



File No. S-1510120
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C.
1985, c. C-36, AS AMENDED**

IN THE MATTER OF THE *BUSINESS CORPORATIONS ACT*, S.B.C. 2002, C.57

AND

**IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
WALTER ENERGY CANADA HOLDINGS, INC. AND THOSE PETITIONERS LISTED
ON SCHEDULE "A"**

PETITIONERS

FOURTH REPORT OF THE MONITOR, KPMG INC.

August 11, 2016

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INTRODUCTION AND PURPOSE OF THE MONITOR'S REPORT

1. KPMG Inc. (“**KPMG**” or the “**Monitor**”) was appointed as Monitor pursuant to the order (the “**Initial Order**”) issued by this Honourable Court on December 7, 2015 (the “**Filing Date**”) in respect of the motion (the “**Application**”) filed by Walter Energy Canada Holdings, Inc. (“**WECH**”), Walter Canadian Coal ULC (“**WCC**”), Wolverine Coal ULC (“**WC**”), Brule Coal ULC (“**BC**”), Cambrian Energybuild Holdings ULC (“**CEH**”), Willow Creek Coal ULC (“**WIC**”), Pine Valley Coal Ltd. (“**PVC**”) and 0541237 BC Ltd. (collectively, the “**Petitioners**”) under the *Companies’ Creditors Arrangement Act*, R.S.C 1985, c. C-36, as amended (the “**CCAA**”) granting, *inter alia*, a stay of proceedings (the “**Stay**”) until January 6, 2016. Pursuant to the Initial Order, the Stay and certain other relief was extended to certain of the Petitioners’ partnerships and affiliates listed on Schedule “A” hereto (collectively with the Petitioners, “**Walter Canada**”). The proceedings brought by the Petitioners under the CCAA will be referred to herein as the “**CCAA Proceedings**”.
2. On December 7, 2015, KPMG filed the Pre-Filing Report of the Proposed Monitor (the “**Pre-Filing Report**”) which, amongst other things, described certain of Walter Canada’s background information, its cash flow forecast and the current status of its operations.
3. On December 31, 2015, KPMG filed the First Report of the Monitor (the “**First Report**”) which, amongst other things, described the Monitor’s activities to date, Walter Canada’s actual receipts and disbursements against forecast as well as its updated cash flow forecast for the 16-week period ending April 9, 2016, the proposed Sale and Investment Solicitation Process (the “**SISP**”), the proposed retention of PJT Partners LP as financial advisor and investment banker (the “**Financial Advisor**”) as well as the proposed retention of BlueTree Advisors Inc. as Chief Restructuring Officer (the “**CRO**”), and the proposed Key Employee Retention Plan (the “**KERP**”).
4. On January 5, 2016, this Honourable Court granted an order (the “**January 5 Order**”) which, amongst other things, extended the Stay to April 5, 2016 and approved the SISP, the KERP and the retention of both the Financial Advisor and the CRO.

5. On March 24, 2016, KPMG filed the Second Report of the Monitor (the “**Second Report**”) which, amongst other things, described the Monitor’s activities to date, Walter Canada’s actual receipts and disbursements against forecast as well as its updated cash flow forecast for the 16-week period ending July 2, 2016, a status update on the SISP and updates in respect of various other matters.
6. On March 30, 2016, this Honourable Court granted an order which, amongst other things, extended the Stay to June 24, 2016.
7. On June 22, 2016, KPMG filed the Third Report of the Monitor (the “**Third Report**”) which, amongst other things, provided a status update on the SISP and the Liquidation RFP Process, information regarding Walter Canada’s actual receipts and disbursements against forecast as well as its updated cash flow forecast for the 18-week period ending October 15, 2016 (the “**Previous Cash Flow Forecast**”), and updates in respect of certain other matters.
8. On June 24, 2016, this Honourable Court granted an order which, amongst other things, extended the Stay to August 19, 2016.
9. Terms not specifically defined herein shall have the meanings as defined in the First Report, the Second Report, the Third Report (collectively, the “**Previous Reports**”) or the SISP.
10. Copies of the Previous Reports as well as further information regarding these CCAA Proceedings, can be found on the Monitor’s website at www.kpmg.com/ca/walterenergycanada (the “**Monitor’s Website**”).
11. The purpose of this fourth report of the Monitor (the “**Fourth Report**”) is to provide this Honourable Court with information regarding the following:
 - a) An update with respect to both the SISP and the Liquidation RFP Process;
 - b) A discussion in respect of Walter Canada’s selection of the Successful Bid and its application to this Honourable Court for approval to complete the transaction with the Successful Bidder on the terms set out in the Successful Bid (the “**Proposed Transaction**”);

- c) A description of the claims process proposed by Walter Canada (the “**Proposed Claims Process**”);
- d) Walter Canada’s actual cash flow results for the seven-week period ended July 30, 2016, as compared to the Previous Cash Flow Forecast;
- e) Walter Canada’s updated cash flow forecast for the 26-week period ending January 28, 2017 (the “**Updated CCAA Cash Flow Forecast**”);
- f) An update in respect of certain additional matters involving Walter Canada’s stakeholders and related developments; and
- g) The Monitor’s observations and recommendations in respect of Walter Canada’s motion returnable August 15, 2016 (the “**August 2016 Application**”) seeking approval of both the Proposed Transaction and the Proposed Claims Process, as well as an extension of the Stay to January 17, 2017 (the “**Extended Stay Period**”) and certain other relief.

REPORT RESTRICTIONS AND SCOPE LIMITATIONS

12. In preparing this report and making the comments herein, the Monitor has been provided with, and has relied upon, unaudited financial information, books and records and financial information prepared by Walter Canada and/or certain of its affiliates, discussions with management of Walter Canada (“**Management**”) and information from other public third-party sources (collectively, the “**Information**”). Except as described in this report in respect of Walter Canada’s Previous Cash Flow Forecast and Updated CCAA Cash Flow Forecast:

- a) The Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Monitor has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Canadian Auditing Standards pursuant to the *Chartered Professional Accountants Canada Handbook* and, accordingly, the Monitor expresses no opinion or other form of assurance in respect of the Information; and

- b) Some of the information referred to in this report consists of forecasts and projections. An examination or review of the financial forecasts and projections, as outlined in the *Chartered Professional Accountants Canada Handbook*, has not been performed.
- 13. Future oriented financial information referred to in this report was prepared based on Management's estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, the actual results will vary from the projections, even if the assumptions materialize, and the variations could be material.
- 14. The information contained in this report is not intended to be relied upon by any prospective purchaser or investor in any transaction with Walter Canada.
- 15. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars.

UPDATE ON STATUS OF THE SALE PROCESS

Sale and Investment Solicitation Process Update

- 16. The Monitor provided details regarding the status of the SISP in the Previous Reports. An update of the SISP activities to date is set out in the 3rd Affidavit of William E. Aziz, Chief Restructuring Officer of Walter Canada (the "**CRO**") sworn August 9, 2016 (the "**Aziz Affidavit**") which has been filed with the Company's current application.
- 17. As discussed in the Third Report, a number of Bids were submitted by June 10, 2016 (the extended Phase 2 Bid Deadline) and subsequent discussions had been entered into by the Financial Advisor, the CRO and in some cases the Monitor, with certain Bidders to obtain clarification with respect to certain aspects of their Bids with a view to identifying one or more Bids which might lead to a more advantageous outcome to Walter Canada and its stakeholders than the potential outcome in a liquidation. In addition, the CRO, in consultation with the Financial Advisor and the Monitor, amended the Outside Termination Date to July 30, 2016 in recognition of the complexities of concluding a going concern transaction, including the negotiation and discussions with contractual counterparties and other stakeholders.

18. Subsequent to the date of the Third Report, the SISP Team engaged in the following activities with certain Bidders:
 - a) Responding to additional diligence requests from the Bidders;
 - b) Coordinating and attending further site visits for certain of the Bidders and their financing counterparties to inspect Walter Canada's assets;
 - c) Facilitating discussions between the Bidders and certain of Walter Canada's suppliers, regulators and other stakeholders. Representatives from the Monitor attended these discussions; and
 - d) Engaging in numerous discussions and written exchanges with the Bidders to clarify and negotiate terms and conditions of, and to assist in advancing, their Bids.
19. In addition, the Financial Advisor participated in weekly update conference calls throughout this period to provide Walter Canada, the CRO and the Monitor with status updates as to the Bidders' continuing due diligence activities and requests, and other SISP matters.
20. The CRO, in consultation with the Financial Advisor and the Monitor, has selected one Qualified Bid submitted by Conuma Coal Resources Limited (the "**Purchaser**") for the purchase of substantially all of the assets of Walter Canada as the Successful Bid. The SISP Team believes the Purchaser's offer will result in the highest net financial recovery for Walter Canada's creditors, as well as provide other material benefits to Walter Canada's stakeholders relative to other Bids or Liquidation Proposals. Walter Canada's Board of Directors approved the Successful Bid on August 8, 2016.
21. The Monitor has prepared its Confidential Supplemental Report to the Fourth Report (the "**Confidential Report**") which includes certain financial details about the Bids and the Liquidation Proposals, along with the Monitor's analysis of the Successful Bid as compared to a liquidation under a *Bankruptcy and Insolvency Act* ("**BIA**") filing. Walter Canada is seeking to have the Confidential Report filed with this Honourable Court under a sealing Order to preserve the confidentiality of the Bids and Liquidation Proposals to maintain the competitive nature of the sale process in the event that the Proposed Transaction does not complete, in which case the CRO may seek to complete an alternate transaction with another Bidder or one or more of the Prospective Liquidators.

22. At this time, Walter Canada is not seeking to approve any of the Bids received in respect of Walter UK and it continues to review options for this asset. A further update regarding Walter UK is provided below.

Liquidation RFP Process Update

23. As previously reported, the Monitor, on behalf of Walter Canada, solicited and obtained a number of Liquidation Proposals from Prospective Liquidators. The Monitor has continued to work with certain of those Prospective Liquidators to obtain extensions of the time period during which their Liquidation Proposals remain open for acceptance, to coincide with the SISP bid selection process and the sale approval process. As at the date of this report, a number of the Prospective Liquidators have confirmed that their Liquidation Proposals remain open for acceptance.

THE PROPOSED SALE TRANSACTION

Terms of the Successful Bid

24. The Successful Bid is in the form of a definitive asset purchase agreement (the “**APA**”), in respect of substantially all of the assets of Walter Canada, which was negotiated by the CRO and Walter Canada’s counsel, with assistance from the Monitor and the Financial Advisor.
25. A redacted copy of the APA is attached as Exhibit “A” to the Aziz Affidavit. An unredacted copy of the fully-executed APA is included as a Schedule to the confidential Affidavit #4 of Mr. William E. Aziz (the “**Confidential Aziz Affidavit**”).
26. A detailed discussion of the terms of the Successful Bid is included in the Aziz Affidavit. A summary of the non-commercially sensitive key terms of the APA is provided below (capitalized terms as defined in the APA):

Summary of Key Non-Economic Terms of the Successful Bid	
Purchaser	<ul style="list-style-type: none"> • Conuma Coal Resources Limited, a member of the West Virginia based ERP Compliant Fuels, LLC group of companies who have engaged in a number of transactions in the coal market over the past year in North America
Guarantors	<ul style="list-style-type: none"> • The Purchaser’s obligations under the Asset Purchase Agreement are guaranteed and the Purchaser’s obligations under certain ancillary agreements to be executed are to be guaranteed by ERP Compliant Fuels, LLC, a Delaware limited liability company; ERP Compliant Coke, LLC, a Delaware limited liability company; Seneca Coal Resources, LLC, a Delaware limited liability company; and Seminole Coal Resources, LLC, a Delaware limited liability company (collectively, the “Guarantors”). Each of the Guarantors is part of the ERP group of companies.
Purchase Price	<ul style="list-style-type: none"> • Confidential
Deposit	<ul style="list-style-type: none"> • Greater than 10% of purchase price, paid to the Monitor in trust on August 8, 2016.
Execution Date	<ul style="list-style-type: none"> • August 8, 2016
Target Closing Date	<ul style="list-style-type: none"> • August 31, 2016, with ability to extend closing date to September 15, 2016

<p>Acquired Assets and Assigned Contracts</p>	<ul style="list-style-type: none"> • Mines, tenures, and water rights permits • Current assets, Buildings and Equipment at the three mine sites and any off-site storage locations • Cash Collateral of \$22.6 million held with the Bank of Nova Scotia (“BNS”) corresponding to posted Letters of Credit for the benefit of the Province of British Columbia, which has been posted pursuant to various permits held by Walter Canada, as discussed in the First Report • 50% interest in the Belcourt Saxon Coal Limited Partnership if Walter Canada exercises the Belcourt Put Option, which shall occur if the co-venturer does not exercise its right of first refusal to purchase this interest and if the co-venturer waives its tag-along rights • Various properties owned by Walter Canada including certain homes in Chetwynd and Tumbler Ridge, British Columbia, and other properties near the mine sites • Property and casualty insurance contracts and other specified insurance policies • Certain Assigned Contracts including a royalty agreement with Pine Valley Mining Corporation (“PVMC”), subject to addition or removal of Assigned Contracts prior to the Closing Date • Business Information, Books and Records, Owned Intellectual Property and Leased Real Property
<p>Assumed Liabilities</p>	<ul style="list-style-type: none"> • Liabilities associated with all Mineral Tenures arising after closing • Environmental Liabilities including reclamation liabilities for the Walter Canada mines excluding Pre-Closing Fines • Agreements with First Nations groups • Liabilities related to Transferred Employees • Successor employer for Walter Canada’s past and present unionized employees • Certain Accounts Payable and Accrued Liabilities • All liabilities under Assigned Contracts arising from and after the Closing Date

Excluded Assets	<ul style="list-style-type: none"> • Cash and cash equivalents held by Walter Canada (approximately \$17.4 million as at July 31, 2016), other than the Cash Collateral • Posted Letters of Credit for the benefit of the Province of British Columbia • Refundable taxes and refunds in respect of reassessments for taxes paid prior to closing • Director and officer insurance policies • Equity and other interests in Walter UK operations and Cambrian EnergyBuild Holdings ULC
Excluded Liabilities	<ul style="list-style-type: none"> • Any liabilities not relating to the Business or the Assets • A royalty agreement related to the Wolverine mine
Contract Mining Agreement (“CMA”)	<ul style="list-style-type: none"> • Purchaser will have the right to operate the mines while Transfer Approval process is underway to transfer Mineral Tenures and related license and permits to the Purchaser • Purchaser and the Guarantors have provided an indemnity to Walter Canada in respect of this agreement • Walter Canada is seeking a Court ordered charge against Mineral Tenures and real property to secure the indemnity and the Purchaser’s other obligations
Conditions to Closing	<ul style="list-style-type: none"> • Cash Purchase Price less deposit to be paid to the Monitor • Transfer Approvals of tenures, permits and licenses to be commenced • Cash Collateral Transfer Agreement shall have been entered into to attend to the transfer of the Cash Collateral to either the Province of British Columbia, the Purchaser (assuming authorization of the Province of British Columbia) or the Purchaser’s surety agent, or an alternative process shall have been agreed upon to obtain the transfer of the Cash Collateral as contemplated by the APA

27. The Successful Bid includes a limited number of closing conditions and is not conditional on financing. The CRO, as stated in the Aziz Affidavit, believes that these closing conditions are achievable and that none of them are likely to prevent the Proposed Transaction from closing. Should the Proposed Transaction be approved by this Honourable Court on August 15, 2016, Walter Canada, the CRO, the Financial Advisor and the Monitor will immediately commence to work with the Purchaser to address the closing conditions with a view to closing the Proposed Transaction.

28. The Purchaser's stated intention is to hire all of Walter Canada's currently active employees and commence efforts to restart the Brule mine in the short term, which may be operated pursuant to the CMA until the tenures and related permits and licenses are transferred to the Purchaser.

