

**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**

**SEVENTEENTH REPORT OF THE MONITOR, KPMG INC.**

**April 5, 2018**

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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 petition (the “**Application**”) filed by Walter Energy Canada Holdings, Inc. (“**WECH**”), Walter Canadian Coal ULC, Wolverine Coal ULC, Brule Coal ULC, Cambrian Energybuild Holdings ULC (“**Cambrian**”), 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. On December 28, 2016, pursuant to orders of this Honourable Court which were granted on December 7, 2016 and December 21, 2016, as well as bankruptcy and proposal proceedings which were initiated by Old Walter Canada under the *Bankruptcy and Insolvency Act* (the “**BIA**”) during December 2016, the CCAA Proceedings in respect of all of the Old Walter Canada entities, except for Cambrian, were terminated and the CCAA Proceedings were continued with respect to Cambrian and the following new entities which were formed and became petitioners in the CCAA Proceedings on December 8, 2016 (the “**New Walter Entities**” which, collectively with Cambrian, are referred to herein as “**Walter Canada**”):

- i) New Walter Energy Canada Holdings, Inc.;
  - ii) New Walter Canadian Coal Corp. (“**New WCCC**”);
  - iii) New Brule Coal Corp.;
  - iv) New Willow Creek Coal Corp.; and
  - v) New Wolverine Coal Corp.
4. The Monitor has issued sixteen previous reports (including supplements to certain of those reports) since the Initial Order was granted, and those reports are referred to herein, collectively, as the “**Previous Reports**”. Terms not specifically defined herein shall have the meanings as defined in the Previous Reports or the Claims Process Order.
  5. The Monitor maintains a website at [www.kpmg.com/ca/walterenergycanada](http://www.kpmg.com/ca/walterenergycanada) (the “**Monitor’s Website**”) on which copies of the Previous Reports (with the exception of those which are confidential pursuant to certain sealing orders granted by this Honourable Court) as well as additional information regarding these CCAA Proceedings can be found.
  6. KPMG filed the Sixteenth Report of the Monitor (the “**Sixteenth Report**”) on February 23, 2018 in which the Monitor, among other things, provided a progress update with respect to the proposed sale of certain members of Walter UK to Speciality Carbons Limited (“**Speciality Carbons**”), information regarding Walter Canada’s actual receipts and disbursements against forecast and its updated cash flow forecast, as well as an update on the status of both Walter Canada’s development of a plan of compromise and arrangement (the “**Plan**”) and the litigation of the James Claim.
  7. On February 26, 2018, the Monitor filed its Supplement to the Sixteenth Report of the Monitor (the “**Sixteenth Supplement**”) in which it provided information regarding, and the Monitor’s observations and conclusions in respect of, Walter Canada’s motion returnable February 27, 2018 seeking certain relief in respect of the proposed sale of certain members of Walter UK to Speciality Carbons (the “**Energybuild Sale**”), including an Order (the “**Energybuild Sale Approval Order**”) to, among other things, authorize the closing of the proposed Energybuild Sale, as well as an Order (the “**February 27 Sealing Order**”) sealing the 20<sup>th</sup> confidential affidavit of Mr. William E. Aziz sworn on February 24, 2018.

8. On February 27, 2018, this Honourable Court granted an Order which, among other things, extended the Stay to April 16, 2018, as well as the Energybuild Sale Approval Order and the February 27 Sealing Order.
9. The purpose of this Seventeenth Report of the Monitor is to provide this Honourable Court with information regarding the following:
  - a) An update on the closing of the Energybuild Sale;
  - b) Walter Canada's actual cash flow results for the six-week period ended March 31, 2018 as compared to the previous forecast for the nine-week period ending April 21, 2018 which was filed with the Sixteenth Report (the "**Previous CCAA Cash Flow Forecast**");
  - c) Walter Canada's updated cash flow forecast for the nine-week period ending June 2, 2018 (the "**Updated CCAA Cash Flow Forecast**");
  - d) A discussion in respect of certain other matters, including an update on the status of Walter Canada's development of a plan of compromise and arrangement (the "**Plan**") as well as the status of the litigation of the James Claim and Walter Canada's income tax filings; and
  - e) The Monitor's observations and recommendations in respect of Walter Canada's motion returnable April 10, 2018 seeking an extension of the Stay to May 31, 2018 (the "**Extended Stay Period**") and certain other relief.

