

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.

**THIRD 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.**

February 27, 2014

**THIRD REPORT OF THE 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 (the “**Proposal Trustee**”) under the Notice of Intention to make a Proposal (“**NOI**”) filed pursuant to Section 50.4 of the *Bankruptcy and Insolvency Act* (the “**BIA**”) by EastCoal Inc. (“**EastCoal**” or the “**Company**”) on November 5, 2013.
- 1.2 On December 5, 2013, by Order of this Honourable Court, the Company was granted an extension of the time to make a Proposal to January 17, 2014. Subsequently, on January 16, 2014, the Company was granted a further extension of the time to make a Proposal to March 3, 2014. A copy of the extension Order dated January 16, 2014 is attached hereto as **Appendix A**.
- 1.3 This report is the Proposal Trustee’s third report (“**Third Report**”) to the Court. This Third Report should be read in conjunction with the Proposal Trustee’s previous reports to the Court dated November 29, 2013 (“**First Report**”) and January 8, 2014 (“**Second Report**”).
- 1.4 The First Report addressed the Company’s post-filing activities and its request for a 45-day extension to these proceedings to allow it to attempt to close a financing or investment transaction to maximize realizable value for the creditors. The Second Report provided an update on the outcome of the Company’s sale and investment solicitation process and the terms of the proposed sales of the Company’s interests in East Coal Company LLC, Ukraine Energy Ltd. and Inter-Invest Coal LLC (“**Ukrainian Subsidiaries**”).

2. PURPOSE OF THIS REPORT

- 2.1 The purpose of this Third Report is to provide this Honourable Court with a summary of the following:
 - (i) Update on the activities of the Company since the Second Report;
 - (ii) Update on the sale of the Company’s interest in Inter-Invest Coal LLC (“**Inter-Invest**”) to Strong Group Corporation Limited (“**Strong Group**”) (“**Inter-Invest Transaction**”);
 - (iii) Update on the sale of the Company’s interest in East Coal Company LLC (“**ECC**”) and Ukraine Energy Ltd. (“**Ukraine Energy**”) to EFI Holding GmbH (“**EFI**”) (the “**ECC/UE Transaction**”).

- (iv) Report on the efforts of the Company in soliciting interest for a further investment in the EastCoal shell, as a publicly listed vehicle (“**Investment Transaction**”).
- (v) Commentary on the Company’s cash flows since the Second Report, including a comparison of actual to forecast;
- (vi) The Company’s request for a 45-day stay extension in order to file a Proposal (the “**Stay Extension**”); and
- (vii) Report on the activities of the Proposal Trustee since the Second Report.

3. TERMS OF REFERENCE

- 3.1 In preparing this Third 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 Third 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 our observations as further information is obtained or brought to our attention after the date of this Third Report.
- 3.3 The financial forecasts attached to this Third Report were prepared by Management (except where noted). Although we have reviewed the assumptions underlying the forecasts for reasonableness, financial forecasts, 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 Third Report. Any use which any party makes of this Third Report, or any reliance or decisions to be made based on this Third Report, is the sole responsibility of such party.
- 3.5 All currency amounts referenced in this Third Report are expressed in Canadian dollars, unless otherwise specified.

4. BACKGROUND

- 4.1 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: ECC, the owner of Verticalnaya; Inter-Invest, the owner of Menzhinsky; and Ukraine Energy, 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 B**.
- 4.2 The Proposal Trustee is of the view that the Company has provided its full cooperation and access to its books and records. The Proposal Trustee has been in communication with the Company in connection with developing a proposal to creditors, and the monitoring of the Company’s cash flows and variances to the Company’s revised cash flow forecast as filed with this Honourable Court and with the Office of the Superintendent of Bankruptcy Canada on January 17, 2014.
- 4.3 Since the commencement of these proceedings, the Company has continued to manage its on-going operations and has worked with the Proposal Trustee to effect a sale of its Ukrainian Subsidiaries and to advance an Investment Transaction in an effort to develop a viable proposal to its creditors.

