



**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

FIFTH REPORT OF THE MONITOR, KPMG INC.

October 20, 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 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. On August 11, 2016, KPMG filed the Fourth Report of the Monitor (the “**Fourth Report**”, a copy of which is attached hereto as Schedule “**B**” without Schedules) which, amongst other things, provided a status update on the SISP as well as information in respect of Walter Canada’s proposed transaction (the “**Sale Transaction**”) with Conuma Coal Resources Limited (the “**Purchaser**”), 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 “**Current CCAA Cash Flow Forecast**”) and updates in respect of various other matters.
10. Also on August 11, 2016, the Monitor prepared its Confidential Supplemental Report to the Fourth Report (the “**Confidential Report**”) in which it provided certain additional details in respect of the Bids and Liquidation Proposals, along with the Monitor’s corresponding analysis.

11. On August 15, 2016, on application by the Petitioners, this Honourable Court granted an order (the “**Sealing Order**”) sealing the Confidential Report, as well as the Affidavit #4 of Mr. William E. Aziz sworn August 9, 2016, until further order of this Honourable Court.
12. On August 16, 2016, this Honourable Court granted the following orders:
 - a) the Approval and Vesting Order (the “**Sale Approval Order**”) which, amongst other things, approved the Sale 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 Sale Transaction with the Purchaser;
 - b) the Claims Process Order (a copy of which is attached hereto as Schedule “**C**”) which, amongst other things, approved the Claims Process; and
 - c) an order (the “**August 16 Order**”) which, amongst other things, extended the Stay to January 17, 2017 (the “**Extended Stay Period**”), approved the amendment to the FA Engagement Letter, expanded the powers of the Monitor to include receiving, collecting and taking possession of all monies and accounts now owed or hereafter owing to any member of Walter Canada including taking control of all the accounts of Walter Canada, changing the signing authority to the Monitor and, as deemed necessary, opening one more new accounts in the Monitor’s own name, receiving third party funds into the Monitor’s accounts and commencing the Claims Process in accordance with the terms of the Claims Process Order.
13. Terms not specifically defined herein shall have the meanings as defined in the First Report, the Second Report, the Third Report, and the Fourth Report (collectively, the “**Previous Reports**”), the SISP or the Claims Process Order.
14. 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**”).

15. The purpose of this fifth report of the Monitor (the “**Fifth Report**”) is to provide this Honourable Court with information regarding the following:
- a) An update in respect of the status of the closing of the Sale Transaction;
 - b) An update as to the steps taken to date in respect of implementing the Claims Process as well as information regarding the Claims filed with the Monitor to date and the Intercompany Claims;
 - c) Walter Canada’s actual cash flow results for the nine-week period ended October 1, 2016 as compared to the Current CCAA Cash Flow Forecast; and
 - d) An update in respect of certain additional matters involving Walter Canada’s stakeholders and related developments.

REPORT RESTRICTIONS AND SCOPE LIMITATIONS

16. In preparing this report, 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 and Current 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.

17. 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.
18. 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.
19. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars.

STATUS UPDATE ON THE CLOSING OF THE SALE TRANSACTION

20. Following the granting of the Sale Approval Order, Walter Canada, the CRO, the Financial Advisor and the Monitor (along with their respective legal advisors) worked with the Purchaser to close the Sale Transaction. The Sale Transaction closed on September 9, 2016 (the "**Closing Date**"), on which date the balance of the purchase price was received by the Monitor from the Purchaser and the Monitor issued the requisite Monitor's Certificate, pursuant to the Sale Approval Order. At this time, the details regarding the purchase price and the amount of funds collected by the Monitor from the Sale Transaction remain confidential pursuant to the Sealing Order.
21. As part of the closing process, Walter Canada paid the balance of unpaid 2016 property taxes owing up to the Closing Date, plus all of the penalties and interest (Walter Canada had paid only approximately 50% of its 2016 property tax assessments). The Purchaser assumed the remaining balance owing in respect of 2016 property taxes for the period after the Closing Date.

Outstanding Post-Closing Matters

22. The transfer of mining permits, tenures and water rights permits to the Purchaser is in progress, and Walter Canada and the Purchaser are both working with the various Ministries of the Province of British Columbia to complete all transfers. In the interim period, and pursuant to the terms of the Contract Mining Agreement ("**CMA**") entered into between the Purchaser and Walter Canada, the Purchaser re-started operations at the Brule Mine,

including hiring more than 80 employees (with another 90 expected to be hired by the end of October 2016). Walter Canada has engaged an engineer, who is a former employee of Walter U.S. (as subsequently defined), to assist with oversight of the mining activities being conducted pursuant to the CMA by the Purchaser. The Purchaser expects to commence shipping coal via the rail load-out at the Willow Creek Mine in the near future.