Monitor's Observations

29. The Monitor makes the following observations with respect to the Proposed Transaction for consideration by this Honourable Court:
- a) The SISP which was approved by this Honourable Court's January 5 Order, as recommended by the Monitor, has been run as designed. The SISP has been carried out by the Financial Advisor under the leadership of the CRO, with assistance from Walter Canada's counsel, under the guidance of the Company's Board of Directors. The Monitor has supervised the process, with the assistance of its counsel. The Financial Advisor, the CRO and the Monitor have significant experience in sales processes similar to the SISP. The Walter Canada assets were also marketed in a prior process run by the Financial Advisor that included all of Walter Energy U.S.' global assets. The APA has been rigorously negotiated between Walter Canada and the Purchaser, with the assistance of their respective advisors;
 - b) As set out in detail in the Confidential Report, the Proposed Transaction, if closed, will produce higher value for Walter Canada's creditors, as net realizations thereunder are in excess of those provided for in any other Bid received under the SISP or any of the Liquidation Proposals. In the Monitor's view the consideration provided for under the Proposed Transaction is reasonable and fair, taking into the account the current commodity prices for coal, the market's response to a broad marketing of Walter Canada's assets, which occurred both prior to and under the SISP, and the proposed value that has been offered by liquidators pursuant to the Liquidation RFP Process and would be eroded by the holding costs required to maintain the sites over an extended period while a liquidation is undertaken;

- c) Under the Proposed Transaction, it is expected that certain other stakeholders will also benefit in a material way. Such stakeholders include:
- i. Employees through continued employment and an assumption of certain existing obligations, as the Purchaser intends to offer employment to all of Walter Canada's current employees initially, as well as to a number of its former employees as and when it restarts operations at some or all of the mine sites;
 - ii. The environment and environmental authorities, through an assumption of Walter Canada's reclamation obligations and continued stewardship of the subject mine properties;
 - iii. Suppliers and customers, through continued business and, in certain cases, the assumption of contracts; and
 - iv. Local communities including First Nations groups, through a restart of one or more of the mine operations.
- d) The APA provides for the timely close of a transaction with relatively few closing conditions. There is no financing condition and the Monitor has received a reasonable indication of the Purchaser's financing. In addition, there is recourse to the Purchaser and the Guarantors if they do not fulfill their obligations in the APA, including the forfeiture of the Purchaser's deposit and other recourse as set out in the APA, and as described in the Confidential Report;
- e) A number of parties have been consulted with respect to the SISF and the results, including the USW union, advisors to the 1974 Pension Plan, certain regulators, a number of key suppliers, contractual counter parties and otherwise;
- f) Under the Proposed Transaction, it is likely that distributions to creditors will occur earlier than in a liquidation scenario, which could take 12 to 18 months to be completed; and
- g) The Proposed Transaction leaves certain excluded assets and available transactions which could result in further material realizations for the benefit of the estate, as described further in the Confidential Report.

Monitor's Opinion and Recommendation

30. It is the Monitor's opinion that the Proposed Transaction is more beneficial to the creditors and certain other stakeholders relative to any other Bid received under the SISP or a liquidation. Accordingly, the Monitor recommends the approval of the Proposed Transaction to this Honourable Court.

PROPOSED CLAIMS PROCESS

31. Further to discussion in the Third Report, Walter Canada is seeking approval of a claims process and, as such, Walter Canada's counsel has prepared, in consultation with the CRO and the Monitor and its counsel, a draft claims process order (the "**Claims Process Order**", a copy of which is attached hereto as Schedule "B") to establish the universe of claims to be considered in the CCAA Proceedings. The Claims Process Order is summarized in the Aziz Affidavit. Any capitalized terms not defined herein are used as defined in the Claims Process Order.
32. The Claims Process Order describes the following types of Claims and their manner of treatment in the Claims Process:

Pre-Commencement Claims, Restructuring Claims and Directors/Officers Claims

33. Pre-Commencement Claims are those which existed as at the Filing Date, but excludes Employee Claims or Unaffected Claims.
34. Restructuring Claims are those Claims against Walter Canada arising out of the restructuring, disclaimer, resiliation, termination or breach on or after the Filing Date of certain types of contracts or agreements.
35. Directors/Officers Claims are Claims which relate to a Pre-Commencement Claim or a Restructuring Claim for which Walter Canada's Directors and/or Officers are liable.
36. These three types of Claimants are required to file Proofs of Claim to prove their Claims, and the relevant deadlines and review/dispute mechanisms are set out in greater detail below.

Employee Claims

37. These are Claims of any employees of Walter Canada as at the Filing Date, including both active and inactive employees. The Claims Process Order contemplates using a negative claims process for the Employees, who are not required to file Proofs of Claim but will instead be sent as part of the Claims Package an Employee Claim Amount Notice, based upon Claim calculations prepared by Walter Canada, in consultation with the Monitor.
38. If an Employee agrees with the amount set out in the Employee Claim Amount Notice, then he or she does not need to take any steps and their Employee Claim shall be an Allowed Claim.
39. If, however, an Employee disagrees with the amount set out in the Employee Claim Amount Notice, then that Employee must file a Notice of Dispute of Employee Claim with the Monitor as more fully explained below.
40. The United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union, Local 1-424 (“USW”) has been consulted regarding the proposed treatment of the Employee Claims and is supportive of the Proposed Claims Process. It is anticipated that further consultation with USW will occur if the order is granted. The Claims Process Order provides that USW is to receive notice of certain steps in relation to the applicable Employee Claims and shall represent the applicable unionized employees pursuant to the Claims Process.

UMWA 1974 Pension Plan Claim

41. The potential claim of the 1974 Pension Plan has been discussed in the Previous Reports and is subsequently discussed in this report. The Claims Process Order contemplates treating this Claim separately from other types of Claims in that the 1974 Pension Plan is not required to file a Proof of Claim but is instead authorized, but not directed, to serve materials by the Claims Bar Date (as subsequently defined) seeking to prove that its Claim is enforceable.
42. If the 1974 Pension Plan serves such materials by the Claims Bar Date, the Monitor shall seek a scheduling appointment before this Honourable Court for a hearing to determine the validity and quantum, if any, of the UMWA 1974 Pension Plan Claim.

43. If the 1974 Pension Plan fails to serve materials by the Claims Bar Date, then its claim shall be forever barred.

Intercompany Claims

44. The Claims Process Order provides that the Monitor shall prepare a report by the Claims Bar Date detailing the nature and quantum of Intercompany Claims, which include Claims of a Walter Canada entity against another Walter Canada entity or subsidiary, including amounts secured by the Intercompany Charges, as well as any Claims of Walter Energy U.S. or its non-Canadian affiliates against Walter Canada.

Unaffected Claims

45. The Claims Process Order specifies several types of claims as Unaffected Claims which are unaffected in the Claims Process. These include, amongst other claim types, Intercompany Claims, certain post-Filing Date claims (excluding Restructuring Claims and Directors/Officers Claims) and claims secured by a CCAA Charge.
46. The key aspects and timelines of the Claims Process are set out in the table below:

Summary of Proposed Claims Process		
Event	Indicative Dates / Deadline	Description of Activities
Launch	August 15, 2016	<ul style="list-style-type: none"> The Claims Process Order is granted by the Court.
Posting of Documents on the Monitor's Website	August 22, 2016 (i.e. 5 business days after Claims Process Order is granted)	<ul style="list-style-type: none"> The Monitor shall post a copy of the Claims Process Order, a blank Proof of Claim form, the Instruction Letter and a blank Notice of Dispute Form on the Monitor's Website.
Publication of Newspaper Notice	August 29, 2016 (i.e. 10 business days after Claims Process Order is granted)	<ul style="list-style-type: none"> The Monitor shall arrange for the Newspaper Notice to be published for one business day in the Globe and Mail (National Edition), the Vancouver Sun, the Chetwynd Echo and the Tumbler Ridge News.
Delivery of Claims Packages to Known Claimants	August 29, 2016 (i.e. 10 business days after Claims	<ul style="list-style-type: none"> The Monitor shall mail a Claims Package to each known Claimant based on the books and records of Walter Canada, as well as to each party on the Service List for which contact details are known.

Summary of Proposed Claims Process		
Event	Indicative Dates / Deadline	Description of Activities
	Process Order is granted)	<ul style="list-style-type: none"> The Monitor shall also mail a Claims Package to relevant governmental agencies, counterparties to contracts with Walter Canada as well as to any Claimant which requests a Claims Package subsequent to the Claims Procedure launch date.
Claims Bar Date	October 5, 2016 5:00 pm Vancouver time or 20 business days after date of Notice of Disclaimer or Resiliation for Restructuring Claims	<ul style="list-style-type: none"> The deadline by which the Monitor is to receive completed Proof of Claim forms for all affected Claims other than Restructuring Claims and Employee Claims. The deadline to serve material for the UMWA 1974 Pension Plan Claim. Restructuring Claims Bar Date is the later of the Claims Bar Date and 5:00 pm (Vancouver time) on the day that is twenty business days after the date of the applicable Notice of Disclaimer or Resiliation or such other dates as may be ordered by the Court. Any Employee who disputes the Employee Claim must file a Notice of Dispute of Employee Claim with the Monitor on or before the Claims Bar Date. All Claims in respect of which a Proof of Claim has not been submitted to the Monitor by the Claims Bar Date or the Restructuring Claims Bar Date shall be deemed to be disallowed (a “Barred Claim”), unless otherwise agreed to by the Monitor, in consultation with Walter Canada, or by Court order. The Monitor is not required to send a Notice of Revision or Disallowance in respect of any such Barred Claims.
Conclusion of Claim Adjudication Period	November 7, 2016 (i.e. 33 days after the Claims Bar Date)	<ul style="list-style-type: none"> The Monitor, in consultation with Walter Canada, shall review all Proofs of Claim received on or before the Claims Bar Date or Restructuring Bar Date and either accept, revise or disallow each Pre-Commencement Claim, Restructuring Claim or Employee Claim, as applicable. The Monitor shall send a Notice of Revision or Disallowance by November 7, 2016 or thirty business days after the Restructuring Bar Date, as applicable, to any Claimant whose Claim is revised or disallowed by the Monitor. The Claim of any Claimant to whom the Monitor does not send a Notice of Revision or Disallowance (other than in respect of Barred Claims) shall be an

Summary of Proposed Claims Process		
Event	Indicative Dates / Deadline	Description of Activities
		<p>Allowed Claim for voting and/or distribution purposes.</p> <ul style="list-style-type: none"> The Monitor may request additional information to support the Claims and/or request that a Claimant file a revised Proof of Claim.
Notice of Dispute Submission Deadline	Later of December 6, 2016 and 20 business days after the date of the applicable Notice of Revision or Disallowance	<ul style="list-style-type: none"> Claimants who were sent a Notice of Revision or Disallowance and who wish to dispute the Monitor's determination must do so as soon as reasonably possible, but no later than the later of December 6, 2016 or 20 business days (by 5:00 p.m. Vancouver time on such date) after the date of the applicable Notice of Revision or Disallowance. Any Claimant who fails to deliver a Notice of Dispute by the applicable deadline shall have its Claim deemed to be an Allowed Claim as set out in the Notice of Revision or Disallowance.
Claim Dispute Process	Motion to be brought before Court by later of January 9, 2016 and 20 business days after Notice of Dispute delivery	<ul style="list-style-type: none"> The Monitor, in consultation with Walter Canada, may attempt to consensually resolve any disputed Claim which, if consensually resolved, shall be an Allowed Claim. If a disputed Claim cannot be resolved consensually, the Monitor may refer disputed Claims to the Court for resolution.
Currency of Claims		<ul style="list-style-type: none"> Claimants required to specify on its Proof of Claim the currency of its Claim if in other than Canadian Dollars. Where no currency is indicated, the Claim shall be presumed to be in Canadian Dollars. The Monitor shall subsequently calculate the amount of any such Claims in Canadian Dollars using the Reuters closing rate on December 7, 2015.

47. With a view to minimizing the number of Notices of Dispute of Employee Claim which may potentially be filed with the Monitor, Walter Canada and the Monitor, with their respective counsel, have engaged with USW and its counsel to review Walter Canada's calculations in respect of the Employee Claims of those current and former Walter Canada Employees who are represented by USW pursuant to a collective agreement (the "**USW Employee Claimants**"). The purpose of these discussions is to seek to obtain USW's

agreement as to the quantum of the Employee Claims of the USW Employee Claimants which shall be set out in the Employee Claim Amount Notices as it is expected that if these amounts are supported by the USW then USW may be agreeable to communicating this to the USW Employee Claimants. Such support from USW may result in fewer Employee Claim disputes. As at the date of this report, these discussions are ongoing.

48. As described above, the Claims Process provides that the 1974 Pension Plan is not required to file a Proof of Claim but is instead authorized, but not directed, to serve materials by the Claims Bar Date seeking to prove its Claim. The reason for this direct process to a resolution by this Honourable Court is that an extensive amount of work has been done by Walter Canada and the Monitor to evaluate the claim of the 1974 Pension Plan and to come to a determination as to whether it would be allowed in a claims process. Counsel for the 1974 Pension Plan has provided a significant amount of information regarding the claim in response to requests from Walter Canada and the Monitor. Counsel to Walter Canada and Canadian and U.S. counsel to the Monitor have reviewed the documentation and information provided and have concluded that the claim of the 1974 Pension Plan is unenforceable in Canada. Counsel to the 1974 Pension Plan disputes this conclusion. Accordingly, it will be necessary for the Court to resolve the matter should the 1974 Pension Plan choose to file a motion prior to the Claims Bar Date.

Monitor's Comments on the Proposed Claims Process

49. The Monitor is of the view that the Claims Process provides reasonable timelines within which Claimants may file and prove their Claims against Walter Canada as well as for the Claim review and dispute resolution processes to be carried out by the Monitor and ultimately, by this Honourable Court in the event that claims cannot be resolved.
50. The Monitor is supportive of Walter Canada's efforts to work with the USW to review Employee Claims in order to promote efficiency in dealing with this group of creditors.

ACTUAL RECEIPTS AND DISBURSEMENTS COMPARED TO FORECAST

51. Walter Canada's actual cash receipts and disbursements for the seven-week period ended July 30, 2016 (the "Reporting Period"), as compared with the Previous Cash Flow Forecast, are summarized in the following table:

Walter Energy Canada Holdings, Inc. et al			
Summary of Actual versus Forecast Cash Flow			
For the Seven-Week Period Ended July 30, 2016			
Prepared on a Consolidated Basis			
Unaudited (CAD \$000)	Actual	Forecast	Variance
Cash Inflow			
Other Receipts	73	25	48
Total Cash Inflow	73	25	48
Cash Outflow - Operating Disbursements			
Payroll	(214)	(225)	11
Payroll Taxes	(104)	(120)	16
Benefits	(72)	(126)	54
Insurance	(272)	(400)	128
Operating Leases and Storage Facilities	(7)	(10)	3
Property Taxes	(1,334)	(715)	(619)
Utilities	(48)	(102)	54
Fuel	(52)	(60)	8
Maintenance and Supplies	(88)	(132)	44
Environmental Monitoring and Consulting	(132)	(230)	98
Tenure/Lease Payments	(60)	(54)	(6)
Professional Fees	(150)	(60)	(90)
Information Technology	(60)	(82)	22
Total Cash Outflows - Operating Disbursements	(2,593)	(2,316)	(277)
Cash Outflow - Non-Operating Disbursements			
Restructuring Advisor Fees	(990)	(1,827)	837
Bank Fees	(5)	(640)	635
Total Cash Outflows - Non-Operating Disbursements	(995)	(2,467)	1,472
Net Cash Flow	(3,515)	(4,758)	1,243
Cash, beginning of period (June 12, 2016)	20,867	20,867	-
Effect of Foreign Exchange translation	72	-	72
Cash, end of period (July 30, 2016)	17,424	16,109	1,315
Note 1: Readers are cautioned to read the "Report Restrictions and Scope Limitations" section of this report.			