## REPORT RESTRICTIONS AND SCOPE LIMITATIONS

10. 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 Old Walter Canada, Walter Canada and/or certain of their respective affiliates, discussions with counsel for Walter Canada, and management and the CRO (collectively, “**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.
11. 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.
12. 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.
13. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars.

## UPDATE ON CLOSING OF THE ENERGYBUILD SALE

14. Further to discussion in the Sixteenth Supplement, the UK SSA between Energybuild Holdings Limited (“**Energybuild Holdings**”) and Speciality Carbons was finalized on March 6, 2018. The Energybuild Sale subsequently closed on March 15, 2018, the date on which the Monitor received the payment of the balance of the Purchase Price, on behalf of Energybuild Holdings, from Speciality Carbons.
15. Also on March 15, 2018, in accordance with the Energybuild Sale Approval Order, the Monitor filed the Monitor’s Certificate with this Honourable Court after having delivered a copy of it to each of Energybuild Holdings and Speciality Carbons. A copy of the Monitor’s Certificate is attached hereto as Schedule “A”.
16. On March 15, 2018, Cambrian delivered to Energybuild Holdings and Energybuild Group Limited a formal demand for repayment, from the Purchase Price, of all secured advances which had previously been made by New WCCC on behalf of Cambrian to Walter UK during the CCAA Proceedings, as approved by this Honourable Court, in the total amount of £1,061,000 (the “**Cambrian Advances**”), plus accrued interest in the amount of approximately £40,000. These funds are being held in British pounds until the three Remaining UK Entities are wound-up. Pursuant to terms of the UK SSA, this wind-up cannot be completed until after a period of at least two months following Closing.
17. The Monitor has segregated the balance of the Purchase Price, in the amount of approximately £649,000, in a separate trust account on behalf of Energybuild Holdings that will be utilized to fund the wind-up of the Remaining UK Entities. These funds are being held in British pounds given that the disbursements relating to the wind-up are expected to be made in that currency.



## ACTUAL RECEIPTS AND DISBURSEMENTS COMPARED TO FORECAST

18. Walter Canada's actual cash receipts and disbursements for the six-week period ended March 31, 2018 (the "Reporting Period"), as compared with the Previous CCAA Cash Flow Forecast, are summarized in the table below:

<b>Walter Canada Summary of Actual versus Forecast Cash Flow</b>			
<b>For the Six-Week Period from February 18, 2018 to March 31, 2018 <sup>(1)</sup></b>			
<b>Prepared on a Consolidated Basis</b>			
<b>Unaudited (CAD \$000)</b>	<b>Actual</b>	<b>Forecast</b>	<b>Variance</b>
<b>Cash Inflow</b>			
Other Receipts	136	64	72
Repayment of Walter U.K. Funding	1,929	-	1,929
<b>Total Cash Inflow</b>	<b>2,065</b>	<b>64</b>	<b>2,001</b>
<b>Cash Outflow - Operating Disbursements</b>			
Director's Fees	(22)	(22)	-
Consulting	(7)	(5)	(2)
Information Technology	(2)	(2)	-
<b>Total Cash Outflows - Operating Disbursements</b>	<b>(31)</b>	<b>(29)</b>	<b>(2)</b>
<b>Cash Outflow - Non-Operating Disbursements</b>			
CRO and Restructuring Advisor Fees	(481)	(772)	291
Walter U.K. Funding	-	-	-
<b>Total Cash Outflows - Non-Operating Disbursements</b>	<b>(481)</b>	<b>(772)</b>	<b>291</b>
<b>Net Cash Flow</b>	<b>1,553</b>	<b>(737)</b>	<b>2,290</b>
<b>Cash, beginning of period (February 18, 2018)<sup>2</sup></b>	<b>63,298</b>	<b>63,298</b>	<b>-</b>
<b>Effect of Foreign Exchange translation</b>	<b>402</b>	<b>-</b>	<b>402</b>
<b>Cash, end of period (March 31, 2018)<sup>2,3</sup></b>	<b>65,253</b>	<b>62,561</b>	<b>2,692</b>