23. A consultation process with certain First Nations must be completed prior to some of the permit transfers being completed. This process is currently underway.
24. The Sale Transaction includes the sale of Walter Canada's 50% interest in the Belcourt Saxon Coal Limited Partnership, subject to the co-venturer waiving its tag-along rights and not exercising its right of first refusal to purchase this interest. Pursuant to the Asset Purchase Agreement (the "APA") with the Purchaser, the waiver must be received within 60 days of September 9, 2016. A dialogue is underway among the co-venturer, the Purchaser and Walter Canada. The Monitor will advise this Honourable Court on the outcome of these discussions in due course.
25. The calculation of British Columbia Provincial Sales Tax ("PST") attributable to the various Walter Canada assets resulting from the Sale Transaction is currently underway by the Purchaser and its advisors. PST is due to be remitted before the end of October 2016 and such calculations will be reviewed by Walter Canada and the Monitor prior to finalization.

Potential for Further Asset Realizations

26. Walter Canada, with the assistance of the Monitor, will continue to market certain remaining assets which, subject to approval from this Honourable Court of such sales, could result in additional realizations for the benefit of the estate.

CLAIMS PROCESS

27. Pursuant to the Claims Process Order, the Monitor, in consultation with Walter Canada, was authorized and instructed to implement and administer the Claims Process, which was described in detail in the Fourth Report.

28. In accordance with the process set out in the Claims Process Order, the Monitor performed the following activities to implement the Claims Process:
- a) On August 22, 2016, the Monitor posted copies of each of the Claims Process Order, Instruction Letter, a blank Proof of Claim form and a blank Notice of Dispute Form on the Monitor's Website.
 - b) On August 25, 2016, the Newspaper Notice was published in each of the Globe and Mail (National Edition), the Vancouver Sun, the Tumbler Ridge News and the Alaska Highway News (the latter was selected because the Chetwynd Echo is no longer in circulation).
 - c) On August 25, 2016, the Monitor mailed Claims Packages to 157 Claimants via ordinary mail to each Claimant's last known address as evidenced in Walter Canada's books and records as well as the Service List.
 - d) On August 25, 2016, the Monitor mailed Claims Packages to 283 Employee Claimants, all of whom were or are members of the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union, Local 1-424 ("USW"), which included: (i) an Instruction Letter; (ii) an Employee Claim Amount Notice; (iii) a blank Notice of Dispute of Employee Claim Form; and (iv) a notice to the USW Employee Claimants from the USW.
 - e) On August 25, 2016, the Monitor mailed Claims Packages to six additional Employee Claimants, three of whom were non-union employees who were sent an Employee Claim Amount Notice in respect of their contractual severance Claims pursuant to their respective employment agreements. The other three were USW members whose terminations were the subject of grievances and for which the estimated Claim amount was not known by Walter Canada. Accordingly, those three former employees were not sent Employee Claim Amount Notices but instead were required to prove their Claims by filing a Proof of Claim.
 - f) On September 13, 2016, the Monitor resent Claims Packages to 26 USW Employee Claimants after receiving updated addresses for these former employees from the USW on September 12, 2016.

- g) On September 15, 2016, the Monitor mailed Claims Packages, including Employee Claim Amount Notices, to an additional eleven USW Employee Claimants, three of whom had been terminated by Walter Canada on September 3, 2016 and eight of whom had been transferred to the Purchaser. The Claims Bar Date for these eleven employees was extended to October 27, 2016 to provide them with sufficient time to determine whether to dispute their Employee Claim Amount Notice.
- h) The Monitor developed and maintained a Claims Register setting out details of the estimated and actual Claims. This Claims Register (including updated versions), along with copies of all Proof of Claims and Notices of Dispute of Employee Claims which have been filed with the Monitor to date, and copies of the Employee Claim Amount Notices delivered by the Monitor to Employee Claimants, has been made available to Walter Canada, its legal counsel and the CRO via a secure online electronic database established by the Monitor for this purpose.
- i) The Claims Bar Date was fixed at October 5, 2016 at 5:00 pm (Vancouver Time) and the Restructuring Claims Bar Date was fixed as the later of the Claims Bar Date and 20 business days after the date of the applicable Notice of Disclaimer or Resiliation.
29. Pursuant to the Claims Process Order, the Monitor is required to file a report with this Honourable Court detailing the nature and quantum of all Claims filed including the nature and quantum of any Intercompany Claims, and particularly Claims by members of Walter Canada against another member of Walter Canada and the claim of Walter U.S. in respect of the US\$2.0 billion hybrid debt (the “**Hybrid Debt Structure**”). As subsequently noted, the Monitor is able to provide a brief summary of the Claims received to date and preliminary comments on those Intercompany Claims that have been reviewed.
30. Excluding the 1974 Pension Plan Claim and the Intercompany Claims, Claims filed to date total \$31.6 million and are summarized as follows:

Claims received up to Claims Bar Date	
(CAD \$000)	Amount
Employee Claims	12,919
Other Claims	18,639
Total Claims	31,558

Employee Claims

31. The following table summarizes the Employee Claims (including Notices of Dispute of Employee Claim) which were received by the Monitor by the Claims Bar Date:

Employee Claims Received as at the Claims Bar Date				
Date Notices Sent (CAD \$000)	# Issued	# of Disputes	Original Amounts	Amounts after Dispute
Aug. 25, 2016	289	21	12,300	12,557
Sept. 15, 2016	11	unknown	70	70
USW Union	N/A	1	-	293
Total Employee Claims	300	22	12,370	12,919

32. A total of 21 Employee Claimants (out of the 289 subject to the October 5, 2016 Claims Bar Date) filed Notices of Dispute of Employee Claim to increase their Claims by a total of approximately \$250,000 above the amount that was calculated by Walter Canada in consultation with the Monitor. In most cases, the dispute relates to Walter Canada's assumption that the employees had fully or partially mitigated a portion of their Claim by finding employment elsewhere in the immediate period after their initial lay-off. Certain Employee Claimants assert that they had not worked during this period and, accordingly, that Walter Canada's assumption as to the extent of their Claim mitigation was incorrect.
33. The USW filed, on behalf of all of the USW Employee Claimants, a Notice of Dispute of Employee Claim in which it asserted a Claim of up to \$1,000 per USW Employee Claimant for additional Northern Working Allowance, a monthly benefit of \$500 paid to all USW Employees that was not included in Walter Canada's calculations.
34. All Employee Claims (including Notices of Dispute of Employee Claim) that have been filed to date are Claims against Wolverine Coal Partnership.
35. As noted above, the Claims Bar Date for 11 former employees was extended to October 27, 2016. Accordingly, additional Notices of Dispute of Employee Claims may be filed with the Monitor in due course.

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

36. The following table summarizes the other Claims that have been received by the Monitor up to the date of this report:

Other Claims Received as at the Claims Bar Date						
Entity (CAD \$000)	Restructuring Claims		Pre- Commencement Claims		Total	
	<i># Filed</i>	<i>Amount</i>	<i># Filed</i>	<i>Amount</i>	<i># Filed</i>	<i>Amount</i>
Walter Energy Canada Holdings, Inc.	-	-	2	15	2	15
Pine Valley Coal Ltd.	-	-	-	-	-	-
Walter Canadian Coal Partnership	2	84	3	10,011	5	10,095
Wolverine Coal Partnership	-	-	2	63	2	63
Brule Coal Partnership	-	-	3	1,524	3	1,524
Willow Creek Coal Partnership	-	-	3	11	3	11
Multiple entities	1	6,747	6	184	7	6,931
Total Other Claims	3	6,831	19	11,808	22	18,639

37. The Monitor notes the following in respect of the Claims tabled above:

- a) Two Restructuring Claims totaling \$84,000 were received from landlords where Walter Canada had disclaimed office leases subsequent to the Filing Date;
- b) A Restructuring Claim for \$6.7 million was submitted by an individual claiming a royalty interest in certain tenures, an arrangement which was not assumed by the Purchaser;
- c) Canada Revenue Agency (“**CRA**”) submitted two Pre-Commencement Claims for: (i) outstanding Goods and Services Tax of \$9,800 that may be offset by outstanding credits owing to Walter Canada; and (ii) what it termed a \$1.00 “marker claim” in respect of a potential Claim for 2014 and 2015 payroll source deductions. CRA will specify the amount of its claim when it completes the trust examination of various Walter Canada remittance accounts, which is currently underway;
- d) A Pre-Commencement Claim of US\$7.3 million was received from Walter Energy, Inc. (“**Walter U.S.**”), as assigned to Warrior Met Coal, LLC, for unpaid intercompany charges and allocations, and expenses from the period of December 1, 2014 to July 31, 2015. Warrior Met Coal, LLC purchased certain assets, including certain claims of Walter U.S. in the Chapter 11 proceedings of Walter U.S.;