52. The following is a summary of the \$1.2 million aggregate net favourable cash flow variance during the Reporting Period with explanations of the more significant variances:
- a) The Other Receipts favourable variance of \$48,000 resulted from funds received in regards to demurrage charges from coal shipments made in previous years, as well as refunds received from contributions made to the Medical Services Plan of British Columbia in previous years. Neither of these receipts had been previously forecast and therefore represent a permanent variance;
 - b) The \$128,000 favourable variance for insurance was primarily the result of the actual costs for renewal of Walter Canada's environmental insurance policy being lower than anticipated as the insurer was only willing to extend the policy for one year instead of the expected two year renewal period.
 - c) The \$619,000 unfavourable variance in 2016 Property Taxes was a timing difference arising from Walter Canada's decision to pay certain property taxes relating to mine-specific properties earlier than had been contemplated in the Previous Cash Flow Forecast. The remaining balance of property taxes owing is approximately \$1.3 million, plus any applicable late payment penalties and interest given that these amounts were due for payment on July 4, 2016, the future payment of which is discussed subsequently in the context of the Updated CCAA Cash Flow Forecast;
 - d) Environmental Monitoring and Consulting had a favourable variance to forecast of \$98,000 as a result of timing differences due to some significant work projects being delayed at the various mine sites;
 - e) Walter Canada experienced an unfavourable variance of \$90,000 with respect to Professional Fees incurred in the normal course of operations due to payment of invoices during the Reporting Period which had not been fully provided for in the Previous Cash Flow Forecast;
 - f) Management expects that the \$837,000 favourable variance for Restructuring Advisor Fees was primarily attributable to timing differences and that this difference will reverse as certain professional fee invoices are received; and

- g) Further to discussion in the Third Report, Walter Canada has still not paid any of the disputed quarterly fees associated with the Letters of Credit during 2016 year to date, with a resulting \$635,000 favorable variance for Bank Fees during the Reporting Period. The only Bank Fee disbursement during the Reporting Period related to fees to maintain Walter Canada's account network at BNS. Walter Canada has begun negotiations in attempts to reduce the fees associated with the Letters of Credit and, as such, it is uncertain whether the \$640,000, or some portion thereof, may become payable at a later date. Accordingly, the full amount of this potential disbursement is provided for in the Updated CCAA Cash Flow Forecast.

Intercompany Charges

53. Further to a discussion in the Third Report, three Walter Canada entities provided a total of \$1.5 million (\$500,000 each) during the Reporting Period to a fourth Walter Canada entity to fund its operating requirements (together, the "**Recent Intercompany Advances**"). Attached hereto as Schedule "C" is an updated summary of total intercompany advances to date, including the Recent Intercompany Advances, and the resulting Intercompany Charges. The Promissory Grid Notes which document the terms and amounts of the various intercompany advances have been updated to reflect the Recent Intercompany Advances.

UPDATED CCAA CASH FLOW FORECAST

54. The Updated CCAA Cash Flow Forecast has been prepared by Walter Canada, with the assistance of the Monitor, on a consolidated basis for the 26-week period ending January 28, 2017 (the "**Updated Cash Flow Period**") to correspond with the Extended Stay Period, and reflects certain updated assumptions of Management based on developments to date during the course of these CCAA Proceedings. A copy of the Updated CCAA Cash Flow Forecast is attached hereto as Schedule "D" and is summarized in the table below:

Walter Energy Canada Holdings, Inc. et al Summary of the Updated CCAA Cash Flow Forecast For the 26-week Period from July 31, 2016 to January 28, 2017 Prepared on a Consolidated Basis Unaudited (CAD \$000)	
Cash Inflow	
Sale Proceeds- Deposit	-
Sale Proceeds- balance of purchase price	-
Other Receipts	150
Total Cash Inflow	150
Cash Outflow - Operating Disbursements	
Payroll	(300)
Payroll Taxes	(160)
Benefits	(80)
Operating Leases and Storage Facilities	(20)
Property Taxes	(785)
Utilities	(90)
Fuel	-
Maintenance and Supplies	(410)
Environmental Monitoring and Consulting	(495)
Tenure/Lease Payments	(140)
Professional Fees	(280)
Information Technology	(60)
Total Cash Outflows - Operating Disbursements	(2,820)
Cash Outflow - Non-Operating Disbursements	
Restructuring Advisor Fees	(5,066)
KERP / Success Fees	-
Bank Fees	(990)
Total Cash Outflows - Non-Operating Disbursements	(6,056)
Net Cash Flow	(8,726)
Cash, beginning of period (July 31, 2016)	17,424
Cash, end of period (January 28, 2017)	8,698
Note 1: Readers are cautioned to read the "Report Restrictions and Scope Limitations" section of this report.	

55. An aggregate net cash outflow of \$8.7 million has been forecast during the Updated Cash Flow Period, which Walter Canada expects to fund from its current cash resources on hand. At the end of the Updated Cash Flow Period, Walter Canada expects to have \$8.7 million of combined cash resources remaining plus any additional funds received from the Proposed Transaction;
- a) The significant components of the forecast \$8.7 million net cash outflow during the Updated Cash Flow Period are as follows:
 - i. Amounts relating to receipt of a deposit from the Purchaser have not been presented in forecast receipts to preserve confidentiality. The deposit becomes payable to Walter Canada upon its acceptance of the Successful Bid, and is subject to the terms of the APA;
 - ii. For the same reason of confidentiality, receipt of the balance of the purchase price (net of the funded amount of the deposit) payable to Walter Canada upon closing of the Proposed Transaction has not been presented;
 - iii. Anticipated Other Receipts relate to interest expected to be received on a monthly basis in respect of Walter Canada's operating cash balances which are held at BNS;
 - iv. Labour costs in respect of Walter Canada's 19 full-time employees, certain part-time employees and one director during the Updated Cash Flow Period are expected to consist of Payroll costs of \$300,000, Payroll Taxes of \$160,000 and Employee Benefit costs of \$80,000, for total employee related costs of \$540,000;
 - v. Further to the earlier discussion of the variance for Property Taxes during the Reporting Period, payment of 50% of the outstanding 2016 property taxes which were due on July 4, 2016, plus estimated late payment penalties and interest, has been forecast in the amount of \$785,000;

- vi. Management forecasts Walter Canada's other ongoing costs to maintain operations in their current idled state will total \$1.0 million during the Updated Cash Flow Period, consisting of Utilities, Maintenance and Supplies, and Environmental Monitoring and Consulting costs forecast at \$90,000, \$410,000 and \$495,000, respectively. Higher maintenance and environmental related costs are expected due to ongoing site works that are underway, as subsequently discussed;
- vii. Tenure and Lease payments of \$140,000 have been forecast during the Updated Cash Flow period in respect of the costs to maintain Walter Canada's fifty percent interest in the Belcourt Saxon joint venture and certain tenures;
- viii. Professional fees incurred in the normal course of business operations outside of specific costs associated with Walter Canada's restructuring are forecast at \$280,000;
- ix. Forecast Information Technology costs in the amount of \$60,000 pertain to costs associated with maintaining network connections, software licensing fees and data room costs required in conjunction with the SISP process;
- x. Total Restructuring Advisor fees of \$5.1 million have been forecast for fees associated with services anticipated to be provided by Walter Canada's counsel in Canada and the UK, the Monitor and its counsel in Canada and the US, the CRO and the Financial Advisor. Certain restructuring professional fee invoices which had not been paid as at July 30, 2016 are included in the Updated CCAA Cash Flow Forecast;
- xi. KERP and Success Fee payments are expected to be required to become payable to a Walter Canada employee, the CRO and the Financial Advisor upon closing of the Proposed Transaction but have not been provided for in the Updated CCAA Cash Flow Forecast for reasons of confidentiality both in respect of the KERP, the terms and payment amount of which are confidential pursuant to a sealing order pronounced by this Honourable Court on January 5, 2016, and the aggregate consideration set out in the Successful Bid;

- xii. Forecast Bank Fees in the amount of \$990,000 relate to disputed fees associated with Walter Canada's Letters of Credit, including \$640,000 of such fees which have not been paid for the period from January 1 to June 30, 2016 (as described earlier in the discussion of the Bank Fees variance during the Reporting Period) as well as costs to maintain Walter Canada's operating bank accounts at BNS. The fees are estimated at \$320,000 per quarter and, given that such fees have historically been billed to Walter Canada in arrears, the Updated CCAA Cash Flow Forecast assumes that only the fees for the period from January 1 to September 30, 2016 may become payable during the Updated Cash Flow Period. As noted above, Walter Canada is in negotiations regarding the amount of these fees; and
 - xiii. Gross sale proceeds resulting from the Surplus Equipment sale of US\$465,000 are currently held by the Monitor. The funds held by the Monitor have been included in the cash balances set out in the Updated CCAA Cash Flow Forecast.
- b) The Updated CCAA Cash Flow Forecast indicates that Walter Canada has the necessary liquidity to fund its expected cash requirements to the end of the Updated Cash Flow Period.

OTHER MATTERS

Communications with 1974 Pension Plan

56. As discussed in further detail in the Third Report, the CRO and the Monitor provided, on a without prejudice basis, a summary of the LOIs submitted in Phase I of the SISP as well as updates in respect of the status of the SISP to counsel for the 1974 Pension Plan after it had executed an NDA. Walter Canada engaged in further correspondence with counsel to the 1974 Pension Plan following Phase II of the SISP and provided a summary of the Bids submitted in Phase II and a copy of the liquidation proposal summary to counsel for the 1974 Pension Plan.

57. Various discussions and communications have taken place among counsel for the 1974 Pension Plan, Walter Canada and the Monitor concerning any 1974 Pension Plan claim, the SISP and the Liquidation RFP Process. The Monitor and its counsel have scheduled a meeting to take place prior to the August 15th hearing date with counsel to the 1974 Pension Plan to respond to certain of their questions and additional information requests concerning the Successful Bid and the Liquidation Proposals.

Proposed Enhanced Monitor Powers

58. Upon closing of the Proposed Transaction, all of Walter Canada's current employees will be employed by the Purchaser, with the result that Walter Canada will no longer have the accounting and other required personnel resources with which to deal with banking and other accounting and administrative matters, including the preparation of various required tax filings for some or all of the Walter Canada entities.
59. To deal with this, Walter Canada and the Purchaser have agreed pursuant to the terms of the APA to enter into a transition services agreement such that Walter Canada and the Monitor will be provided access to certain of the employees who are to be transferred to the Purchaser at no cost as well as to those books and records of Walter Canada which will be transferred to the Purchaser.
60. In addition, Walter Canada is requesting that this Honourable Court grant certain additional powers to the Monitor in respect of collecting all monies on behalf of Walter Canada as well as taking control of the bank accounts of any or all of the Walter Canada entities and/or opening new accounts in the Monitor's name into which to receive funds on behalf of Walter Canada (collectively, the "**Enhanced Monitor Powers**").
61. The Monitor agrees that the Enhanced Monitor Powers are reasonable in the circumstances in order to safeguard Walter Canada's cash resources for the benefit of all of its economic stakeholders until such time as they may be distributed pursuant to a Plan of Arrangement or alternative distribution mechanism.

Severe Rain Event in Northeastern B.C.

62. As discussed in the Third Report, a significant rain event occurred in the area of the Walter Canada mines on June 15 and 16, 2016, which damaged a rail loop and rail cars and also washed out certain mine site access roads. Repairs were performed to a section of the rail loop by CN Rail and Walter Canada is working to arrange an inspection of the repairs. Additionally, Walter Canada is continuing to work with its insurers to assess the damage to certain access and to understand if it has any insurable repairs.

Environmental Matters

63. As noted in the Third Report, Walter Canada was in the process of engaging a construction contractor to complete repairs to the Biochemical Reactor Treatment System. A contractor has been engaged and work is currently expected to be completed before the end of August 2016.

Court Approval of Amendment to Financial Advisor Engagement Letter

64. Walter Canada's amendment to the FA Engagement Letter and the rationale for doing so were discussed in the Third Report. As part of its August 2016 Application, Walter Canada is seeking this Honourable Court's approval of the FA Engagement Letter amendment, as discussed in the Aziz Affidavit. The Monitor understands that the spirit and intent of the FA Engagement Letter as originally drafted was that Walter Canada would commence paying a monthly work fee to the Financial Advisor at the time that Walter Energy U.S.' Chapter 11 Cases were wound up and, notwithstanding that this wind-up did not occur in the manner originally contemplated, the Monitor is of the view that it is fair and reasonable that the Financial Advisor should be paid this monthly work fee commencing as at April 1, 2016. No other amendments were made to the FA Engagement Letter that would impact the economics of the arrangement which were summarized in the First Report. Accordingly, the Monitor recommends that this Honourable Court grant the relief sought by Walter Canada in respect of the FA Engagement Letter.

Insurance

65. Further to the information provided in the Third Report, Walter Canada, with the assistance of the Monitor, continued to work with Marsh Canada after the date of the Third Report and completed the purchase of several insurance policies, including renewing the existing environmental coverage which had been previously arranged by Walter Energy U.S., as well as renewing certain existing liability and other insurance policies.

Walter UK

66. Walter UK's updated cash flow forecast indicates that it continues to have sufficient liquidity to meet its obligations in the near term while it continues to operate in care and maintenance. The Monitor will discuss with Walter Canada available options for Walter UK and assist in developing an appropriate action plan in due course.

THE MONITOR'S OBSERVATIONS AND RECOMMENDATIONS

67. In the Monitor's opinion, Walter Canada is continuing to act in good faith and with due diligence in an effort to further its restructuring objectives.
68. For the reasons set out in paragraph 29 (the Monitor's Observations) herein, and with the information presented to this Honourable Court in the Confidential Report, the Monitor is of the view that approval of the Proposed Transaction is in the best interests of Walter Canada's stakeholders compared to other offers or a liquidation.
69. Walter Canada continues to have liquidity to the end of the Extended Stay Period, as presented in the Updated CCAA Cash Flow Forecast.

70. Based on the foregoing discussion in this report, the Monitor recommends to this Honourable Court that it grant the following relief which is being sought by Walter Canada:

- a) Approval of the Proposed Transaction and ancillary relief in respect of closing matters as set out in the Aziz Affidavit;
- b) The sealing of the Confidential Report and the Confidential Aziz Affidavit;
- c) Approval of the Claims Process;
- d) Approval of the amendment to the FA Engagement Letter;
- e) Approval of the Enhanced Monitor Powers; and
- f) The Stay Extension to January 17, 2017.

All of which is respectfully submitted this 11th day of August, 2016.

**KPMG INC., in its sole capacity as
Monitor of Walter Energy Canada Holdings, Inc. et al**



Per: Philip J. Reynolds
Senior Vice President



Per: Anthony Tillman
Senior Vice President

Schedule “A”

List of Petitioners, Partnerships and Affiliates

Petitioners

Walter Canadian Coal ULC
Wolverine Coal ULC
Brule Coal ULC
Cambrian Energybuild Holdings ULC
Willow Creek Coal ULC
Pine Valley Coal, Ltd.
0541237 BC, Ltd.

Partnerships

Walter Canadian Coal Partnership
Wolverine Coal Partnership
Brule Coal Partnership
Willow Creek Coal Partnership

Corporate Affiliates

Belcourt Saxon Coal Ltd.
Belcourt Saxon Coal Limited Partnership

Schedule “B”

Claims Process Order

IN THE SUPREME COURT OF BRITISH COLUMBIA

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, c. C-36, AS AMENDED

AND

IN THE MATTER OF THE *BUSINESS CORPORATIONS ACT*,
S.B.C. 2002, c. 57, AS AMENDED

AND

IN THE MATTER OF THE PLAN OF COMPROMISE AND ARRANGEMENT
OF WALTER ENERGY CANADA HOLDINGS, INC., AND THE OTHER PETITIONERS
LISTED ON SCHEDULE "A" TO THE INITIAL ORDER

PETITIONERS

**ORDER MADE AFTER APPLICATION
(CLAIMS PROCESS ORDER)**

BEFORE THE HONOURABLE)
MADAM JUSTICE FITZPATRICK) MONDAY, THE 15TH DAY OF AUGUST,
2016

THE APPLICATION of the Petitioners coming on for hearing at Vancouver, British Columbia, on ●, 2016; AND ON HEARING Mary I.A. Buttery, Marc S. Wasserman and Patrick Riesterer, counsel for the Petitioners and the Partnerships listed on Schedule "A" and Schedule "C" of the Initial Order (collectively, the "**Walter Canada Group**"), Peter Reardon, counsel for KPMG Inc. and those other counsel listed on Schedule "A" hereto; AND UPON READING the material filed, including the Third Affidavit of William E. Aziz sworn ●, 2016 and the Fourth Report of the Monitor dated ●, 2016;

THIS COURT ORDERS AND DECLARES THAT:

DEFINITIONS AND INTERPRETATION

1. All capitalised terms not otherwise defined in this Claims Process Order shall have the definitions set out in Schedule "B" hereto.
2. All references herein to time shall mean local time in Vancouver, British Columbia, Canada, and any reference to an event occurring on a Business Day shall mean prior to 5:00 p.m. on such Business Day unless otherwise indicated herein and any event that occurs on a day that is not a Business Day shall be deemed to occur on the next Business Day.
3. All references to the word "including" shall mean "including, without limitation."

