

**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

TWENTIETH REPORT OF THE MONITOR, KPMG INC.

November 2, 2018

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6, 2019

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 in respect of the petition filed by Walter Energy Canada Holdings, Inc., 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* 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. (“**New Wolverine**”)
4. The Monitor has issued nineteen previous reports (and 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, the Claims Process Order or the Plan (as subsequently defined).
 5. The Monitor maintains a website at www.kpmg.com/ca/walterenergycanada 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. On May 31, 2018, this Honourable Court granted an Order which, among other things, authorized the filing of Walter Canada’s Plan of Compromise and Arrangement dated May 29, 2018 (the “**Original Plan**”), deemed meetings of its creditors to have been held (the “**Deemed Meetings**”) with those creditors being deemed to have voted to approve the Original Plan (the “**Deemed Plan Approval**”) and extended the Stay to December 1, 2018.
 7. The Monitor filed its Nineteenth Report (the “**Nineteenth Report**”) on June 28, 2018, in which the Monitor, among other things, provided information regarding its support for Walter Canada’s application for an Order (the “**Sanction Order**”) from this Honourable Court sanctioning and approving Walter Canada’s Amended and Restated Plan of Compromise and Arrangement dated June 22, 2018 (the “**Plan**”, as may be amended in accordance with the terms thereof) pursuant to the provisions of the CCAA.
 8. The Nineteenth Report also included both a summary of the Monitor’s activities from the commencement of these CCAA Proceedings to April 30, 2018 (the “**Fee Approval Period**”) and a summary of the fees and disbursements of the Monitor and its legal counsel during the Fee Approval Period, in support of the Monitor’s motion returnable July 3, 2018 seeking an Order approving same (the “**Fee Approval Order**”).

9. On July 3, 2018, this Honourable Court granted both the Sanction Order and the Fee Approval Order.
10. The purpose of this Twentieth Report of the Monitor is to provide this Honourable Court, and Walter Canada's stakeholders, with information with respect to the following:
 - a) An update on the status of efforts to satisfy the conditions precedent to Plan implementation;
 - b) A discussion of the status of efforts to finalize a plan for the orderly wind-up of Energybuild Holdings Limited ("**Energybuild Holdings**"), Energybuild Group Limited and Energybuild Opencast Ltd. (collectively, the "**Remaining UK Entities**");
 - c) Walter Canada's actual cash flow results for the 23-week period ended October 20, 2018 as compared to the previous forecast for the 29-week period ending December 1, 2018 (the "**Previous CCAA Cash Flow Forecast**"), which was filed with the Eighteenth Report of the Monitor dated May 29, 2018 (the "**Eighteenth Report**");
 - d) Walter Canada's updated cash flow forecast for the 24-week period ending April 6, 2019 (the "**Updated CCAA Cash Flow Forecast**");
 - e) A discussion in respect of the status of certain other matters, including Walter Canada's Directors and Officers liability insurance as well as the adjudication of the Claim of Mr. Kevin James (the "**James Claim**"), the only remaining Unresolved Claim; and
 - f) The Monitor's observations and recommendations in respect of Walter Canada's motion returnable November 7, 2018 (the "**November Application**") seeking an Order extending the Stay to March 8, 2019, and authorizing Cambrian to take steps to cause the Remaining UK Entities to be wound up, as well as certain other relief.

REPORT RESTRICTIONS AND SCOPE LIMITATIONS

11. 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.
12. 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.
13. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars.