- e) The Province of British Columbia submitted a Pre-Commencement Claim of \$29,000 for various inspection fees, permits and unpaid medical service plan accounts; and
 - f) 15 trade-type creditors submitted Pre-Commencement Claims totaling approximately \$2.0 million for various unpaid pre-commencement accounts.
38. The Monitor is working with Walter Canada and its counsel, certain former Walter Canada employees and contractors who now work with the Purchaser, and the Monitor's counsel, to review the Claims filed to date. Notices of Revision or Disallowance for Claims submitted by the Claims Bar Date are required to be completed by November 7, 2016.
39. Since the date of the last report, Walter Canada has disclaimed certain royalty agreements. In addition, Walter Canada's counsel is reviewing certain agreements that were not assigned to the Purchaser to determine whether to disclaim or resiliate any of those contracts or agreements. Accordingly, additional Restructuring Claims may be submitted to the Monitor after the date of this report.

UMWA 1974 Pension Plan Claim

40. On August 26, 2016, in accordance with the procedures set out in the Claims Process Order, the 1974 Pension Plan filed and delivered to the Service List a Notice of Civil Claim seeking allowance of its Claim in the amount of US\$904,367,132. A copy of the Notice of Civil Claim is attached as Schedule "D". Any responses to the Civil Claim were required to be filed on or before September 26, 2016. The following responses were filed by that deadline:
- a) on September 23, 2016, Walter Canada filed a Response to Civil Claim in which it opposed the relief sought by the 1974 Pension Plan and stated that all Claims of the 1974 Pension Plan against Walter Canada should be denied;
 - b) on September 26, 2016, the USW filed a Response to Civil Claim in which it opposed the granting of the relief sought by the 1974 Pension Plan and asserted that, if the 1974 Pension Plan's Claim is allowed, it must be in a separate class from the USW Employee Claimants and only paid a distribution after the Claims of the USW Employee Claimants' are paid in full; and

- c) on September 26, 2016, the Monitor filed a Response to Civil Claim in which it stated that it did not take a position on the 1974 Pension Plan's Notice of Civil Claim but that it reserved the right to take a position if so directed by this Honourable Court.
 - d) the above-noted responses are attached as Schedules "E", "F" and "G", respectively.
41. On October 5, 2016, the 1974 Pension Plan filed a Reply in respect of the USW's response. It is attached hereto as Schedule "H".
42. Pursuant to the Claims Process Order, the Monitor, in consultation with counsel for the 1974 Pension Plan, is required to seek a scheduling appointment before this Honourable Court to seek directions concerning the procedure for adjudicating the 1974 Pension Plan Claim. The Monitor and its counsel have been and continue to be in frequent dialogue with Walter Canada and its counsel and counsel for the 1974 Pension Plan in an effort to reach agreement on a schedule for the adjudication of the 1974 Pension Plan Claim. To date, agreement has not been reached. A hearing has been scheduled before this Honourable Court on October 26, 2016 to seek directions.

Intercompany Claims

Walter Canada Claims

43. The Monitor has commenced the process of reviewing the Intercompany Claims within the Walter Canada entities (the "**Canadian Intercompany Claims**") and notes the following with respect to the Canadian Intercompany Claims:
- a) The Canadian Intercompany Claims are in respect of intercompany transactions that occurred both before and after the Filing Date;
 - b) The post-filing portion of the Canadian Intercompany Claims relate to post-filing cash advances among the Walter Canada entities which, as noted in the Previous Reports, are secured by Intercompany Charges and are documented by Promissory Grid Notes. Attached hereto as Schedule "I" is an updated summary of the post-filing intercompany advances to date, totaling approximately \$20 million, and the resulting Intercompany Charges;