4. All references to the singular herein include the plural, the plural include the singular and any gender includes all genders.

GENERAL PROVISIONS

5. The Claims Process, including the Claims Bar Date and the Restructuring Claims Bar Date is hereby approved.

6. The Monitor, in consultation with the Walter Canada Group, is hereby authorised to use reasonable discretion as to the adequacy of compliance with respect to the manner in which forms delivered hereunder are completed and executed and the time in which they are submitted and may, where it is satisfied that a Claim has been adequately proven, waive strict compliance with the requirements of this Claims Process Order, including in respect of the completion, execution and time of delivery of such forms, and may request any further documentation from a Claimant that the Monitor, in consultation with the Walter Canada Group, may determine is necessary or desirable in order to enable it to determine the validity of a Claim.

7. If any Claim arose in a currency other than Canadian dollars, then the Person making the Claim shall complete its Proof of Claim, indicating the amount of the Claim in such currency, rather than in Canadian dollars or any other currency. Where no currency is indicated, the Claim shall be presumed to be in Canadian dollars. The Monitor shall subsequently calculate the amount of such Claim in Canadian Dollars, using the Reuters closing rate on the Commencement Date (as found at <http://www.reuters.com/finance/currencies>).

8. Copies of all forms delivered by or to a Claimant hereunder, as applicable, and determinations of Claims by the Monitor or the Court, as the case may be, shall be maintained by the Monitor and, subject to further order of the Court, such Claimant will be entitled to have access in relation to their respective Claim by appointment during normal business hours on written request to the Monitor.

MONITOR'S ROLE

9. The Monitor, in addition to its prescribed rights, duties, responsibilities and obligations under the CCAA, the Initial Order and any other Orders of the Court in the CCAA Proceeding, is hereby directed and empowered to implement the Claims Process set out herein, including the determination of Claims of Claimants and the referral of any Claim to the Court and to take such other actions and fulfill such other roles as are authorized by this Claims Process Order or incidental thereto.

10. The Monitor shall: (i) have all of the protections given to it by the CCAA, the Initial Order, any other Orders of the Court in the CCAA Proceeding, and this Claims Process Order, and as an officer of the Court, including the stay of proceedings in its favour; (ii) incur no liability or obligation as a result of the carrying out of the provisions of this Claims Process Order; (iii) be entitled to rely on the books and records of the Walter Canada Group and any information provided by the Walter Canada Group and the CRO (as defined

herein), all without independent investigation; and (iv) not be liable for any claims or damages resulting from any errors or omissions in such books, records or information.

11. Consultation with the Court-appointed Chief Restructuring Officer of the Walter Canada Group, William E. Aziz of BlueTree Advisors Inc. (the “**CRO**”), shall satisfy any obligation of the Monitor in this Claims Process Order to consult with the Walter Canada Group.

12. The Monitor shall file a report with the Court on or before the Claims Bar Date (and serve such report on the Service List) detailing the nature and quantum of any Intercompany Claims based on the books and records of the Walter Canada Group.

13. The Monitor, exercising its reasonable judgement may schedule a motion with the Court to seek approval of a process for the resolution of any dispute in connection with the Intercompany Claims and any other disputes of Claimants and related motions, including a process regarding requests for the production of documents or any oral examinations.

NOTICE OF CLAIMS

14. Forthwith after this Claims Process Order, and in any event within seven (7) Business Days following the date of this Claims Process Order, the Monitor shall cause a Claims Package to be sent to:

- (a) Each known Claimant with a Claim as evidenced in the books and records of the Walter Canada Group as of the Commencement Date in accordance with paragraph **39** of this Claims Process Order; and
- (b) Each party having provided contact information to the Service List.

15. The Claims Package sent by the Monitor to each Employee Claimant shall include (i) a Notice of Employee Claim that sets out the amount of such Employee Claimant's Employee Claim as determined by the Monitor (in consultation with the Walter Canada Group) and as evidenced by the books and records of the Walter Canada Group and the identity of the Walter Canada Group entity liable for such Employee Claim and (ii) a blank Notice of Dispute of Employee Claim. Where an Employee Claimant is represented by the United Steelworkers, a copy of the Notice of Employee Claim will be provided to the United Steelworkers.

16. Forthwith after this Claims Process Order, and in any event within ten (10) Business Days following the date of this Claims Process Order, the Monitor shall cause the Newspaper Notice to be published for one (1) Business Day in the Globe and Mail (National Edition), the Vancouver Sun, the Chetwynd Echo and the Tumbler Ridge News.

17. Forthwith after the date of this Claims Process Order and in any event within five (5) Business Days following the date of this Claims Process Order, the Monitor shall post on the Monitor's Website a copy of

this Claims Process Order, a blank Proof of Claim form, the Instruction Letter and a blank Notice of Dispute form.

18. To the extent that any Claimant requests documents relating to the Claims Process prior to the Claims Bar Date or the Restructuring Claims Bar Date, as applicable, or the Monitor becomes aware of any further Claimants, the Monitor shall forthwith cause a Claims Package to be sent to the Claimant, direct the Claimant to the documents posted on the Monitor's Website, and otherwise respond to the request relating to the Claims Process as may be appropriate in the circumstances.

19. Subject to further order of the Court, any Notice of Disclaimer or Resiliation issued by a member of the Walter Canada Group must be issued by such Walter Canada Group entity at least fifteen (15) days prior to a scheduled Meeting Date, if any, or any adjournment thereof. Any Notice of Disclaimer or Resiliation delivered to a Person after the date of this Claims Process Order shall be accompanied by a Claims Package.

NOTICE SUFFICIENT

20. The forms of Instruction Letter, Employee Claim Amount Notice, Proof of Claim, Notice of Dispute of Employee Claim, Notice of Revision or Disallowance, Notice of Dispute and Newspaper Notice substantially in the forms attached to this Claims Process Order as Schedules "C", "D", "E", "F", "G", "H" and "I", respectively, are hereby approved. Schedule "J", Walter Canada Claims Process Key Dates, is also approved. Despite the forgoing, the Monitor, in consultation with the Walter Canada Group, may, from time to time, make minor changes to such forms as the Monitor, in consultation with the Walter Canada Group, may consider necessary or desirable and may make such changes to the key dates as are permitted pursuant to the terms hereof.

21. Publication of the Newspaper Notice, the mailing to the known Claimants of a Claims Package in accordance with this Claims Process Order, the mailing to Employee Claimants of the Employee Claim Amount Notices and completion of the other requirements of this Claims Process Order shall constitute good and sufficient service and delivery of notice of this Claims Process Order, the Claims Bar Date and the Restructuring Claims Bar Date on all Persons who may be entitled to receive notice and who may wish to assert a Claim, and no other notice or service need be given or made and no other document or material need be sent to or served upon any Person in respect of this Claims Process Order.

FILING PROOFS OF CLAIM FOR CLAIMS OTHER THAN RESTRUCTURING CLAIMS

22. Subject to paragraphs 24 and 27 hereof, any Claimant who wishes to assert a Claim (other than a Restructuring Claim) against any of the members of the Walter Canada Group and/or any Director and/or Officer shall file a Proof of Claim with the Monitor in the manner set out in paragraph 40 hereof so that the Proof of Claim is received by the Monitor by no later than the Claims Bar Date.

23. Subject to paragraphs **24** and **27** hereof, any Person who does not file a Proof of Claim as provided for in paragraph **22** hereof so that such Proof of Claim is received by the Monitor on or before the Claims Bar Date, or such later date as the Monitor, in consultation with the Walter Canada Group, may agree in writing or the Court may otherwise direct, shall:

- (a) be and is hereby forever barred, estopped and enjoined from asserting or enforcing any Claim against any of the Walter Canada Group entities and/or any of the Directors and/or Officers and all such Claims shall forever be extinguished;
- (b) not be permitted to vote on any Plan on account of such Claim;
- (c) not be permitted to participate in any distribution under the Plan, from the proceeds of any sale of the Walter Canada Group's assets or otherwise on account of such Claim(s); and
- (d) not be entitled to receive further notice in respect of the Claims Process, these CCAA Proceedings or the Meeting Dates.

24. Notwithstanding paragraphs **22** and **23** hereof, any Employee Claimant who receives an Employee Claim Amount Notice and who does not dispute the Employee Claim as set forth in the Employee Claim Amount Notice is not required to file a Proof of Claim by the Claims Bar Date. If an Employee Claimant who receives an Employee Claim Amount Notice does not file a Notice of Dispute of Employee Claim by the Claims Bar Date, then the Employee Claim as set out in such Employee Claimant's Employee Claim Amount Notice shall be such Employee's Allowed Claim for voting and distribution purposes. For the purposes of their Employee Claim, if the Monitor determines, in its discretion, that the Claims Process would be furthered thereby, all unionized Employees who have not yet been terminated as of the date of this Order shall be deemed to have been terminated as of the date of this Order solely for the purpose of calculating the value of their Employee Claim; provided, however, that nothing in this Order affects the rights of those unionized employees under their collective agreement or the operation of s. 35 of the *Labour Relations Code*.

25. Any Employee Claimant who receives an Employee Claim Amount Notice and wishes to dispute the amount set out therein shall file a Notice of Dispute of Employee Claim with the Monitor in the manner set out in paragraph **40** hereof so that the Notice of Dispute of Employee Claim is received by the Monitor by no later than the Claims Bar Date.

26. Notwithstanding anything contained in this Claims Process Order, Unaffected Claims shall not be extinguished or affected by this Claims Process Order and, for greater certainty, paragraph **23** shall not apply to the Unaffected Claims.

FILING PROOFS OF CLAIM FOR RESTRUCTURING CLAIMS

27. Notwithstanding paragraphs **22** and **23** hereof, any Claimant who wishes to assert a Restructuring Claim against any member of the Walter Canada Group and/or any Director and/or Officer shall file a Proof of Claim with the Monitor in the manner set out in paragraph **40** hereof so that the Proof of Claim is received by the Monitor no later than the Restructuring Claims Bar Date. All other dates contained herein (other than the Claims Bar Date), shall apply equally to any Restructuring Claims.

28. Any Person that does not file a Proof of Claim in respect of a Restructuring Claim as provided for in paragraph **27** hereof, so that the Proof of Claim is received by the Monitor on or before the Restructuring Claims Bar Date, or such later date as the Monitor, in consultation with the Walter Canada Group, may agree in writing or the Court may otherwise direct, shall:

- (a) be and is hereby forever barred, estopped and enjoined from asserting or enforcing any Restructuring Claim against any of the Walter Canada Group entities and/or any of the Directors and/or Officers and all such Restructuring Claims shall be forever extinguished;
- (b) not be permitted to vote on the Plan on account of such Restructuring Claim(s);
- (c) not be permitted to participate in any distribution under any Plan, from the proceeds of any sale of the Walter Canada Group's assets or otherwise on account of such Restructuring Claim(s); and,
- (d) not be entitled to receive further notice in respect of the Claims Process, these CCAA Proceedings or the Meeting Dates (unless such Person is also a Claimant with a Claim other than such Restructuring Claim entitling such Person to further notice in these proceedings).

UMWA 1974 PENSION PLAN CLAIMS

29. Notwithstanding anything to the contrary in this Claims Process Order, with respect to UMWA 1974 Pension Plan Claims: (i) the UMWA 1974 Pension Plan is authorized, but not directed, to serve, on or before the Claims Bar Date, materials seeking to prove that its Claim is enforceable by service on the Walter Canada Group, the Monitor and the Service List in these proceedings; (ii) following any such service and following the Claims Bar Date: (A) the Monitor shall seek a scheduling appointment before the Court, on notice to the Service List, to seek a schedule for the delivery of materials and the hearing of a motion to determine the validity and quantum, if any, of such UMWA 1974 Pension Plan Claims as set out in such materials; or (B) the Monitor, the Walter Canada Group and the UMWA 1974 Pension Plan shall collectively agree on a schedule for the delivery of materials and the hearing of a motion to determine the validity and quantum, if any, of such UMWA 1974 Pension Plan Claims as set out in such materials; and (iii) the UMWA 1974 Pension Plan Claim shall not be accepted or determined as Allowed Claims pursuant to this Claims Process without approval of this Court.

30. If the UMWA 1974 Pension Plan does not serve materials seeking to prove that its Claim is enforceable on or before the Claims Bar Date, paragraph **23** hereof shall apply and the UMWA 1974 Pension Plan Claim shall be forever barred.

ADJUDICATION OF CLAIMS

31. The Monitor shall provide the Walter Canada Group's counsel with copies of all Proofs of Claim, Employee Claim Amount Notices, Notices of Dispute of Employee Claims, Notices of Dispute and any other materials delivered by or filed with the Monitor pursuant to the Claims Process. The Monitor shall grant the Walter Canada Group and its legal counsel access to a database to be created by the Monitor, which includes, among other things:

- (a) a regularly updated claims register;
- (b) electronic copies of all Proofs of Claim filed with the Monitor;
- (c) electronic copies of all Employee Claim Amount Notices delivered by the Monitor;
- (d) electronic copies of all Notices of Dispute of Employee Claims filed with the Monitor;
- (e) electronic copies of all Notices of Revision or Disallowance issued by the Monitor; and,
- (f) electronic copies of all Notices of Dispute filed with the Monitor.

32. The Monitor, in consultation with the Walter Canada Group, shall review all Proofs of Claim, Notices of Dispute of Employee Claim and other Claims Process materials received on or before the Claims Bar Date or the Restructuring Claims Bar Date, as applicable, and shall accept, revise or disallow each Pre-Commencement Claim, Restructuring Claim or Employee Claim, as applicable, as set out therein. If the Monitor, in consultation with the Walter Canada Group, wishes to revise or disallow a Pre-Commencement Claim, a Restructuring Claim or an Employee Claim, the Monitor shall, by no later than November 7, 2016 or thirty (30) Business Days after the Restructuring Claims Bar Date, as applicable, send such Claimant a Notice of Revision or Disallowance advising that the Claimant's Claim as set out in its Proof of Claim has been revised or disallowed and the reasons therefore. Where an Employee Claimant is represented by the United Steelworkers, a copy of the Notice of Revision or Disallowance will be provided to the United Steelworkers. If the Monitor does not send a Notice of Revision or Disallowance to a Claimant by such date or such other date as may be determined by the Monitor, in consultation with the Walter Canada Group, and on notice to the Claimant, the Claim set out in the applicable Proof of Claim shall be an Allowed Claim for voting and/or distribution purposes. Unless otherwise agreed to by the Monitor, in consultation with the Walter Canada Group, or ordered by the Court, all Claims set out in Proofs of Claim that are filed after the Claims Bar Date or the Restructuring Claims Bar Date, as applicable, are deemed to be disallowed and the Monitor need not deliver a Notice of Revision or Disallowance in respect of such Claim.

33. Any Claimant who is sent a Notice of Revision or Disallowance pursuant to paragraph **32** hereof and wishes to dispute such Notice of Revision or Disallowance shall deliver a completed Notice of Dispute to the Monitor by no later than 5:00 p.m. on the later of December 6, 2016 or the day which is twenty (20) Business Days after the date of the applicable Notice of Revision or Disallowance or such other date as may be agreed to by the Monitor. If a Claimant fails to deliver a Notice of Dispute by such date, the Claim set out in the applicable Notice of Revision or Disallowance, if any, shall be deemed to be an Allowed Claim for voting and/or distribution purposes. Where an Employee Claimant is represented by the United Steelworkers, a Notice of Dispute may be filed by the United Steelworkers and may represent the employee in the resolution of the disputed Claim.

34. Upon receipt of a Notice of Dispute, the Monitor, in consultation with the Walter Canada Group, may attempt to consensually resolve the disputed Claim.

35. If the Monitor, in consultation with the Walter Canada Group, and the Claimant consensually resolve the disputed Claim, such Claim (as resolved) shall be an Allowed Claim.

36. If the disputed Claim cannot be consensually resolved the disputing party may bring a motion on a de novo basis before the Court in these proceedings to resolve the disputed Claim by the later of January 9, 2016 and the day that is twenty (20) Business Days after the date of delivery of a Notice of Dispute, or such time as may be extended by agreement between the Claimant and the Monitor.

