



UNAUDITED INTERIM CONDENSED  
CONSOLIDATED FINANCIAL  
STATEMENTS

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*For the three and six months ended June 30, 2016*



INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
(all tabular amounts in thousands of Canadian dollars)

	June 30, 2016	December 31, 2015
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	\$ -	\$ 13
Trade and other receivables	7	4
Prepaid expenses	8	-
<b>TOTAL ASSETS</b>	<b>\$ 15</b>	<b>\$ 17</b>
<b>LIABILITIES</b>		
<b>Current</b>		
Trade and other payables	\$ 145	\$ 103
Borrowings (Note 3)	200	200
<b>TOTAL LIABILITIES</b>	<b>345</b>	<b>303</b>
<b>EQUITY</b>		
Share capital (Note 1)	89,934	89,934
Contributed surplus	9,969	9,969
Deficit	(100,233)	(100,189)
<b>TOTAL EQUITY</b>	<b>(330)</b>	<b>(286)</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 15</b>	<b>\$ 17</b>

Corporate information and going concern (Note 1)

On behalf of the Board:

(signed) John Conlon Director

(signed) Abraham Jonker Director

The accompanying notes are an integral part of these financial statements.



INTERIM CONDENSED CONSOLIDATED STATEMENTS OF LOSS

(all tabular amounts in thousands of Canadian dollars, except per share figures)

	For the three months ended		For the six months ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
<b>Expenses</b>				
General and administrative expenses	(23)	(31)	(32)	(46)
	<b>(23)</b>	<b>(31)</b>	<b>(32)</b>	<b>(46)</b>
Interest income	-	-	-	-
Finance expense	(6)	(6)	(12)	(12)
<b>Net interest (expense) income</b>	<b>(6)</b>	<b>(6)</b>	<b>(12)</b>	<b>(12)</b>
<b>Income (loss) for the period</b>	<b>\$ (29)</b>	<b>\$ (37)</b>	<b>\$ (44)</b>	<b>\$ (58)</b>
<b>Net income (loss) per common share (Note 1)</b>				
Basic and diluted – continuing operations	\$(0.00)	\$(0.00)	\$(0.00)	\$(0.00)
<b>Weighted average number of common shares outstanding - basic and diluted</b>	156,080,485	156,080,485	156,080,485	156,080,485

The accompanying notes are an integral part of these financial statements.



INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS  
(all tabular amounts in thousands of Canadian dollars)

	For the three months ended		For the six months ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
<b>Income (loss) for the period</b>	\$ (29)	\$ (37)	\$ (44)	\$ (58)
<b>Other comprehensive income (loss)</b> <i>Items that will be reclassified subsequently to profit and loss</i>				
Cumulative translation adjustment	-	-	-	-
<b>Other comprehensive income (loss) for the period</b>	-	-	-	-
<b>Comprehensive income (loss) for the period</b>	\$ (29)	\$ (37)	\$ (44)	\$ (58)

The accompanying notes are an integral part of these financial statements.



INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
(all tabular amounts in thousands of Canadian dollars)

	Number of shares	Share capital	Contributed surplus	Accumulated other comprehensive income (loss)	Deficit	Total Equity
<b>Balance – January 1, 2015</b>	156,080	\$ 89,934	\$ 9,969	\$ -	\$ (100,073)	\$ (170)
Net income for the period	-	-	-	-	(58)	(58)
<b>Balance – June 30, 2015</b>	156,080	\$ 89,934	\$ 9,969	\$ -	\$ (100,131)	\$ (228)
<b>Balance – January 1, 2016</b>	156,080	\$ 89,934	\$ 9,969	\$ -	\$ (100,189)	\$ (286)
Net income for the period	-	-	-	-	(44)	(44)
<b>Balance – June 30, 2016</b>	156,080	\$ 89,934	\$ 9,969	\$ -	\$ (100,233)	\$ (330)

The accompanying notes are an integral part of these financial statements.



INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(all tabular amounts in thousands of Canadian dollars)

	For the six months ended	
	June 30, 2016	June 30, 2015
<b>OPERATING ACTIVITIES</b>		
Income (loss) for the period	\$ (44)	\$ (58)
Add items not affecting cash		
Non-cash interest expense	12	12
	(32)	(46)
Changes in non-cash working capital balances related to operations		
Trade and other receivables	(3)	(1)
Prepaid expenses	(8)	-
Trade and other payables	30	(10)
<b>Cash used in operating activities</b>	<b>(13)</b>	<b>(57)</b>
<b>INVESTING ACTIVITIES</b>		
Investing cash flows from discontinued operations	-	-
<b>Cash generated by investing activities</b>	<b>-</b>	<b>-</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from issuance of shares	-	-
<b>Cash generated by financing activities</b>	<b>-</b>	<b>-</b>
<b>Net decrease in cash for the period</b>	<b>(13)</b>	<b>(57)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>13</b>	<b>101</b>
<b>Cash and cash equivalents, end of period</b>	<b>-</b>	<b>44</b>

Supplemental cash flow information – Note 0

The accompanying notes are an integral part of these financial statements.

