



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

THIRTEENTH REPORT OF THE MONITOR, KPMG INC.

October 4, 2017

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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., Walter Canadian Coal ULC, Wolverine Coal ULC, Brule Coal ULC, Cambrian Energybuild Holdings ULC, Willow Creek Coal ULC, Pine Valley Coal Ltd. and 0541237 B.C. Ltd. (collectively, the “**Original Petitioners**”) under the *Companies’ Creditors Arrangement Act*, R.S.C 1985, c. C-36, as amended (the “**CCAA**”) granting, *inter alia*, a stay of proceedings (the “**Stay**”) until January 6, 2016. The proceedings brought by the Original Petitioners under the CCAA will be referred to herein as the “**CCAA Proceedings**”.
2. Pursuant to the Initial Order, the Stay and certain other relief was extended to certain of the Original Petitioners’ partnerships (collectively with the Original Petitioners, “**Old Walter Canada**”):
 - i) Walter Canadian Coal Partnership;
 - ii) Wolverine Coal Partnership;
 - iii) Brule Coal Partnership; and
 - iv) Willow Creek Coal Partnership.
3. 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 Energybuild Holdings ULC (“**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. (“**New WECH**”);
 - 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. Readers are directed to the Tenth Report of the Monitor (the “**Tenth Report**”) dated May 24, 2017 for a comprehensive summary of the CCAA Proceedings up to the date of that report. An update on the status of the CCAA Proceedings since the date of the Tenth Report is provided below.
 5. On May 30, 2017, this Honourable Court granted an order which, among other things, extended the Stay until October 6, 2017 and authorized Walter Canada to make additional advances to Walter UK, on a secured basis.
 6. On July 4, 2017, KPMG filed the Eleventh Report of the Monitor (the “**Eleventh Report**”) which was a special purpose report in respect of Walter Canada’s application to this Honourable Court for approval of the sale of its interest in Belcourt Saxon Coal Ltd. and Belcourt Saxon Coal Limited Partnership (the “**Belcourt Interest**”) to Peace River Coal Inc. (“**PRC**”).
 7. On July 11, 2017, this Honourable Court granted an order approving the sale of the Belcourt Interest to PRC.
 8. On July 31, 2017, the United Mine Workers of America 1974 Pension Plan and Trust (the “**1974 Pension Plan**”) and the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union, Local 1-424 (the “**USW**”) served notice of their joint application returnable August 15, 2017 (the “**August 15 Application**”) seeking an order from this Honourable Court directing the Monitor to make a distribution from the Walter Canada estate to only certain of Walter Canada’s creditors (the “**Proposed Limited Distribution**”), among other things.

9. On August 11, 2017, Walter Canada filed its response to the August 15 Application as well as its application for approval from this Honourable Court to implement a secondary claims process (the “**Unresolved Restructuring Claims Process**”).
10. Also on August 11, 2017, KPMG filed the Twelfth Report of the Monitor (the “**Twelfth Report**”) in which the Monitor, among other things, provided its observations and recommendations in respect of both the August 15 Application and Walter Canada’s proposed Unresolved Restructuring Claims Process.
11. On August 15, 2017, this Honourable Court granted an order (the “**Claims Process Amendment Order**”) that amended and supplemented the Claims Process Order that was granted by this Honourable Court on August 16, 2016 by establishing the Unresolved Restructuring Claims Process, including setting a final claims bar date of October 6, 2017 (the “**Unresolved Restructuring Claims Bar Date**”) for the filing of any Unresolved Restructuring Claims (as defined in the Claims Process Amendment Order) that were not barred pursuant to the Claims Process Order.
12. The Monitor has issued twelve previous 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 Claims Process Amendment Order.
13. The Monitor maintains a website at www.kpmg.com/ca/walterenergycanada (the “**Monitor’s Website**”) on which copies of the Previous Reports as well as additional information regarding these CCAA Proceedings can be found.
14. The purpose of this thirteenth report of the Monitor (the “**Thirteenth Report**”) is to provide this Honourable Court with information regarding the following:
 - a) A description of, as well as the Monitor’s observations and recommendations in respect of, the Settlement Term Sheet Re Plan of Compromise and Arrangement among Walter Canada, Warrior Met Coal, LLC (“**Warrior**”) and the 1974 Pension Plan, an unsigned copy of which was filed with this Honourable Court as Exhibit “A” to the 15th Affidavit of William E. Aziz sworn October 3, 2017, (the “**Term Sheet**”, a copy of which is attached hereto as Schedule “A”);

- b) An update regarding the status of the Unresolved Restructuring Claims Process, the Unresolved Claims and other Claims Process matters;
- c) A discussion of matters pertaining to Walter Canada's efforts to realize on its only remaining asset, Walter UK, as well as Walter Canada's request to this Honourable Court for authorization to advance additional funds to Walter UK;
- d) Walter Canada's actual cash flow results for the 19-week period ended September 23, 2017 as compared to the previous forecast which was filed with the Tenth Report for the 20-week period ending September 30, 2017 (the "**Previous CCAA Cash Flow Forecast**");
- e) Walter Canada's updated cash flow forecast for the 12-week period ending December 16, 2017 (the "**Updated CCAA Cash Flow Forecast**"); and
- f) The Monitor's observations and recommendations in respect of Walter Canada's motion returnable October 6, 2017 (the "**Term Sheet Approval Application**") seeking approval of the Term Sheet, an extension of the Stay to December 15, 2017 (the "**Extended Stay Period**"), authorization to advance additional funds to Walter UK and certain other relief.

REPORT RESTRICTIONS AND SCOPE LIMITATIONS

15. 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.
16. 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.
17. 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.
18. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars.