**Note 1:** Readers are cautioned to read the "Report Restrictions and Scope Limitations" section of this report.  
**Note 2:** The cash position noted above excludes approximately US\$270,000 that was received upon closing of Walter Canada's previous account network at the Bank of Nova Scotia. This amount is excluded as it has not been determined whether these funds belong to Walter Canada, its US parent or Warrior.  
**Note 3:** The ending cash position excludes £649,000 which is being held by the Monitor on behalf of Energybuild Holdings, representing the balance of the proceeds from the Energybuild Sale.

19. During the Reporting Period, there was a \$2.7 million net favourable cash flow variance, the majority of which was on account of the receipt of the aforementioned repayment of the Cambrian Advances (plus interest) from Energybuild Holdings following the closing of the Energybuild Sale, as described in the following summary of the more significant variances during the Reporting Period:
- a) The \$72,000 favourable variance for Other Receipts was the result of the receipt of approximately £40,000 of interest on the Cambrian Advances during the Reporting Period;

- b) Similarly, the \$1.9 million favourable variance for Repayment of Walter UK Funding was the previously discussed repayment from Energybuild Holdings of the Cambrian Advances in the amount of £1,061,000, which had not been provided for in the Previous CCAA Cash Flow Forecast to preserve the confidentiality of the Purchase Price in the Energybuild Sale;
- c) The \$291,000 favourable variance for CRO and Restructuring Advisor Fees was largely due to \$190,000 of timing differences that are expected to reverse during the Updated Cash Flow Period; and
- d) Walter Canada had a \$410,000 unrealized gain arising from the translation of its US dollar cash holdings to Canadian dollars at the end of the Reporting Period as a result of the weakening of the Canadian dollar against the US dollar over the course of the Reporting Period. This gain was partially offset by an \$8,000 unrealized loss on the translation of Walter Canada's British pound cash holdings to Canadian dollars at the end of the Reporting Period, resulting in a net \$402,000 foreign exchange gain. This is an unrealized gain as Walter Canada has no intention in the short term of converting its US dollar and/or British pound cash balances to Canadian dollars.

#### **UPDATED CCAA CASH FLOW FORECAST**

20. The Updated CCAA Cash Flow Forecast has been prepared by Walter Canada, with the assistance of the Monitor, on a consolidated basis for the nine-week period ending June 2, 2018 (the "**Updated Cash Flow Period**") to correspond with the Extended Stay Period being sought by Walter Canada, 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 "**B**" and is summarized in the table below:

<b>Walter Canada Summary of the Updated CCAA Cash Flow Forecast</b>	
<b>For the Nine-Week Period from April 1, 2018 to June 2, 2018 <sup>(1)</sup></b>	
<b>Prepared on a Consolidated Basis</b>	
<b>Unaudited (CAD \$000)</b>	
<b>Cash Inflow</b>	
Other Receipts	639
<b>Total Cash Inflow</b>	<b>639</b>
<b>Cash Outflow - Operating Disbursements</b>	
Director's Fees	(22)
Consulting	(3)
<b>Total Cash Outflows - Operating Disbursements</b>	<b>(25)</b>
<b>Cash Outflow - Non-Operating Disbursements</b>	
CRO and Restructuring Advisor Fees	(1,166)
<b>Total Cash Outflows - Non-Operating Disbursements</b>	<b>(1,166)</b>
<b>Net Cash Flow</b>	<b>(552)</b>
<b>Cash, beginning of period (April 1, 2018)</b>	<b>65,253</b>
<b>Cash, end of period (June 2, 2018)</b>	<b>64,701</b>
<b>Note 1:</b> Readers are cautioned to read the "Report Restrictions and Scope Limitations" section of this report.	