UPDATE ON PLAN IMPLEMENTATION

14. As discussed in the Eighteenth Report, implementation of the Plan is dependent upon four Conditions Precedent being satisfied (or waived in the case of one provision) on or prior to the Plan Implementation Date. The first two Conditions Precedent have been satisfied: first, the Deemed Plan Approval was obtained pursuant to the June 27, 2018 Deemed Meetings; and, second, the Sanction Order was granted by this Honourable Court and all appeal periods in respect thereof have expired and there were no appeals therefrom, leaving the Sanction Order wholly operable.
15. Following sanction of the Plan by this Honourable Court, Walter Canada, its counsel, the CRO and the Monitor and its counsel have worked diligently in an effort to satisfy the most significant Condition Precedent which is, primarily, to obtain Clearance Certificates from the Minister of National Revenue (Canada) (“**CRA**”) pursuant to section 159 of the *Income Tax Act* (Canada) (the “**ITA**”) in respect of each Walter Canada entity or, in the alternative, written confirmation from CRA that the Monitor may distribute the property of Walter Canada without any personal liability (taken together with the Clearance Certificates, “**CRA Confirmation**”). The fourth Condition Precedent requires that the Plan shall be implemented by no later than the Outside Date, which is nine months after the Sanction Order was pronounced on July 3, 2018 (which is April 3, 2019) or such later date as may be agreed to by Walter Canada, the Monitor and Warrior Met Coal, LLC (“**Warrior**”).
16. As the first step in seeking to obtain CRA Confirmation, Walter Canada filed all of its required Canadian tax returns for the latest fiscal year (the “**2017 Returns**”) which ended on November 30, 2017 for each of the Walter Canada entities (except for Cambrian whose year-end is December 31, 2017) on May 31, 2018. Cambrian filed its 2017 Return on July 3, 2018 and subsequently filed a joint election between it and its parent, New WEI, Inc., in respect of the Cambrian Advances that had been outstanding as at the December 31, 2017 fiscal year end, the purpose of which was to declare the indebtedness to Cambrian under the Cambrian Advances as “pertinent loan or indebtedness” (“**PLOI**”). Following negotiations between Walter Canada and the trustee in the Chapter 7 bankruptcy proceedings of New WEI, Inc. (the “**WEI Trustee**”), the WEI Trustee executed the PLOI election, which Cambrian then filed with CRA on August 7, 2018.

17. As at the date of this report, assessment notices have been received in respect of the 2017 Returns for all of the Walter Canada entities with the exception of Cambrian. The Monitor has been following up with CRA to inquire as to when Cambrian's 2017 Return will be assessed; however, CRA has not provided an estimated timeframe to date.
18. Further to discussion in the Eighteenth Report, Walter Canada, its counsel and the Monitor and its counsel have made significant efforts following the filing of the 2017 Returns to identify a senior representative at CRA with whom to engage in discussion in an effort to expedite the process of obtaining the CRA Confirmation. As part of these efforts, Walter Canada's counsel delivered two letters to CRA, dated July 25, 2018 and August 8, 2018, in which they provided some background information about the CCAA Proceedings and the Plan, explained the importance of making distributions to the Affected Creditors on a timely basis and requested that CRA expedite the process of providing Clearance Certificates. Walter Canada's counsel and the Monitor have also made a number of telephone inquiries to CRA, including through contacts at the Department of Justice Canada, in an attempt to find the best person to assist in expediting the process. Walter Canada and the Monitor have contacted a number of representatives of CRA, and will continue to engage with these persons and to seek other contacts within CRA who are better placed to discuss the process.
19. Given the complexities unique to the request for CRA Confirmation in the context of these CCAA Proceedings, which involves interrelated entities seeking to make distributions in accordance with the Plan, Walter Canada and the Monitor determined that the most expeditious means to obtain the CRA Confirmation in a timely manner was to identify a senior representative of CRA and engage in a dialogue with that representative regarding the CRA Confirmation in advance of filing standard application forms. However, based on the engagement with CRA to date and the responses received, Walter Canada and the Monitor decided to proceed with filing the prescribed form of Clearance Certificate requests with CRA for each Walter Canada entity (the "**Clearance Requests**"), while continuing to seek to identify the best person at CRA with authority to expedite processing those requests.
20. Commencing in August 2018, the Monitor engaged with its counsel and Walter Canada to determine the appropriate form of documentation to file with the Clearance Requests for each of the Walter Canada entities in the circumstances.