37. Notwithstanding any other provision of this Order, the Monitor may refer any Claim to the Court for adjudication by sending written notice to the Claimant at any time, including, for greater certainty, in lieu of sending a Notice of Revision or Disallowance to any Claimant.

NOTICE OF TRANSFEREES

38. Subject to the terms of the order fixing a Meetings Date and the Plan if, after the Commencement Date, the holder of a Claim transfers or assigns the whole of such Claim to another Person, neither the Monitor nor the Walter Canada Group shall be obligated to give notice or otherwise deal with the transferee or assignee of such Claim in respect thereof unless and until actual written notice of such transfer or assignment, together with satisfactory evidence of such transfer or assignment shall have been received and acknowledged by the relevant member of the Walter Canada Group and the Monitor in writing and the Monitor has acknowledged such transfer through written notice to the transferor and thereafter such transferee or assignee shall for the purposes hereof constitute the "Claimant" in respect of such Claim. Any such transferee or assignee of a Claim shall be bound by any notices given or steps taken in respect of such Claim in accordance with the Claims Process prior to the receipt and acknowledgement by the relevant member of the Walter Canada Group and the Monitor of the delivery of satisfactory evidence of such transfer or assignment. A transferee or assignee of a Claim takes the Claim subject to any rights of set-off to which a member of the Walter Canada Group may be entitled with respect to such Claim. For greater certainty, a transferee or assignee of a Claim is not entitled to set-off, apply, merge, consolidate or combine

any Claims assigned or transferred to it against or on account or in reduction of any amounts owing by such Person to any of the Walter Canada Group entities. Reference to a transfer in this Claims Process Order includes a transfer or assignment whether absolute or intended as security.

SERVICES AND NOTICES

39. The Monitor may, unless otherwise specified by this Claims Process Order, serve and deliver the Claims Package, any Notices of Revision or Disallowance, any letters, notices or other documents to a Claimant or any other interested Person by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery, or electronic transmission to such Persons at their respective addresses or contact information as last shown on the records of the Walter Canada Group entities or set out in such Claimant's Proof of Claim. Any such service and delivery shall be deemed to have been received:

- (a) If sent by ordinary mail, on the third Business Day after mailing within British Columbia, the fifth Business Day after mailing within Canada (other than British Columbia) and the seventh Business Day after mailing outside of Canada;
- (b) If sent by courier or personal delivery, on the next Business Day following dispatch;
- (c) If delivered by electronic transmission, by 5:00 p.m. on a Business Day on such Business Day and if delivered after 5:00 p.m. or other than a Business Day, on the following Business Day.

40. Any Proofs of Claim, Notice of Dispute of Employee Claim, Notice of Dispute or other notice or communication to be provided or delivered by a Claimant to the Monitor under this Claims Process Order, shall be in writing in substantially the form, if any, provided for in this Claims Process Order and will be sufficiently given only if delivered by prepaid registered mail, courier, personal delivery, or email addressed to:

KPMG Inc.
Court-appointed Monitor of Walter Energy Canada Holdings, Inc., *et al*
777 Dunsmuir St
Vancouver, BC V7Y 1K3

Attention: Mark Kemp-Gee/Mike Clark
Email: mkempgee@kpmg.ca, maclark@kpmg.ca
Phone: 604-691-3397; 604-691-3468

Any such notice or communication delivered by a Claimant shall be deemed to be received upon actual receipt thereof by the Monitor before 5:00 p.m. (Vancouver Time) on a Business Day or, if delivered after 5:00 p.m. (Vancouver Time), on the next Business Day.

41. If during any period which notice or other communications are being given pursuant to this Claims Process Order, a postal strike or postage work stoppage of general application should occur, such notice or other communications sent by ordinary mail and then not received shall not, absent further Order of this

Court, be effective, and notices and other communications given hereunder during the course of any such postage strike or work stoppage of general application shall only be effective if given by courier, personal delivery, email or posting on the Monitor's Website.

42. In the event this Claims Process Order is later amended by further Order of the Court, the Monitor may post such further Order on the Monitor's Website and serve such further Order on the Service List, and such posting and service shall constitute adequate notice to Claimants of such amended claims procedure.

MISCELLANEOUS

43. Notwithstanding any other provisions of this Claims Process Order, the solicitation by the Monitor of Proofs of Claim, and the filing by any Claimant of any Proof of Claim shall not, for that reason only, grant any Person standing in these CCAA Proceedings or rights under any proposed Plan.

44. Nothing in this Claims Process Order shall constitute or be deemed to constitute an allocation or assignment of Claims or Unaffected Claims by the Walter Canada Group into particular affected or unaffected classes for the purpose of a Plan.

45. Nothing in this Order shall prejudice the rights and remedies of any Directors, Officers, the Chief Restructuring Officer or other Persons under the Directors' Charge, any other Charge or any applicable insurance policy or prevent or bar any Person from seeking recourse against or payment from the Walter Canada Group's insurance and any Director's or Officer's liability insurance policy or policies that exist to protect or indemnify the Directors, Officers, or other Persons, whether such recourse or payment is sought directly by the Person asserting a Claim or a Directors/Officers Claim from the insurer or derivatively through the Director, Officer or any other Person, including any member of the Walter Canada Group; provided, however, that nothing in this Order shall create any rights in favour of such Person under any policies of insurance nor shall anything in this Order limit, remove, modify or alter any defence to such claim available to the insurer pursuant to the provisions of any insurance policy or at law; and further provided that any Claim or Directors/Officers Claim or portion thereof for which the Person receives payment directly from, or confirmation that she is covered by, the Walter Canada Group's insurance or any Director's or Officer's liability insurance or other liability insurance policy or policies that exist to protect or indemnify the Directors, Officers or other Persons shall not be recoverable as against the Walter Canada Group or a Director, Officer, or other Person, as applicable.

46. The Claims Bar Date and the Restructuring Claims Bar Date, and the amount and status of every Allowed Claim, as determined under the Claims Process, including any determination as to the nature, amount, value, priority or validity of any Claim, including any secured claim, shall continue in full force and effect and be final for all purposes (except as expressly stated in any Notice of Disallowance or Revision or settlement or order of the Court), including in respect of any Plan and voting thereon (unless provided for otherwise in any Order of Court), and, including for any distribution made to Claimants of any of the Walter

Canada Group entities, whether in these CCAA Proceedings or in any of the proceedings authorised by this Court or permitted by statute, including a receivership proceeding or bankruptcy affecting any member of the Walter Canada Group.

47. In carrying out the terms of this Claims Process Order and aiding the Monitor in accordance with the terms of this Claims Process Order, the CRO shall:

- (a) be entitled to rely on all of the protections granted to it in the SISP Order;
- (b) be entitled to rely on the books and records of the Walter Canada Group entities and any information provided by the Walter Canada Group entities, all without independent investigations; and
- (c) shall not be liable for any claims or damages resulting from any errors or omissions in such books, records or information.

48. Notwithstanding the terms of this Claims Process Order, the Walter Canada Group and the Monitor may apply to this Court from time to time for advice and directions from this Court with respect to this Claims Process Order, including the Claims Process and the schedules to this Claims Process Order, or for such further Order or Orders as either of them may consider necessary or desirable to amend, supplement or replace this Order, including any schedule to this Order.

APPROVAL

49. Endorsement of this Order by counsel appearing on this application is hereby dispensed with.

THIS COURT REQUESTS the aid, recognition and assistance of other Canadian and foreign Courts, tribunal, regulatory or administrative bodies, including any Court or administrative tribunal of any Federal or State Court or administrative body in the United States of America, to act in aid of and be complementary to this Court in carrying out the terms of this Claims Process Order where required. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to:

- (a) make such orders and to provide such assistance to the Walter Canada Group and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Claims Process Order;
- (b) grant representative status to any of the Walter Canada Group entities and the Monitor to act on behalf of any or all of the Walter Canada Group entities in any foreign proceeding; and,
- (c) assist the Walter Canada Group, the Monitor and the respective agents of each of the forgoing in carrying out the terms of this Claims Process Order.

In addition, each of the Walter Canada Group entities and the Monitor shall be at liberty, and is hereby authorized and empowered, to make such further applications, motions or proceedings to or before such other courts and judicial regulatory and administrative bodies, and take such other steps, in Canada, the United States of America or elsewhere, as may be necessary or advisable to give effect to this Claims Process Order and any other Order granted by this Court.

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:

Lawyers for the Petitioners

DLA Piper (Canada) LLP
(Mary I.A. Buttery and Tijana Gavric)

and

Osler, Hoskin & Harcourt LLP
(Marc Wasserman and Patrick Riesterer)

BY THE COURT

REGISTRAR

Schedule "A"

Counsel Name	Party Represented
Mary I.A. Buttery Marc Wasserman Patrick Riesterer	The Petitioners
Peter Reardon Wael Rostom (by phone)	The Monitor, KPMG Inc.

Schedule “B”
Definitions

“**Allowed Claim**” means the amount, status and/or validity of the Claim of a Claimant finally determined in accordance with the Claims Process, which shall be final and binding for voting and/or distribution purposes under the Plan or otherwise. A Claim will be “finally determined” and become an Allowed Claim in accordance with the Claims Process if:

- i. An Employee Claimant was sent an Employee Claim Amount Notice by the Monitor and the Employee Claimant does not file a Notice of Dispute of Employee Claim by the Claims Bar Date;
- ii. A Claimant filed a Proof of Claim by the Claims Bar Date or the Restructuring Claims Bar Date, as applicable, and the Monitor has not sent a Notice of Revision or Disallowance by the deadline set out in paragraph **32** of the Claims Process Order;
- iii. The Monitor has sent the Claimant a Notice of Revision or Disallowance in accordance with the Claims Process and the Claimant has not sent a Notice of Dispute in response by the deadline set out in paragraph **33** of the Claims Process Order;
- iv. The Claimant sent a Notice of Dispute by the deadline set out in paragraph **33** and the Monitor and the Claimant have consensually resolved the disputed Claim; or
- v. The Court has made a determination with respect to the Claim and no appeal or application for appeal therefrom has been taken or served on either party, or if any appeal(s) or applications for leave to appeal or further appeal have been taken therefrom or served on either party, any (and all) such appeal(s) or application(s) have been dismissed, determined or withdrawn;

“**Business Day**” means any day, other than a Saturday, Sunday or holiday, on which banks in Vancouver, British Columbia are generally open for business;

“**CCAA**” means the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended;

“**CCAA Charge**” means any of the charges granted by the Court in the CCAA Proceedings pursuant to the Initial Order, the SISP Order and any further Orders of the Court;

“**CCAA Proceedings**” means the CCAA proceedings commenced by the Walter Canada Group, being Supreme Court of British Columbia Action No. S-1510120, on the Commencement Date pursuant to the Initial Order;

“**Claim**” means (i) any Pre-Commencement Claim, (ii) any Restructuring Claim; (iii) any Employee Claim (iv) any Intercompany Claim or (v) any Directors/Officers Claim;

“**Claims Bar Date**” means October 5, 2016 at 5:00 p.m. (Vancouver Time) or such other date as may be ordered by the Court;

“**Claims Package**” means the document package which includes a copy of (i) this Claims Process Order; (ii) the Instruction Letter, (iii) a blank Proof of Claim, and (v) such other materials as the Monitor, in consultation with the Walter Canada Group, considers necessary or appropriate;

“**Claims Process**” means the call for claims to be administered by the Monitor, in consultation with the Walter Canada Group, pursuant to the terms of this Claims Process Order;

"Claims Process Order" means this Order establishing a claims process;

"Commencement Date" means December 7, 2015;

"Court" means the Supreme Court of British Columbia;

"Claimant" means any Person asserting a Claim, whether such Person is located in Canada, the United States or elsewhere, and includes, without limitation, the transferee or assignee of a transferred Claim that is recognised in accordance with paragraph **38** hereof, or a trustee, liquidator, receiver, manager or other Person acting on behalf of such Person;

"CRO" has the meaning attributed to it in paragraph **11** of the Claims Process Order;

"Director" means any Person who is or was, or may be deemed to be or have been, whether by statute, operation of law or otherwise, a director of any one or more members of the Walter Canada Group;

"Directors/Officers Claim" means any right or claim of any Person against one or more of the Directors and/or Officers that relates to a Pre-Commencement Claim or a Restructuring Claim, however arising, for which the Directors and/or Officers are by statute or otherwise by law liable to pay in their capacity as Directors and/or Officers;

"Dispute Package" means, with respect to any Claim, a copy of the related Proof of Claim, Notice of Revision or Disallowance and Notice of Dispute;

"Employees" means all employees of the Walter Canada Group as at the Commencement Date (including inactive employee of a Walter Canada Group entity as of the Commencement Date and including any employees of the Wolverine mine who were terminated after the Commencement Date due to the expiration of any recall or other rights under the applicable collective bargaining agreement), and "Employee" means any one of them. For the avoidance of doubt, Employee does not include individuals whose employment was terminated for any reason, without regard to any period of notice, prior to the Commencement Date;

"Employee Claim" means a Claim held by an Employee against a Walter Canada Group entity in respect of Wages and Benefits and, for greater certainty, does not include any other Claim of an Employee;

"Employee Claimant" means an Employee with an Employee Claim;

"Employee Claim Amount Notice" means a form of notice in which the Monitor may include in an Employee's Claims Package setting out the Monitor's determination of such Claimant Employee's Claim, which shall be in substantially the form set out in **Schedule "D"**;

"Financial Advisor" means PJT Partners LP as financial advisor to the Walter Canada Group;

"Initial Order" means the Order of this Honourable Court granted on December 7, 2015 in these CCAA Proceedings, as amended;

"Instruction Letter" means the letter regarding completion of a Proof of Claim, which letter shall be substantially in the form attached hereto as **Schedule "C"**;

"Intercompany Claim" means: (i) any Claim of a member of the Walter Canada Group against another member of the Walter Canada Group or of any wholly owned, direct or indirect non-Walter Canada Group subsidiary of a member of the Walter Canada Group against a Walter Canada Group entity and (ii) any

Claim by Walter Energy, Inc. or any of its non-Canadian affiliates against the Walter Canada Group (including for greater certainty any amount secured by one of the Charges);

“**Lien**” means any valid and enforceable mortgage, charge, pledge, assignment by way of security, lien, hypothec, security interest, deemed trust or other encumbrance granted or arising pursuant to a written agreement or statute or otherwise created by law;

“**Meeting Date**” means the date set for the meeting of the Walter Canada Group’s Claimants, to be set by further Order of the Court;

“**Monitor**” means KPMG Inc., in its capacity as Court-appointed Monitor pursuant to the Initial Order;

“**Monitor’s Website**” means the Monitor’s website located at <http://www.kpmg.com/ca/walterenergycanada>;

“**Newspaper Notice**” means the notice of Claims Process to be published in the newspapers listed in paragraph 16 of this Claims Process Order, calling for any and all Claims of Claimants against the Walter Canada Group in substantially the form attached hereto as **Schedule “I”**;

“**Notice of Disclaimer or Resiliation**” means a written notice in any form issued on or after the Commencement Date by a member of the Walter Canada Group, with the prior consent of the Monitor, advising a Person of the restructuring, disclaimer, resiliation, termination or breach of any contract, employment agreement, lease or other agreement or arrangement of any nature whatsoever, whether written or oral, and whether such restructuring, disclaimer, resiliation, termination or breach took place or takes place before or after the date of this Claims Process Order;

“**Notice of Dispute**” means the notice that may be delivered by a Claimant who has received a Notice of Revision or Disallowance disputing such Notice of Revision or Disallowance, which notice shall be in substantially the form attached hereto as **Schedule “H”**;

“**Notice of Dispute of Employee Claim**” means the notice that may be delivered by an Employee Claimant who has received an Employee Claim Amount Notice and disputes the amount of the Employee Claim set out therein, which notice shall be in substantially the form attached hereto as **Schedule “E”**;

“**Notice of Revision or Disallowance**” means the notice that may be delivered by the Monitor to a Claimant advising that the Monitor has revised or disallowed in whole or in part such Claimant’s Claim as set out in its Proof of Claim, which notice shall be substantially in the form attached hereto as **Schedule “G”**;

“**Officer**” means any Person who was, or may be deemed to be or have been, whether by statute, operation of law or otherwise, an officer of any one or more members of the Walter Canada Group;

“**Person**” means any individual, firm, partnership, joint venture, venture capital fund, association, trust, trustee, executor, administrator, legal personal representative, estate, group, body corporate (including a limited liability company and an unlimited liability company), corporation, unincorporated association or organisation, governmental authority, syndicate or other entity, whether or not having legal status;

“**Plan**” means any plan of compromise or arrangement of the Walter Canada Group pursuant to the CCAA, or any scheme of distribution by a trustee in bankruptcy of the Walter Canada Group under the *Bankruptcy and Insolvency Act*.

