



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

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 NEW WALTER ENERGY CANADA HOLDINGS, INC., NEW WALTER
CANADIAN COAL CORP., NEW BRULE COAL CORP., NEW WILLOW CREEK
COAL CORP., NEW WOLVERINE COAL CORP. AND CAMBRIAN
ENERGYBUILD HOLDINGS ULC

PETITIONERS

EIGHTH REPORT OF THE MONITOR, KPMG INC.

January 12, 2017

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INTRODUCTION AND SUMMARY OF PROCEEDINGS

Introduction and Changes to the Composition of Walter Canada / the Petitioners

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, Wolverine Coal ULC, Brule Coal ULC, Cambrian Energybuild Holdings ULC, Willow Creek Coal ULC, Pine Valley Coal Ltd. and 0541237 B.C. Ltd. (collectively, the “**Original 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. The proceedings brought by the Original Petitioners under the CCAA will be referred to herein as the “**CCAA Proceedings**”.
2. Pursuant to the Initial Order, the Stay and certain other relief was extended to certain of the Original Petitioners’ partnerships (collectively with the Original Petitioners, “**Old Walter Canada**”):
 - i) Walter Canadian Coal Partnership;
 - ii) Wolverine Coal Partnership;
 - iii) Brule Coal Partnership; and
 - iv) Willow Creek Coal Partnership.
3. As will be discussed subsequently in greater detail, the following entities were formed on December 8, 2016 (thereby creating the “**New Walter Group**”) and were added as petitioners in the CCAA Proceedings as at that date pursuant to the New Walter Group Procedure Order which was granted by this Honourable Court on December 7, 2016:
 - i) New Walter Energy Canada Holdings, Inc. (“**New WECH**”);
 - ii) New Walter Canadian Coal Corp.;
 - iii) New Brule Coal Corp.;
 - iv) New Willow Creek Coal Corp.; and
 - v) New Wolverine Coal Corp.

4. Also as subsequently discussed, effective on December 28, 2016, the CCAA Proceedings in respect of all of the Old Walter Canada entities, except for Cambrian Energybuild Holdings ULC (“**Cambrian**”) were terminated pursuant to an order pronounced by this Honourable Court on December 21, 2016 (the “**CCAA Continuity & Vesting Order**”) which also, amongst other things, provided that the CCAA Proceedings shall continue with respect to every member of the New Walter Group and Cambrian (as reflected in the amended style of cause of these CCAA Proceedings shown on the cover of this report) and transferred Walter Canadian Coal Partnership’s 50% interest (the “**Belcourt Interest**”) in Belcourt Saxon Coal Ltd. (“**BSCL**”) and Belcourt Saxon Coal Limited Partnership (“**BSCLP**”), to New Walter Canadian Coal Corp. Accordingly, after December 28, 2016, these CCAA Proceedings are in respect of each of the five members of the New Walter Group and Cambrian (together, “**New Walter Canada**” or the “**Petitioners**”) and the Stay and other relief granted pursuant to the Initial Order applies to New Walter Canada. The limited stay of proceedings provided for in paragraph 20 of the Initial Order with respect to BSCL and BSCLP remains in place.
5. New Walter Canada is, for all relevant purposes, a replicate of Old Walter Canada as all of the assets and liabilities of each of the Old Walter Canada entities were transferred to and/or deemed assumed by an applicable New Walter Canada entity such that creditors of Old Walter Canada enjoy the same claim against the same pool of assets in New Walter Canada. Accordingly, to reflect this continuity and to reduce confusion to the reader, hereinafter the term “**Walter Canada**” shall be used to refer to either Old Walter Canada or New Walter Canada, as the context requires, unless it is important to distinguish between them, in which case the applicable group shall be specified.

Summary of Proceedings Subsequent to Filing Date

6. 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.
7. 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**”), the proposed retention of BlueTree Advisors Inc. as Chief Restructuring Officer (the “**CRO**”) and the proposed Key Employee Retention Plan (the “**KERP**”).
8. 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.
9. 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.
10. On March 30, 2016, this Honourable Court granted an order which, amongst other things, extended the Stay to June 24, 2016.
11. 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 and updates in respect of certain other matters.

12. On June 24, 2016, this Honourable Court granted an order which, amongst other things, extended the Stay to August 19, 2016.
13. On August 11, 2016, KPMG filed the Fourth Report of the Monitor (the “**Fourth Report**”) which, amongst other things, provided a status update on the SISP as well as information in respect of Walter Canada’s proposed transaction (the “**Conuma Transaction**”) with Conuma Coal Resources Limited (“**Conuma**”), its proposed claims process (the “**Claims Process**”), an amendment to the FA Engagement Letter, information regarding Walter Canada’s actual receipts and disbursements against forecast, its updated cash flow forecast for the 26-week period ending January 28, 2017 (the “**Previous CCAA Cash Flow Forecast**”) and updates in respect of various other matters.
14. Also on August 11, 2016, the Monitor prepared its Confidential Supplemental Report to the Fourth Report (the “**First Confidential Report**”) in which it provided certain additional details in respect of the Bids and Liquidation Proposals, along with the Monitor’s corresponding analysis.
15. On August 15, 2016, this Honourable Court granted an order (the “**First Sealing Order**”) sealing the First Confidential Report as well as the Affidavit #4 of Mr. William E. Aziz sworn August 9, 2016 (the “**Confidential Aziz Affidavit**”) until further order of this Honourable Court.
16. On August 16, 2016, this Honourable Court granted the following orders:
 - a) the Approval and Vesting Order which, amongst other things, approved the Conuma Transaction and authorized and directed Walter Canada to take such additional steps and execute such additional documents as may be necessary or desirable to complete the Conuma Transaction;
 - b) the Claims Process Order which, amongst other things, approved the Claims Process; and
 - c) an order which, amongst other things, extended the Stay to January 17, 2017, approved the amendment to the FA Engagement Letter and expanded the powers of the Monitor.

17. On October 24, 2016, KPMG filed the Fifth Report of the Monitor (the “**Fifth Report**”) that provided a status update on the closing of the Conuma Transaction, a status update with respect to the Claims Process, information regarding Walter Canada’s actual receipts and disbursements against forecast and updates in respect of various other matters.
18. On October 26, 2016, this Honourable Court pronounced an order (the “**Case Plan Order**”) requiring that a case plan be complied with for the Court hearing of certain matters related to the claim of the 1974 Pension Plan (to be heard commencing on January 9, 2017).
19. On December 5, 2016, KPMG filed the Sixth Report of the Monitor (the “**Sixth Report**”) which included, amongst other things, a discussion of the process undertaken by Walter Canada, the CRO and the Monitor to obtain offers in respect of Walter Canada’s remaining assets (the “**Remaining Assets**”) after the closing of the Conuma Transaction (the “**Remaining Asset Sale Process**”), the CRO’s selection of the Bid (the “**Amacon Bid**”) submitted by 1098138 B.C. Ltd. and guaranteed by Amacon Land Corporation (taken together, “**Amacon**”), Walter Canada’s application for approval to enter into the proposed restructuring transaction with Amacon (the “**Amacon Transaction**”) pursuant to the Term Sheet executed on November 28, 2016 (the “**Term Sheet**”), and the Monitor’s observations and recommendations in respect of Walter Canada’s motion returnable December 7, 2016.
20. Also on December 5, 2016, the Monitor prepared its Confidential Supplemental Report to the Sixth Report (the “**Second Confidential Report**”) in which it provided certain confidential information to this Honourable Court in respect of the reasons for the selection of the Amacon Bid by the CRO and the Monitor’s support for that selection, as well as certain details regarding the other LOIs and Bids which were submitted pursuant to the Remaining Asset Sale Process.
21. On December 7, 2016, this Honourable Court granted the following orders:
 - a) an order (the “**Second Sealing Order**”) sealing the Second Confidential Report until further order of this Honourable Court; and