21. One of the documents that must be included with a Clearance Request is the notice of assessment issued by CRA in respect of the tax year that is the subject of the request. The Monitor and Walter Canada were waiting to receive the notice of assessment in respect of Cambrian's 2017 Return before filing all of the Clearance Requests so that the applications would be complete when filed and CRA would not return them as incomplete. However, after waiting a reasonable time following the filing of the PLOI election for CRA to assess the Cambrian 2017 Return and receiving no information from CRA as to how long it may take to assess the return, Walter Canada and the Monitor decided it would be expedient to proceed with filing all of the Clearance Requests, including the Clearance Request for Cambrian, without the Cambrian notice of assessment.
22. The Monitor, in consultation with its tax experts at KPMG LLP and its counsel as well as with Walter Canada and its counsel, prepared and finalized the required Clearance Request documentation, including a scheme of the distribution of assets at wind-up and the director's resolution confirming the intention to dissolve the corporation, for each Walter Canada entity. The Clearance Requests were filed with CRA on October 19, 2018, along with a letter highlighting the critical timeline for obtaining the Clearance Certificates in order to implement the Plan and make the distributions contemplated therein.
23. Both prior to and immediately after filing the Clearance Requests, the Monitor and Walter Canada's counsel placed telephone calls to the CRA representative that Walter Canada and the Monitor view as the best candidate identified to date as being potentially able to assist with expediting the processing of the Clearance Requests or identifying a person who can do so. As at the date of this report, no further dialogue with CRA has occurred; however, the Monitor and Walter Canada's counsel are continuing to seek to identify the best persons at CRA with whom to engage to expedite the process and will make further enquiries of existing contacts in due course. In the meantime, the Monitor understands that the Clearance Requests are being processed by CRA in the normal course.
24. The Monitor notes the following risks of potential delays in the processing of two of the Clearance Requests:

- a) Cambrian – CRA may delay processing the Cambrian Clearance Request until it has assessed Cambrian’s 2017 Return and any taxes (including estimated interest and penalties totaling \$1,000) determined to be owing have been paid by Cambrian; and
 - b) New Wolverine – On October 15, 2018, CRA advised the Monitor that it is reviewing the payments made to those Employee Claimants (who are creditors of New Wolverine) who participated in the Fund Distribution that was made in July 2017, and advised that CRA’s review of this matter may be part of the process for reviewing the New Wolverine Clearance Request. CRA requested that the Monitor provide it with copies of certain documentation in respect of the Fund Distribution. The Monitor provided the requested documents to CRA on October 16, 2018. It is unclear what impact, if any, CRA’s review may have on the timeline for processing the New Wolverine Clearance Request.
25. The Monitor and Walter Canada will continue to seek to engage with CRA to expedite the processing of the Clearance Requests and to make themselves (and their respective counsel) available to promptly respond to any CRA inquiries that may arise as part of their review process. It is difficult for the Monitor to estimate the timeline for CRA to complete its review and provide the requested Clearance Certificates, or the CRA Confirmation in the alternative.
26. Based on the efforts described above, the Monitor is of the view that Walter Canada has worked, and continues to work, diligently to satisfy the Conditions Precedent to the implementation of the Plan.

UPDATE ON THE STATUS OF THE REMAINING UK ENTITIES

27. The Settlement Term Sheet Re Plan of Compromise and Arrangement among Walter Canada, Warrior and the 1974 Pension Plan dated October 10, 2017 (the “**Settlement Term Sheet**”) provides that the Remaining UK Entities are to be wound-up in a cost-effective and tax efficient manner that protects its directors from liability to the fullest extent possible. In the Seventeenth Report of the Monitor dated April 5, 2018, the Monitor provided an update on the closing of the Energybuild Sale and noted that, pursuant to terms of the Energybuild

share sale agreement, a wind-up of the three Remaining UK Entities could not be completed until a period of at least two months following the closing date. The Monitor also noted that it is holding the balance of the sale proceeds on behalf of Energybuild Holdings and that these proceeds will be used to fund the wind-up of the Remaining UK Entities.