21. Net cash outflows during the Updated Cash Flow Period are expected to total approximately \$552,000, which Walter Canada will fund from its current cash resources on hand, and Walter Canada expects to have approximately \$64.7 million of combined cash resources remaining at the end of the Updated Cash Flow Period.
22. The following is a summary of the more significant components of the Updated CCAA Cash Flow Forecast:
- a) Other Receipts consist of expected GST/HST refunds in the estimated amount of approximately \$607,000 and interest income in the estimated amount of approximately \$32,000 which is expected to be earned on Walter Canada's cash holdings during the Updated Cash Flow Period. The precise timing and quantum of the expected GST/HST refunds is uncertain, and it is possible that some or all of those refunds may not be received until after the end of the Updated Cash Flow Period;
  - b) Director's fees totaling \$22,000 relate to the monthly payments to Walter Canada's sole director;

- c) Payments to Walter Canada's counsel, the Monitor and its counsel, and the CRO are forecast to be approximately \$1.2 million during the Updated Cash Flow Period, including the expected reversal of approximately \$190,000 of timing differences during the Reporting Period that was discussed in the previous section. Professional fee costs will primarily relate to preparing the Plan and related materials, litigating the James Claim and preparing tax returns for the Walter Canada entities; and
  - d) As discussed in certain of the Previous Reports, approximately US\$270,000 has been excluded from the Updated CCAA Cash Flow Forecast in relation to the amount received by Walter Canada from BNS when Walter Canada's account network was closed. The Monitor will provide an update to this Honourable Court once it has determined whether those funds belong to Warrior or Walter Canada.
23. 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**

### **Update on Status of Plan Preparation**

24. In the Sixteenth Report, the Monitor noted that Walter Canada anticipated filing the Plan before the April 16, 2018 expiry of the current Stay period. However, as discussed in the affidavit of Mr. William E. Aziz sworn on April 3, 2018, Walter Canada's filing of the Plan has been delayed on account of certain structuring issues.
25. Walter Canada, in consultation with its legal counsel and its accounting and tax advisors, and with assistance from the Monitor, has continued during the current Stay period to work on determining the accounting treatment for certain aspects of the BIA Proposal that were completed in December 2016. Determination of this accounting treatment is necessary in order for Walter Canada to finalize certain structuring elements of the Plan as well as to prepare and file corporate income tax returns for each of the Walter Canada entities for their fiscal years which ended in late 2017.

26. Management is of the view that the Plan structuring issues have now been resolved and is seeking an extension of the Stay to May 31, 2018 to provide it with a short period of additional time to finalize the Plan, including consulting with certain of its stakeholders in respect of same, with a view to presenting it to this Honourable Court prior to the end of the Extended Stay Period.

#### **Update on Status of James Claim Litigation**

27. Since our last update in the Sixteenth Report, counsel for Walter Canada and counsel for Mr. James have exchanged additional evidentiary material. As at the date of this report, no dates have been set with this Honourable Court for adjudicating the James Claim.

#### **Filing of Income Tax Returns**

28. On April 2, 2018, Walter Canada filed the income tax returns of Cambrian for the fiscal periods ended December 27, 2016 and December 31, 2016. As at the date of this report, income tax returns have not been filed for the five New Walter Entities in respect of their first fiscal year commencing on December 8, 2016.
29. The Monitor expects that the tax returns for the New Walter Entities will be filed once Walter Canada has resolved the aforementioned Plan structuring and accounting treatment issues.

## **THE MONITOR'S OBSERVATIONS AND RECOMMENDATIONS**

30. In the Monitor's opinion, Walter Canada is continuing to act in good faith and with due diligence in furthering its restructuring efforts, including working to finalize the accounting treatment for the BIA Proposal so that it can develop the Plan and present it to this Honourable Court for approval prior to the end of the proposed Extended Stay Period.
31. Accordingly, the Monitor is of the view that it would be reasonable for this Honourable Court to grant Walter Canada's request for an Order providing it with a limited period of additional time, to May 31, 2018, so that it may finish developing the Plan and present it to this Honourable Court for approval, and further the litigation of the James Claim.