THE TERM SHEET

Process Leading to Development of the Term Sheet

19. As described in the Tenth Report, this Honourable Court dismissed the 1974 Pension Plan's US\$904 million disputed Claim as against the estate pursuant to the 1974 Plan Order pronounced on May 1, 2017.
20. On May 19, 2017, the 1974 Pension Plan filed a Notice of Application for Leave to Appeal with the British Columbia Court of Appeal (the "**Appeal Court**") and, on June 9, 2017, the Appeal Court granted the 1974 Pension Plan leave to appeal (the "**Appeal**") on an expedited basis, directing that the Appeal be heard on August 16, 2017.
21. Prior to the Appeal being heard, the 1974 Pension Plan adjourned the Appeal hearing on account of positive progress which was being made towards arriving at a settlement of its disputed Claim, pursuant to extensive arm's length negotiations among Walter Canada, the 1974 Pension Plan and Warrior. Those negotiations continued among the three parties throughout August and September of 2017, and ultimately resulted in a settlement agreement between Walter Canada, the 1974 Pension Plan and Warrior, as set out in the Term Sheet.
22. The Term Sheet (as currently drafted, which the Monitor understands will be signed by the parties shortly) is a full and final settlement of both Warrior's Claim and the 1974 Pension Plan Claim, as well as of all the outstanding issues among those parties and Walter Canada. It also sets out the key terms of a plan of compromise and arrangement (the "**Plan**") which Walter Canada expects to present to this Honourable Court at a later date for approval, as long as certain pre-conditions are met.

Key Terms of the Term Sheet

23. The key terms of the Term Sheet are as follows:
- a) All Allowed Claims (other than the Warrior Interest Claim, as subsequently defined) will be paid in full pursuant to the Plan;
 - b) Warrior's Claim for shared services against New WCCC in the amount of approximately \$9.9 million shall be an Allowed Claim;
 - c) Warrior's Claim in respect of the Deemed Interest Amount (as defined in Old Walter Canada's *BIA* Proposal) as against New WECH shall be an Allowed Claim (as such, the "**Warrior Interest Claim**") at an amount that it is equal to the Available Net Proceeds, which is defined as the amount that is remaining after all other Allowed Claims (as well as the payment referred to in paragraph (e) below) are paid in full, including Warrior's \$9.9 million shared services Claim, and all professional fees, payments and reserves are taken into account to wind down the estate;
 - d) Walter Canada, or the Monitor on its behalf, shall pay the first \$13 million (the "**1974 Settlement Payment**") of the Available Net Proceeds that would have been paid on account of the Warrior Interest Claim to the 1974 Pension Plan as consideration for its abandoning the Appeal (at its sole cost and expense), which it will do following receipt of the 1974 Settlement Payment;
 - e) In further consideration for the 1974 Pension Plan abandoning the Appeal, Walter Canada will not pursue costs against the 1974 Pension Plan and will pay the costs of the USW, fixed at \$75,000, from the estate;

- f) If additional Claims are filed (pursuant to the Unresolved Restructuring Claims Process) and become Allowed Claims such that Walter Canada and the Monitor determine that the Available Net Proceeds are insufficient for Walter Canada to make the 1974 Settlement Payment in accordance with terms of the Term Sheet, the 1974 Pension Plan may bring the Appeal at that time and Walter Canada and the Monitor may seek costs against the 1974 Pension Plan. The Term Sheet permits (but does not require) Walter Canada to seek an order from this Honourable Court approving a final or interim distribution following the conclusion of the Unresolved Restructuring Claims Process, but also contemplates the 1974 Pension Plan taking action to resume the Appeal and challenge such a distribution if there are insufficient funds to make the 1974 Settlement Payment;
- g) The 1974 Pension Plan's Claim shall not become an Allowed Claim unless the 1974 Pension Plan moves forward with the Appeal and obtains a final order declaring that its Claim is an Allowed Claim. The 1974 Pension Plan has agreed not to bring forward the Appeal unless the Available Net Proceeds are insufficient for Walter Canada to make the 1974 Settlement Payment;
- h) A payment in an aggregate amount of US\$250,000 (the "**Director Payment**") from the Available Net Proceeds will be made to the sole director of each of the Walter Canada entities for his commitment to Walter Canada (and Old Walter Canada) throughout the CCAA Proceedings;
- i) As full and final settlement of the Warrior Interest Claim, Walter Canada, or the Monitor on its behalf, shall pay to Warrior the remainder (if any) of the Available Net Proceeds, after deducting therefrom (i) the 1974 Settlement Payment, (ii) the \$75,000 payment of the USW's costs, and (iii) the Director Payment;

- j) Upon the completion of the Unresolved Restructuring Claims Process, and only if Walter Canada and the Monitor are satisfied that there are sufficient Available Net Proceeds to pay the 1974 Settlement Payment, Walter Canada intends to bring forward a motion seeking approval from this Honourable Court of the Plan, which will contain the principal terms set out in the Term Sheet including payment of all Allowed Claims in full. It is anticipated that Warrior, as the only Claimant whose Claim would be compromised under the Plan, will be the only Claimant eligible to vote on the Plan, and the Term Sheet further stipulates that Warrior will vote its entire Claim in favour of the Plan, as long as it is substantially in the form contemplated by the Term Sheet; and
- k) The release of all of the claims of the 1974 Pension Plan and Warrior against Walter UK, irrespective of whether there are sufficient Available Net Proceeds to pay the 1974 Settlement Payment and the 1974 Pension Plan abandons the Appeal. The Term Sheet also provides for the payment of the proceeds of any sale of Walter UK to first repay the secured advances made by Walter Canada during these CCAA Proceedings, second to wind-up any Walter UK entity that is not the subject of a sale, third to Warrior in respect of its claim against Walter UK in an amount not to exceed £4,666,779 and fourth to Cambrian on account of its equity interest in Walter UK.

