



This is the 10th Affidavit of William E. Aziz in this case and was made on May 18, 2017

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 OR 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

**AFFIDAVIT**

I, **WILLIAM E. AZIZ**, Chief Restructuring Officer, of the Town of Oakville, in the Province of Ontario,  
MAKE OATH AND SAY AS FOLLOWS:

1. I am the President of BlueTree Advisors Inc. ("**BlueTree**") which has been retained to provide my services as Chief Restructuring Officer ("**CRO**") to the Petitioners (the "**New Walter Canada Group**"). As such I have personal knowledge of the facts hereinafter deposed, except where such facts are stated to be based upon information and belief, and where so stated I do verily believe the same to be true.
2. This Affidavit is made in support of a motion by the New Walter Canada Group under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36 (the "**CCAA**") seeking the following orders:

- (a) An Order authorizing but not requiring Cambrian Energybuild Holdings ULC ("**Cambrian**") to advance up to a further £350,000 (for an aggregate maximum of £600,000) to the members of the Walter UK Group, on a secured basis, to provide working capital for Energybuild Ltd., and approving, *nunc pro tunc*, any steps taken in respect of such advances prior to the date of the Order.
  - (b) An Order extending the stay of proceedings in respect of the New Walter Canada Group to September 29, 2017.
3. I was initially retained by Walter Energy Canada Holdings, Inc. ("**Walter Energy Canada**") to provide my services as CRO to Walter Energy Canada, its direct and indirect subsidiaries and affiliates, and the partnerships listed on Schedule "C" to the Order of this Honourable Court made on December 7, 2015 (the "**Initial Order**") (collectively, the "**Old Walter Canada Group**"). I was retained pursuant to an engagement letter dated December 30, 2015, as amended in response to certain requests made by Old Walter Canada Group stakeholders. BlueTree was appointed as CRO of the Old Walter Canada Group pursuant to the Order of this Honourable Court made on January 5, 2016 (the "**SISP Order**").
4. My engagement as CRO of the Old Walter Canada Group (other than as CRO of Cambrian) was terminated on December 15, 2016, when the entities comprising that group filed for bankruptcy.
5. The companies comprising the New Walter Canada Group (other than Cambrian) were incorporated on December 8, 2016, pursuant to the authorization granted in paragraph 5 of the Order of this Honourable Court made on December 7, 2016 (the "**CCAA Procedure Order**"). Each such company became a Petitioner in these CCAA proceedings and subject to the CCAA Charges (as defined in the CCAA Procedure Order), and I became CRO of each new company in the New Walter Canada Group, when the new companies in the New Walter Canada Group were formed.
6. Capitalized terms used but not defined in this Affidavit have the meanings given to such terms in the affidavits I have previously sworn in these CCAA proceedings.

7. The information in this Affidavit is arranged under the following headings:

I.	<b>Activities Since Last Update .....</b>	<b>3</b>
II.	<b>Approval of Further Advances to the Walter UK Group .....</b>	<b>7</b>
III.	<b>Stay Extension .....</b>	<b>8</b>

I. **ACTIVITIES SINCE LAST UPDATE**

A. **Potential Sale of Belcourt Saxon Limited Partnership and Related Assets**

8. The Old Walter Canada Group owned a 50 percent interest in Belcourt Saxon Limited Partnership (“**BelSax LP**”) and Belcourt Saxon Coal Ltd. (“**BelSax GP**”), which has since been transferred to the New Walter Canada Group pursuant to the CCAA Continuity and Vesting Order. The other 50 percent interest in BelSax LP and BelSax GP is owned by the Peace River Coal Inc. (“**PRC**”), a third party not affiliated with the New Walter Canada Group. It is affiliated with Anglo American Exploration (Canada) Ltd.

9. The Belcourt Saxon Limited Partnership Agreement (“**BelSax LPA**”) contains certain rights of first refusal (the “**ROFR**”) and certain tag along rights in respect of a sale of a limited partner’s interest in BelSax LP, BelSax GP and certain related assets (collectively, the “**BelSax Assets**”). PRC has the benefit of the ROFR with respect to any sale of the BelSax Assets by the New Walter Canada Group.