All of which is respectfully submitted this 5th day of April, 2018.

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



Per: Anthony Tillman  
*Senior Vice President*

**Schedule “A”**

**Monitor’s Certificate**

**Dated March 15, 2018**



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

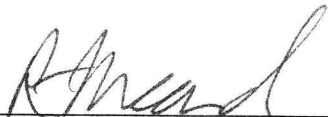
**REQUISITION – GENERAL**

**Filed by:** The Monitor, KMPG Inc.

**REQUIRED:**

To file the attached Monitor's Certificate, dated March 15, 2018.

Date: March 15, 2018

  
\_\_\_\_\_  
Signature of counsel for the Monitor,  
KPMG Inc.  
Peter J. Reardon

This **Requisition** is prepared by Peter J. Reardon of the firm of McMillan LLP, solicitor for the Monitor, KPMG Inc., whose place of business and address for delivery is 1500 - 1055 West Georgia Street, P.O. Box 11117, Vancouver, B.C., V6E 4N7, Telephone (604) 689-9111; Fax (604) 685-7084, peter.reardon@mcmillan.ca. File No. 236073.



**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

**MONITOR'S CERTIFICATE**

1. Pursuant to an Order of the Court dated February 27, 2018 (the "**Energybuild Sale Approval Order**"), the Court authorized the Petitioners to take any steps necessary to direct Energybuild Holdings Limited to enter into the Share Sale Agreement dated March 6, 2018 (the "**Sale Agreement**") between Energybuild Holdings Limited (the "**Seller**") and Specialty Carbons Limited (the "**Purchaser**", and, collectively with the Seller, the "**Parties**"), and ordered the closing would be evidenced by the filing with the Court by KPMG Inc., in its capacity as the Court-appointed Monitor of the Petitioners (the "**Monitor**") of this certificate to the Parties confirming: (i) payment by the Purchaser and receipt by the Monitor of the Purchase Price required under the Sale Agreement; (ii) that the Monitor has been advised by each relevant Party that the conditions to be complied with at or prior to the Closing as set out in Article 7 and Article 8, respectively, of the Sale Agreement have been satisfied or waived by the Seller or the Purchaser, as applicable; and (iii) the purchase and sale of the Shares has been completed pursuant to the Sale Agreement.
2. Unless otherwise defined herein, capitalized terms shall have the meanings ascribed to them in the Sale Agreement.

**THE MONITOR HEREBY CERTIFIES as follows:**

- (a) The Purchaser has paid and the Monitor has received (on behalf of the Seller) the Purchase Price contemplated in the SSA;
- (b) The Monitor has received confirmation from each relevant Party that the conditions to be complied with at or prior to the Closing as set out in Article 7 and Article 8, respectively, of the Sale Agreement have been satisfied or waived by the Seller or the Purchaser, as applicable; and
- (c) The purchase and sale of the Shares has been completed pursuant to the Sale Agreement.

DATED at the City of Vancouver, in the Province of British Columbia, at 1:30 p.m. prevailing Vancouver time this 15<sup>th</sup> day of March, 2018.

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

By:



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Name: Anthony Tillman  
Title: Senior Vice President

## **Schedule “B”**

**Updated CCAA Cash Flow Forecast for  
the Nine-Week Period Ending June 2, 2018**

New Walter Energy Canada Holdings, Inc. et al.

Updated CCAA Cash Flow Forecast for the Nine-Week Period Ending June 2, 2018 <sup>(1)</sup>