The Monitor's Observations and Recommendations Regarding the Term Sheet

- 24. The Monitor actively participated with Walter Canada in the development of the Term Sheet and is of the view that it is fair and reasonable to each of the parties to the Term Sheet as well as to all of Walter Canada's Claimants who currently have Allowed Claims or who may ultimately be determined to have Allowed Claims.

25. Of particular note, approval of the Term Sheet by this Honourable Court would facilitate achieving a highly favourable outcome for all Claimants with Allowed Claims. All Allowed Claims would be paid in full as long as no Unresolved Restructuring Claims are submitted between the date of this report and the October 6, 2017 Unresolved Restructuring Claims Bar Date which are of sufficient aggregate value that Walter Canada and the Monitor determine that the Available Net Proceeds are insufficient for Walter Canada to make the 1974 Settlement Payment. In that event, the Monitor expects that the 1974 Pension Plan would continue with the Appeal, thereby delaying any distributions.
26. Based on the total quantum of the Allowed Claims and all of the Unresolved Claims as at the date of this report (if those Unresolved Claims were to become Allowed Claims in the amounts in which they were filed), which are set out subsequently in the table in the Claims Process Update section of this report, Walter Canada and the Monitor are both of the view that there will be sufficient funds to enable the 1974 Settlement Payment to be paid, which would mean that all Allowed Claims would also be paid in full.
27. As the Monitor has discussed in certain of the Previous Reports, it is likely that Claimants with Allowed Claims would receive only a few cents on the dollar if the 1974 Pension Plan's Appeal was ultimately successful and it obtained a final order declaring that its Claim is an Allowed Claim. In addition, the amount of time which would be required for dealing with the Appeal and any subsequent hearings and/or appeals could be significant, thereby creating a lengthy delay until any distributions could be made to Walter Canada's other Claimants, including the approximately 290 Employee Claimants.
28. In essence, the Term Sheet sets out Warrior's agreement for the estate to pay the \$13 million 1974 Settlement Payment, out of the funds which would otherwise be paid to Warrior (in respect of the Warrior Interest Claim), to settle the 1974 Pension Plan's disputed Claim. This facilitates a much faster resolution of the 1974 Pension Plan's disputed Claim and a distribution to Claimants with Allowed Claims.

29. The funds which would be paid by the estate in respect of the Warrior Interest Claim and the 1974 Settlement Payment would be paid from funds held by New WECH (currently in the amount of approximately \$17.6 million) as well as from any available surplus proceeds paid to New WECH that are remaining with the other four New Walter Entities (which replicate the partnerships that existed in Old Walter Canada) after the payment of all Allowed Claims against those entities in full. The settlement reached in the Term Sheet is premised on the basis that no creditor shall be paid post-filing interest.
30. By entering into the Term Sheet, Walter Canada will mitigate the risk of the 1974 Pension Plan's Claim becoming an Allowed Claim, which would thereby reduce Claimant recoveries to a few cents on the dollar, and also increase the likelihood that all Claimants with Allowed Claims will be paid in full and in a timely manner. The Term Sheet will also permit Walter Canada to proceed to bring a Plan to this Honourable Court for approval in the near term, without the need for any delay to permit the Appeal to be heard, considered and decided and, if necessary, further appealed.
31. For all of these reasons noted above, the Monitor is of the view that the Term Sheet, and the proposed distributions set out therein, is fair and reasonable in the circumstances and creates a real prospect that Walter Canada will be able to pay all Allowed Claims in full within a reasonably short period. The Monitor is also of the view that the proposed US\$250,000 Director Payment, as set out in the Term Sheet, is reasonable in the circumstances taking into consideration both the level of potential personal risk to which he has been exposed in his capacity as director and also the relatively low director fees he has been paid throughout these CCAA Proceedings.
32. Accordingly, the Monitor recommends to this Honourable Court that it approve the Term Sheet.

CLAIMS PROCESS UPDATE

Status of the Unresolved Restructuring Claims Process

33. Pursuant to the Claims Process Amendment Order, the Monitor, in consultation with Walter Canada, was authorized and directed to carry out the Unresolved Restructuring Claims Process as further described in the Twelfth Report.
34. In accordance with the process set out in the Claims Process Amendment Order, the Monitor performed the following activities to implement the Unresolved Restructuring Claims Process:
 - a) On August 16, 2017, the Monitor posted copies of the instruction letter and proof of claim form as well as the form of newspaper notice on the Monitor's Website;
 - b) On August 17, 2017, the Monitor sent the instruction letter and the proof of claim form to all Persons that the Monitor or Walter Canada had reason to believe may have an Unresolved Restructuring Claim, including certain First Nations and Métis organizations;
 - c) The Monitor arranged for the newspaper notice to be published for one business day, on August 24, 2017, in each of the Globe and Mail (National Edition), the Vancouver Sun and the Alaska Highway News; and
 - d) The Monitor arranged for the newspaper notice to be published in a monthly publication, The Northern Miner, on September 4, 2017.
35. On September 7, 2017, the Monitor approved four proposed disclaimers or resiliations (the "**Disclaimers**") by Walter Canada of certain cooperation agreements between certain Old Walter Canada entities and certain First Nations that had not been assumed by Conuma Coal Resources Limited ("**Conuma**"), the purchaser of substantially all of the assets of Old Walter Canada in September 2016. Pursuant to those Disclaimers, if any of the First Nation parties to those agreements objects to the Disclaimer(s), they were required to have applied to this Honourable Court by September 25, 2017 for an order that the agreement is not disclaimed or resiliated. As at the date of this report, the Monitor is not aware of any such applications having been made and the time for making such an application is now passed.