5. SALE OF UKRAINIAN SUBSIDIARIES

- 5.1 As detailed in the Second Report, following a compressed sale and investment solicitation process, EastCoal agreed terms to sell the Company's interest in ECC and Ukraine Energy 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. EastCoal also agreed terms to sell the Company's interest in Inter-Invest to Strong Group for aggregate cash consideration of US\$15,020.
- 5.2 Both the ECC/UE Transaction and the Inter-Invest Transaction were approved by Order of this Honourable Court on January 16, 2014.
- 5.3 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.
- 5.4 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.
- 5.5 A portion of the sale proceeds relating to the ECC/UE Transaction (US\$400,900) are currently held in a bank account with the Company's wholly owned subsidiary, Gramisco. We understand that Gramisco intends to transfer these sale proceeds to the EastCoal account in early March, 2014.
- 5.6 The sale proceeds in respect of the above noted transactions are held by the Company for working capital purposes and are contemplated to be used to fund a proposal to creditors.

6. POTENTIAL INVESTMENT TRANSACTION

- 6.1 Since the time of the Second Report, the Company has been soliciting interest for a further investment in EastCoal, as a publicly listed company, in order to maximize realizable value associated with accumulated tax losses along with its public listings, and to potentially allow the Company to continue as a going concern.

- 6.2 The Company has been in discussions with several potential investors in addition to a number of existing shareholders. To date, the Company has received two initial expressions of interest to undertake an Investment Transaction. Management also continues to explore options with other interested parties. In addition, in the event that an acceptable offer is not made by any outside party, we understand that the directors of the Company are considering making an offer with respect to a similar transaction, which may include the conversion of some or all of the secured debt currently owed to Mr. Abraham Jonker (the only secured creditor, and President of the Company).
- 6.3 A likely condition to any such transaction will be a successful proposal to the Company's creditors, in order to provide a "clean" debt-free company.
- 6.4 The Company requires additional time in order to conclude its negotiations with interested parties, and is therefore seeking a 45-day Stay Extension. Should an extension be granted by this Honorable Court, the Company anticipates selecting the preferred transaction by the end of the first week of March 2014, with a proposal to creditors being made thereafter.

7. COMPANY'S CASH FLOWS SINCE THE SECOND REPORT

- 7.1 Set out below is a summary of the Company's actual cash flow as compared to its forecast for the seven week period since the Second Report, ending February 22, 2014. A copy of the weekly actual cash flows and forecast for the same period is attached hereto as **Appendix C**.

EastCoal Inc.			
Summary of Cash Flow Projection to Actual Variance			
Seven week period January 5 to February 22, 2014			
CDN\$	Actual	Forecast	Variance
	Total	Total	
Opening cash	\$ 285,148	\$ 285,148	\$ -
Receipts			
Proceeds from sale of subsidiaries	520,000	535,600	(15,600)
Other	1,710	-	1,710
FX gain	32,416	-	32,416
Total receipts	554,126	535,600	18,526
Disbursements			
Wages	(26,441)	(25,997)	(445)
Rent	-	(3,150)	3,150
Insurance	(4,442)	(4,442)	-
Telephone and other employee expenses	(493)	(500)	7
Travel	-	-	-
Hosting fees (website)	(2,688)	(2,688)	-
Other office expenses	(4,674)	(6,000)	1,326
Trustee fees	(35,311)	(85,000)	49,689
Legal fees	(26,731)	(60,000)	33,269
Total disbursements	\$ (100,781)	\$ (187,777)	\$ 86,996
Net change in cash	\$ 453,346	\$ 347,823	\$ 105,523
Closing cash	\$ 738,493	\$ 632,971	\$ 105,523

7.2 As detailed in the table above, the Company achieved a net favourable cash flow variance of \$105,523 as compared to the forecast for the period from January 5, 2014 to February 22, 2014. The Company's actual net cash flow for the period was a net inflow of \$453,346 as compared to a forecasted net inflow of \$347,823.