<i>(in CAD \$000's)</i>										
<i>Foreign Exchange Rate Assumptions - (USD/CAD) 1.29 and (GBP/CAD) 1.81</i>										
Week No.	1	2	3	4	5	6	7	8	9	9-Week Total
Week Ending	4/7/18	4/14/18	4/21/18	4/28/18	5/5/18	5/12/18	5/19/18	5/26/18	6/2/18	6/2/18
Notes										
<b>OPERATING CASH FLOW</b>										
Operating Receipts										
Other Receipts	16	-	-	-	-	16	-	-	607	639
<b>Total Operating Receipts</b>	<b>16</b>	-	-	-	-	<b>16</b>	-	-	<b>607</b>	<b>639</b>
Operating Disbursements										
Director's Fees	-	-	-	(11)	-	-	-	-	(11)	(22)
Consulting	-	-	-	-	(3)	-	-	-	-	(3)
<b>Total Operating Disbursements</b>	-	-	-	<b>(11)</b>	<b>(3)</b>	-	-	-	<b>(11)</b>	<b>(25)</b>
<b>Non-Operating Disbursements</b>										
CRO and Restructuring Advisor Fees	(123)	-	-	-	(484)	-	-	-	(559)	(1,166)
<b>Total Non-Operating Disbursements</b>	<b>(123)</b>	-	-	-	<b>(484)</b>	-	-	-	<b>(559)</b>	<b>(1,166)</b>
<b>TOTAL NET CASH FLOW</b>	<b>(107)</b>	-	-	<b>(11)</b>	<b>(487)</b>	<b>16</b>	-	-	<b>37</b>	<b>(552)</b>
<b>BEGINNING CASH (FX Effected)</b>	<b>65,253</b>	<b>65,146</b>	<b>65,146</b>	<b>65,146</b>	<b>65,135</b>	<b>64,648</b>	<b>64,664</b>	<b>64,664</b>	<b>64,664</b>	<b>65,253</b>
Net Cash Flow	(107)	-	-	(11)	(487)	16	-	-	37	(552)
<b>ENDING CASH (FX Effected)</b>	<b>65,146</b>	<b>65,146</b>	<b>65,146</b>	<b>65,135</b>	<b>64,648</b>	<b>64,664</b>	<b>64,664</b>	<b>64,664</b>	<b>64,701</b>	<b>64,701</b>

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 (“Walter Canada”)**

### **Notes to the Unaudited Updated CCAA Cash Flow Forecast for the Nine-Week Period Ending June 2, 2018**

Unless otherwise noted, the Updated CCAA Cash Flow Forecast is presented in Canadian Dollars using an exchange rate of US\$1.00/CDN\$1.29 for conversion of any U.S. Dollar amounts and an exchange rate of GBP£1.00/CDN\$1.81 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 Walter Canada during its CCAA proceedings, and readers are cautioned that it may not be appropriate for other purposes.

The Updated CCAA Cash Flow Forecast does not contemplate any distributions to creditors as the timing for doing so is subject to the filing of a plan of compromise and arrangement and obtaining approval thereof from both this Honourable Court and Walter Canada’s creditors, which may occur sometime prior to the end of the forecast period.

#### *Receipts*

#### **2. Other Receipts**

Amounts forecast represent interest income which is expected to be earned on various short-term investments during the forecast period as well as estimated GST refunds of \$607,000. The precise timing of the receipt of these GST refunds is uncertain. It is possible that these collections may occur after the end of the forecast period.

A further \$390,000 may also be refunded to Walter Canada relating to filed GST returns but this amount is subject to an ongoing audit review by the Canada Revenue Agency. As such, the timing and final quantum of its receipt is uncertain and therefore has not been included in the Updated CCAA Cash Flow Forecast.

#### *Operating Disbursements*

#### **3. Director’s Fees**

Fees include monthly compensation costs for Walter Canada’s sole director over the course of the forecast period.

#### **4. Consulting**

These disbursements relate to the expected costs during the forecast period relating to the external consultant engaged to perform consulting in respect of the litigation of the disputed Claim of Kevin James.

#### *Non-Operating Disbursements*

#### **5. CRO and Restructuring Advisor Fees**

Forecast disbursements for professional fees specific to Walter Canada's restructuring efforts include Walter Canada's counsel, the Monitor and its counsel and the Chief Restructuring Officer. Anticipated fees relate primarily to the preparation and review of a plan of compromise and arrangement, the drafting of Walter Canada's financial statements and tax returns, the litigation of the disputed Claim of Kevin James and a catch-up for the February and March fee invoices that have not yet been received as at the date the forecast was prepared.