36. As at the date of this report, no Unresolved Restructuring Claims have been received by the Monitor, either from the parties to whom the Disclaimers were delivered or otherwise.

Recently Resolved Claims

37. Two Claims which were Unresolved Claims as at the date of the Twelfth Report have now been resolved, both of which are now Allowed Claims, with the result that the total amount of Allowed Claims is now \$23.8 million (as compared with \$12.6 million as at the date of the Twelfth Report).
38. The \$1.3 million disputed portion of the Claim of Pelly Construction Ltd. (“**Pelly**”) relating to the demobilization of a camp and certain equipment located at the Brule mine has been allowed. As discussed in the Twelfth Report, the Monitor, in consultation with Walter Canada, had agreed to extend the date by which Pelly must complete the demobilization process to August 31, 2017. On August 25, 2017, Pelly’s counsel informed the Monitor that the demobilization had been completed and, after consulting with Walter Canada, the Monitor accepted the disputed portion of Pelly’s Claim as an Allowed Claim on September 8, 2017.
39. Warrior’s disputed Claim in the amount of approximately \$9.9 million, relating to amounts owing under a shared services agreement between Old Walter Canada and Walter U.S., will be accepted as an Allowed Claim pursuant to the Term Sheet upon approval of the Term Sheet by this Honourable Court.

Update on Unresolved Claims

40. There are four remaining Unresolved Claims in the aggregate amount of \$7.5 million as at the date of this report, those being the Claim of Kevin James, two Claims submitted by the USW (one of which is on behalf of substantially all of the Employee Claimants) and the Claim of Mitsui Matsushima Co. Ltd. (“**Mitsui**”):

- a) On August 21, 2017, the Monitor, in consultation with Walter Canada, issued a letter to the counsel of Mr. James requesting that Mr. James bring a motion before this Honourable Court to resolve his \$6.7 million disputed Claim by September 20, 2017. The Monitor and Walter Canada have subsequently engaged in discussions with Mr. James' counsel with a view to moving this Claim towards a resolution. Based on those discussions, on September 15, 2017, the Monitor provided counsel for Mr. James an extension to October 5, 2017 to bring its motion before this Honourable Court.
 - b) The USW submitted two Claims that remain disputed, one in respect of outstanding monies owed to the USW in relation to its Education and Training Fund, and the other on behalf of each USW member Employee Claimant claiming an additional \$500 per month of contractual severance and an additional \$500 for Northern Working Allowance. The Monitor, in consultation with Walter Canada, is continuing to work with counsel for the USW to try to resolve both of these Unresolved Claims.
 - c) As discussed in the Twelfth Report, the Monitor received a Notice of Dispute from Mitsui on May 30, 2017 pursuant to which Mitsui reduced its Claim from US\$600,000 to US\$325,000. On June 16, 2017, the Monitor, in consultation with Walter Canada, extended the date by which Mitsui must bring a motion before this Honourable Court to resolve its disputed Claim to be thirty days from the date that the Monitor notifies the party to bring such a motion.
41. As of the date of this report, efforts and discussions are ongoing, or will commence shortly, with all of the above parties to consensually resolve these disputed Claims or, if such efforts fail, to have them resolved by this Honourable Court pursuant to the process set out in the Claims Process Order.

42. Provided below is a table summarizing the Allowed Claims and those Claims which were still in dispute as at October 3, 2017 (excluding the 1974 Pension Plan's Claim, on account of the expected settlement of that Claim pursuant to the Term Sheet):

Quantum and Status of Claims as at October 3, 2017			
(CAD \$000)		# of Claims	Amount
Allowed Claims			
Employee Claims		291	11,894
Other Claims			
Restructuring Claims		2	84
Pre-Commencement Claims ¹		15	11,799
Total Allowed Claims		308	23,777
Unresolved Claims			
James, Kevin	Restructuring Claim	1	6,747
Mitsui Matsushima Co. Ltd.	Restructuring Claim	1	439
USW	Employee Claim	1	311
USW	Pre-Commencement Claim	1	12
Total Unresolved Claims		4	7,509
Total Allowed Claims and Unresolved Claims¹		312	31,286
Potential Additional Restructuring Claims			
Other Restructuring Claims		TBD	TBD
Total Potential Additional Restructuring Claims		TBD	TBD
Note 1: In the Twelfth Report, it was reported there were 14 Allowed Pre-Commencement Claims and a total of 313 Allowed and Unresolved Claims. Although two Pre-Commencement Claims have been allowed since the date of the Twelfth Report, the number of Allowed Pre-Commencement Claims increased by only one as the count already included the allowed portion of Pelly's Claim, the balance of which had been disputed but has now been added to Pelly's Allowed Claim amount.			

Other Claim Matters

43. The Monitor recently received Notices of Dispute from ten Employee Claimants, approximately 11 months after the passing of the October 5, 2016 Claims Bar Date that was established under the Claims Process Order. These Employee Claimants were apparently responding to a letter dated August 29, 2017 which the Monitor understands was sent by the USW (the "USW Letter") to certain Employee Claimants who did not participate in the Fund Distribution because their Claim, as set out in the Employee Claim Amount Notice, did not include any net amounts due in respect of section 54(1) of the *Labour Relations Code* as such amounts may, depending on the circumstances of the individual Employee Claimant, have been mitigated or deemed to have been mitigated by the Employee Claimant in accordance with an order from the British Columbia Labour Relations Board on June 9, 2015.