- b) the New Walter Group Procedure Order which, amongst other things:
 - i. approved the Amacon Transaction and authorized Old Walter Canada to take such additional steps and execute such additional documents as may be necessary or desirable to complete the Amacon Transaction;
 - ii. authorized but did not direct each of the Old Walter Canada entities to make an assignment in bankruptcy;
 - iii. authorized the formation of the New Walter Group entities pursuant to the Term Sheet and deemed each of the New Walter Group entities to, upon formation, be a debtor company (as defined in the CCAA), added as a Petitioner in the CCAA Proceedings and be subject to the CCAA charges and, amongst other things, extended the appointment of the Monitor to the New Walter Group; and
 - iv. deemed the CRO to have been engaged by the New Walter Group effective on the formation of the New Walter Group and terminated the appointment of the CRO in respect of such members of Old Walter Canada which make an assignment in bankruptcy, effective immediately before the bankruptcy.
- 22. On December 12, 2016, KPMG filed the Seventh Report of the Monitor (the “**Seventh Report**”) which included, amongst other things, a discussion of the terms of the joint proposal which was expected to be filed pursuant to the *Bankruptcy and Insolvency Act* (“**BIA**”) on behalf of certain members of Old Walter Canada (the “**Proposal**”) as part of the process of implementing the Amacon Transaction, comments regarding certain proposed procedural steps in the bankruptcy and in respect of the Proposal (the “**Proposed Procedural Amendments**”) and the Monitor’s observations and recommendations in respect of the Proposal and the Proposed Procedural Amendments.
- 23. Also on December 12, 2016, this Honourable Court granted an order (the “**Amendment to New Walter Group Procedure Order**”) amending the New Walter Group Procedure Order by approving certain amendments to the terms of the Amacon Transaction, as well as an order amending Schedule B to each of the two Orders which were pronounced on December 7, 2016.

24. Terms not specifically defined herein shall have the meanings as defined in the First Report, the Second Report, the Third Report, the Fourth Report, the Fifth Report, the Sixth Report and the Seventh Report (collectively, the “**Previous Reports**”), the SISP or the Claims Process Order.
25. The Monitor maintains a website at www.kpmg.com/ca/walterenergycanada (the “**Monitor’s Website**”) on which copies of the Previous Reports as well as further information regarding these CCAA Proceedings can be found.

PURPOSE OF THE MONITOR’S REPORT

26. The purpose of this eighth report of the Monitor (the “**Eighth Report**”) is to provide this Honourable Court with information regarding the following:
 - a) An update in respect of the steps that were completed, both in these CCAA Proceedings and in multiple BIA proceedings, in order to successfully complete the Amacon Transaction on December 29, 2016;
 - b) An update regarding the Claims filed with the Monitor to date;
 - c) Walter Canada’s actual cash flow results for the 22-week period ended December 31, 2016 as compared to the Previous CCAA Cash Flow Forecast;
 - d) Walter Canada’s updated cash flow forecast for the 22-week period ending June 3, 2017 (the “**Updated CCAA Cash Flow Forecast**”);
 - e) An update in respect of certain additional matters involving Walter Canada’s stakeholders and related developments; and
 - f) The Monitor’s observations and recommendations in respect of Walter Canada’s motion returnable January 16, 2017 seeking an extension of the Stay to May 31, 2017 (the “**Extended Stay Period**”).

REPORT RESTRICTIONS AND SCOPE LIMITATIONS

27. 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 the Previous CCAA Cash Flow Forecast and the 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.
28. 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.
29. 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.
30. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars.

COMPLETION OF THE AMACON TRANSACTION

31. The Amacon Transaction involved the completion of a series of transactions to effect the acquisition by Amacon of the share interests in WECH and its interest in each of the other Old Walter Canada entities except for Cambrian and except for Walter Canadian Coal Partnership's interests in BSCL and BSCLP and the completion of a restructuring of Old Walter Canada pursuant to assignments in bankruptcy (the "**Bankruptcy Proceedings**") and BIA proposal proceedings (the "**Proposal Proceedings**") in respect of certain of the Old Walter Canada entities. The Amacon Transaction was expected to create additional value for Walter Canada's creditors in the amount of \$17,350,000, and ultimately generated \$17,375,000 of proceeds with the addition of \$25,000 which was received from Amacon pursuant to the subsequently discussed Letter of Support (which was also discussed in the Seventh Report).
32. The Sixth Report included a discussion (in the section entitled "Terms of the Successful Bid") of the key terms of the Term Sheet and the steps which were to be taken to implement and complete the Amacon Transaction. The Seventh Report included a more detailed discussion (in the "Filing of and Terms of the Proposal" section) of the steps required to be undertaken in the proposed Bankruptcy Proceedings and Proposal Proceedings, the terms of the Proposal and the specific steps to be taken in the Proposal Proceedings to implement the Term Sheet.
33. The following is a summary of the steps which were taken to implement the Term Sheet and complete the Amacon Transaction on December 29, 2016; readers are referred to the aforementioned discussions in the Sixth Report and Seventh Report for additional details regarding these steps:
 - a) On application by Old Walter Canada, this Honourable Court granted the New Walter Group Procedure Order on December 7, 2016;

- b) On December 12, 2016, this Honourable Court granted the aforementioned Amendment to New Walter Group Procedure Order approving certain amendments to the Amacon Transaction as set out in the Letter of Support, following the granting of which Amacon paid the \$14,925,000 balance of the purchase price to the Monitor (having previously paid the \$2,625,000 deposit to the Monitor), along with an additional \$25,000 pursuant to the Letter of Support;
- c) Each of the Old Walter Canada entities with the exception of Cambrian (the resulting group of eleven entities are referred to herein as the “**BIA Debtors**”) filed a voluntary assignment in bankruptcy on December 15, 2016 and KPMG was appointed as the trustee (in that capacity, the “**Bankruptcy Trustee**”) of each of the Estates;
- d) On December 16, 2016, this Honourable Court made an Order in the Bankruptcy Proceedings (the “**Bankruptcy Procedure Order**”) pursuant to which, amongst other things, the Bankruptcy Trustee was authorized to administer the procedural matters relating to the Bankruptcy Proceedings of each of the BIA Debtors on a consolidated basis as well as to file the BIA Debtors’ joint Proposal;
- e) In accordance with the Bankruptcy Procedure Order, the Bankruptcy Trustee held a joint First Meeting of Creditors for all of the BIA Debtors on the morning of December 19, 2016. Following the First Meeting of Creditors, a meeting of the inspectors who were appointed at such meeting was convened at which time the Proposal was approved by the inspectors;
- f) Following obtaining inspector approval of the Proposal, the Bankruptcy Trustee filed the Proposal with the Official Receiver, along with certain other prescribed documents, on the morning of December 19, 2016 to commence the Proposal Proceedings;