7.3 The principal reasons for the favourable variance of net cash flow are:

7.3.1 Trustee fees and legal fees were \$82,958 lower than projected (favourable variance).

This is primarily due to a timing difference. Outstanding fees are expected to be paid in the coming weeks.

7.3.2 Rent payments were \$3,150 lower than projected (favourable variance). This is a timing difference with outstanding amounts expected to be paid in the week ending February 28, 2014.

7.3.3 The closing cash balance as at February 22, 2014 has been restated using an exchange rate of USD1:CAD1.10, as compared to the forecasted rate of USD1:CAD1.04. This has resulted in a foreign exchange gain of \$32,414.

7.4 We note that during the period, the Company received proceeds from the sale of the Ukrainian Subsidiaries of \$520,000, being \$15,600 lower than projected. The balance of sale proceeds in respect of the sale of the Ukrainian Subsidiaries (\$15,500) was received on February 24, 2014.

7.5 The Proposal Trustee is of the view that the Company is acting in a manner consistent with the Company's cash flow forecast and as at the date of this Third Report, there have been no material adverse changes to the Company's operations since the commencement of these proceedings.

8. COMPANY'S EXTENDED CASH FLOW FORECAST

8.1 The Company has extended its cash flow forecast to the period ended May 31, 2014 ("**Extended Cash Flow Forecast**"), attached hereto as **Appendix D**.

8.2 The majority of the projected expenses during this period relate to compensation for key employees and professional fees which are required to advance a potential Investment Transaction.

8.3 The Extended Cash Flow Forecast was prepared with the following key assumptions:

- (i) As set-out in section 6 above, the Company is working towards negotiating and finalizing an Investment Transaction to maximize realizations for the benefit of creditors. Should this transaction occur and the Company were to continue as a going concern, it is anticipated that a portion of any transaction proceeds will be required for working capital purposes, including the cost of a financial audit which is required in order for the Company to maintain its listed status. At this stage, since an Investment Transaction has not been finalized, the Extended Cash Flow Forecast does not include any receipt of Investment Transaction proceeds, nor associated transaction costs or audit fees.

- (ii) The Company intends to continue to manage its operating costs through certain key employees having agreed to waive and/or reduce their remuneration for the duration of the NOI proceedings.

8.4 Based on the assumptions made by EastCoal as contained in the notes to the Extended Cash Flow Forecast, the Proposal Trustee believes that the Company will have sufficient funds to meet its current obligations through a 45-day Stay Extension period.

9. STAY EXTENSION APPLICATION

9.1 The Company is seeking a Stay Extension to April 17, 2014 in order to conclude negotiations relating to a potential Investment Transaction, and to formulate a proposal to the Company's unsecured creditors.

9.2 The Proposal Trustee supports the Company's request for the Stay Extension for the following reasons:

- (i) In our view, the Company continues to act in good faith and with due diligence in taking appropriate steps to develop a viable proposal to creditors.
- (ii) The Company's only secured creditor is supportive of a Stay Extension while the opportunity to undertake an Investment Transaction is explored to maximize realizations to creditors. The funds available for the unsecured creditors may be reduced should an Investment Transaction not be possible since the Company continues to utilize its cash reserves during the NOI process. An Investment Transaction as a going concern, however, may produce the best possible result for all stakeholders as opposed to bankruptcy. In a bankruptcy scenario the value of the Company would be impaired due to the delisting of the Company from the TSX-V and AIM and any value associated with the Company's accumulated tax losses would also be lost. In summary, it is the Proposal Trustee's view that an extension will not materially prejudice or adversely affect unsecured creditors.
- (iii) The Stay Extension will provide the Company with additional time to conclude negotiations for an Investment Transaction and to prepare and file a proposal to creditors.