44. The USW Letter further informed these Employee Claimants that if they disagreed with the Forms of Employee Claim Amount Notice previously sent to them in August 2016, the Claims Process required that they had to file a Notice of Dispute and that the Claims Bar Date had passed and any outstanding Claims are now barred. The Monitor, in consultation with Walter Canada and their respective counsel, is in the process of reviewing these Notices of Dispute.
45. Further to the discussion in the Twelfth Report regarding the assignment of certain Employee Claims to CRG Financial LLC (“**CRG**”), the Monitor has received a total of ten Notices of Transfer and Waiver. The Monitor, in consultation with Walter Canada, has reviewed the documents provided by CRG and has accepted these assignments to CRG and, accordingly, has issued the Fund Distribution payments to CRG in respect of seven of the Employee Claimants whose Notices of Transfer and Waiver were delivered to the Monitor prior to it issuing the Fund Distribution cheques on July 18, 2017. The Fund Distribution cheques had already been issued to the other three assigning Employee Claimants by the time their Notices of Transfer and Waiver were delivered to the Monitor.

UPDATE ON STATUS OF WALTER UK

46. Walter Canada is continuing its efforts to realize on Walter UK, and, accordingly, among other things, Walter Canada and the directors of Walter UK continue to engage in discussions with the interested party with whom discussions have been ongoing for some time. Walter Canada expects that the Term Sheet addresses the interested party’s principal conditions precedent (in respect of certain claims or potential claims of Warrior and the 1974 Pension Plan against Walter UK) that to date have prevented the interested party from moving forward with acquiring Energybuild Ltd. and certain of its affiliates. Therefore, further time is needed to either complete a sale transaction or to find an alternative method of disposition or wind-up of Walter UK.

47. Pursuant to the orders of this Honourable Court pronounced on December 21, 2016 and May 30, 2017, this Honourable Court has previously authorized Cambrian to loan on a secured basis up to £600,000 to Walter UK, which owns the anthracite coal mine in South Wales that is currently in care and maintenance. To date, the full amount of those authorized loans has been advanced to Walter UK.
48. Walter UK's latest updated cash flow forecast indicates that it has insufficient liquidity to meet its obligations as they come due after approximately October 13, 2017. Therefore, Walter Canada is seeking authorization from this Honourable Court for Cambrian to advance up to an additional £300,000 (approximately \$500,000 based on the exchange rates in effect as at the date of this report), on a secured basis, to Walter UK which should provide Walter UK with sufficient liquidity until approximately the middle of December 2017. Funding requirements are expected to be lower if a sale can be concluded by an earlier date.
49. The Monitor is of the view that it would be reasonable for this Honourable Court to authorize Cambrian to loan the requested additional advance, on a secured basis, to Walter UK to provide additional time for its directors, as well as Walter Canada and the CRO, to bring this matter to a close, either through a sale or winding-up of Walter UK.

ACTUAL RECEIPTS AND DISBURSEMENTS COMPARED TO FORECAST

50. Walter Canada's actual cash receipts and disbursements for the 19-week period ended September 23, 2017 (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 19-Week Period from May 14, 2017 to September 23, 2017 ⁽¹⁾			
Prepared on a Consolidated Basis			
Unaudited (CAD \$000)	Actual	Forecast	Variance
Cash Inflow			
Other Receipts	6,522	20	6,502
Total Cash Inflow	6,522	20	6,502
Cash Outflow - Operating Disbursements			
Director's Fees	(42)	(48)	6
Consulting	(42)	(101)	59
Insurance	(20)	(25)	5
Information Technology	(4)	(4)	-
Total Cash Outflows - Operating Disbursements	(108)	(178)	70
Cash Outflow - Non-Operating Disbursements			
CRO and Restructuring Advisor Fees	(1,493)	(1,352)	(141)
Walter U.K. Funding	(501)	(620)	119
Belcourt-Saxon J.V. Funding	(200)	(425)	225
Distribution of Trust Funds	(782)	(782)	-
Total Cash Outflows - Non-Operating Disbursements	(2,976)	(3,179)	203
Net Cash Flow	3,438	(3,337)	6,775
Cash, beginning of period (May 14, 2017)	64,553	64,553	-
Effect of Foreign Exchange translation	(1,786)	-	(1,786)
Cash, end of period (September 23, 2017)⁽²⁾	66,205	61,216	4,989
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\$270K that was received upon closing of Walter Canada's previous account network at the Bank of Nova Scotia. This amount is excluded as discussions as to whether these funds belong to Walter Canada or Warrior are ongoing.			

51. The following is a summary of the more significant variances in respect of the \$5 million aggregate net favourable cash flow variance during the Reporting Period:
- a) The majority of the aggregate net favourable variance relates to the sale of the Belcourt Interest, in the amount of approximately \$6.5 million. This cash receipt is a permanent difference as it was not provided for in the Previous CCAA Cash Flow Forecast.

- b) The \$59,000 favourable variance for Consulting relates to a negotiated reduction in fees for the external consultant which Walter Canada engaged in respect of Walter UK. As a result, this variance is a permanent difference.
- c) The \$141,000 unfavourable variance for CRO and restructuring advisor fees is expected to be a permanent difference and was the result of higher than anticipated activity (and corresponding professional fees) pertaining to the sale of the Belcourt Interest, preparation for the Appeal and engaging in the settlement discussions leading up to development of the Term Sheet.
- d) The \$119,000 favourable variance for Walter UK funding is a timing difference as a £50,000 (\$84,000) advance was made to Walter UK during the week following the end of the Reporting Period. The remaining difference is as a result of differences between actual and forecast exchange rates.
- e) The \$225,000 favourable variance for Belcourt-Saxon J.V. funding is a permanent difference resulting from the closing of the sale of the Belcourt Interest to PRC in July of 2017, whereas the Previous CCAA Cash Flow Forecast had provided for an additional payment in the amount of \$225,000 in September 2017 that will not be made due to the sale.
- f) The \$1.8 million unfavourable variance relating to the effect of foreign exchange translation is an unrealized loss primarily due to the strengthening of the Canadian dollar against the US dollar during the Reporting Period, which created an unrealized loss for cash reporting purposes (as Walter Canada has no intention in the short term of converting its US dollar cash balances to Canadian dollars).