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## 1 Corporate information and going concern

EastCoal Inc. (the “Company”) was incorporated on December 15, 1986 under the laws of the Province of British Columbia, Canada. Its principal business activity is the acquisition and development of mineral properties and its registered address is Suite 1380, 885 West Georgia Street, Vancouver, British Columbia, Canada, V6C 3E8 and its head office is located at Suite 605, 1166 Alberni Street, Vancouver, British Columbia, Canada, V6E 3Z3.

The Company has experienced recurring operating losses and has accumulated a deficit of \$100,233,000 at June 30, 2016. For the six month period ended June 30, 2016 the Company incurred a loss of \$44,000 and used cash in operating activities totalling \$13,000. The Company had cash and cash equivalents of \$138 and a working capital deficit of \$330,163 at June 30, 2016. Working capital is defined as current assets less current liabilities and provides a measure of the Company’s ability to settle liabilities that are due within one year with assets that are also expected to be converted into cash within one year.

The Company’s continued operation is dependent upon its ability to raise additional funding and/or to agree an extension of the director’s loan account. Although the directors believe that the Company should be able to secure future fundraising as required and/or to agree an extension of the director’s loan, there are no assurances that the Company will be successful in achieving this goal. As a result, there are material uncertainties that the Company will be able to continue as a going concern and realize its assets and discharge its liabilities in the normal course of business. These consolidated financial statements have been prepared on a going concern basis, which assumes the Company will realize on its assets and discharge its liabilities in the normal course of operations, and do not include adjustments to the amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue as a going concern. These adjustments may be material.

## **2 Basis of presentation**

These interim condensed consolidated financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting (“IAS 34”) and follow the same accounting policies and methods of application as contained in the annual financial statements for the year ended December 31, 2015. Accordingly, they should be read in conjunction with the Company’s most recent annual financial statements. These interim condensed consolidated financial statements were approved by the Board of Directors on August 29, 2016.

## **3 Borrowings**

On November 28, 2012 three of the Company’s directors agreed to provide bridging finance to the Company for general working capital. The loan amounted to \$600,000 with a term of 12 months. The loan bore an interest rate of 12.0% per annum compounded annually and payable at the time that the principal becomes due and payable.

In order to secure the performance of the Company’s obligations to the lenders under the loan agreement, the Company executed GSAs, pursuant to which the Company granted to the lenders security interests in all present and future undertaking and property, both real and personal located in the province of British Columbia, of the Company, as described in the GSA.

On June 13, 2014 the Company entered into a supplemental loan agreement with the lenders which extended the maturity date of the loan to May 31, 2015. The maturity dated was further extended by the remaining lender until May 31, 2016 and is currently subject to negotiation.

As at June 30, 2016, \$200,000 of the \$600,000 loan was payable and is included in borrowings. Accrued interest of \$86,203 relating to the outstanding director’s loan is included in trade and other payables at June 30, 2016.

## 4 Share capital

### 4.1 Stock options

At June 30, 2016, a total of 34,000 options had been granted to directors, officers, employees and consultants under the Plan, and were outstanding as summarized below:

	June 30, 2016		December 31, 2015	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Opening balance	49,000	\$ 55.00	61,000	\$ 50.00
Granted	-	-	-	-
Exercised	-	-	-	-
Expired	(15,000)	70.00	(12,000)	30.00
Ending balance	34,000	\$ 48.46	49,000	\$ 55.00
<b>Options exercisable</b>	<b>34,000</b>	<b>\$ 48.46</b>	<b>49,000</b>	<b>\$ 55.00</b>

All stock options have exercise prices that are higher or equal to market prices at the date of grant.

Expiry Date	Number	Number
	Outstanding	Exercisable
July 6, 2016	7,500	7,500
January 19, 2017	1,500	1,500
May 31, 2017	25,000	25,000
	<b>34,000</b>	<b>34,000</b>

## 5 Related party transactions

Interest of \$5,984 relating to a secured loan provided by one of the Company's directors was accrued in the three months ended June 30, 2016 and is included in accounts payables and accrued liabilities. The total amount included in accounts payable and accrued liabilities at June 30, 2016 was \$86,203 (December 31, 2015 – \$74,236). The loan amount is \$200,000, bears an interest rate of 12.0% per annum compounded annually and is secured by interests in all present and future undertaking and property, both real and personal located in the province of British Columbia, of the Company, as described in the general security agreement. It is expected that the Company's indebtedness to such creditor will be extended subject to certain loan rights being granted to the creditor.

These transactions were in the normal course of operations and were measured at the amount of consideration established and agreed to by the related parties.