“Pre-Commencement Claim” means any right or claim of any Person that may be asserted or made in whole or in part against the Walter Canada Group (or any of them), whether or not asserted or made, in connection with any indebtedness, liability or obligation of any kind whatsoever and any interest accrued thereon or costs payable in respect thereof, in existence on, or which is based on, an agreement, event, fact, act or omission or other matter which occurred, was entered into or relates in whole or in part prior to the Commencement Date, at law or in equity by reason of the commission of a tort (intentional or unintentional), any breach of contract or other agreement (oral or written), any breach of duty (including without limitation, any legal, statutory, equitable or fiduciary duty), any right of ownership or title to property or assets, any other claim on property or assets (including a royalty right or intellectual property right), or right to a trust or deemed trust (statutory, express, implied, resulting, constructive or otherwise) or for any reason whatsoever against any members of the Walter Canada Group or any of their property or assets, any whether or not any indebtedness, liability or obligation is reduced to judgment, liquidated, un-liquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, present, future, known or unknown, by guarantee, surety or otherwise and whether or not any right or claim is executive or anticipatory in nature including any right or ability of any Person to advance a claim for contribution or indemnity or otherwise with respect to any matter, action, cause or chose in action whether existing at present or commenced in the future, together with any rights or claims not referred to above that are or would be claims provable in the bankruptcy had the Walter Canada Group (or any of them) become bankrupt on the Commencement Date and, for greater certainty, includes any Tax Claim; provided, however, that “Pre-Commencement Claim” shall not include an Employee Claim or an Unaffected Claim;

“Proof of Claim” means the form to be completed and filed by a Claimant setting forth its proposed Claim, which shall be substantially in the form attached hereto as **Schedule “E”**;

“Restructuring Claim” means any right or claim of any Person against the Walter Canada Group (or any of them) in connection with any indebtedness, liability or obligation of any kind whatsoever owed by the Walter Canada Group (or any of them) to such Person arising out of the restructuring, disclaimer, resiliation, termination or breach on or after the Commencement Date of any contract, employment agreement, lease or other agreement or arrangement, whether written or oral, and whether such restructuring, disclaimer, resiliation, termination or breach took place or takes place before or after the date of this Claims Process Order; provided, however, that “Restructuring Claim” shall not include an Employee Claim, an UMWA 1974 Pension Plan Claim or an Unaffected Claim;

“Restructuring Claims Bar Date” means the later of (i) the Claims Bar Date; and (ii) 5:00 p.m. (Vancouver Time) on the day that is twenty (20) Business Days after the date of the applicable Notice of Disclaimer or Resiliation or such other date as may be ordered by the Court;

“SISP Order” means the Order of this Honourable Court granted on January 5, 2016 in these CCAA Proceedings approving, among other things, a sale and investment solicitation process with respect to the Walter Canada Group’s assets.

“Tax” or **“Taxes”** means any and all taxes, duties, fees, premiums, assessments, imposts, levies and other charges of any kind whatsoever, including all interest, penalties, fines, additions to tax or other additional amounts in respect thereof, and including those levied on, or measured by, or referred to as, income, gross receipts, profits, capital, transfer, land transfer, sales, goods and services, harmonized sales, use, value-added, excise, stamp, withholding, business, franchising, property, development, occupancy, employer health, payroll, employment, health, social services, education and social security taxes, all surtaxes, all customs duties and import and export taxes, countervail and anti-dumping, all licence, franchise and registration fees and all employment insurance, health insurance and Canada, Quebec and other government pension plan premiums or contributions.

“Tax Claim” means any Claim against the Walter Canada Group (or any of them) for any Taxes in respect of any taxation year or period ending on or prior to the Commencement Date, and in any case where a taxation year or period commences on or prior to the Commencement Date, for any Taxes in respect of or attributable to the portion of that taxation period commencing prior to the Commencement Date and up to and including the Commencement Date. For greater certainty, a Tax Claim shall include, without limitation, any and all Claims of any Taxing Authority in respect of transfer pricing adjustments and any Canadian or non-resident Tax related thereto;

“Taxing Authorities” means Her Majesty the Queen, Her Majesty the Queen in right of Canada, Her Majesty the Queen in right of any province or territory of Canada, the Canada Revenue Agency, any similar revenue or taxing authority of each and every province or territory of Canada and any political subdivision thereof, the Internal Revenue Service and any similar revenue or taxing authority of the federal or state governments of the United States of America and any Canadian or foreign governmental authority and **“Taxing Authority”** means any one of the Taxing Authorities;

“UMWA 1974 Pension Plan Claim” means any claim alleged by or on behalf of the United Mine Workers of America 1974 Pension Plan and Trust against any member of the Walter Canada Group;

“United Steelworkers” means the United Steelworkers, Local 1-424;

“Unaffected Claim” means, subject to further Order of this Court,

- i. Any right or claim of any Person that may be asserted or made in whole or in part against the Walter Canada Group (or any of them) in connection with any indebtedness, liability or obligation of any kind which arose in respect of obligations first incurred on or after the Commencement Date (other than Restructuring Claims and Directors/Officers Claims) and any interest thereon, including any obligation of the Walter Canada Group toward Claimants who have supplied or shall supply services, utilities, goods or materials or who have or shall have advanced funds to the Walter Canada Group on or after the Commencement Date, but only to the extent of their claims in respect of the supply of such services, utilities, goods, materials or funds on or after the Commencement Date;
- ii. Any claim of any bank in respect of the Cash Management System as described in the Initial Order;
- iii. Any claim secured by any CCAA Charge;
- iv. Any Intercompany Claim;
- v. That portion of the Claim arising from a cause of action for which the Walter Canada Group entities are covered by insurance, but only to the extent of such coverage;
- vi. Any claim referred to in sections 6(3), 6(5) and 6(6) of the CCAA;
- vii. Any claims with respect to reasonable fees and disbursements of the CRO, the Financial Advisor, counsel of the Walter Canada Group and the Monitor or any Assistant (as defined in paragraph 4 of the Initial Order);

“Wages and Benefits” means all outstanding wages, salaries, benefits (including, but not limited to, medical, dental, disability, life insurance, post-retirement and pension benefits and any other similar benefits, plans or arrangements, employee assistance programs, and any contributions in respect of such benefits, plans, arrangements or programs) vacation pay, holiday pay, overtime pay, expense reimbursements, commissions, bonuses and other incentive compensation, payments under employment agreements or arrangements, collective bargaining agreements, stock options, profit sharing or other equity compensation, pay in lieu of notice, severance pay and termination pay, any amounts payable under the

Employment Standards Act, any monies payable under the *Labour Relations Code* or due to order of the Labour Relations Board, in all cases whether owing under common law, contract, statute or otherwise.

Schedule "C"

FORM OF INSTRUCTION LETTER

INSTRUCTION LETTER

FOR THE CLAIMS PROCESS FOR THE CLAIMANTS OF WALTER ENERGY CANADA HOLDINGS, INC. AND THE PETITIONERS AND PARTNERSHIPS LISTED ON SCHEDULE "A" AND SCHEDULE "C", RESPECTIVELY, OF THE INITIAL ORDER (collectively, the "Walter Canada Group")

1. Claims Procedure

By order of the Supreme Court of British Columbia (the "Court") dated ●, 2016 (as may be amended, restated or supplemented from time to time, (the "Claims Process Order"), in the proceeding commenced by Walter Energy Canada Holdings, Inc. and the other Petitioners listed on Schedule "A" to the Initial Order under the *Companies' Creditors Arrangement Act*, R.S.C. 1985 c. C-36, as amended (the "CCA"), KPMG Inc., in its capacity as the Court-appointed Monitor of the Walter Canada Group (the "Monitor"), has been authorised to conduct a claims process with respect to claims against the Walter Canada Group entities (the "Claims Process"). A copy of the Claims Process, with all schedules, may be found on the Monitor's Website at: <http://www.kpmg.com/ca/walterenergycanada>. Capitalised terms used in this letter which are not defined in this letter shall have the meaning ascribed to them in the Claims Process Order.

This letter provides instructions for completing the Proof of Claim. A blank Proof of Claim is included with this letter.

The Claims Process is intended for any Person asserting a Claim (other than an Unaffected Claim) of any kind or nature whatsoever against any of the Walter Canada Group entities and/or any of their Directors and/or Officers arising before the Commencement Date, and/or any Restructuring Claim arising on or after the Commencement Date as a result of a restructuring, disclaimer, resiliation, termination or breach by any of the Walter Canada Group entities on or after the Commencement Date of any contract, employment agreement, lease or other agreement or arrangement of any nature whatsoever, whether written or oral, and whether such restructuring, disclaimer, resiliation, termination or breach took place or takes place before or after the date of Claims Process Order.

Current employees are **not** required to submit a Proof of Claim in respect of any Employee Claim pertaining to wages, including vacation pay and banked time due to them.

In the event that you are an Employee Claimant, a notice setting out the amount which the Monitor has determined to be the amount of your Employee Claim (an "Employee Claim Amount Notice") is enclosed with this letter, and if you do not dispute the nature or amount of such Employee Claim as set out in the Employee Claim Amount Notice, you are not required to file a Proof of Claim, a Notice of Dispute of Employee Claim or any other materials with the Monitor unless you are requested to do so. If an Employee Claim Amount Notice is enclosed and you dispute the nature or amount of your Employee Claim as set out in the Employee Claim Amount Notice, you must file a Notice of Dispute of Employee Claim (as referenced in paragraph 2 below) to avoid the barring and extinguishment of that portion of your Employee Claim that exceeds the amount set out in the Employee Claim Amount Notice. Any Employee Claimant who receives an Employee Claim Amount Notice and who does not file a Notice of Dispute of Employee Claim by the Claims Bar Date in accordance with paragraph 2 below is deemed to have accepted the nature and amount of such Employee Claim as set out in the applicable Employee Claim Amount Notice.

If an Employee Claim Amount Notice is not enclosed with this letter and you wish to file a Claim, you must file a Proof of Claim (as referenced in paragraph 2 below) to avoid the barring and extinguishment of any Claim which you may have against any of the Walter Canada Group entities and/or any of their Directors and/or Officers.

If you have any questions regarding the Claims Process, please contact the Court-appointed Monitor at the address below.

All enquiries with respect of the Claims Process should be addressed to:

KPMG Inc.
Court-appointed Monitor of Walter Energy Canada Holdings, Inc., *et al.*
777 Dunsmuir St
Vancouver, BC V7Y 1K4

Attention: Mark Kemp-Gee/Mike Clark
Email: mkempgee@kpmg.ca, maclark@kpmg.ca
Phone: 604-691-3397; 604-691-3468

2. For Claimants Submitting a Proof of Claim or Notice of Dispute of Employee Claim

If you have not received an Employee Claim Amount Notice you are required to file a Proof of Claim, in the form enclosed herewith, and **ensure that it is received by the Monitor by 5:00 p.m. (Vancouver Time) on October 5, 2016** (the “**Claims Bar Date**”) to avoid the barring and extinguishment of any Claim (other than a Restructuring Claim) that you may have against any of the Walter Canada Group entities and/or any of their Directors and/or Officers.

To avoid the barring and extinguishment of any Restructuring Claim you may have against any of the Walter Canada Group entities and/or any of their Directors and/or Officers, you are required to file a Proof of Claim, in the form enclosed herewith, and ensure **that it is received by the Monitor by the later of: (a) the Claims Bar Date; and (b) 5:00 p.m. (Vancouver Time) on the day which is twenty (20) Business Days after the date of the Notice of Disclaimer or Resiliation** sent to you (the “**Restructuring Claims Bar Date**”).

If you have received an Employee Claim Amount Notice and you dispute the nature or amount of the Employee Claim as set out in such Employee Claim Amount Notice, you are required to file a Notice of Dispute of Employee Claim, in the form enclosed herewith, and ensure that it is received by the Monitor by the Claims Bar Date or such further date as stipulated by the Monitor.

For the avoidance of doubt, any Claim or Restructuring Claim you may have against the Walter Canada Group must be filed in accordance with the procedures set forth herein. Proofs of Claim filed solely with the United States Bankruptcy Court, Northern District of Alabama in Walter Energy, Inc.’s Chapter 11 proceedings, are invalid, and failure to file an additional Proof of Claim with the Monitor pursuant to these procedures will lead to the consequences detailed below. Please note, however, that if you received an Employee Claim Amount Notice with this letter and you fail to file an additional Proof of Claim with the Monitor pursuant to these procedures, your Employee Claim shall be deemed to be the amount set forth in the Employee Claim Amount Notice.

Additional Proof of Claim forms can be found on the Monitor’s website at <http://www.kpmg.com/ca/walterenergycanada> or obtained by contacting the Monitor at the address indicated above and providing particulars as to your name, address, facsimile number and email address. Once the Monitor has this information, you will receive, as soon as practicable, additional Proof of Claim forms.

If you are submitting your Proof of Claim electronically, please submit it in PDF form and ensure that the name of the file is **[legal name of Claimant]poc.pdf**. If you submit your claim electronically and you do **not** receive an email confirming receipt of your Proof of Claim within one (1) business day of submitting the Proof of Claim, your Proof of Claim has **not** been successfully received by the Monitor and you should submit your Proof of Claim using an alternate method.

UNLESS YOU ARE THE HOLDER OF AN EMPLOYEE CLAIM FOR WHICH YOU HAVE RECEIVED AN EMPLOYEE CLAIM AMOUNT NOTICE THAT YOU DO NOT DISPUTE, IF A PROOF OF CLAIM IN RESPECT OF YOUR CLAIM IS NOT RECEIVED BY THE MONITOR BY THE CLAIMS BAR DATE OR THE RESTRUCTURING CLAIMS BAR DATE, AS APPLICABLE:

- A. YOUR CLAIM SHALL BE FOREVER BARRED AND EXTINGUISHED AND YOU WILL BE PROHIBITED FROM MAKING OR ENFORCING ANY CLAIM AGAINST ANY MEMBER OF THE WALTER CANADA GROUP AND/OR ANY OF THEIR DIRECTORS AND/OR OFFICERS;
- B. YOU SHALL NOT BE PERMITTED TO VOTE ON THE PLAN OR ENTITLED TO ANY FURTHER NOTICE OR DISTRIBUTION UNDER THE PLAN, IF ANY;
- C. YOU SHALL NOT BE ENTITLED TO ANY PROCEEDS OF SALE OF ANY MEMBER OF THE WALTER CANADA GROUP'S ASSETS; AND,
- D. YOU SHALL NOT BE ENTITLED TO PARTICIPATE AS A CLAIMANT IN THE CCAA PROCEEDINGS OF ANY MEMBER OF THE WALTER CANADA GROUP.

Schedule "D"

FORM OF EMPLOYEE CLAIM AMOUNT NOTICE

**EMPLOYEE CLAIM AMOUNT NOTICE
OF WALTER ENERGY CANADA HOLDINGS, INC. AND THE PETITIONERS AND PARTNERSHIPS
LISTED ON SCHEDULE "A" AND SCHEDULE "C", RESPECTIVELY, OF THE INITIAL ORDER
(collectively, the "Walter Canada Group")**

Full Legal Name of Claimant: _____

Pursuant to the order of the Supreme Court of British Columbia dated ●, 2016, and as may be amended restated or supplemented from time to time (the "**Claims Process Order**"), KPMG Inc., in its capacity as the Court-appointed Monitor of the Walter Canada Group, hereby gives you notice that the Walter Canada Group, in consultation with the Monitor, have determined your Employee Claim to be as follows:

	Walter Entity	Unsecured (\$CDN)
Contractual Severance Pay (per [collective bargaining / employment] agreement)		
Group Termination Pay		
Northern Working Allowance		
Section 54 Claim		
Section 54 Claim Mitigation		
Other (specify): _____		
Total Claim		

If you do not agree with this Employee Claim Amount Notice, please take note of the following:

If you intend to dispute this Employee Claim Amount Notice, you must deliver a Notice of Dispute of Employee Claim, in the form attached hereto, by prepaid registered mail, personal delivery, email (in PDF format), or courier to the following address:

KPMG Inc.
Court-appointed Monitor of Walter Energy Canada Holdings, Inc., *et al.*
777 Dunsmuir St
Vancouver, BC V7Y 1K4

Attention: Mark Kemp-Gee/Mike Clark
Email: mkempgee@kpmg.ca, maclark@kpmg.ca
Phone: 604-691-3397; 604-691-3468

so that such Notice of Dispute of Employee Claim is received by the Monitor by 5:00 p.m. (Vancouver time) on October 5, 2016, being the Claims Bar Date, or such other date as may be agreed by the Monitor. The form of Notice of Dispute of Employee Claim is attached to this Notice.