UPDATED CCAA CASH FLOW FORECAST

52. The Updated CCAA Cash Flow Forecast has been prepared by Walter Canada, with the assistance of the Monitor, on a consolidated basis for the 12-week period ending December 16, 2017 (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:

Walter Canada Summary of the Updated CCAA Cash Flow Forecast	
For the 12-Week Period from September 24, 2017 to December 16, 2017 ⁽¹⁾	
Prepared on a Consolidated Basis	
Unaudited (CAD \$000)	
Cash Inflow	
Other Receipts	12
Total Cash Inflow	12
Cash Outflow - Operating Disbursements	
Director's Fees	(348)
Consulting	(15)
Insurance	(80)
Information Technology	(3)
Total Cash Outflows - Operating Disbursements	(446)
Cash Outflow - Non-Operating Disbursements	
CRO and Restructuring Advisor Fees	(1,625)
Walter UK Funding	(585)
Success Fee	(339)
Total Cash Outflows - Non-Operating Disbursements	(2,549)
Net Cash Flow	(2,983)
Cash, beginning of period (September 24, 2017)	66,205
Cash, end of period (December 16, 2017)	63,222
Note 1: Readers are cautioned to read the "Report Restrictions and Scope Limitations" section of this report.	

53. Net cash outflows during the Updated Cash Flow Period are expected to total approximately \$3.0 million, which Walter Canada will fund from its current cash resources on hand. On December 16, 2017, at the end of the Updated Cash Flow Period, Walter Canada expects to have approximately \$63 million of combined cash resources remaining.

54. The following is a summary of the more significant components of the Updated CCAA Cash Flow Forecast:

- a) Director's fees totaling \$348,000 relate to both the contractual monthly payments to Walter Canada's sole director as well as the Director Payment, which Walter Canada expects to pay following expiry of the Unresolved Restructuring Claims Bar Date and after Walter Canada and the Monitor determine that the Available Net Proceeds are sufficient for Walter Canada to make the 1974 Settlement Payment in accordance with terms of the Term Sheet.
- b) Consulting fees totaling \$15,000 relate to the external consultant hired by Walter Canada to manage the operations of Walter UK while the sale process is ongoing.
- c) A payment of \$80,000 is forecast for the renewal of Directors and Officers liability insurance premiums for a one-year period, coverage in respect of which was bound on September 29, 2017, as Walter Canada's existing coverage expired on September 30, 2017. In the event its coverage needs cease at the end of the CCAA Proceedings, Walter Canada would expect to receive a partial refund for amounts paid and may apply such refunds to any runoff coverage that is purchased in the future.
- d) Payments to Walter Canada's counsel, the Monitor and its counsel, and the CRO are forecast to be approximately \$1.6 million during the Updated Cash Flow Period. In the short term, professional fee costs are expected to be higher as a result of the negotiations and finalization of the Term Sheet, the sale efforts relating to Walter UK and the expected preparation of the Plan.
- e) Walter Canada has budgeted up to £350,000 (approximately \$585,000) to fund the Walter UK operations over the course of the Updated Cash Flow Period while the sale process is ongoing, subject to obtaining authorization from this Honourable Court to make additional advances of up to £300,000. As previously noted, Walter Canada advanced £50,000 (\$84,000) during the week ended September 30, 2017.

- f) A success fee payable to the Financial Advisor in the amount of US\$269,000 (approximately \$339,000) is due upon the completion of all sale transactions. Success fees related to the sale of the Belcourt Interest and the Amacon Transaction have not been paid. As such, it is expected that this payment will be made during the Updated Cash Flow Period.
 - g) As discussed in the Tenth Report, 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. Discussions with BNS regarding the ownership of these funds, as to whether it belongs to Warrior or Walter Canada, are ongoing and the Monitor will provide an update to this Honourable Court once those discussions are completed and the appropriate disposition of these funds is determined.
55. The Updated CCAA Cash Flow Forecast indicates that Walter Canada has the necessary liquidity to fund its expected cash requirements to the end of the Updated Cash Flow Period.

THE MONITOR'S OBSERVATIONS AND RECOMMENDATIONS

56. In the Monitor's opinion, Walter Canada is continuing to act in good faith and with due diligence in furthering its restructuring efforts, including negotiating the Term Sheet with a view to being able to pay all Allowed Claims in full through the proposed Plan and seeking to conclude a transaction in respect of Walter UK.
57. As discussed in detail above, the Monitor is of the view that the Term Sheet is fair and reasonable to each of the parties to the Term Sheet as well as to all of Walter Canada's Claimants who currently have Allowed Claims (or who may ultimately be determined to have Allowed Claims) as it creates the opportunity to achieve a highly favourable outcome for Walter Canada's Claimants, who will be paid in full as long as no new Claims are filed by the Unresolved Restructuring Bar Date and ultimately accepted at a sufficiently high aggregate amount that there are insufficient funds to enable the 1974 Settlement Payment. As previously noted, as at the date of this report, the Monitor and Walter Canada expect that there will be sufficient funds available to pay the 1974 Settlement Payment and, therefore,

all Allowed Claims in full. Therefore, the Monitor recommends that this Honourable Court approve the Term Sheet.

58. The Monitor also recommends to this Honourable Court that it grant Walter Canada's request for an extension of the Stay to December 15, 2017, in order to allow for the completion of the Unresolved Restructuring Claims Process, to continue to move towards resolution of the four remaining Unresolved Claims and the disposition or wind-up of Walter UK and to prepare a Plan to present to this Honourable Court at a later date for approval. Finally, it also recommends to this Honourable Court that it grant Walter Canada's request for authorization for Cambrian to loan up to an additional £300,000, on a secured basis, to Walter UK.