10. As described in my third affidavit sworn on August 9, 2016 in these proceedings (the “**Third Aziz Affidavit**”), the Old Walter Canada Group, as vendors, and Conuma Coal Resources Limited (“**Conuma**”), as purchaser, entered into an agreement made August 8, 2016 (the “**Conuma APA**”) for the sale of a majority of Walter Energy Canada’s assets (the “**Conuma Transaction**”). Conuma sought to acquire the Old Walter Canada Group’s BelSax Assets as well. The Conuma APA contained the an option (the “**Belcourt Put Option**”), pursuant to which Conuma would acquire the BelSax Assets if the Old Walter Canada Group was able to satisfy or obtain a waiver of the ROFR

prior to the date 60 days following the Closing Date (as defined in the Conuma APA). The unredacted Conuma APA that sets out the purchase price for the Old Walter Canada Group's BelSax Assets is sealed pursuant to an Order of this Honourable Court dated August 15, 2016.

11. Conuma extended the period for the exercise of the Belcourt Put Option while the Old Walter Canada Group sought a waiver of the ROFR from PRC. To date, no waiver has been obtained.
12. On February 1, 2017, Conuma materially increased the purchase price offered to acquire the New Walter Canada Group's BelSax Assets and made other significant changes to its offer. Subsequently, the New Walter Canada Group engaged in negotiations with Conuma to clarify and document the revised offer. During this process, the New Walter Canada Group obtained a further improved purchase price for the BelSax Assets and other improvements to the offer. The New Walter Canada Group and Conuma negotiated a third party offer for the BelSax Assets that is intended to satisfy all the requirements for such an offer set out in the BelSax LPA. The New Walter Canada Group received the executed third party offer from Conuma on April 24, 2017, and signed an indication of its willingness to accept that third party offer on April 27, 2017.
13. The New Walter Canada Group's indication of its willingness to accept Conuma's third party offer triggered certain rights of PRC under the BelSax LPA, including the ROFR. On May 2, 2017, the New Walter Canada Group delivered (i) Conuma's offer; (ii) a corresponding offer to sell the BelSax Assets to PRC on substantially the same terms, as required by the BelSax LPA; and (iii) an alternative request that PRC waive the ROFR. This triggered a 45-day review period under the BelSax LPA in respect of the sale of the BelSax Assets, at the conclusion of which the New Walter Canada Group will be permitted to sell the BelSax Assets to Conuma unless PRC agrees to exercise its ROFR. PRC has not yet responded to the third party offer.
14. Following the conclusion of the review period, the New Walter Canada Group anticipates seeking an order from this Honourable Court approving the sale of the BelSax Assets either to Conuma or to PRC and vesting the BelSax Assets in the purchaser.

**B. Termination of New Walter Canada Group's Interests in Twin Sisters Nursery Limited Partnership**

15. Walter Canadian Coal Partnership ("**WCCP**"), a member of the Old Walter Canada Group, was party to two agreements in relation to the Twin Sisters Native Plants Nursery Limited Partnership ("**Twin Sisters LP**"): (i) a Shareholders' Agreement dated April 11, 2013 with the Saulteau First Nation ("**Saulteau**"), the West Moberly First Nation ("**West Moberly**"), and Twin Sisters Native Plants Nursery General Partner Inc. ("**Twin Sisters GP**"); and (ii) a Side Agreement dated April 11, 2013 with Saulteau, West Moberly, and Twin Sisters GP. WCCP's interests were transferred to New Walter Canadian Coal Corp. ("**New WCCC**").
16. Among other reasons, WCCP was party to these agreements in connection with a deed of gift in respect of a parcel of land near Chetwynd, BC. Pursuant to the deed of gift, WCCP gave the parcel of land to Twin Sisters GP in order for a plant nursery to be constructed to supply plants in connection with mine remediation efforts. WCCP retained an option to repurchase the parcel of land in certain circumstances. This option to repurchase was sold to Conuma as part of the Conuma Transaction.
17. As a result of the sale of the option to repurchase (and certain subsequent transactions) and these CCAA proceedings, the New Walter Canada Group had no further reason to be party to the agreements in respect of the Twin Sisters LP. The Walter Canada Group was asked by counsel to Twin Sisters GP to enter into agreements to terminate its interests in the Shareholders' Agreement and the Side Agreement. Therefore, New WCCC entered into (i) a Termination Agreement, made as of February 2, 2017, with Saulteau, West Moberly, and Twin Sisters GP; and (ii) a Termination and Amending Agreement, made as of February 2, 2017, with Saulteau and West Moberly. These agreements terminated New WCC's interests in the Shareholders' Agreement and the Side Agreement, respectively, and provided customary mutual releases in respect of matters related to Twin Sisters LP and Twin Sisters GP.