- g) KPMG, in its capacity as proposal trustee (in such capacity, the “**Proposal Trustee**”), convened a meeting of creditors to consider the Proposal in the afternoon of December 19, 2016, at which the Proposal was accepted by the required majority of creditors, with 100% of voting creditors in both dollar value and in number having cast votes, either in person or by voting letter, for the acceptance of the Proposal;
- h) On application by the Proposal Trustee, this Honourable Court (in the Proposal Proceedings) granted the Proposal Sanction Order on December 21, 2016 which, amongst other things, sanctioned and approved the Proposal, and authorized and directed the BIA Debtors, the New Walter Group and the Proposal Trustee to take all actions necessary to implement the Proposal;
- i) Also on December 21, 2016, on the application of the Petitioners and the Original Petitioners, this Honourable Court granted the CCAA Continuity & Vesting Order which, amongst other things, provided that the CCAA Proceedings in respect of the BIA Debtors would be terminated effective upon delivery of a specified form of Monitor’s Certificate to the BIA Debtors, the New Walter Group and Amacon;
- j) In accordance with the Proposal Sanction Order, the Proposal Trustee delivered the “Trustee’s Certificate – Proposal Commencement Date” (a copy of which is attached hereto as Schedule “A”) to the BIA Debtors, the New Walter Group, Amacon and the Official Receiver on December 28, 2016 (the “**Proposal Commencement Date**”) and filed it with this Honourable Court on that same date, whereupon the Proposal became effective and all the steps set out in Section 4.1 of the Proposal occurred and were deemed to occur commencing on the Proposal Commencement Date and concluding on December 29, 2016 (the “**Proposal Completion Date**”);

- k) Also on December 28, 2016, the Monitor delivered the “Monitor’s Certificate: CCAA Continuity” (a copy of which is attached hereto as Schedule “B”) to the BIA Debtors, the New Walter Group and Amacon in accordance with the CCAA Continuity & Vesting Order thereby terminating the CCAA Proceedings in respect of the BIA Debtors as well as discharging the Monitor as Monitor of the BIA Debtors; and
 - l) On the Proposal Completion Date, pursuant to section 65.3 of the BIA, the Proposal Trustee delivered the “Form 46 – Certificate of Full Performance of Proposal” (a copy of which is attached hereto as Schedule “C”) to the BIA Debtors, the New Walter Group, Amacon and the Official Receiver and also filed a copy of the Proposal Sanction Order with the Official Receiver in respect of each of the BIA Debtors’ bankruptcy Estates, whereupon the eleven bankruptcies were annulled.
34. As a result of completing the above steps, the Amacon Transaction was successfully completed on December 29, 2016, generating an additional \$17,375,000 of cash for Walter Canada’s creditors and other stakeholders. The final cash transfers from the Old Walter Canada entities to the New Walter Canada entities were completed on December 30, 2016, on which date all funds were transferred to the New Walter Entities except for the \$200,000 cost value of certain securities which were to remain with the Old Walter Canada entities pursuant to the Term Sheet.

CLAIMS PROCESS UPDATE

35. The following table summarizes the Claims received to date:

Summary of Claims Received as at the Date of this Report		
(CAD \$000)	# of Claims	Amount
Allowed Claims		
Employee Claims	290	12,625
Other Claims		
Restructuring Claims	2	84
Pre-Commencement Claims	13	581
Total Allowed Claims	305	13,290
Total Unresolved Claims¹	9	1,251,399
Total	314	1,264,689
Note 1: See "Summary of Unresolved Claims" table below for details.		

Allowed Claims

Employee Claims

36. As discussed in the Fifth Report, a total of 21 Employee Claimants filed Notices of Dispute of Employee Claim (each an “**Employee Dispute**”) to increase their Claims by a total of approximately \$258,000.
37. Based upon its review of the information provided with these 21 Employee Disputes, as well as certain additional supporting information those Employee Claimants provided at the Monitor’s request, the Monitor accepted the higher Claim amounts for twenty of these Employee Claimants with the result that the Allowed Claims of those Employee Claimants who filed Employee Disputes increased, on an aggregate net basis, by approximately \$255,000.
38. As at the date of this report, 290 Employee Claims have been admitted as Allowed Claims in the total amount of approximately \$12.6 million and only one Employee Claim remains unresolved, that being the Claim of the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union, Local 1-424 (“**USW**”), which is discussed below.

Other Claims

39. A total of 24 Restructuring and Pre-Commencement Claims totaling approximately \$30.9 million have been submitted to date, of which 15 (totaling \$665,000) are now considered Allowed Claims. Of the remaining nine Claims:
- a) three Claimants were issued a Notice of Revision or Disallowance (“**NORD**”) on November 7, 2016 which disallowed their Claims in full. No Notice of Dispute for these three Claims was received by the Monitor. Accordingly, these Claims are finally disallowed pursuant to the Claims Process Order;
 - b) five Claimants were issued NORDs and their Claims are detailed below in the Unresolved Claims section; and
 - c) one Claimant recently submitted a Restructuring Claim, as subsequently discussed in the Unresolved Claims section (under note (d)).

Unresolved Claims

40. There are nine Claims which have not been resolved as at the date of this report, as set out in the following table and discussed in the Monitor’s corresponding notes in respect of each of the unresolved Claims:

Summary of Unresolved Claims as at the Date of this Report			
(CAD \$000)	Notes	Claim Type	Amount
James, Kevin	a	Restructuring	6,747
Strong, Joseph	a	Pre-Commencement	51
USW	a	Employee	293
USW	a	Pre-Commencement	12
Warrior Met Coal LLC	b	Pre-Commencement	9,892
West Moberly First Nation	c	Restructuring	11,375
Mitsui Matsushima Co. Ltd.	d	Restructuring	810
Pelly Construction Ltd.	e	Pre-Commencement	1,323
1974 Pension Plan Claim	f	UMWA 1974 Pension Plan	1,220,896
Total Unresolved Claims			1,251,399

- a) NORDs were sent to each of Mr. Kevin James, Mr. Joseph Strong and the USW on November 7, 2016. Each Claimant responded with a Notice of Dispute prior to the required deadline as set by the Claims Process Order.

Pursuant to the terms of Claims Process Order, the Monitor, in consultation with Walter Canada, and upon the request of counsel for Mr. James, extended the date upon which a disputing party must bring a motion before the Court to resolve disputed Claims from January 9, 2017 to February 9, 2017. A letter was sent to each of Mr. James, Mr. Strong and the USW on December 21, 2016 informing them of this extension.

- b) A NORD was sent to Warrior Met Coal, LLC (“**Warrior**”), on November 7, 2016. Pursuant to paragraph 36 of the Claims Process Order, Claimants who were sent a NORD were required to 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 business days after the date of the applicable NORD or such other date as may be agreed by the Monitor. As of December 6, 2016, the Monitor had not received a Notice of Dispute from Warrior in respect of its NORD. On December 14, 2016, the Monitor received a letter from Warrior’s counsel informing the Monitor that Warrior was disputing the effectiveness of the disallowance of its Claim and was submitting a Notice of Dispute.