All of which is respectfully submitted this 4th day of October, 2017.

**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"

Settlement Term Sheet Re Plan of Compromise and Arrangement

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

SETTLEMENT TERM SHEET RE PLAN OF COMPROMISE AND ARRANGEMENT
SUMMARY OF PROCESS AND PRINCIPAL TERMS

WHEREAS:

- A. Walter Energy, Inc. (“**WEI**”), its subsidiary Jim Walter Resources, Inc. (“**JWR**”) and their US affiliates (collectively “**Walter US**”) filed for protection under Chapter 11 of the US Bankruptcy Code on July 15, 2015 under the jurisdiction of the United States Bankruptcy Court for the Northern District of Alabama, Southern Division (the “**US Bankruptcy Court**”).
- B. Walter Energy Canada Holdings, Inc. (“**WECH**”), Walter Canadian Coal Partnership and their Canadian affiliates (collectively “**Walter Canada**”) applied for and were granted protection under the *Companies' Creditors Arrangement Act* (the “**CCAA**”) pursuant to an Initial Order of the Supreme Court of British Columbia (the “**Court**”) pronounced December 7, 2015 (as amended and restated from time to time, the “**Initial Order**”). Pursuant to the Initial Order, KPMG Inc. was appointed as Monitor (the “**Monitor**”) in the CCAA proceedings bearing Court File No. S-1510120 (the “**CCAA Proceedings**”).
- C. WEI owned, directly or indirectly, the entities that comprise Walter Canada.
- D. Walter Canada owned, directly or indirectly, Energybuild Group Limited (“**Group**”), Energybuild Holdings Limited (“**Holdings**”), Energybuild Limited, Energybuild Mining Limited, Energybuild Opencast Limited, and Mineral Extraction and Handling Limited (collectively with Group and Holdings, “**Energybuild**”).
- E. Walter US entered into an amended and restated asset purchase agreement with Warrior Met Coal, LLC (“**Warrior**”) dated as of March 31, 2016 (the “**Warrior APA**”). The sale of assets to Warrior and the Warrior APA were approved by order of the US Bankruptcy Court dated January 8, 2016 (the “**US Sale Approval Order**”).
- F. Pursuant to the Warrior APA, Walter US sold its assets and undertakings to Warrior, including (i) (a) certain intercompany receivables owing to Walter US by Walter Canada, including a claim in respect of certain shared services provided by Walter US to Walter Canada (the “**Shared Services Claim**”) and (b) a claim in relation to that certain secured promissory note among WEI and WECH dated April 1, 2011 (the “**Promissory Note**”) and related documents

(the “**Hybrid Debt Claim**” and, collectively with the Shared Services Claim and any other claim Warrior has against Walter Canada, the “**Warrior Canada Claim**”); and (ii) certain intercompany receivables owing to Walter US by Group (the “**Warrior UK Claim**” and, collectively with the Warrior Canada Claim, the “**Warrior Claim**”).

- G. On March 31, 2016, the transaction contemplated by the Warrior APA closed. Pursuant to an order of the US Bankruptcy Court dated December 28, 2015, JWR terminated its collective bargaining agreement with the United Mine Workers of America and ceased to have any obligation to participate in or make any contributions to the associated United Mine Workers of America 1974 Pension Plan and Trust (the “**1974 Plan**”).
- H. The 1974 Plan has asserted a claim against Walter Canada throughout the CCAA Proceedings (the “**1974 Plan Claim**”), and has alleged that it has a claim against Energybuild (the “**1974 Plan UK Claim**”), in each case pursuant to certain “controlled group” provisions of the US Employee Retirement Income Security Act of 1974 (“**ERISA**”).
- I. Walter Canada obtained from the Court an order pronounced August 16, 2016 and styled “Claims Process Order” (as amended and restated from time to time, including on August 15, 2017, the “**Claims Process Order**”) which established a Claims Process in respect of Walter Canada, including a Claims Bar Date, a Restructuring Claims Bar Date and related matters, and included a specific process for the determination of the validity of the 1974 Plan Claim.
- J. All Claims against Walter Canada and all remaining assets of Walter Canada were transferred to one or more 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., or Cambrian Energybuild Holdings ULC (collectively “**New Walter Canada**”) pursuant to an order of the Court pronounced December 21, 2016 (the “**CCAA Continuity and Vesting Order**”) and pursuant to a proposal made by Walter Canada under the *Bankruptcy and Insolvency Act* and approved by the Court on December 21, 2016 (the “**BIA Proposal**”).
- K. Pursuant to the CCAA Continuity and Vesting Order and the BIA Proposal, the Hybrid Debt Claim was compromised and reduced to the amount of accrued but unpaid interest owing by WECH in respect of the Promissory Note for the period from the issuance of the Promissory Note and ending on the Proposal Commencement Date (as defined in the BIA Proposal) up to the maximum amount by which the value of the assets transferred to New Walter Canada under the BIA Proposal exceeded the amount of all claims that are deemed to be claims against New Walter Canada under the BIA Proposal, excluding, for the purposes of such calculation, the 1974 Plan Claim. Further, the determination of the validity of the Hybrid Debt Claim remained subject to the terms of the Claims Process Order.
- L. On May 1, 2017, the Court ruled that the 1974 Plan did not have a valid Claim against Walter Canada or New Walter Canada (the “**May 1 Order**”).
- M. The British Columbia Court of Appeal granted the 1974 Plan leave to appeal the May 1 Order and an appeal of the May 1 Order (the “**Appeal**”) was scheduled to be heard on August 16, 2017.
- N. New Walter Canada, the 1974 Plan and Warrior (the “**Parties**”) have engaged in arms-length negotiations with the assistance of counsel with experience in complex insolvency law and

pensions law matters and these negotiations have resulted in a full and final settlement of all outstanding issues among the Parties, including the Shared Services Claim, the Hybrid Debt Claim, the Warrior UK Claim, the 1974 Plan Claim, the 1974 Plan UK Claim, the May 1 Order and the Appeal, as reflected in this Term Sheet.