10. ACTIVITIES OF THE PROPOSAL TRUSTEE

10.1 The Proposal Trustee's activities since the filing of the Second Report include:

- (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) Discussions with the Company related to its efforts to close the transactions involving Ukrainian Subsidiaries, undertaking an Investment Transaction and potential options for formulating a proposal to creditors;
- (iii) Discussions with numerous creditors on the status of the proceedings; and
- (iv) Discussions and correspondence with Dentons Canada LLP, counsel to the Company.

11. RECOMMENDATION

11.1 The Proposal Trustee supports the Company's request for the Stay Extension to attempt to finalize an Investment Transaction which will likely maximize realizations of the assets of EastCoal, whereas, should a bankruptcy occur, a liquidation of the Company would take place, which would likely result in a diminution in realizable value for all unsecured creditors.

All of which is respectfully submitted this 27th day of February, 2014.

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
ORDER DATED JANUARY 16, 2014 GRANTING AN EXTENSION OF THE
TIME TO FILE A PROPOSAL TO MARCH 3, 2014



No. B131400
Estate No. 11-1806986
Vancouver Registry

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

IN THE MATTER OF THE PROPOSAL OF
EASTCOAL INC.

ORDER MADE AFTER APPLICATION

) THE HONOURABLE)
BEFORE)) 16 / Jan / 2014
) MR JUSTICE PEARSON)

ON THE APPLICATION of Eastcoal Inc., coming on for hearing at Vancouver, British Columbia, on this day and on hearing Jordan Schultz, counsel for Eastcoal Inc., and no one else appearing although duly served;

THIS COURT ORDERS that:

1. The time for filing the Proposal is hereby extended 45 days to March 3, 2014.

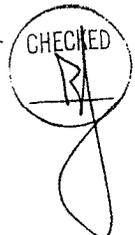
THE FOLLOWING PARTIES APPROVE THE FORM OF THIS ORDER AND CONSENT TO EACH OF THE ORDERS, IF ANY, THAT ARE INDICATED ABOVE AS BEING BY CONSENT:



Signature of Jordan Schultz
Lawyer for Eastcoal Inc.


By the Court.

Registrar



No. B131400
Estate No. 11-1806986
Vancouver Registry

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

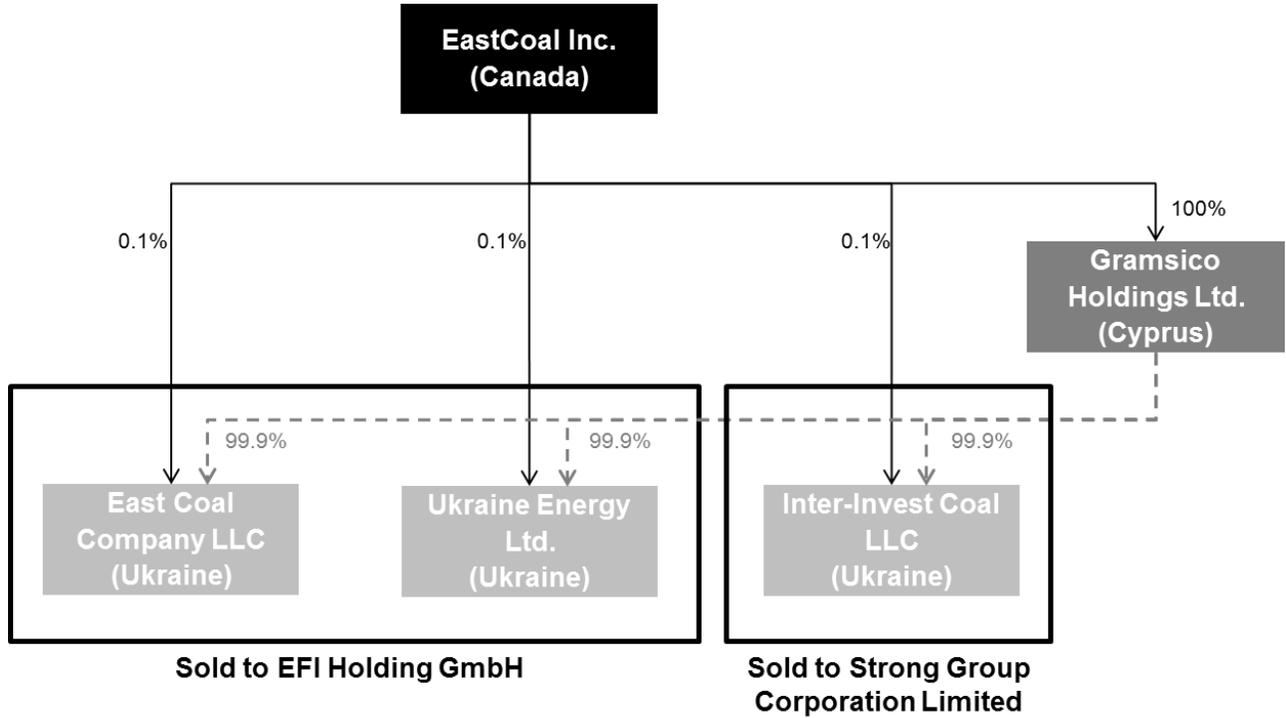
IN THE MATTER OF THE PROPOSAL OF
EASTCOAL INC.