If you do not deliver a Notice of Dispute of Employee Claim by the time specified, the nature and amount of your Employee Claim, shall be as set out in this Employee Claim Amount Notice for voting and/or distribution purposes.

IF YOU FAIL TO TAKE ACTION WITHIN THE PRESCRIBED TIME PERIOD, THIS EMPLOYEE CLAIM AMOUNT NOTICE WILL BE BINDING UPON YOU.

DATED at _____, _____, _____, this _____ day of _____, 2016

KPMG INC.

In its capacity as Court-appointed Monitor
of Walter Energy Canada Holdings, Inc., *et al.* and not in its personal
or corporate capacity

Per: _____

Name: _____

Title: _____

Schedule "E"

FORM OF PROOF OF CLAIM

**PROOF OF CLAIM
AGAINST WALTER ENERGY CANADA HOLDINGS, INC. AND THE PETITIONERS AND
PARTNERSHIPS LISTED ON SCHEDULE "A" AND SCHEDULE "C", RESPECTIVELY, OF THE
INITIAL ORDER (collectively, the "Walter Canada Group")**

Please read the enclosed Instruction Letter carefully prior to completing this Proof of Claim. Defined terms not defined within this Proof of Claim form shall have the meaning ascribed thereto in the Claims Process Order dated ●, 2016, as may be amended, restated or supplemented from time to time.

1. Particulars of Claimant

- a. Please complete the following (Full legal name should be the name of the original Claimant, regardless of whether an assignment of a Claim, or a portion thereof, has occurred prior to or following the Commencement Date) and Full Mailing Address of the Claimant (the Original Claimant, not the Assignee.)

Full Legal Name:	
Full Mailing Address:	
Telephone Number:	
Facsimile Number:	
Email Address:	
Attention (Contact Person):	

- b. Has the Claim been sold, transferred or assigned by the Claimant to another party (an Assignee")

Yes:

No:

2. Particulars of Assignee (if any)

- a. Please complete the following if all or a portion of the Claim has been assigned, insert full legal name of assignee(s) of the Claim. If there is more than one assignee, please attach a separate sheet with the required information:

Full Legal Name of Assignee:	
Full Mailing Address of Assignee:	
Telephone Number of Assignee:	
Facsimile Number of Assignee:	

Email Address of Assignee:	
Attention (Contact Person):	

Proof of Claim

I, _____, (*name of individual Claimant or Representative of corporate Claimant*), of _____ (*City, Province or State*) do hereby certify: that I [___] am a Claimant; OR

that I [_____] am a Claimant; OR

[_____] am _____ (*state position or title*) of _____ (*name of corporate Claimant*) which is a Claimant;

that I have knowledge of all the circumstances connected with the Claim referred to below;

that _____ (*name of applicable Walter Canada Group entity and/or Directors and/or Officers*) was and still is indebted to the Claimant as follows;

CLAIM (other than a Restructuring Claim):

\$ _____ (*insert value of Claim*)

RESTRUCTURING CLAIM

\$ _____ (*insert value of Claim arising after the Commencement Date resulting from the restructuring, disclaimer, resiliation, termination or breach after the Commencement Date of any contract, employment agreement, lease or other agreement or arrangement of any nature whatsoever, whether written or oral*);

that the Claimant's Claim and the Claimant's invoices, statements and/or supporting documents attached are denominated in:

[_____] Canadian Dollars

[_____] U.S. Dollars

[_____] Other _____ (*stipulate other currency referenced*)

A. TOTAL CLAIM(S): \$ _____

Nature of Claim:

(*Check and complete appropriate category*)

[_____] A. UNSECURED CLAIM OF \$ _____. That in respect of this debt, no assets of any of the Walter Canada Group entities are pledged as security.

[_____] B. SECURED CLAIM OF \$ _____. That in respect of this debt, assets of _____ (*insert name of applicable Walter*

Canada Group entity) valued at \$ _____ are pledged to me as security, particulars of which are as follows.

(Give 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 documents.)

Particulars of Claims:

Other than as already set out herein, the particulars of the undersigned's total Claim and/or Restructuring Claim are attached.

(Provide all particulars of the claims and supporting documentation, including amount, description of transaction(s) or agreement(s) giving rise to the claims, name of any guarantor which has guaranteed the claims, and amount of invoices, particulars of all credits, discounts, etc. claimed, description of the security, if any, granted by the Walter Canada Group entities to the Claimant and estimated value of such security. Where a claim is advanced against any Directors or Officers, please provide either a reference to a statutory authority for your claim or enclose a draft Notice of Civil Claim.)

Filing of Claims:

This Proof of Claim **must be received by the Monitor by no later than 5:00 p.m. (Vancouver Time) on October 5, 2016** (the "Claims Bar Date") unless your claim is a Restructuring Claim.

Proofs of Claim for Restructuring Claims arising after the Commencement Date resulting from a restructuring, disclaimer, resiliation, termination or breach after the Commencement Date of any contract, employment agreement, lease or other agreement, or arrangement of any nature whatsoever, whether written or oral, **must be received by the Monitor by the later of (a) the Claims Bar Date, and (b) by 5:00 p.m. (Vancouver Time) on the day which is twenty (20) Business Days after the date of the applicable Notice of Disclaimer or Resiliation** (the "Restructuring Claims Bar Date")

Failure to file your proof of claim as directed by the Claims Bar Date or Restructuring Claims Bar Date, as applicable, will result in your claim being forever barred and extinguished and you will be prohibited from making or enforcing a claim against any of the Walter Canada Group entities and/or any of their Directors and/or Officers.

KPMG Inc.
Court-appointed Monitor of Walter Energy Canada Holdings, Inc., et al.
777 Dunsmuir St
Vancouver, BC V7Y 1K4

Attention: Mark Kemp-Gee/Mike Clark
Email: mkempgee@kpmg.ca, maclark@kpmg.ca
Phone: 604-691-3397; 604-691-3468

DATED this _____ day of _____, 2016.

Witness: _____

Per: _____

Print name of Claimant: _____

If Claimant is not an individual, print name and title of authorised signatory.

Name: _____

Title: _____

Schedule "F"

FORM OF NOTICE OF DISPUTE OF EMPLOYEE CLAIM

**NOTICE OF DISPUTE
OF WALTER ENERGY CANADA HOLDINGS, INC. AND THE PETITIONERS AND PARTNERSHIPS
LISTED ON SCHEDULE "A" AND SCHEDULE "C", RESPECTIVELY, OF THE INITIAL ORDER
(collectively, the "Walter Canada Group")**

Pursuant to the order of the Supreme Court of British Columbia dated ●, 2016, and as may be amended restated or supplemented from time to time (the "**Claims Process Order**"), I/we hereby give you notice of my/our intention to dispute the Notice of Employee Claim Amount bearing Reference Number _____ and dated _____, 2016 issued by KPMG Inc., in its capacity as Monitor of the Walter Canada Group in respect of my/our Claim.

Full Legal Name of Claimant: _____

	Employee Claim Amount per Notice of Employee Claim Amount (\$CDN)	Employee Claim Amount Asserted (\$CDN)
Contractual Severance Pay (per [collective bargaining / employment] agreement)		
Group Termination Pay		
Northern Working Allowance		
Section 54 Claim		
Section 54 Claim Mitigation		
Other (specify): _____		
TOTAL CLAIM		

Reasons for Dispute (attach additional sheet and copies of supporting documentation if necessary):

Signature of Individual:

Date:

(Print name):

Telephone number:

Facsimile number:

Email address:

Mailing Address:

This form and supporting documentation is to be returned by prepaid registered mail, personal delivery, email (in PDF format), or courier to the address indicated herein and is to be received by the Monitor by 5:00 p.m. (Vancouver time) on October 5, 2016 (the Claims Bar Date) or such other date as may be agreed to by the Monitor. If this Notice of Dispute is not received by the Monitor on or before the Claims Bar Date, your Employee Claim will be the amount set out in your Notice of Employee Claim Amount.

Where this Notice of Dispute of Employee Claim is being submitted electronically, please submit one PDF file with the file name as follows: **[legal name of Claimant]**pocdispute.pdf. If you submit your Notice of Dispute electronically and you do **not** receive an email confirming receipt of your Notice of Dispute within one (1) business day of submitting the Notice of Dispute of Employee Claim, your Notice of Dispute of Employee Claim has **not** been successfully received by the Monitor and you should submit your Notice of Dispute of Employee Claim using an alternative method.

Address for service of Notices of Dispute of Employee Claim:

KPMG Inc.
Court-appointed Monitor of Walter Energy Canada Holdings, Inc., *et al.*
777 Dunsmuir St
Vancouver, BC V7Y 1K4

Attention: Mark Kemp-Gee/Mike Clark
Email: mkempgee@kpmg.ca, maclark@kpmg.ca
Phone: 604-691-3397; 604-691-3468

Schedule "G"

FORM OF NOTICE OF REVISION OR DISALLOWANCE

**NOTICE OF REVISION OR DISALLOWANCE
OF WALTER ENERGY CANADA HOLDINGS, INC. AND THE PETITIONERS AND PARTNERSHIPS
LISTED ON SCHEDULE "A" AND SCHEDULE "C", RESPECTIVELY, OF THE INITIAL ORDER
(collectively, the "Walter Canada Group")**

Full Legal Name of Claimant:

Reference Number:

Pursuant to the order of the Supreme Court of British Columbia dated ●, 2016, and as may be amended restated or supplemented from time to time (the "**Claims Process Order**"), KPMG Inc., in its capacity as Monitor of the Walter Canada Group, hereby gives you notice that the Walter Canada Group, in consultation with the Monitor, have reviewed your Proof of Claim and have revised or disallowed your Claim as follows:

	Proof of Claim as Submitted (\$CDN)	Revised Claim as accepted (\$CDN)	Secured (\$CDN)	Unsecured (\$CDN)
Total Claim				

Reason for the Revision or Disallowance

If you do not agree with this Notice of Revision or Disallowance, please take note of the following:

If you intend to dispute a Notice of Revision or Disallowance, you must deliver a Notice of Dispute, in the form attached hereto, by prepaid registered mail, personal delivery, email (in PDF format), or courier to the address indicated herein so that such Notice of Dispute is received by the Monitor by the later of November 7, 2016 and the day that is twenty (20) Business Days after the date of this Notice of Revision or Disallowance, or such other date as may be agreed by the Monitor. The form of Notice of Dispute is attached to this Notice.

Where a Notice of Dispute is being submitted electronically, please submit one PDF file with the file named as follows: **[legal name of Claimant]pocdispute.pdf**.

If you do not deliver a Notice of Dispute by the time specified, the nature and amount of your Claim, if any, shall be as set out in this Notice of Revision or Disallowance for voting and/or distribution purposes.

Address for service of Notices of Dispute:

KPMG Inc.
Court-appointed Monitor of Walter Energy Canada Holdings, Inc., *et al.*
777 Dunsmuir St
Vancouver, BC V7Y 1K4

Attention: Mark Kemp-Gee/Mike Clark
Email: mkempgee@kpmg.ca, maclark@kpmg.ca
Phone: 604-691-3397; 604-691-3468

IF YOU FAIL TO TAKE ACTION WITHIN THE PRESCRIBED TIME PERIOD, THIS NOTICE OF REVISION OR DISALLOWANCE WILL BE BINDING UPON YOU.

DATED at _____, _____, _____, this _____
day of _____, 2016

KPMG INC.

In its capacity as Court-appointed Monitor
of Walter Energy Canada Holdings, Inc. *et al.* and not in its personal or
corporate capacity

Per:

Name:

Title:

Schedule "H"

FORM OF NOTICE OF DISPUTE

**NOTICE OF DISPUTE
OF WALTER ENERGY CANADA HOLDINGS, INC. AND THE PETITIONERS AND PARTNERSHIPS
LISTED ON SCHEDULE "A" AND SCHEDULE "C", RESPECTIVELY, OF THE INITIAL ORDER
(collectively, the "Walter Canada Group")**

Pursuant to the order of the Supreme Court of British Columbia dated ●, 2016, and as may be amended restated or supplemented from time to time (the "**Claims Process Order**"), I/we hereby give you notice of my/our intention to dispute the Notice of Revision or Disallowance bearing Reference Number _____ and dated _____, 2016 issued by KPMG Inc., in its capacity as Monitor of the Walter Canada Group in respect of my/our Claim.

Full Legal Name of Claimant: _____

	Proof of Claim as Submitted (\$CDN)	Revised Claim as accepted (\$CDN)	Secured (\$CDN)	Unsecured (\$CDN)
Total Claim				

Reasons for Dispute (attach additional sheet and copies of supporting documentation if necessary):

Signature of Individual: _____

Date: _____

(Print name): _____

Telephone number: _____

Facsimile number:

Email address:

Mailing Address:

This form and supporting documentation is to be returned by prepaid registered mail, personal delivery, email (in PDF format), or courier to the address indicated herein and is to be received by the Monitor by the later of December 6, 2016 and the day that is twenty (20) Business Days after the date of the Notice of Revision or Disallowance or such other date as may be agreed to by the Monitor.

Where this Notice of Dispute is being submitted electronically, please submit one PDF file with the file name as follows: **[legal name of Claimant]**pocdispute.pdf. If you submit your Notice of Dispute electronically and you do **not** receive an email confirming receipt of your Notice of Dispute within one (1) business day of submitting the Notice of Dispute, your Notice of Dispute has **not** been successfully received by the Monitor and you should submit your Notice of Dispute using an alternative method.

Address for service of Notices of Dispute:

KPMG Inc.
Court-appointed Monitor of Walter Energy Canada Holdings, Inc., *et al.*
777 Dunsmuir St
Vancouver, BC V7Y 1K4

Attention: Mark Kemp-Gee/Mike Clark
Email: mkempgee@kpmg.ca, maclark@kpmg.ca
Phone: 604-691-3397; 604-691-3468

Schedule "I"

FORM OF NEWSPAPER NOTICE

NOTICE TO THE CREDITORS OF WALTER ENERGY CANADA HOLDINGS, INC. AND THE PETITIONERS AND PARTNERSHIPS LISTED ON SCHEDULE "A" AND SCHEDULE "C", RESPECTIVELY, OF THE INITIAL ORDER (collectively, the "Walter Canada Group")

RE: NOTICE OF THE CLAIMS PROCESS FOR THE WALTER CANADA GROUP PURSUANT TO THE COMPANIES' CREDITORS ARRANGEMENT ACT ("CCAA")

This notice is being published pursuant to an order of the Supreme Court of British Columbia dated ●, 2016 (the "**Claims Process Order**") which approved a claims process for the determination of certain claims against the Walter Canada Group and/or their Directors and/or Officers. Any capitalized terms used but not defined herein have the meanings ascribed to them in the Claims Process Order.

The claims procedure only applies to the Claims or Claimants described in the Claims Process Order. A copy of the Claims Process Order and other public information concerning the CCAA proceedings can be obtained on the website of KPMG Inc., the Court-Appointed Monitor of the Walter Canada Group (the "**Monitor**") at <http://www.kpmg.com/ca/walterenergycanada>. Any person who may have a claim against any of the Walter Canada Group entities and/or any of their Directors and/or Officers should carefully review and comply with the Claims Process Order.

Any person having a Claim against any of the Walter Canada Group entities and/or any of their Directors and/or Officers arising or relating to the period prior to December 7, 2015 (the "**Commencement Date**"), which would have been a claim provable in bankruptcy had the Walter Canada Group become bankrupt on the Commencement Date and who does not receive an Employee Claim Amount Notice with their Claims Package, or who receives an Employee Claim Amount Notice with their Claims Packages, but disputes the amount or nature of their Employee Claim as listed in their Employee Claim Amount Notice, must send a Proof of Claim to the Monitor, **to be received by the Monitor by no later than 5:00 p.m. (Vancouver Time) on October 5, 2016** (the "**Claims Bar Date**").