- c) Where possible, post-filing expenses have been funded by the Walter Canada entity which ordered or required a particular good or service, while general expenses such as labour and professional services have been funded by Walter Canadian Coal Partnership (“WCCP”);
- d) An allocation of the general costs incurred by WCCP to the other Walter Canada entities has not yet been performed to date and, accordingly, the final balance of the post-filing portion of the Canadian Intercompany Claims has not yet been finalized;
- e) The pre-filing portion of the various Canadian Intercompany Claims relates to a multitude of transactions among many of the Walter Canada entities up to the Filing Date which, according to Walter Canada’s books and records, are in the tens of millions of dollars, likely related to cost allocations and/or cash advances; and
- f) The Monitor expects that significant additional time and expense will be required to finalize a report on the Canadian Intercompany Claims, in particular the pre-filing portions. This calculation of the Canadian Intercompany Claims may be less relevant in circumstances where the 1974 Pension Plan Claim is determined to be a valid Claim for which all of the Walter Canada entities are jointly and severally liable because substantially all the distributions that might have gone to Walter Canada’s creditors would instead be paid out to the 1974 Pension Plan. In the event the 1974 Pension Plan Claim is determined to be a valid Claim, the Monitor anticipates seeking further directions from this Honourable Court regarding its review of and report on the Canadian Intercompany Claims.

Hybrid Debt Structure

44. As described in the Harvey affidavit, another identified Intercompany Claim is any Claim by Walter U.S., or any of its non-Canadian affiliates, against Walter Canada in respect of the Hybrid Debt Structure. Regardless of the validity of such a claim, and although the obligations of the Hybrid Debt Structure have not matured, the Claim exists in WECH. No proceeds will be available to pay such a claim until all claims in WECH’s subsidiaries are satisfied. As such it is premature to assess the validity of such a claim.

ACTUAL RECEIPTS AND DISBURSEMENTS COMPARED TO FORECAST

45. Walter Canada's actual cash receipts and disbursements for the nine-week period ended October 1, 2016 (the "Reporting Period"), as compared with the Current CCAA Cash Flow Forecast, are summarized in the following table. As proceeds from the Sale Transaction remain confidential pursuant to the Sealing Order, receipts and disbursements associated with the Sale Transaction, including any transaction costs, have been excluded in the cash reporting.

Walter Energy Canada Holdings, Inc. et al			
Summary of Actual versus Forecast Cash Flow			
(Excluding Receipts and Disbursements in Respect of the Sale Transaction)			
For the Nine-Week Period Ended October 1, 2016			
Prepared on a Consolidated Basis			
Unaudited (CAD \$000)	Actual	Forecast	Variance
Cash Inflow			
Sale Proceeds- Deposit	-	-	-
Sale Proceeds- balance of purchase price	-	-	-
Other Receipts	650	50	600
Total Cash Inflow	650	50	600
Cash Outflow - Operating Disbursements			
Payroll	(213)	(300)	87
Payroll Taxes	(99)	(160)	61
Benefits	(35)	(80)	45
Operating Leases and Storage Facilities	(29)	(20)	(9)
Property Taxes	(624)	(785)	161
Utilities	(39)	(90)	51
Fuel	(4)	-	(4)
Maintenance and Supplies	(203)	(390)	187
Environmental Monitoring and Consulting	(74)	(495)	421
Tenure/Lease Payments	(267)	(140)	(127)
Professional Fees	(9)	(80)	71
Information Technology	(74)	(60)	(14)
Total Cash Outflows - Operating Disbursements	(1,670)	(2,600)	930
Cash Outflow - Non-Operating Disbursements			
CRO and Restructuring Advisor Fees	(2,127)	(1,966)	(161)
KERP / Success Fees	-	-	-
Intercompany Transfers	-	-	-
Letters of Credit	-	-	-
Bank Fees	(27)	(975)	948
Total Cash Outflows - Non-Operating Disbursements	(2,154)	(2,941)	787
Net Cash Flow	(3,174)	(5,491)	2,317
Cash, beginning of period (July 1, 2016)	17,424	17,424	-
Effect of Foreign Exchange translation	11	-	11
Cash, end of period (October 1, 2016)	14,261	11,933	2,328
Note 1: Readers are cautioned to read the "Report Restrictions and Scope Limitations" section of this report.			

