbursements													
Wages				-			-			-	-	-	-
USD wages				-			-			-	-	-	-
Rent				-			-			-	-	-	-
USD insurance				-	(28,303)	(24,400)	3,903		(4,442)	(4,442)	(28,303)	(28,842)	(539)
Telephone and other employee expenses				-			-		(124)	(124)	-	(124)	(124)
USD telephone and other employee expenses		(520)		520			-			-	(520)	-	520
Travel		(4,000)		4,000			-		(3,179)	(3,179)	(4,000)	(3,179)	821
Hosting fees		(1,344)		1,344		(2,688)	(2,688)			-	(1,344)	(2,688)	(1,344)
Other office expenses				-	(2,000)	(380)	1,620		(295)	(295)	(2,000)	(675)	1,325
Trustee fees		(30,000)		30,000			-	(30,000)		30,000	(60,000)	-	60,000
Legal fees				-	(10,000)		10,000	(10,000)	(15,357)	(5,357)	(20,000)	(15,357)	4,643
Total disbursements		(35,864)		35,864	(40,303)	(27,468)	12,835	(40,000)	(23,397)	16,603	(116,167)	(50,864)	65,303
Net change in cash		(35,864)		35,864	(40,303)	(27,468)	12,835	(40,000)	(23,397)	16,603	(116,167)	(50,864)	65,303
Closing cash		274,703	310,567	35,864	234,400	283,099	48,699	194,400	259,702	65,303	194,400	259,702	65,303

APPENDIX D
CASH FLOW PROJECTIONS TO THE WEEK ENDED FEBRUARY 15, 2014

EastCoal Inc.
Weekly Cash Flow Forecast
November 5, 2013 to February 15, 2014

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

CDN\$	From To	Week 1-3	Week 4	Week 5	Week 6	Week 7	Week 8	Week 9	Week 10	Week 11	Week 12	Week 13	Week 14	Week 15	Total Actual & Forecast
		Actual 5-Nov-13 23-Nov-13	Forecast 24-Nov-13 30-Nov-13	Forecast 1-Dec-13 7-Dec-13	Forecast 8-Dec-13 14-Dec-13	Forecast 15-Dec-13 21-Dec-13	Forecast 22-Dec-13 28-Dec-13	Forecast 29-Dec-13 4-Jan-14	Forecast 5-Jan-14 11-Jan-14	Forecast 12-Jan-14 18-Jan-14	Forecast 19-Jan-14 25-Jan-14	Forecast 26-Jan-14 1-Feb-14	Forecast 2-Feb-14 8-Feb-14	Forecast 9-Feb-14 15-Feb-14	
Opening cash		310,567	259,702	158,820	325,800	315,800	300,800	212,033	192,033	182,033	167,033	157,033	66,767	56,767	310,567
Receipts															
Funds held in trust by Court		-		240,000											240,000
Disbursements															
Wages		-	(37,524)				(47,000)				(38,500)			(19,250)	(142,274)
USD wages		-	(24,726)				(24,960)				(24,960)			(12,480)	(87,126)
Rent		-	(3,150)					(3,000)			(3,000)			(9,150)	(9,150)
USD insurance		(28,842)	(4,442)				(4,442)				(4,442)			(42,168)	(42,168)
Telephone and other employee expenses		(124)		(500)			(500)				(500)			(1,624)	(1,624)
USD telephone and other employee expenses		-		(520)			(520)				(520)			(1,560)	(1,560)
Travel		(3,179)												(3,179)	(3,179)
Hosting fees		(2,688)					(1,344)				(1,344)			(5,376)	(5,376)
Other office expenses		(675)	1,312	(2,000)				(2,000)			(2,000)			(2,000)	(7,363)
Trustee fees		-	(32,352)	(40,000)		(15,000)		(15,000)		(15,000)	(15,000)			(7,500)	(139,852)
Legal fees		(15,357)		(30,000)	(10,000)		(10,000)		(10,000)	(10,000)	(10,000)		(10,000)	(5,000)	(100,357)
Total disbursements		(50,864)	(100,883)	(73,020)	(10,000)	(15,000)	(88,766)	(20,000)	(10,000)	(15,000)	(10,000)	(90,266)	(10,000)	(46,230)	(540,029)
Net change in cash		(50,864)	(100,883)	166,980	(10,000)	(15,000)	(88,766)	(20,000)	(10,000)	(15,000)	(10,000)	(90,266)	(10,000)	(46,230)	(300,029)
Closing cash		259,702	158,820	325,800	315,800	300,800	212,033	192,033	182,033	167,033	157,033	66,767	56,767	10,537	10,537

Assumptions

- 1) EastCoal Inc. intends to apply to the Court for the release of funds held in trust (\$240k) in relation to a legal proceeding initiated by EastCoal Inc.'s former CFO.
- 2) All obligations incurred after the date of the NOI will be paid in the regular course.
- 3) Employees continue to be paid their regular wages throughout the stay period.
- 4) The Company will continue to keep employee expense reimbursements up-to-date.
- 5) Travel expenses relate to meetings with potential investors/finance providers.
- 6) Hosting fees for the maintenance of the Company's accounting system will continue to be paid.
- 7) The Company has not included any payments to its subsidiary, EastCoal LLC, during the cash flow period. If funding is not received in order to make critical payments at the Verticalnaya mine, the value of the asset will continue to diminish.
- 8) 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 1.04.

EastCoal Inc. per: Abraham H. Jonker

Dated: November 29, 2013