ORDER MADE AFTER APPLICATION

DENTONS CANADA LLP
BARRISTERS & SOLICITORS
20th Floor, 250 Howe Street
Vancouver, B.C. V6C 3R8

Attn: Jordan Schultz

**APPENDIX B
EASTCOAL INC. ORGANIZATIONAL CHART**



APPENDIX C
EASTCOAL INC. CASH FLOW FORECAST COMPARED TO ACTUAL RESULTS FOR THE
PERIOD ENDED FEBRUARY 22, 2014

EastCoal Inc.
Weekly Cash Flow Forecast to Actual Variance
January 5 to February 22, 2014

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

CDN\$	From To	Week 1-9	Week 10	Week 10	Week 10	Week 11	Week 11	Week 11	Week 12	Week 12	Week 12	Week 13	Week 13	Week 13	Week 14	Week 14	Week 14	Week 15	Week 15	Week 15	Week 16	Week 16	Week 16	Week 1-16	Week 1-16	Week 1-16	
		Actual	Forecast	Actual	Variance	Forecast	Actual	Variance	Forecast	Actual	Variance	Forecast	Actual	Variance	Forecast	Actual	Variance	Forecast	Actual	Variance	Forecast	Actual	Variance	Forecast	Actual	Variance	Total Forecast
Opening cash		310,567	285,148	285,148	-	251,217	266,822	15,605	249,217	261,418	12,201	184,217	231,449	47,232	149,371	186,365	36,994	124,371	186,365	61,994	657,971	706,096	48,125	310,567	310,567	-	
Receipts																											
Funds held in trust by Court		240,707			-			-			-			-			-			-			-	240,707	240,707	-	
Proceeds from sale of subsidiaries					-			-			-			-			-	535,600	520,000	(15,600)			-	535,600	520,000	(15,600)	
Other				1,000	1,000			-		710	710			-			-			-			-	-	1,710	1,710	
FX gain																						32,416		-	32,416	32,416	
Total receipts		240,707	-	1,000	1,000	-	-	-	-	710	710	-	-	-	-	-	-	535,600	520,000	(15,600)	-	32,416	-	776,307	794,833	18,526	
Disbursements																											
Wages		(53,848)	(2,587)	-	2,587		(5,173)	(5,173)			-	(19,250)	(17,547)	1,703			-			-			-	(75,685)	(76,568)	(883)	
USD wages		(28,612)						-			-	(4,160)	(3,722)	438			-			-			-	(32,772)	(32,334)	438	
Rent		(6,300)						-			-	(3,150)		3,150			-			-			-	(9,450)	(6,300)	3,150	
USD insurance		(37,726)						-			-	(4,442)	(4,442)				-			-			-	(42,168)	(42,168)	-	
Telephone and other employee expenses		(124)										(500)	(129)	371			-			-			-	(624)	(617)	7	
Travel		(3,179)															-			-			-	(3,179)	(3,179)	-	
Hosting fees		(2,688)	(1,344)		1,344					(1,344)	(1,344)	(1,344)	(1,344)				-			-			-	(5,376)	(5,376)	-	
Other office expenses		(11,563)		(1,440)	(1,440)	(2,000)	(231)	1,769		(2,240)	(2,240)	(2,000)	(475)	1,525			-	(2,000)	(269)	1,731		(19)	(19)	(17,563)	(16,236)	1,326	
Trustee fees		(72,400)	(20,000)	(17,886)	2,114				(35,000)		35,000		(17,426)	(17,426)	(15,000)		15,000			-	(15,000)		15,000	(157,400)	(107,711)	49,689	
Legal fees		(49,685)	(10,000)		10,000				(30,000)	(26,731)	3,269			-	(10,000)		10,000			-	(10,000)		10,000	(109,685)	(76,416)	33,269	
Total disbursements		(266,125)	(33,931)	(19,325)	14,605	(2,000)	(5,404)	(3,404)	(65,000)	(30,679)	34,321	(34,846)	(45,084)	(10,238)	(25,000)	-	25,000	(2,000)	(269)	1,731	(25,000)	(19)	24,981	(453,902)	(366,906)	86,996	
Net change in cash		(25,419)	(33,931)	(18,325)	15,605	(2,000)	(5,404)	(3,404)	(65,000)	(29,969)	35,031	(34,846)	(45,084)	(10,238)	(25,000)	-	25,000	533,600	519,731	(13,869)	(25,000)	32,398	24,981	322,404	427,927	105,523	
Closing cash		285,148	251,217	266,822	15,605	249,217	261,418	12,201	184,217	231,449	47,232	149,371	186,365	36,994	124,371	186,365	61,994	657,971	706,096	48,125	632,971	738,493	73,106	632,971	738,493	105,523	