The late filing of this Notice of Dispute appears to be due to the inadvertence of Warrior. The Monitor, in consultation with Walter Canada, has informed Warrior that it is accepting the late filing of the Notice of Dispute. Warrior was also informed that the Monitor’s acceptance of the late Notice of Dispute is without prejudice to the ability of any other creditor to raise an objection to the acceptance of the late filed Notice of Dispute.

- c) The claim of the West Moberly First Nation (“**West Moberly**”) was submitted as a Restructuring Claim on November 7, 2016 and is based on amounts claimed as owing under a Cooperation Agreement dated January 9, 1998, a Cooperation Agreement dated October 18, 2004 and an unexecuted Impact Benefit Agreement, some of which were executed by predecessor companies to Walter Canada.

A NORD was issued to West Moberly on December 19, 2016, and West Moberly has twenty business days from the date thereof to submit a Notice of Dispute.

- d) Mitsui Matsushima Co. Ltd. (“**Mitsui**”) was sent a proof of claim package on December 12, 2016. A Proof of Claim from Mitsui was received by the Monitor on January 3, 2017 in the amount of US\$600,000. As any Claim which Mitsui may have arises or will arise as a result of a disclaimed agreement, it is considered a Restructuring Claim. The Monitor is currently in the process of reviewing this Claim with Walter Canada and its legal counsel.
- e) On November 7, 2016 the Monitor, in consultation with Walter Canada, issued a NORD to Pelly Construction Ltd. (“**Pelly**”) for its claim of \$1,520,000 relating to camp and equipment demobilization. On November 27, 2016 the Monitor received a Notice of Dispute from Pelly. Upon review of the Notice of Dispute, the Monitor, in consultation with Walter Canada, agreed to accept the Claim of \$196,800 for outstanding camp demobilization pursuant to the terms of the Asset and Transition Agreement between Pelly and Brule Coal Partnership dated October 25, 2012.
- The remaining contingent portion of Pelly’s Claim of \$1.3 million relates to equipment and camp demobilization that has yet to occur. The Monitor, in consultation with Walter Canada, has agreed to extend the date for which Pelly can complete the demobilization to July 31, 2017 at which time, if the demobilization has not occurred, the Claim of \$1.3 million will be disallowed.
- f) The Claim filed by the 1974 Pension Plan is in dispute in its entirety and is currently being heard by this Honourable Court pursuant to the Case Plan Order.

Other Claim Matters

41. As discussed in the Fifth Report, the Canada Revenue Agency (“**CRA**”) submitted two Pre-Commencement Claims relating to: (i) outstanding Goods and Services tax (“**GST**”) of \$9,800; and (ii) a \$1.00 “marker claim” in respect of a potential Claim for 2014 and 2015 payroll source deductions.
42. On November 7, 2016 the Monitor sent two NORDs to the CRA disallowing both Claims in full. However, the Monitor continues to cooperate with the CRA to provide any additional information that they may require as it relates to the ongoing trust examination for payroll source deductions for the years of 2014, 2015 and 2016.

43. A trust examiner of the CRA visited the offices of the Monitor in Prince George, British Columbia on December 13, 2016 to review certain of Walter Canada's payroll records. Additional requests for records were then made by the CRA with said documents being provided by the Monitor on January 4, 2017. The outcome of the trust examination is not yet known as at the date of this report.
44. Pursuant to the Bankruptcy Procedure Order, all Claims filed in the CCAA Proceedings were considered as filed in the BIA proceedings and Claimants were not required to further prove their claims. However, creditors of Walter Canada with claims arising after the deadline set out in the Claims Process Order were given an opportunity to file their Claims in accordance with the BIA.
45. The Bankruptcy/Proposal Trustee received two Claims as a result of the BIA proceedings and is in the process of reviewing these Claims in consultation with Walter Canada and its counsel.
46. The Claims summary table included in paragraph 35 herein does not take into account a claim in respect of the Deemed Interest Amount (as defined in the Proposal) against New WECH in relation to the US\$2.0 billion hybrid debt transaction. Under the Proposal, New WECH is deemed liable for the Deemed Interest Amount provided however that the Deemed Interest Amount shall be subject to the terms of the Claims Process Order. The Monitor is still assessing whether this claim is valid and, in light of the Proposal, whether proceeds will be available to satisfy such claim.
47. As the assignment of certain contracts to Conuma has not been completed, additional Claims may be received in due course.

ACTUAL RECEIPTS AND DISBURSEMENTS COMPARED TO FORECAST

48. Walter Canada's actual cash receipts and disbursements for the 22-week period ended December 31, 2016 (the "**Reporting Period**"), as compared with the Previous CCAA Cash Flow Forecast, are summarized in the table on the following page.

Walter Canada Summary of Actual versus Forecast Cash FlowFor the 22-Week Period Ended December 31, 2016⁽¹⁾

Prepared on a Consolidated Basis

Unaudited (CAD \$000)

	Actual	Forecast	Variance
Cash Inflow			
Sale Proceeds - Amacon Transaction ⁽³⁾	17,575	-	17,575
Sale Proceeds - Conuma Transaction	42,040	-	42,040
Letters of Credit Cash Collateral Refund	22,570	-	22,570
Other Receipts	806	125	681
Total Cash Inflow	82,991	125	82,866
Cash Outflow - Operating Disbursements			
Payroll	(246)	(300)	54
Payroll Taxes	(99)	(160)	61
Benefits	(42)	(80)	38
Operating Leases and Storage Facilities	(29)	(20)	(9)
Property Taxes	(624)	(785)	161
Utilities	(40)	(90)	50
Fuel	(4)	-	(4)
Maintenance and Supplies	(323)	(410)	87
Environmental Monitoring and Consulting	(176)	(495)	319
Tenure/Lease Payments	(267)	(140)	(127)
Professional Fees	(28)	(230)	202
Information Technology	(95)	(60)	(35)
Total Cash Outflows - Operating Disbursements	(1,973)	(2,770)	797
Cash Outflow - Non-Operating Disbursements			
CRO and Restructuring Advisor Fees	(4,602)	(4,266)	(336)
KERP / Success Fees	(2,062)	-	(2,062)
Province of British Columbia re: Cash Collateral	(22,570)	-	(22,570)
Bank Fees	(28)	(985)	957
Total Cash Outflows - Non-Operating Disbursements	(29,262)	(5,251)	(24,008)
Net Cash Flow	51,756	(7,896)	59,652
Cash, beginning of period (July 31, 2016)	17,424	17,424	-
Effect of Foreign Exchange translation	934	-	934
Cash, end of period (December 31, 2016)⁽²⁾⁽³⁾	70,114	9,528	60,586

Note 1: Readers are cautioned to read the "Report Restrictions and Scope Limitations" section of this report.**Note 2:** The ending cash position noted above excludes approximately US\$270K which was received upon closing of Walter Canada's previous account network at the Bank of Nova Scotia, given that discussions as to whether these funds belong to Walter Canada or Walter U.S. are ongoing.**Note 3:** Included in the ending cash balance above were GIC's held by Wolverine Coal Partnership, Brule Coal Partnership, Willow Creek Coal Partnership, and Walter Canadian Coal Partnership (\$50,000 for each entity, for a total of \$200,000). Pursuant to terms of the Term Sheet with Amacon, these GIC's were Residual Assets which were to remain in the custody of Old Walter Canada and, accordingly, they were redeemed and the proceeds were remitted to Amacon on January 4, 2017 as set out in the Updated CCAA Cash Flow Forecast.