46. The following is a summary of the more significant variances in respect of the \$2.3 million aggregate net favourable cash flow variance during the Reporting Period:
- a) A \$600,000 favourable variance for Other Receipts was the result of receiving a refund from CRA which had been previously withheld for tax credits claimed in prior years;
 - b) The aggregate \$193,000 favourable variance for Payroll, Payroll Taxes and Benefits was primarily the result of the Sale Transaction closing on September 9, 2016, with all costs cut-off on that day whereas payroll had been forecast to be paid through to the week ending October 1, 2016;
 - c) Due to the Sale Transaction closing on September 9, 2016, Walter Canada recorded a permanent favourable variance of \$161,000 in respect of 2016 Property Taxes as the forecast assumed a closing date of September 30, 2016;
 - d) Maintenance and Supplies, and Environmental Monitoring and Consulting have recorded favourable variances in the amount of \$187,000 and \$421,000, respectively, which was attributable in part to the earlier closing date of the Sale Transaction as well as actual costs being less than originally forecast. However, a portion of these variance are anticipated to reverse in the coming weeks as final invoices are forwarded from Conuma for costs incurred by Walter Canada and to be paid by Walter Canada under the APA;
 - e) The \$127,000 unfavourable variance for Tenure and Lease Payments resulted from Walter Canada's required funding of its interest in the Belcourt Saxon Joint Venture being higher than originally forecast. Depending on the outcome of the sale of this interest (as discussed above) a portion of this disbursement may be recoverable from the Purchaser;
 - f) Professional Fees incurred in the normal course had a favourable variance of \$71,000 during the Reporting Period. A portion of this variance is anticipated to reverse as Walter Canada continues to attend to various tax filings and other administrative matters;

- g) CRO and Restructuring Advisor fees had a \$161,000 unfavourable variance which was primarily attributable to increased activity associated with the closing of the Sale Transaction and timing differences between when invoices are issued and paid and the expected timing in the forecast. The variance is expected to reverse in the near term as billing activity normalizes pursuant to the closing of the Sale Transaction; and
- h) Similar to the discussion in the Fourth Report and Third Report, there was a \$948,000 favourable variance for Bank Fees which was the result of no payments being made by Walter Canada in respect of the forecast quarterly fees associated with the Letters of Credit. Bank Fee disbursements during the Reporting Period related to fees associated with Walter Canada's bank accounts held at BNS, all of which have been closed, and administration fees associated with the letters of credit, all of which have now been cancelled.

OTHER MATTERS

Post-Closing Banking and Access to Walter Canada Records

- 47. As discussed in further detail in the Fourth Report, upon closing of the Sale Transaction, all of Walter Canada's current employees became employed by the Purchaser such that Walter Canada lacked the resources to perform banking, accounting and other administrative functions. As a result, Walter Canada and the Purchaser entered into a transition services agreement to provide Walter Canada access to certain of the employees who were transferred to the Purchaser as well as to the books and records of Walter Canada transferred to the Purchaser. As at the date of this report, the Purchaser has complied with the transition services agreement.
- 48. Pursuant to the August 16 Order and in recognition of the lack of internal Walter Canada resources post-closing, this Honourable Court granted the Monitor certain enhanced powers, including in respect of collecting all monies on behalf of Walter Canada as well as taking control of the bank accounts of the Walter Canada entities and/or opening new accounts in the Monitor's name to receive funds on behalf of Walter Canada. As at the date of this report, the Monitor has established new operating accounts and all monies have been transferred to bank accounts in the Monitor's name on behalf of Walter Canada. Walter

Canada's previous account network at the Bank of Nova Scotia has been closed.

Walter UK

49. Effective September 9, 2016, Mr. Chris Daniels, an employee and Director of Energybuild Ltd. (a subsidiary of Walter Canada in the United Kingdom) and all of the then current employees of Energybuild Ltd. tendered their resignations. An engineer and former employee of Walter U.S. has been engaged to assist in managing the assets of Walter UK while in care and maintenance so that a plan can be developed to realize on the assets and entities.

THE MONITOR'S OBSERVATIONS

50. In the Monitor's opinion, Walter Canada is continuing to act in good faith and with due diligence in an effort to sell all remaining assets, engage in post-closing matters with the Purchaser and complete the Claims Process.
51. To date, Claims totaling \$31.6 million have been made against the Estate and a hearing has been scheduled to seek directions from this Honourable Court for a procedure to adjudicate the approximately US\$900 million Claim of the 1974 Pension Plan. The Monitor expects to continue progress in the finalization of Claims as directed in the Claims Process Order and to provide updates to this Honourable Court in due course.

All of which is respectfully submitted this 20th day of October, 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