APPENDIX D
EASTCOAL INC. CASH FLOW FORECAST FOR THE PERIOD ENDING MAY 31, 2014

EastCoal Inc.
Weekly Cash Flow Forecast
November 5, 2013 to May 31, 2014

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

CDN\$	From	Week 1-16 Actual	Week 17 Forecast	Week 18 Forecast	Week 19 Forecast	Week 20 Forecast	Week 21 Forecast	Week 22 Forecast	Week 23 Forecast	Week 24 Forecast	Week 25 Forecast	Week 26 Forecast	Week 27 Forecast	Week 28 Forecast	Week 29 Forecast	Week 30 Forecast	Total Actual & Forecast
	To	5-Jan-14 22-Feb-14	23-Feb-14 1-Mar-14	2-Mar-14 8-Mar-14	9-Mar-14 15-Mar-14	16-Mar-14 22-Mar-14	23-Mar-14 29-Mar-14	30-Mar-14 5-Apr-14	6-Apr-14 12-Apr-14	13-Apr-14 19-Apr-14	20-Apr-14 26-Apr-14	27-Apr-14 3-May-14	4-May-14 10-May-14	11-May-14 17-May-14	18-May-14 24-May-14	25-May-14 31-May-14	
Opening cash																	
- CAD operating		72,101	143,627	82,612	17,612	15,112	(9,888)	(15,348)	(63,910)	(63,910)	(91,410)	(91,410)	(139,973)	(139,973)	(167,473)	(167,473)	72,101
- USD operating		237,899	594,299	601,285	601,285	601,285	601,285	601,285	593,206	593,206	593,206	593,206	585,127	585,127	585,127	585,127	237,899
- CAD savings		567	567	567	567	567	567	567	567	567	567	567	567	567	567	567	567
- CAD funds held in trust		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	567
Opening cash		310,567	738,493	684,464	619,464	616,964	591,964	586,504	529,862	529,862	502,362	502,362	445,721	445,721	418,221	418,221	310,567
Receipts																	
Funds held in trust by Court		240,707															240,707
Proceeds from sale of subsidiaries		520,000	15,020														535,020
Other		1,710															1,710
FX gain		32,416															32,416
		794,833	15,020														809,853
Disbursements																	
Wages		(76,568)	(19,069)					(19,069)				(19,069)				(19,069)	(152,843)
USD wages		(32,334)	(3,593)					(3,636)				(3,636)				(3,636)	(43,200)
Rent		(6,300)	(6,300)					(3,150)				(3,150)				(3,150)	(22,050)
USD insurance		(42,168)	(4,442)					(4,442)				(4,442)				(4,442)	(59,937)
Telephone and other employee expenses		(617)	(1,884)													(4,442)	(2,501)
Travel		(3,179)															(3,179)
Hosting fees		(5,376)	(1,344)					(1,344)				(1,344)					(9,408)
Other office expenses		(16,236)	(7,151)		(2,500)		(5,460)										(37,598)
Trustee fees		(107,711)	(7,542)	(30,000)		(15,000)		(15,000)		(2,500)				(2,500)		(1,250)	(235,252)