49. The following is a summary of the more significant variances in respect of the \$59.7 million aggregate net favourable cash flow variance during the Reporting Period:

- a) Gross sale proceeds from the Amacon Transaction were \$17.575 million, including the \$200,000 cost of the aforementioned securities that were to remain with the Old Walter Canada entities upon completion of the Amacon Transaction. The proceeds from these securities were transferred subsequent to the end of the Reporting Period (as subsequently discussed in respect of the Updated CCAA Cash Flow Forecast). As the Remaining Asset Sale Process had not commenced when the Previous CCAA Cash Flow Forecast was filed with this Honourable Court, no proceeds from a sale of the Remaining Assets had been forecast and, accordingly, this is a permanent variance;
- b) To date, the receipts and disbursements associated with the Conuma Transaction, including any transaction costs, have been excluded from the Monitor's reporting of Walter Canada's actual receipts and disbursements because their quantum was being kept confidential to preserve the confidentiality of the Bids and Liquidation Proposals and to maintain the competitive nature of the sale process in the event that the Conuma Transaction did not complete. As the Conuma Transaction was completed on September 9, 2016, Walter Canada and the Monitor are of the view that the quantum of the proceeds from the Conuma Transaction need not remain confidential with the exception of the portion of those proceeds relating to the sale of the Belcourt Interest for which Walter Canada continues to hold a put as this sale has not completed (the "**Belcourt Amount**"). Gross sale proceeds from the Conuma Transaction, excluding the Belcourt Amount, were \$42.0 million (US\$32.6 million). As these proceeds were not included in the Previous CCAA Cash Flow Forecast, they represent a permanent favourable variance. The Monitor has segregated the Belcourt Amount in a separate bank account;

- c) As part of the closing of the Conuma Transaction, the Monitor paid \$22.57 million to the Province of British Columbia on September 9, 2016. Subsequently, the Letters of Credit written by the Bank of Nova Scotia (“BNS”) to the Province of British Columbia totaling \$22.57 million were cancelled and the cash collateral in the same amount that was previously deposited with BNS was paid to the Monitor;
- d) Other Receipts had a permanent favourable variance of \$681,000 consisting of a \$600,000 previously withheld refund from the CRA in respect of tax credits that Walter Canada had claimed in previous years and receipt of an \$80,000 retainer refund from legal counsel who is no longer active;
- e) The aggregate \$153,000 permanent favourable variance for Payroll, Payroll Taxes and Benefits during the Reporting Period was the result of the earlier than anticipated closing of the Conuma Transaction. The transaction closed on September 9, 2016, whereas the Previous CCAA Cash Flow Forecast had contemplated the payment of Payroll and associated costs until October 1, 2016, resulting in reduced costs totaling \$195,000, which were partially offset by continued payment of Walter Canada’s sole director throughout the Reporting Period, an amount which was not included in the Previous CCAA Cash Flow Forecast;
- f) The \$161,000 permanent favourable variance in respect of 2016 Property Taxes was also the result of the early closing of the Conuma Transaction as the Previous CCAA Cash Flow Forecast had assumed the payment of property taxes up to September 30, 2016;
- g) The aggregate permanent favourable variance of \$406,000 for Maintenance and Supplies and Environmental Monitoring and Consulting resulted from a combination of the early closing of the Conuma Transaction as well as actual costs during the Reporting Period being lower than forecast;

- h) The \$127,000 permanent unfavourable variance for Tenure and Lease Payments was the result of higher than expected payments up to the closing of the Conuma Transaction;
- i) Disbursements for Professional Fees incurred in the normal course of business operations had a \$202,000 permanent favourable variance to forecast during the Reporting Period as costs incurred were lower than forecast;
- j) The \$35,000 permanent unfavourable variance for Information and Technology costs during the Reporting Period was the result of continuing to maintain the electronic data room longer than anticipated so that it could be used to support the Remaining Asset Sale Process;
- k) As a result of soliciting offers for the Remaining Assets, the related execution of the Amacon Transaction and the litigation associated with the 1974 Pension Plan, the CRO and Restructuring Advisor Fees were \$336,000 higher than forecast during the Reporting Period;
- l) KERP and Success Fee payments totaling \$2.1 million for the Financial Advisor's success fee (in respect of the Conuma Transaction) and the KERP bonus (the quantum of which is confidential pursuant to a sealing order granted by this Honourable Court on January 5, 2016) were triggered upon closing of the Conuma Transaction on September 9, 2016 and were paid on October 3, 2016. As neither of these payments were provided for in the Previous CCAA Cash Flow Forecast for reasons of confidentiality this variance is a permanent difference; and
- m) In respect of quarterly fees associated with the Letters of Credit that were held with BNS, the \$957,000 permanent favourable variance for Bank Fees is the result of those payments not being required to be paid.

Intercompany Charges

50. An updated summary of total intercompany advances and the resulting Intercompany Charges was attached as Schedule “I” to the Fifth Report, and included the advances totaling \$1.5 million (\$500,000 each) made during the Reporting Period by three Old Walter Canada entities to a fourth Old Walter Canada entity to fund its operating requirements. The corresponding Promissory Grid Notes which document the terms and amounts of the various intercompany advances were updated to reflect the additional \$1.5 million of intercompany advances.
51. Since the date of the Fifth Report, there have been no further intercompany advances. However, attached hereto as Schedule “D” is a revised summary of intercompany advances which has been updated to reflect the transfer of the balances from the Old Walter Canada entities to certain New Walter Canada entities pursuant to the Amacon Transaction and terms of the Proposal.

UPDATED CCAA CASH FLOW FORECAST

52. The Updated CCAA Cash Flow Forecast has been prepared by Walter Canada, with the assistance of the Monitor, on a consolidated basis for the 22-week period ending June 3, 2017 (the “**Updated Cash Flow Period**”) to correspond with the requested 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 “E” and is summarized in the table below:

Walter Canada Summary of the Updated CCAA Cash Flow Forecast	
For the 22-Week Period from January 1, 2017 to June 3, 2017 ⁽¹⁾	
Prepared on a Consolidated Basis	
Unaudited (CAD \$000)	
Cash Inflow	
Other Receipts	50
Total Cash Inflow	<u>50</u>
Cash Outflow - Operating Disbursements	
Director's Fees	(72)
Consulting	(120)
Professional Fees	(50)
Maintenance and Supplies	(63)
Information Technology	(45)
Total Cash Outflows - Operating Disbursements	<u>(350)</u>
Cash Outflow - Non-Operating Disbursements	
CRO and Restructuring Advisor Fees	(4,517)
Success Fees	(1,750)
Transfer of GIC's	(200)
Walter U.K. Funding	(180)
Total Cash Outflows - Non-Operating Disbursements	<u>(6,647)</u>
Net Cash Flow	(6,947)
Cash, beginning of period (January 1, 2017)	<u>70,114</u>
Cash, end of period (June 3, 2017)	<u><u>63,167</u></u>
Note 1: Readers are cautioned to read the "Report Restrictions and Scope Limitations" section of this report.	