28. Commencing in July 2018, Walter Canada's legal counsel and the CRO engaged with a number of professionals in the UK (including tax, insolvency and legal advisors; collectively, the "**UK Advisors**") in respect of preparing and filing the requisite financial statements and tax reporting for the Remaining UK Entities, as well as to evaluate the available wind-up options and develop a plan for their orderly wind-up (the "**Energybuild Wind-Up Plan**"). During September 2018, Energybuild Holdings engaged MHA Broomfield Alexander to prepare and file the requisite financial statements and tax reporting and KPMG LLP in the United Kingdom ("**KPMG UK**") to report on wind-up options and related matters.
29. The Monitor has attended regular conference calls with Walter Canada, its counsel, the CRO and the UK Advisors since September 2018 to advance the development of the Energybuild Wind-Up Plan and has provided documentation and other information to the UK Advisors to assist with their work as requested from time to time.
30. The UK Advisors concluded that the following three options are available for the wind-up of the Remaining UK Entities: (a) a Voluntary Strike Off, which is an application to strike the companies off of the applicable corporate register; (b) a Members' Voluntary Liquidation ("**MVL**"), which is a solvent liquidation proceeding overseen by an insolvency practitioner; or (c) a Creditors' Voluntary Liquidation, which is similar to an MVL and is available to either solvent or insolvent entities. The CRO, in the 24th affidavit of William E. Aziz sworn on November 1, 2018 (the "**24th Aziz Affidavit**"), provides a detailed discussion of the three options and KPMG UK's recommended approach for each of the Remaining UK Entities, as set out in KPMG UK's summary report (the "**KPMG UK Report**") attached thereto as Exhibit "A". Readers are directed to the discussion in the 24th Aziz Affidavit for more details about the wind-up options that were considered by Walter Canada and the Remaining UK Entities.

31. As set out in the 24th Aziz Affidavit, Walter Canada and the Remaining UK Entities have determined the Energybuild Wind-Up Plan based on the advice of the UK Advisors and are seeking authorization from this Honourable Court for Cambrian to cause the Energybuild Wind-Up Plan to be implemented. Based on the advice of the UK Advisors, and as set out in the KPMG UK Report, it seems reasonable to expect that, under the Energybuild Wind-Up Plan, the Remaining UK Entities can be wound-up in an efficient manner that will not require any amounts to be paid from Walter Canada to fund the wind-up costs. There is expected to be a surplus in the amount of approximately £526,000 that can be paid by the Remaining UK Entities to Warrior (pursuant to terms of the Settlement Term Sheet) in satisfaction of the approximately US\$7 million claim against Energybuild Group Limited that Warrior acquired from New WEI, Inc.
32. Based on its attendance on the various conference calls and review of the reports from the UK Advisors, the Monitor is of the view that Walter Canada has worked, and continues to work, diligently to develop its plan for the orderly wind-up of the Remaining UK Entities.
33. The Monitor is further of the view that, based on the advice of the UK Advisors, the Energybuild Wind-Up Plan appears to offer a reasonable prospect of effecting a timely and cost-effective wind-up of the Remaining UK Entities without requiring any funding from Walter Canada. The Monitor also understands that Walter Canada has explained the Energybuild Wind-Up Plan to representatives of Warrior and consulted with Warrior's representatives regarding the Energybuild Wind-Up Plan. Warrior is the only known arms-length creditor of the Remaining UK Entities. For all of these reasons, the Monitor supports Walter Canada's plan to wind-up the Remaining UK Entities as presented in the 24th Aziz Affidavit.

ACTUAL RECEIPTS AND DISBURSEMENTS COMPARED TO FORECAST

34. Walter Canada's actual cash receipts and disbursements for the 23-week period ended October 20, 2018 (the "**Reporting Period**"), as compared with the Previous CCAA Cash Flow Forecast, are summarized in the table below:

Walter Canada Summary of Actual versus Forecast Cash Flow			
For the 23-Week Period from May 13, 2018 to October 20, 2018⁽¹⁾			
Prepared on a Consolidated Basis			
Unaudited (CAD \$000)	Actual	Forecast	Variance
Cash Inflow			
Other Receipts	101	102	(1)
Total Cash Inflow	101	102	(1)
Cash Outflow - Operating Disbursements			
Director's Fees	(56)	(56)	-
Consulting	-	(6)	6
Insurance	(78)	(80)	2
Taxes	(395)	(400)	5
Other	(6)	-	(6)
Total Cash Outflows - Operating Disbursements	(535)	(542)	7
Cash Outflow - Non-Operating Disbursements			
CRO and Restructuring Advisor Fees	(1,826)	(2,375)	549
Success Fee	(48)	(48)	-
Total Cash Outflows - Non-Operating Disbursements	(1,874)	(2,423)	549
Net Cash Flow	(2,308)	(2,863)	555
Cash, beginning of period (May 13, 2018)²	64,828	64,828	-
Effect of Foreign Exchange translation	344	-	344
Cash, end of period (October 20, 2018)^{2,3}	62,864	61,965	899
Notes:			
1. Readers are cautioned to read the "Report Restrictions and Scope Limitations" section of this report.			
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 those funds will be remitted to the trustee in the US bankruptcy proceedings of Walter Canada's US parent, on or about Plan implementation.			
3. The ending cash position excludes £632,013 which is being held by the Monitor on behalf of Energybuild Holdings, representing the balance of the proceeds from the Energybuild Sale.			

35. During the Reporting Period, there was an \$899,000 net favourable cash flow variance, which was primarily on account of a \$549,000 favourable variance for CRO and Restructuring Advisor Fees, of which an estimated \$325,000 was on account of timing differences in respect of the late delivery of certain professional fee invoices for the month of August 2018, as well as professional fees that had been forecast for litigating the James Claim which has not yet proceeded to Court. These timing differences are expected to reverse during the Updated Cash Flow Period.
36. The other significant reason for the overall favourable variance during the Reporting Period was a \$419,000 unrealized gain arising from the translation of Walter Canada's 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 a \$75,000 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 \$344,000 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.

37. Further to discussion in the Eighteenth Report, the Monitor advises that during the Reporting Period it made one payment on behalf of Energybuild Holdings for the fees and disbursements of its legal counsel in the amount of £317 (including a wire transfer charge). As at the end of the Reporting Period, the Monitor was holding £632,013 on behalf of Energybuild Holdings. As Energybuild Holdings is not a petitioner in the CCAA Proceedings, its receipts, disbursements and cash balances are not included in the above table or in Walter Canada's forecasts.

UPDATED CCAA CASH FLOW FORECAST

38. The Updated CCAA Cash Flow Forecast has been prepared by Walter Canada, with the assistance of the Monitor, on a consolidated basis for the 24-week period ending April 6, 2019 (the "**Updated Cash Flow Period**") to cover the Extended Stay Period being sought by Walter Canada and the Outside Date for Plan implementation, 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 "A" and is summarized in the table below:

Walter Canada Summary of the Updated CCAA Cash Flow Forecast	
For the 24-Week Period from October 21, 2018 to April 6, 2019⁽¹⁾	
Prepared on a Consolidated Basis	
Unaudited (CAD \$000)	
Cash Inflow	
Other Receipts	400
Total Cash Inflow	400
Cash Outflow - Operating Disbursements	
Director's Fees	(66)
Other Disbursements	(9)
Total Cash Outflows - Operating Disbursements	(75)
Cash Outflow - Non-Operating Disbursements	
CRO and Restructuring Advisor Fees	(1,700)
Total Cash Outflows - Non-Operating Disbursements	(1,700)
Net Cash Flow	(1,375)
Cash, beginning of period (October 21, 2018)	62,864
Cash, end of period (April 6, 2019)	61,489
Note 1: Readers are cautioned to read the "Report Restrictions and Scope Limitations" section of this report.	

39. Net cash outflows during the Updated Cash Flow Period are expected to total approximately \$1.4 million, which Walter Canada will fund from its current cash resources on hand, and Walter Canada expects to have approximately \$61.5 million of combined cash resources remaining at the end of the Updated Cash Flow Period.
40. The following is a summary of the more significant components of the Updated CCAA Cash Flow Forecast:
- a) Other Receipts consist of interest income in the estimated amount of approximately \$300,000 which is expected to be earned on Walter Canada's cash holdings during the Updated Cash Flow Period, as well as an expected GST/HST refund in the estimated amount of approximately \$100,000. The precise timing and quantum of the expected GST/HST refund is uncertain, and it is possible that it may not be received until after the end of the Updated Cash Flow Period;
 - b) Director's fees totaling \$66,000 relate to the monthly payments to Walter Canada's sole director;
 - c) Other Disbursements includes provisions for \$6,000 of estimated fees for one of