Proofs of Claim for claims arising as a result of a restructuring, disclaimer, resiliation, termination or breach by any of the Walter Canada Group entities on or after the Commencement Date of any contract, employment agreement, lease or other agreement or arrangement of any nature whatsoever, whether written or oral, **must be received by the Monitor by no later than (a) the Claims Bar Date, and (b) 5:00 p.m. (Vancouver Time) on which is twenty (20) Business Days after the date of the notice of disclaimer or resiliation sent by the Monitor to such Claimant.**

For the avoidance of doubt, any claim a Claimant may have against any of the Walter Canada Group entities must be filed in accordance with the procedures set forth in the Claims Process Order. Proofs of Claim filed solely with the United States Bankruptcy Court, Northern District of Alabama in respect of Walter Energy, Inc.'s Chapter 11 proceedings are invalid.

Claimants requiring more information or who have not received a Proof of Claim form or Claims Package should contact the Monitor by phone at ● or email at ● or visit the Monitor's website at <http://www.kpmg.com/ca/walterenergycanada>.

UNLESS EXPRESSLY PROVIDED IN THE CLAIMS PROCESS ORDER, HOLDERS OF CLAIMS THAT DO NOT FILE PROOFS OF CLAIM WITH THE MONITOR BY THE APPLICABLE DEADLINE SPECIFIED ABOVE SHALL NOT BE ENTITLED TO ANY FURTHER NOTICE OR DISTRIBUTION UNDER A PLAN, IF ANY, OR OF ANY PROCEEDS OF SALE OF ANY OF THE WALTER CANADA GROUP'S ASSETS, OR TO PARTICIPATE AS A CLAIMANT IN THE CCAA PROCEEDINGS OF THE WALTER CANADA GROUP, AND SHALL BE PROHIBITED FROM MAKING OR ENFORCING ANY CLAIM AGAINST ANY OF THE WALTER CANADA GROUP ENTITIES AND/OR ANY OF THEIR DIRECTORS AND/OR OFFICERS. ADDITIONALLY, ANY CLAIMS SUCH CLAIMANT MAY HAVE AGAINST ANY OF THE

WALTER CANADA GROUP ENTITIES AND/OR ANY OF THEIR DIRECTORS AND/OR OFFICERS SHALL BE FOREVER BARRED AND EXTINGUISHED.

Schedule "J"

WALTER CANADA CLAIMS PROCESS KEY DATES

Event	Date
Issuance of the Claims Process Order	August 15, 2016
Monitor to post on its Website a copy of the Claims Process Order, a blank Proof of Claim form, the Instruction Letter and a blank Notice of Dispute form.	August 22, 2016
Monitor to send Claims Packages to known Claimants	August 24, 2016
Monitor to have Newspaper Notice published for one Business Day in the Globe and Mail (National Edition), the Vancouver Sun, the Tumbler Ridge News and the Chetwynd Echo	August 29, 2016
Claims Bar Date	October 5, 2016
Filing of the Intercompany Claims Report	October 5, 2016
Deadline for UMWA 1974 Pension Plan to serve materials seeking to prove the enforceability of its Claim	October 5, 2016
Monitor to seek a scheduling appointment before the Court for a hearing of a motion to determine the validity of the UMWA 1974 Pension Plan Claim, if applicable	Following service by UMWA 1974 Pension Plan to prove the enforceability of its Claim
Monitor to send Notices of Revision or Disallowance in respect of Pre-Commencement Claims or Employee Claims	November 7, 2016
Claimants to send Notices of Dispute to the Monitor in respect of Pre-Commencement Claims or Employee Claims	December 6, 2016
Disputing party to bring a motion to the Court to resolve a disputed Claim in respect of Pre-Commencement Claims or Employee Claims	January 9, 2017

Schedule “C”

Summary of Intercompany Charges

Walter Energy Canada Holdings, Inc. et al				
Summary of Intercompany Charges				
(CAD \$000's)⁽²⁾				
Summary of WCCP⁽¹⁾ Payable				
Transactions	Amount			
	WCCP⁽¹⁾	BCP⁽¹⁾	WICP⁽¹⁾	WCP⁽¹⁾
December 2015 - WCCP funds mine entities for operational purposes	(4,500)	3,000	500	1,000
December 2015 - USD funds transferred from BCP to WCCP ⁽³⁾	3,474	(3,474)	-	-
December 2015 - Excess balance remaining with WCCP after purchase of CAD and collateralization of Letters of Credit ⁽⁴⁾	2,430	(2,430)	-	-
January 2016 - BCP funds WCCP's Letter of Credit obligation	188	(188)	-	-
February 2016 - Mine entities fund WCCP for operational purposes	6,000	(2,000)	(2,000)	(2,000)
March 2016 - WCP funds Belcourt Saxon Joint Venture on behalf of WCCP	150	-	-	(150)
April 2016 - Fund WCCP in USD for Payment of Shared Services to Walter Energy U.S.	1,317	(439)	(439)	(439)
April 2016 - Mine entities fund WCCP in USD for operational purposes	750	(250)	(250)	(250)
July 2016 - Mine entities fund WCCP in CAD for operational purposes	1,500	(500)	(500)	(500)
Ending WCCP Payable to entities as noted	11,309	(6,281)	(2,689)	(2,339)
Summary of WCP⁽¹⁾ Payable				
Result of LC Collateralization	Amount			
	WCP	BCP		
January 2016 - BCP funds WCP's LC obligation	11,545	(11,545)		
Ending WCP Payable to BCP	11,545	(11,545)		
Summary of WICP⁽¹⁾ Payable				
Result of LC Collateralization	Amount			
	WICP	BCP		
January 2016 - BCP funds WICP's LC obligation	6,100	(6,100)		
Ending WICP Payable to BCP	6,100	(6,100)		
NOTES				
(1) - WCCP refers to Walter Canadian Coal Partnership, BCP refers to Brule Coal Partnership, WICP refers to Willow Creek Coal Partnership, and WCP refers to Wolverine Coal Partnership.				
(2) - The intercompany transactions above that were denominated in USD have been converted to CAD using the Bank of Canada USD/CAD exchange rate at noon on the date of the transaction.				
(3) - Payable results from the residual balance remaining in WCCP's USD account from the USD funds transferred by BCP that was not required to purchase CAD\$25M to cash collateralize the LC's.				
(4) - The residual CAD balance remaining in WCCP from the CAD\$25M purchased after collateralizing the Letters of Credit.				

Schedule “D”

**Updated CCAA Cash Flow Forecast for the 26-Week Period Ending
January 28, 2017**

Walter Energy Canada Holdings, Inc. et al.
 CCAA Cash Flow Forecast for the 26-Week Period Ending January 28, 2017¹

		<i>(Currency in CAD \$000's)</i>																	
		<i>Foreign Exchange Rate Assumption (USD/CAD) 1.3</i>																	
Week No.		1	2	3	4	5	6	7	8	9	10	11	12	13	Month End				26-Week Total
Week Ending	Notes	8/6/16	8/13/16	8/20/16	8/27/16	9/3/16	9/10/16	9/17/16	9/24/16	10/1/16	10/8/16	10/15/16	10/22/16	10/29/16	11/26/16	12/31/16	1/28/17		
OPERATING CASH FLOW																			
Operating Receipts																			
2	Sale Proceeds- Deposit	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
3	Sale Proceeds- balance of purchase price	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
4	Other Receipts	25	-	-	-	25	-	-	-	-	25	-	-	-	25	25	25	150	
	Total Operating Receipts	25	-	-	-	25	-	-	-	-	25	-	-	-	25	25	25	150	
Operating Disbursements																			
5	Payroll	-	(75)	-	-	(75)	-	(75)	-	-	-	-	-	-	-	-	-	(300)	
5	Payroll Taxes	-	(40)	-	-	(40)	-	(40)	-	-	-	-	-	-	-	-	-	(160)	
5	Benefits	-	-	-	-	(40)	-	-	-	(40)	-	-	-	-	-	-	-	(80)	
6	Operating Leases and Storage Facilities	(10)	-	-	-	(10)	-	-	-	-	-	-	-	-	-	-	-	(20)	
7	Property taxes	-	-	-	-	(785)	-	-	-	-	-	-	-	-	-	-	-	(785)	
8	Utilities	-	-	-	-	-	(45)	-	-	-	-	-	-	-	-	-	-	(90)	
8	Fuel	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
9	Maintenance and Supplies	(50)	(50)	(50)	(50)	(50)	(50)	(50)	(20)	(20)	(20)	-	-	-	-	-	-	(410)	
10	Environmental Monitoring and Consulting	(75)	(75)	(150)	(20)	(75)	(25)	(25)	(25)	(25)	-	-	-	-	-	-	-	(495)	
11	Tenure/Lease Payments	-	-	-	-	(140)	-	-	-	-	-	-	-	-	-	-	-	(140)	
12	Professional Fees	-	-	-	(30)	-	-	-	(50)	-	-	-	(50)	-	(50)	(50)	(50)	(280)	
13	Information Technology	-	-	-	(30)	-	-	-	(30)	-	-	-	-	-	-	-	-	(60)	
	Total Operating Disbursements	(135)	(240)	(200)	(130)	(1,215)	(120)	(190)	(125)	(245)	(20)	-	(50)	-	(50)	(50)	(50)	(2,820)	
Non-Operating Disbursements																			
14	CRO and Restructuring Advisor Fees	(232)	-	(700)	-	(232)	-	-	(700)	(102)	-	-	(700)	-	(800)	(800)	(800)	(5,066)	
15	KERP / Success Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
16	Bank Fees	(5)	-	-	(640)	(5)	-	(320)	-	(5)	-	-	-	-	(5)	(5)	(5)	(990)	
	Total Non-Operating Disbursements	(237)	-	(700)	(640)	(237)	-	(320)	(700)	(107)	-	-	(700)	-	(805)	(805)	(805)	(6,056)	
TOTAL NET CASH FLOW		(347)	(240)	(900)	(770)	(1,427)	(120)	(510)	(825)	(352)	5	-	(750)	-	(830)	(830)	(830)	(8,726)	
BEGINNING CASH (FX Effected)		17,424	17,077	16,837	15,937	15,167	13,740	13,620	13,110	12,285	11,933	11,938	11,938	11,188	11,188	10,358	9,528	17,424	
Net Cash Flow		(347)	(240)	(900)	(770)	(1,427)	(120)	(510)	(825)	(352)	5	-	(750)	-	(830)	(830)	(830)	(8,726)	
ENDING CASH (FX Effected)		17,077	16,837	15,937	15,167	13,740	13,620	13,110	12,285	11,933	11,938	11,188	11,188	11,188	10,358	9,528	8,698	8,698	

UNAUDITED CASH FLOW FORECAST PREPARED BY MANAGEMENT, MUST BE READ IN CONJUNCTION WITH THE NOTES AND ASSUMPTIONS

Walter Energy Canada Holdings, Inc. et al (“Walter Canada”) Notes to the Unaudited Updated CCAA Cash Flow Forecast For the 26-Week Period from July 31, 2016 to January 28, 2017

Unless otherwise noted, the Updated CCAA Cash Flow Forecast is presented in Canadian dollars using an exchange rate of US\$1.00/CDN\$1.30 for conversion of any U.S. dollar amounts.

1. Purpose

The Updated CCAA Cash Flow Forecast (the “**Forecast**”) has been prepared solely for the purpose of reflecting Management’s best estimate of the cash flow of Walter Canada during its CCAA proceedings, and readers are cautioned that it may not be appropriate for other purposes. The updated Forecast assumes that a going concern sales transaction (the “**Transaction**”) is completed by Walter Canada, approved by the Court on August 15, 2016, and closes on September 15, 2016 (the “**Closing Date**”). The Forecast does not include sale proceeds or related transaction costs (e.g. success fees or retention bonuses payable) from a going concern sale transaction in order to preserve the confidentiality of the purchase price, success fees and retention arrangements until the sale transaction closes. The Forecast assumes that Walter Canada makes September’s monthly payments and receives an adjustment to the purchase price for amounts paid in respect of the post-Closing Date period. No disbursements in respect of cure costs payable arising out of the Transaction are included as the purchaser is funding any cure costs that may arise up to a certain threshold and the cure costs, if any, are currently estimated to be less than the threshold.

Receipts

2. Sales Proceeds - Deposit

The purchaser must remit a non-refundable deposit upon execution of the Asset Purchase Agreement (“**APA**”). The amount is not included in the Forecast to maintain confidentiality of the purchase price.

3. Sales Proceeds – balance of purchase price

Represents the balance of the purchase price payable upon closing, once the conditions precedent in the APA are satisfied and/or waived. The amount is not included in the Forecast to maintain confidentiality of the purchase price.

4. Other Receipts

Consist of interest earned monthly in respect of Walter Canada’s operating cash account balances held at the Bank of Nova Scotia.

Operating Disbursements

5. Payroll, Payroll Taxes and Benefits

Employee compensation costs consisting of salaries, payroll taxes and benefits for Walter Canada’s 19 hourly and salaried employees that are paid bi-weekly or semi-monthly along with certain part-time employees and one director. The Forecast assumes that a final payroll is funded by September 30, 2016. Services provided to Walter Canada after the Closing Date by Walter Canada staff retained by the purchaser are, pursuant to the Transition Services

Agreement between Walter Canada and the purchaser, assumed to be at no cost to Walter Canada.

6. Operating Leases and Storage Facilities

Real property occupancy lease costs for office space and third-party warehouse space. The Forecast assumes that no lease payments are made after September 15, 2016, as leases are assumed by the purchaser.

7. Property Taxes

Walter Canada previously remitted 50% of the 2016 property tax obligation related to the mines. The Forecast assumes that Walter Canada remits the amount due in respect of July, August and September, 2016 (including late payment penalties), and the purchaser will be responsible for the balance of the unpaid 2016 property taxes.

8. Fuel and Utilities

Electricity, natural gas, propane and diesel consumption costs incurred to maintain the mines under care and maintenance.

9. Maintenance and Supplies

General upkeep costs associated with the mine sites under care and maintenance as well as any known required repairs.

10. Environmental Monitoring and Consulting

These disbursements relate to costs associated with environmental monitoring, engineering and consulting, and monitoring and/or repair projects currently under way as recommended by Walter Canada's third party engineering consultants.

11. Tenure/Lease Payments

Mining and property rights payments required to maintain Walter Canada's tenures and leases. The Forecast assumes that Walter Canada remits \$140,000 prior to the Closing Date in respect of the Belcourt Saxon joint venture to renew the Belcourt Saxon tenures (\$90,000) and the balance in respect of other tenure renewals due in September.

12. Professional Fees

Fees incurred in the normal course of business operations for professionals generally relating to tax and labour relations matters.

13. Information Technology

Various IT disbursements related to IT systems support, maintaining network connections, software licensing fees and data room costs required with the sales process.

Non-Operating Disbursements

14. Restructuring Advisor Fees

These disbursements are for professional fees specific to Walter Canada's restructuring efforts including Walter Canada's counsel in Canada and the U.K., the Monitor and its Canadian and U.S. counsel, the Chief Restructuring Officer and the Financial Advisor.

15. KERP/Success Fees

Payments owing to certain Walter Canada executives and Walter Canada's Financial Advisor, pursuant to their engagement letters upon closing of a sale transaction. As noted above, going concern transaction proceeds and costs are not included in the forecast in order to preserve the confidentiality of the purchase price and retention agreements.

16. Bank Fees

Forecast fees associated with the outstanding Letters of Credit, as well as fees relating to Walter Canada's account network with Bank of Nova Scotia. As the Letters of Credit have been cash collateralized, negotiations to reduce the fees associated with the Letters of Credit are expected to take place in the near term. Since the fees associated with the Letters of Credit are quarterly and no payment has been made in respect of the 2016 fees, a catch up payment of \$640,000 in respect of the period January 1 to June 30, 2016, is projected in the week ending August 27, 2016. Additional fees are budgeted for the third quarter of 2016.

17. Additional Proceeds from Surplus Equipment Sale

The opening cash balance in the Forecast includes sale proceeds of US\$465,000 from the Surplus Equipment sale that the Monitor is holding in trust.