53. Net cash outflows during the Updated Cash Flow Period are expected to total \$6.9 million, which Walter Canada will fund from its current cash resources on hand. On June 3, 2017, at the end of the Updated Cash Flow Period, Walter Canada expects to have approximately \$63 million of combined cash resources remaining.
54. The following is a summary of the more significant components of the Updated CCAA Cash Flow Forecast:
- a) Other Receipts of \$50,000 represents expected interest to be earned on Walter Canada's cash holdings during the Updated Cash Flow Period;
 - b) Forecast Director's Fees totaling \$72,000 relates to the monthly payment of Walter Canada's sole director;

- c) Consulting disbursements totaling \$120,000 relate to monthly recurring payments for services provided by an external consultant in respect of the operations of Walter UK;
- d) Professional Fees costs incurred in the normal course of business operations are forecast at \$50,000, primarily relating to various tax matters;
- e) The \$63,000 forecast for Maintenance and Supplies relates to the expected payment to Canadian Forest Products Ltd. for Old Walter Canada's share of structural repair work in accordance with terms of the Conuma Transaction;
- f) Forecast Information Technology costs in the amount of \$45,000 represent the expected costs for maintaining the electronic data room in support of efforts to realize on Walter UK;
- g) The CRO's monthly fees and Restructuring Advisor Fees are forecast at approximately \$4.5 million during the Updated Cash Flow Period for payments to Walter Canada's counsel in Canada, the U.S. and the U.K., the Monitor and its counsel, and the Chief Restructuring Officer, including payment of certain restructuring professional fee invoices which had not been delivered to Walter Canada and/or paid as at December 31, 2016. Professional fee cost levels are anticipated to be higher over the short term due to the effort related to the Remaining Asset Sale Process and the 1974 Pension Plan Claim;
- h) Forecast Success Fees in the amount of \$1.75 million represent payment of the success fee owing to the CRO (in respect of the Conuma Transaction) as well as an additional success fee payment to the Financial Advisor in respect of the Amacon Transaction;
- i) The \$200,000 forecast Transfer of GIC proceeds relates to the previously discussed assets which were to remain with Old Walter Canada, and includes the redemption of four GIC's, each with a value of \$50,000, held within Old Walter Canada and the transfer of those funds to Old Walter Canada; these transfers were completed during the first week of January 2017;

- j) The forecast \$180,000 Walter UK Funding disbursement represents a planned secured advance by Walter Canada to Walter UK which is currently expected to be required before the end of January 2017 and which was approved by this Honourable Court pursuant to the CCAA Continuity & Vesting Order; and
 - k) Excluded from the opening and closing cash balances in the Updated CCAA Cash Flow Forecast is the amount of approximately US\$270,000 which was received from BNS when Walter Canada's account network at BNS was closed. The Monitor is engaged in discussion with BNS and Walter Energy U.S. to determine whether these funds belong to Walter Energy U.S. or to Walter Canada, and will provide an update to this Honourable Court once those discussions are completed and the appropriate disposition of these funds is determined.
55. 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

Permit Transfers

56. Further to the discussion in Previous Reports, the transfer of all of the transferable mining permits, cutting permits, environmental assessment certificates and other rights to Conuma was completed by December 15, 2016 as a result of Walter Canada's and Conuma's efforts to work with the various Ministries of the Province of British Columbia to complete those transfers. Certain permits, including a number of road-use permits, were not capable of being transferred and Conuma will be required to apply for new permits.

Walter UK

57. Old Walter Canada's interest in Walter UK was transferred to New Walter Canada as part of the Amacon Transaction given that Amacon did not acquire Walter UK. Pursuant to discussion in certain of the Previous Reports, some Bids in respect of Walter UK were received during the course of the SISF; however, to date, no transaction involving Walter UK has been completed and, accordingly, the CRO and Walter Canada have continued to review strategic alternatives for dealing with the assets and operations of Walter UK.

58. As discussed by the CRO in his 8th Affidavit of William E. Aziz sworn December 20, 2016 (the “**8th Aziz Affidavit**”), Walter UK is currently engaged in negotiations with an interested party in respect of a potential sale of certain of the Walter UK entities including Energybuild Ltd. (“**Energybuild**”), the operating company which owns the anthracite coal mine in South Wales which is Walter UK’s primary asset and which is currently in care and maintenance.
59. Walter UK’s latest updated cash flow forecast indicates that it has insufficient liquidity to meet its obligations as they come due after approximately January 27, 2017. As discussed in the 8th Aziz Affidavit, the directors of Energybuild requested an advance, on a secured basis, in the amount of £110,000 from Cambrian to enable Energybuild to meet its working capital needs until the week ending March 3, 2017 while they seek to either conclude a transaction with the interested party for the sale of Energybuild and certain other Walter UK entities or for them to determine that a sale cannot be completed, in which case other options will need to be considered and additional advances from Cambrian may be requested by Energybuild.
60. This Honourable Court, pursuant to the CCAA Continuity & Vesting Order, authorized Cambrian to loan up to £250,000 to Energybuild on a secured basis. The Monitor is of the view that it is reasonable for Cambrian to loan the requested £110,000 to Energybuild at this time to enable its directors, as well as the CRO and Walter Canada, additional time to conclude a sale or determine another course of action for disposing of Walter UK.

THE MONITOR'S OBSERVATIONS AND RECOMMENDATIONS

61. In the Monitor's opinion, New Walter Canada is continuing to act in good faith and with due diligence in an effort to further its restructuring efforts.
62. The Monitor is of the view that New Walter Canada is making progress to finalize the realization of all of its assets, of which Walter UK and the Belcourt Interest remain, to continue the Claims Process and to move the Estate towards a distribution to creditors.
63. Based on the foregoing discussion in this report, the Monitor recommends to this Honourable Court that it grant New Walter Canada's request for an extension of the Stay to May 31, 2017.

All of which is respectfully submitted this 12th day of January, 2017.

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



Per: Philip J. Reynolds
Senior Vice President



Per: Anthony Tillman
Senior Vice President

Schedule “A”

Trustee’s Certificate – Proposal Commencement Date



TRUSTEE'S CERTIFICATE

Court File No.: B-160976
Estate No: 11-2199860
Vancouver Registry

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

IN THE MATTER OF THE *BANKRUPTCY AND INSOLVENCY ACT*,
R.S.C. 1985, c. B-3, AS AMENDED

AND IN THE MATTER OF THE JOINT PROPOSAL OF WALTER ENERGY CANADA HOLDINGS, INC. WALTER CANADIAN COAL ULC, BRULE COAL ULC, WILLOW CREEK COAL ULC, PINE VALLEY COAL LTD., WOLVERINE COAL ULC, 0541237 B.C. LTD., WALTER CANADIAN COAL PARTNERSHIP, BRULE COAL PARTNERSHIP, WILLOW CREEK COAL PARTNERSHIP AND WOLVERINE COAL PARTNERSHIP.

TRUSTEE'S CERTIFICATE – PROPOSAL COMMENCEMENT DATE

1. All capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the joint proposal concerning, affecting and involving the Debtors dated December 19, 2016 (the "**Joint Proposal**"), a copy of which is attached as Schedule "B" to the Order of the Court made in these proceedings on the 21st day of December, 2016 (the "**Order**"), as such Joint Proposal may be amended, varied or supplemented from time to time in accordance with the terms thereof, the BIA or an Order of the Court.
2. Pursuant to paragraph 8 of the Order, KPMG Inc. in its capacity as Bankruptcy Trustee and Proposal Trustee of the Debtors (the "**Trustee**") delivers to the Debtors, the New Walter Canada Group, the Purchaser and the Official Receiver this certificate and hereby certifies that the conditions set out in Sections 5.3(g) and 5.3(h) of the Joint Proposal have been satisfied and all other conditions set out in Section 5.3 of the Joint Proposal have been satisfied or waived in accordance with the terms of the Proposal and the Proposal Commencement date shall occur upon the filing of this certificate with the Court.