**C. Update Regarding Other Matters**

18. Since January 12, 2017, the date of the ninth affidavit I swore in these CCAA proceedings, the New Walter Canada Group has:
- (a) attended to post-closing matters in respect of the Residual Asset Sale Transaction (as described in my fifth affidavit sworn in these proceedings on December 21, 2016);
  - (b) attended to post-closing matters in respect of the Conuma Transaction, including, among other things, obtaining a certificate from Conuma certifying that all permits and other approvals contemplated under the Conuma APA have been transferred to Conuma or otherwise obtained and that there were no incidents, violations or occurrences that may have given rise to a claim by the New Walter Canada Group against Conuma under the Contract Mining Agreement. The Contract Mining Agreement therefore terminated in accordance with its terms and the Monitor issued its second certificate to Conuma to extinguish the Indemnification Security Interest Charge granted over certain property vested in Conuma pursuant to the Approval and Vesting Order of this Honourable Court to secure Conuma's indemnification obligations under the Contract Mining Agreement; and
  - (c) arranged for directors and officers liability insurance for the New Walter Canada Group to be extended to June 30, 2017
19. In addition, since January 12, 2017, the New Walter Canada Group has attended to various matters related to the claims process established by the order of this Honourable Court made on August 16, 2016 (the "**Claims Process**"), including the following:
- (a) Settling the claim of Joseph Strong, a former employee at the Wolverine Mine who had been disputing the disallowance of his claim by the Monitor.
  - (b) Reaching an agreement with United Steelworkers, Local 1-424 on dismissing the petitions for judicial review as discussed in greater detail in the Ninth Report of the Monitor dated March 10, 2017, and on a process for the Monitor to receive funds held in trust by counsel

for the Steelworkers and to disburse those funds to members of the Steelworkers with allowed claims under Section 54 of the B.C. *Labour Relations Code*, R.S.B.C. 1996, c. 44.

- (c) Engaged with parties holding disputed claims regarding the process for the advancing their claims.

## II. APPROVAL OF FURTHER ADVANCES TO THE WALTER UK GROUP

20. Pursuant to the authorization granted by the Order of this Honourable Court dated December 21, 2016, Cambrian loaned £250,000 to the Walter UK Group, on a secured basis, to provide working capital to Energybuild Ltd. while efforts were made to sell the Walter UK Group or its assets. All the members of the Walter UK Group have guaranteed the loan and have granted security for those guarantees.
21. As described in my eighth affidavit sworn on December 20, 2016 in these proceedings (the "**Eighth Aziz Affidavit**"), Energybuild Ltd. is the operating company that owns and operates the Aberpergym underground coal mine located at the Neath Valley in Wales. The mine is currently in care and maintenance.
22. The New Walter Canada Group and the directors of the Walter UK Group have been analyzing Energybuild Ltd.'s business and seeking opportunities to sell Energybuild Ltd. and its affiliates or their assets. As described in the Eighth Aziz Affidavit, an interested party has come forward regarding a potential sale of Energybuild Ltd. and certain of its affiliates. The interested party remains interested in acquiring these assets, but has requested that certain conditions be satisfied in respect of claims that may be made against Energybuild Ltd. and any of its affiliates that may be acquired.
23. The New Walter Canada Group and the Walter UK Group have engaged in discussions with the relevant persons in respect of their claims in an effort to satisfy the interested party's requests. These discussions are ongoing.