Walter Canada's experts in relation to the expected litigation of the James Claim, \$2,000 for the monthly storage of Walter Canada's books and records, and an estimated \$1,000 of interest and penalties in respect of Cambrian's corporate tax return for the fiscal year ended December 31, 2017 which had not yet been assessed by CRA as at the date of this report; and

- d) Payments to Walter Canada's counsel, the Monitor and its counsel, and the CRO are forecast to be approximately \$1.7 million during the Updated Cash Flow Period, including the expected reversal of the aforementioned approximately \$325,000 of timing differences during the Reporting Period. Professional fee costs will primarily relate to recently incurred but not paid costs of the Canadian professionals for work related to development of the Energybuild Wind-Up Plan, finalizing and filing the Clearance Requests and preparing materials for the November Application, as well as for work to be completed in respect of efforts to implement both the Plan and the Energybuild Wind-Up Plan and litigate the James Claim.
41. 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.
42. Further to discussion in certain of the Previous Reports, approximately US\$270,000 (the "**BNS Funds**") 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. Discussions among Walter Canada's counsel, the WEI Trustee and the Monitor were conducted during August 2018, pursuant to which it was agreed that the BNS Funds will be remitted to the WEI Trustee on or about the date of Plan implementation in accordance with terms of a settlement agreement between the WEI Trustee and Warrior that was approved by the United States Bankruptcy Court for the Northern District of Alabama in November 2017.

OTHER MATTERS

43. During September 2018, Walter Canada negotiated the renewal of its Directors and Officers liability insurance policy for the one-year period commencing September 30, 2018, as its existing coverage was to expire on September 30, 2018. If Walter Canada is in a position to wind up prior to the day that the Directors and Officers liability insurance expires, Walter

Canada would expect to receive a partial refund of premiums paid that would be applied towards the costs of converting the coverage to runoff coverage at that time.

44. With respect to the adjudication of the James Claim, the only remaining Unresolved Claim, the Monitor understands that counsel for Walter Canada and counsel for Mr. James have engaged in further communications regarding disposition of the Claim. As at the date of this report, no dates have been set with this Honourable Court for adjudicating the James Claim.

THE MONITOR'S CONCLUDING OBSERVATIONS AND RECOMMENDATIONS

45. 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 towards implementation of the Plan and winding-up the Remaining UK Entities.
46. 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 extending the Stay to March 8, 2019 to provide Walter Canada additional time to obtain the CRA Confirmation prior to the Outside Date and implement the Plan as well as to implement the Energybuild Wind-Up Plan. As previously discussed herein, the Monitor also supports Walter Canada's request for this Honourable Court's authorization for Cambrian to cause the Energybuild Wind-Up Plan to be implemented.

All of which is respectfully submitted this 2nd day of November, 2018.

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



Per: Anamika Gadia
Senior Vice President



Mark Kemp-Gee
Vice President



Mike Clark
Vice President

Schedule “A”

**Updated CCAA Cash Flow Forecast
for the 24-Week Period Ending April 6, 2019**

New Walter Energy Canada Holdings, Inc. et al.
Updated CCAA Cash Flow Forecast for the 24-Week Period Ending April 6, 2019⁽¹⁾