Legal fees		(76,416)	(17,725)	(35,000)		(10,000)		(10,000)		(15,000)		(15,000)		(15,000)		(10,000)	(189,141)
CDN disbursements		(170,890)	(61,015)	(65,000)	(2,500)	(25,000)	(5,460)	(48,563)		(27,500)		(48,563)		(27,500)		(48,469)	(530,459)
USD disbursements		(196,016)	(8,035)					(8,079)				(8,079)				(4,442)	(224,650)
Total disbursements		(366,906)	(69,050)	(65,000)	(2,500)	(25,000)	(5,460)	(56,641)		(27,500)		(56,641)		(27,500)		(52,911)	(755,109)
Net change in CDN		71,526	(61,015)	(65,000)	(2,500)	(25,000)	(5,460)	(48,563)		(27,500)		(48,563)		(27,500)		(48,469)	(288,042)
Net change in USD		356,401	6,985					(8,079)				(8,079)				(4,442)	342,787
Net change in cash		427,927	(54,030)	(65,000)	(2,500)	(25,000)	(5,460)	(56,641)		(27,500)		(56,641)		(27,500)		(52,911)	54,744
Closing cash																	
- CAD operating		143,627	82,612	17,612	15,112	(9,888)	(15,348)	(63,910)	(63,910)	(91,410)	(91,410)	(139,973)	(139,973)	(167,473)	(167,473)	(215,942)	(215,942)
- USD operating		594,299	601,285	601,285	601,285	601,285	601,285	593,206	593,206	593,206	593,206	585,127	585,127	585,127	585,127	580,685	580,685
- CAD savings		567	567	567	567	567	567	567	567	567	567	567	567	567	567	567	567
- CAD funds held in trust		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	567
Closing cash		738,493	684,464	619,464	616,964	591,964	586,504	529,862	529,862	502,362	502,362	445,721	445,721	418,221	418,221	365,311	365,311

Assumptions

- 1) All obligations incurred after the date of the NOI 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) Hosting fees for the maintenance of the Company's accounting system will continue to be paid.
- 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. A gain of \$32,416 is shown in the actual cash flow for the period from November 5, 2013 to February 22, 2014 reflecting the movement in the previously assumed exchange rate of USD 1:CDN 1.04.
- 6) The opening cash balance includes \$400,900 USD which is held in bank account of the 100% owned subsidiary Gramsico Holdings Limited which will be transferred to EastCoal in early March.
- 7) The cash flow does not include any expenses relating to the audit of EastCoal's financial statements which may commence in March, subject to the Company finalizing a Shell Transaction.

EastCoal Inc. per: Abraham H. Jonker

Dated: February 26, 2014