24. As a result of the interested party's conditions and other matters in these CCAA proceedings, including litigation in respect of the Claims Process, the additional month that was originally forecast for the completion of the negotiations of a sale of Energybuild Ltd. has proven to be overly optimistic. Further time is needed to negotiate with the interested party and other stakeholders in an effort to achieve a resolution that is in the best interests of the New Walter Canada Group, the Walter UK Group and their respective stakeholders.
25. The New Walter Canada Group has been provided with cash flow forecasts for Energybuild Ltd. that indicate a cash need of approximately £350,000 through to the end of the proposed extended Stay Period. As such, the New Walter Canada Group is seeking this Honourable Court's authorization to advance up to an additional £350,000 (for an aggregate total of £600,000) on a secured basis to the Walter UK Group to fund Energybuild Ltd.'s working capital needs while negotiations regarding a potential sale continue.
26. The New Walter Canada Group anticipates completing the sale of Energybuild Ltd. or finding another option for the Walter UK Group prior to the conclusion of the proposed extended Stay Period, but is seeking authorization to make such further secured advances as the New Walter Canada Group determines, in the exercise of their business judgement, are in the best interests of Cambrian and the other members of the New Walter Canada Group up to an aggregate maximum of £600,000. No additional funds will be advanced unless the New Walter Canada Group determines that such further advance will be in the best interests of Cambrian and the other members of the New Walter Canada Group.

### III. STAY EXTENSION

27. This Honourable Court granted a stay of proceedings in the Initial Order, until January 6, 2016 or such later date as this Honourable Court may order (the "**Stay Period**"). On January 5, 2016, this Honourable Court extended the Stay Period until and including April 5, 2016. On March 30, 2016, this Honourable Court extended the Stay Period until and including June 24, 2016. On June 24, 2016, this Honourable Court extended the Stay Period until and including August 19, 2016. On



August 16, 2016, this Honourable Court extended the Stay Period until and including January 17, 2017. On January 16, 2017, this Honourable Court extended the Stay Period until and including May 31, 2017.

- 28. The New Walter Canada Group is requesting an extension of the Stay Period until and including September 29, 2017. This extension is being requested to allow the New Walter Canada Group to continue the Claims Process (including any further adjudication of the 1974 Plan's claim), to move forward with the sale of the BelSax Assets, and to address matters relating to the Walter UK Group.
- 29. From my review of the current cash flow projections, I do verily believe that the New Walter Canada Group will have sufficient operating cash to continue operations during the proposed extended Stay Period.
- 30. The New Walter Canada Group has been proceeding in good faith and with due diligence in these proceedings, as outlined above.
- 31. It is my understanding that the Monitor supports the extension of the Stay Period and will file a report attaching a cash flow forecast that demonstrates, subject to the assumptions more fully set out in the report, that the New Walter Canada Group has sufficient liquidity to continue its operations as currently conducted through to the end of the proposed extended Stay Period.
- 32. It is in the best interests of the New Walter Canada Group and all its stakeholders that the Stay Period be extended to September 29, 2017 to enable the New Walter Canada Group to complete the Claims Process, move forward with the sale of the BelSax Assets, and deal with matters relating to the Walter UK Group.

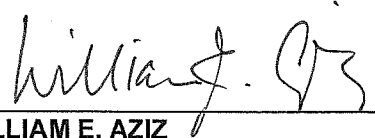
SWORN BEFORE ME at Toronto, in the Province of Ontario, on May 18, 2017.



Commissioner for Taking Affidavits and Notary Public in the Province of Ontario

*Patrick Riestler*

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**WILLIAM E. AZIZ**

NO. S-1510120  
VANCOUVER REGISTRY

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COAL CORP. AND CAMBRIAN ENERGYBUILD  
HOLDINGS ULC

PETITIONERS

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**AFFIDAVIT #10 OF WILLIAM E. AZIZ**

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