		(in CAD \$000's)												24-Week Total				
		Foreign Exchange Rate Assumptions: USD/CAD 1.28 and GBP/CAD 1.71																
Week No.	Week Ending	Notes	1	2	3	4	5	6	7	8	9	10	11	12	4 weeks 2/9/19	Month End 4 weeks 3/9/19	4 weeks 4/6/19	
			10/27/18	11/3/18	11/10/18	11/17/18	11/24/18	12/1/18	12/8/18	12/15/18	12/22/18	12/29/18	1/5/19	1/12/19				
OPERATING CASH FLOW																		
	Operating Receipts		-	-	16	-	-	-	16	-	-	-	-	16	220	116	16	400
	Other Receipts	2	-	-	16	-	-	-	16	-	-	-	-	16	220	116	16	400
	Total Operating Receipts		-	-	16	-	-	-	16	-	-	-	-	16	220	116	16	400
	Operating Disbursements		-	(11)	-	-	-	(11)	-	-	-	-	(11)	-	(11)	(11)	(11)	(66)
	Director's Fees	3	-	(11)	-	-	-	(11)	-	-	-	-	(11)	-	(11)	(11)	(11)	(66)
	Other Disbursements	4	-	-	-	-	-	-	-	-	(5)	-	-	-	-	(4)	-	(9)
	Total Operating Disbursements		-	(11)	-	-	-	(11)	-	-	(5)	-	(11)	-	(11)	(15)	(11)	(75)
	Non-Operating Disbursements		-	(275)	-	-	-	(180)	(115)	-	-	-	(275)	-	(200)	(335)	(320)	(1,700)
	CRO and Restructuring Advisor Fees	5	-	(275)	-	-	-	(180)	(115)	-	-	-	(275)	-	(200)	(335)	(320)	(1,700)
	Total Non-Operating Disbursements		-	(275)	-	-	-	(180)	(115)	-	-	-	(275)	-	(200)	(335)	(320)	(1,700)
	TOTAL NET CASH FLOW		-	(286)	16	-	-	(191)	(99)	-	(5)	-	(286)	16	9	(234)	(315)	(1,375)
	BEGINNING CASH (FX Effected)		62,864	62,864	62,578	62,594	62,594	62,594	62,403	62,304	62,304	62,299	62,299	62,013	62,029	62,038	61,804	62,864
	Net Cash Flow		-	(286)	16	-	-	(191)	(99)	-	(5)	-	(286)	16	9	(234)	(315)	(1,375)
	ENDING CASH (FX Effected)		62,864	62,578	62,594	62,594	62,403	62,304	62,304	62,299	62,299	62,013	62,029	62,029	62,038	61,804	61,489	61,489

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 24-Week Period Ending April 6, 2019

Unless otherwise noted, the Updated CCAA Cash Flow Forecast is presented in Canadian Dollars using an exchange rate of US\$1.00/CDN\$1.28 for conversion of any U.S. Dollar amounts and an exchange rate of GBP£1.00/CDN\$1.71 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 satisfaction of certain conditions precedent contained in Walter Canada’s Amended and Restated Plan of Compromise and Arrangement dated June 22, 2018 (the “**Plan**”), which may not occur prior to the end of the forecast period.

Receipts

2. Other Receipts

Amounts forecast include approximately \$300,000 of interest income which is expected to be earned on various short-term investments during the forecast period, and an expected \$100,000 GST/HST refund. The precise timing and quantum of the expected GST/HST refund is uncertain, and it is possible that it may not be received until after the end of the Updated Cash Flow Period.

An additional potential refund of pre-2017 GST/HST claims in the approximate amount of \$607,000 has not been included in the Updated CCAA Cash Flow Forecast as Canada Revenue Agency has advised that it is being withheld and has not provided a date for its release.

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. Other Disbursements

These forecasted costs relate to the fees (estimated at approximately \$6,000 over the course of the forecast period) of one of Walter Canada’s experts in respect of the expected litigation of the disputed Claim of Kevin James, monthly costs to store Walter Canada’s books and records, as well as an estimated \$1,000 of corporate taxes (interest and penalties) in respect of Cambrian Energybuild Holdings ULC.

Non-Operating Disbursements

5. CRO and Restructuring Advisor Fees

Forecast disbursements for professional fees specific to Walter Canada's restructuring efforts, including the fees and disbursements of Walter Canada's counsel, the Monitor and its counsel and the Chief Restructuring Officer. Anticipated activities in respect of these fees during the forecast period include preparing materials for and attendance at the November 7, 2018 Court hearing, engaging with Canada Revenue Agency to obtain tax clearance certificates and other activities related to efforts to implement the Plan, litigating the disputed Claim of Kevin James and to implement the plan for the wind-up of the remaining Walter UK entities.