DATED at the City of Vancouver, in the Province of British Columbia, this 28th day of December, 2016.

**KPMG INC., in its capacity as Bankruptcy Trustee and Proposal Trustee of Walter Energy Canada Holdings, Inc.,
a/ and not in its personal or corporate capacity**

By: _____

Name: ANTHONY TILLMAN
Title: SENIOR VICE PRESIDENT

Schedule “B”

Monitor’s Certificate: CCAA Continuity



Monitor's Certificate

IN THE SUPREME COURT OF BRITISH COLUMBIA

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

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

AND

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

PETITIONERS

MONITOR'S CERTIFICATE: CCAA CONTINUITY

RECITALS

1. All capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the joint proposal concerning, affecting and involving the Walter Canada Group dated as of December 19, 2016 (the "**Proposal**"), a copy of which is attached as Schedule "B" to the Order of the Court made in these proceedings on the 21st day of December, 2016 (the "**Order**"), as such Proposal may be amended, varied or supplemented from time to time in accordance with the terms thereof, the BIA or an Order of the Court.
2. Pursuant to paragraph 3 of the Order, KPMG Inc. in its capacity as Monitor hereby delivers to the Walter Canada Group, the New Walter Canada Group and the Purchaser this certificate and hereby certifies that it has delivered the Trustee's Certificate in accordance with the Proposal.

DATED at the City of Vancouver, in the Province of British Columbia, this 28th day of December, 2016.

KPMG Inc., in its capacity as Monitor of Walter Energy Canada Holdings, Inc. and the other entities referenced on Schedule "A" hereto

Per: *Anthony Tallman*
Name: ANTHONY TALLMAN
Title: SENIOR VICE PRESIDENT

SCHEDULE "A" to Monitor's Certificate

Petitioners

1. Walter Canadian Coal ULC
2. Wolverine Coal ULC
3. Brule Coal ULC
4. Cambrian Energybuild Holdings ULC
5. Willow Creek Coal ULC
6. Pine Valley Coal, Ltd.
7. 0541237 B.C. Ltd.
8. New Walter Energy Canada Holdings, Inc.
9. New Walter Canadian Coal Corp.
10. New Wolverine Coal Corp.
11. New Brule Coal Corp.
12. New Willow Creek Coal Corp.

Partnerships

1. Walter Canadian Coal Partnership
2. Wolverine Coal Partnership
3. Brule Coal Partnership
4. Willow Creek Coal Partnership

Schedule “C”

Form 46 – Certificate of Full Performance of Proposal

District of: British Columbia
Division No. 03 - Vancouver
Court No. B-160976
Estate No. 11 2199860, 11-2199859, 11-2199857, 11-2199861,
11-2199858, 11-2199862, 11-2199813, 11-254026,
11-254024, 11-254025, 11-254023

FORM 46
Certificate of Full Performance of Proposal
(Section 65.3 and 66.38 of the Act)

In the Matter of the Proposal of
Walter Energy Canada Holdings, Inc., Walter Canadian Coal ULC, Brule Coal ULC, Willow Creek Coal ULC,
Pine Valley Coal Ltd., Wolverine Coal ULC, 0541237 B.C. Ltd., Walter Canadian Coal Partnership,
Brule Coal Partnership, Willow Creek Coal Partnership and Wolverine Coal Partnership

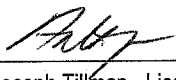
We, KPMG Inc.

- the trustee acting in the proposal of Walter Energy Canada Holdings, Inc., Walter Canadian Coal ULC, Brule Coal ULC, Willow Creek Coal ULC, Pine Valley Coal Ltd., Wolverine Coal ULC, 0541237 B.C. Ltd., Walter Canadian Coal Partnership, Brule Coal Partnership, Willow Creek Coal Partnership and Wolverine Coal Partnership, certifies that the proposal,
- the administrator acting in the consumer proposal of Walter Energy Canada Holdings, Inc., Walter Canadian Coal ULC, Brule Coal ULC, Willow Creek Coal ULC, Pine Valley Coal Ltd., Wolverine Coal ULC, 0541237 B.C. Ltd., Walter Canadian Coal Partnership, Brule Coal Partnership, Willow Creek Coal Partnership and Wolverine Coal Partnership, a consumer debtor, certifies that the consumer proposal,

as filed with the official receiver on the 19th day of December 2016 has been fully performed as of the 29th day of December, 2016.

Dated at the City of Vancouver in the Province of British Columbia, this 29th day of December 2016.

KPMG Inc.
Per:



Anthony Joseph Tillman - Licensed Insolvency Trustee
777 Dunsmuir St.
Vancouver BC V7Y 1K3
Phone: (604) 691-3000 Fax: (604) 691-3036

Schedule “D”

Summary of Intercompany Charges

New Walter Energy Canada Holdings, Inc. et al				
Summary of Intercompany Charges				
(CAD \$000's)⁽³⁾				
SUMMARY OF NEW WCCC⁽¹⁾ PAYABLE				
Transactions⁽²⁾	Amount			
	New WCCC⁽¹⁾ (was WCCP⁽⁴⁾)	New BCC⁽¹⁾ (was BCP⁽⁴⁾)	New WICC⁽¹⁾ (was WICP⁽⁴⁾)	New WCC⁽¹⁾ (was WCP⁽⁴⁾)
December 2015 - WCCP ⁽⁴⁾ funds Old Walter Canada mine entities for operational purposes	(4,500)	3,000	500	1,000
December 2015 - USD funds transferred from BCP ⁽⁴⁾ to WCCP ⁽⁵⁾	3,474	(3,474)	-	-
December 2015 - Excess balance remaining with WCCP after purchase of CAD and collateralization of Letters of Credit ⁽⁶⁾	2,430	(2,430)	-	-
January 2016 - BCP funds WCCP's Letter of Credit obligation	188	(188)	-	-
February 2016 - Old Walter Canada Mine entities fund WCCP for operational purposes	6,000	(2,000)	(2,000)	(2,000)
March 2016 - WCP ⁽⁴⁾ 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 - Old Walter Canada Mine entities fund WCCP in USD for operational purposes	750	(250)	(250)	(250)
July 2016 - Old Walter Canada Mine entities fund WCCP in CAD for operational purposes	1,500	(500)	(500)	(500)
September 2016 - Old Walter Canada Mine entities fund WCCP in CAD for operational purposes	1,500	(500)	(500)	(500)
Ending New WCCC Payable to entities as noted	12,809	(6,781)	(3,189)	(2,839)
SUMMARY OF NEW WCC⁽¹⁾ PAYABLE				
Result of LC Collateralization	Amount			
	New WCC (was WCP⁽⁴⁾)	New BCC (was BCP⁽⁴⁾)		
January 2016 - BCP funds WCP's LC obligation	11,545	(11,545)		
Ending New WCC Payable to New BCC	11,545	(11,545)		
SUMMARY OF NEW WICC⁽¹⁾ PAYABLE				
Result of LC Collateralization	Amount			
	New WICC (was WICP⁽⁴⁾)	New BCC (was BCP⁽⁴⁾)		
January 2016 - BCP funds WICP's ⁽⁴⁾ LC obligation	6,100	(6,100)		
Ending New WICC Payable to New BCC	6,100	(6,100)		
NOTES:				
(1) - New WCCC refers to New Walter Canadian Coal Corp., New BCC refers to New Brule Coal Corp., New WICC refers to New Willow Creek Coal Corp., and New WCC refers to New Wolverine Coal Corp., each a New Walter Canada entity.				
(2) - The transactions establishing the various Intercompany Charges took place amongst certain Old Walter Canada entities, as specifically noted in the transaction description. The Intercompany Charges were then transferred to the corresponding New Walter Canada entities pursuant to the Amacon Transaction.				
(3) - 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.				
(4) - 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, each an Old Walter Canada entity.				
(5) - 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.				
(6) - The residual CAD balance remaining in WCCP from the CAD\$25M purchased after collateralizing the Letters of Credit.				

Schedule “E”

**Updated CCAA Cash Flow Forecast for
the 22-Week Period Ending June 3, 2017**

New Walter Energy Canada Holdings, Inc. et al.

Updated CCAA Cash Flow Forecast for the 22-Week Period Ending June 3, 2017⁽¹⁾

<i>(in CAD \$000's)</i>																		
<i>Foreign Exchange Rate Assumptions - (USD/CAD) 1.32 and (GBP/CAD) 1.65</i>																		
Week No.	Notes	1	2	3	4	5	6	7	8	9	10	11	12	13	Month End		22-Week Total	
		1/7/17	1/14/17	1/21/17	1/28/17	2/4/17	2/11/17	2/18/17	2/25/17	3/4/17	3/11/17	3/18/17	3/25/17	4/1/17	4 weeks	5 weeks		
OPERATING CASH FLOW																		
Operating Receipts																		
	Other Receipts	2	-	-	-	10	-	-	-	10	-	-	-	10	-	20	50	
	Total Operating Receipts		-	-	-	10	-	-	-	10	-	-	-	10	-	20	50	
Operating Disbursements																		
	Director's Fees	3	(12)	-	-	(12)	-	-	-	(12)	-	-	-	-	(12)	(24)	(72)	
	Consulting	4	(20)	-	(20)	-	-	-	(20)	-	-	-	-	(20)	(20)	(20)	(120)	
	Professional Fees	5	-	-	-	(10)	-	-	-	(10)	-	-	-	(10)	(10)	(10)	(50)	
	Maintenance and Supplies	6	-	(63)	-	-	-	-	-	-	-	-	-	-	-	-	(63)	
	Information Technology	7	(35)	-	(10)	-	-	-	-	-	-	-	-	-	-	-	(45)	
	Total Operating Disbursements		(67)	(63)	-	(30)	(22)	-	-	(20)	(22)	-	-	(30)	(42)	(54)	(350)	
Non-Operating Disbursements																		
	CRO and Restructuring Advisor Fees	8	(557)	-	(1,900)	(112)	-	-	(750)	(112)	-	-	(250)	-	(362)	(474)	(4,517)	
	Success Fees	9	-	-	(1,750)	-	-	-	-	-	-	-	-	-	-	-	(1,750)	
	Transfer of GIC's	10	(200)	-	-	-	-	-	-	-	-	-	-	-	-	-	(200)	
	Walter U.K. Funding	11	-	-	(180)	-	-	-	-	-	-	-	-	-	-	-	(180)	
	Total Non-Operating Disbursements		(757)	-	(180)	(3,650)	(112)	-	-	(750)	(112)	-	-	(250)	(362)	(474)	(6,647)	
TOTAL NET CASH FLOW																		
			(824)	(63)	(180)	(3,680)	(124)	-	-	(770)	(124)	-	-	(250)	(20)	(404)	(508)	(6,947)
BEGINNING CASH (FX Effected)																		
	Net Cash Flow		70,114	69,290	69,227	69,047	65,367	65,243	65,243	65,243	64,473	64,349	64,349	64,349	64,099	64,079	63,675	70,114
			(824)	(63)	(180)	(3,680)	(124)	-	-	(770)	(124)	-	-	(250)	(20)	(404)	(508)	(6,947)
ENDING CASH (FX Effected)																		
			69,290	69,227	69,047	65,367	65,243	65,243	65,243	64,473	64,349	64,349	64,349	64,099	64,079	63,675	63,167	63,167

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

New Walter Energy Canada Holdings, Inc. et al (“New Walter Canada”)

Notes to the Unaudited Updated CCAA Cash Flow Forecast for the 22-Week Period Ending June 3, 2017

Unless otherwise noted, the Updated CCAA Cash Flow Forecast is presented in Canadian Dollars using an exchange rate of US\$1.00/CDN\$1.32 for conversion of any U.S. Dollar amounts and an exchange rate of GBP£1.00/CDN\$1.65 for conversion of any British Pound amounts.

1. Purpose

The Updated CCAA Cash Flow Forecast has been prepared solely for the purpose of reflecting Management’s best estimate of the cash flow of New Walter Canada during its CCAA proceedings, and readers are cautioned that it may not be appropriate for other purposes.

Receipts

2. Other Receipts

Amounts forecast represent interest expected to be earned on various short term investments purchased with New Walter Canada’s surplus cash holdings.

Operating Disbursements

3. Director’s Fees

Monthly compensation costs for New Walter Canada’s sole director.

4. Consulting

These disbursements relate to costs of an external consultant engaged to perform consulting in respect of New Walter Canada’s operations in the U.K.

5. Professional Fees

Represents fees for various tax filings by New Walter Canada.

6. Maintenance and Supplies

The forecast disbursement of \$63,000 represents payment to Canadian Forest Products Ltd. for the Blind Creek structural repairs. Reimbursement associated with these repairs was agreed to as per the purchase deposits schedule in the Conuma Asset Purchase Agreement.

7. Information Technology

Forecast payments represent expected costs to maintain use of an electronic data room.

Non-Operating Disbursements

8. CRO and Restructuring Advisor Fees

Forecast disbursements for professional fees specific to New Walter Canada's restructuring efforts including New Walter Canada's counsel in Canada, the U.S. and the U.K., the Monitor and its counsel and the Chief Restructuring Officer ("CRO"). The forecast amounts include payment of certain restructuring professional fee invoices which had not been delivered to Old Walter Canada and/or paid as at December 31, 2016.

9. Success Fees

The disbursement forecast of \$1.75 million is comprised of a payment to the CRO that remains owing in the amount of approximately \$1.49 million (US\$1,130,000 including HST). In addition to the success fee payable to the CRO, a payment in the amount of approximately \$260,000 to the Financial Advisor is forecast pursuant their engagement letter in regards to the Amacon Transaction.

10. Transfer of GIC's

The forecast disbursement represents the redemption of four GIC's, each with a value of \$50,000 for a total of \$200,000, held by Old Walter Canada that is to be paid to Amacon after redemption.

11. Walter UK Funding

The forecast payment represents an advance, on a secured basis, in the amount of GBP£110,000 (approximately \$180,000) by New Walter Canada to Walter UK as Walter UK is expected to require funding in the near term.