- O. This Term Sheet sets out the terms on which the Parties, subject to the terms and conditions below and without any admission or concession as to the merits of any claim or defence by any of the Parties, agree to (i) fully and finally compromise, resolve, release and settle the 1974 Plan Claim (ii) fully and finally compromise, resolve, release, settle and allow the Warrior Canada Claim; (iii) address the Appeal with prejudice and without costs; (iv) permit the sale of Energybuild, any entity that composes Energybuild or any of their respective assets and (v) fully and finally compromise, resolve, release and settle the 1974 Plan UK Claim and the Warrior UK Claim (collectively, the “**Settlement**”).
- P. New Walter Canada wishes to make a distribution to Claimants with Allowed Claims.
- Q. It is the intention of the Parties that the Settlement shall form the basis of a plan of compromise or arrangement to be approved and implemented in the CCAA Proceedings substantially on the terms set out herein (the “**Plan**”).
- R. The Monitor supports the Settlement and the distributions set out herein as the best possible result in the circumstances for New Walter Canada and its Claimants, including the 1974 Plan.

NOW THEREFORE, in consideration of the covenants, agreements and releases set forth herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties agree as follows:

1. Defined Terms

Capitalized terms used but not defined herein have the meanings given in the Claims Process Order.

2. The Settlement

The Parties agree as follows:

- (a) Warrior’s Shared Services Claim for CDN\$9,892,193.32 shall be an Allowed Claim.
- (b) Warrior’s Hybrid Debt Claim shall be an Allowed Claim and shall be valued in accordance with the terms of the BIA Proposal and the Settlement. In summary and subject to the terms of the BIA Proposal and the Settlement, the Hybrid Debt Claim shall be further compromised such that it is equal to the amount of the Available Net Proceeds (as defined below).
- (c) In consideration of the 1974 Plan abandoning the Appeal pursuant to paragraph (e) of this Section, New Walter Canada, or the Monitor on its behalf, shall pay the first CDN\$13 million of Available Net Proceeds to the 1974 Plan and Warrior shall receive the remainder (if any) of Available Net Proceeds (less the payment contemplated under paragraph of (i) this Section) payable by New Walter Canada,

or the Monitor on its behalf, in respect of the Hybrid Debt Claim. Warrior expressly consents to such use of the Available Net Proceeds.

- (d) New Walter Canada and the Monitor shall (i) complete the Unresolved Restructuring Claims Process to determine if there are any Unresolved Restructuring Claims (as defined therein); and (ii) continue to address all the outstanding Claims, including any Unresolved Restructuring Claims received in respect of the Unresolved Restructuring Claims Process. New Walter Canada agrees to provide Warrior and the 1974 Plan with regular updates on the progress of the Unresolved Restructuring Claims Process. All Claims that are or become Allowed Claims will be paid from the cash held by the Monitor on behalf of New Walter Canada.
- (e) The 1974 Plan will adjourn the Appeal (so that the Unresolved Restructuring Claims Process can proceed) and will abandon the Appeal (at the 1974 Plan's sole cost and expense) if it is determined by New Walter Canada and the Monitor following solicitation of Unresolved Restructuring Claims in the Unresolved Restructuring Claims Process that there will be sufficient funds, after deducting: (i) all payments and taking all reserves required to administer and wind down the estate as contemplated hereby, including under paragraph 6 hereof, and (ii) payment in full of all Allowed Claims, including the CDN\$9,892,193.32 Shared Services Claim and payment of the USW Amount but excluding the Hybrid Debt Claim, (the "Available Net Proceeds") to pay CDN\$13 million to the 1974 Plan pursuant to, in accordance with the terms of and at the time contemplated in the Settlement. The Appeal will be abandoned following the payment to the 1974 Plan of CDN\$13 million. In the event that additional Claims are filed and become Allowed Claims such that New Walter Canada and the Monitor determine and notify the 1974 Plan in writing that the amount of the Available Net Proceeds is insufficient to pay CDN\$13 million to the 1974 Plan, then (i) the 1974 Plan may bring the Appeal at that time; and (ii) New Walter Canada and the Monitor may seek costs against the 1974 Plan, including in regard to the January 12, 2017 decision, the May 1 Order, the application for leave to appeal the May 1 Order or the Appeal.
- (f) New Walter Canada agrees, in consideration for the 1974 Plan abandoning the Appeal pursuant to paragraph (e) of this Section: (i) not to pursue costs against the 1974 Plan, including costs in regard to the January 12, 2017 decision, the May 1 Order, the application for leave to appeal the May 1 Order or the Appeal; and (ii) to pay the costs of the United Steelworkers Local 1-424 ("USW"), fixed at CDN\$75,000, from the estate (the "USW Amount").
- (g) The 1974 Plan agrees that it will not challenge the validity or allowance of the Warrior Claim (including the Shared Services Claim and the Hybrid Debt Claim) irrespective of whether there is at least Available Net Proceeds of CDN\$13 million available for distribution to the 1974 Plan.
- (h) In no circumstance will there be an interim distribution until New Walter Canada and the Monitor are satisfied that the solicitation and review of Unresolved Restructuring Claims in the Unresolved Restructuring Claims Process is complete to New Walter Canada's and the Monitor's satisfaction. New Walter Canada and

the Monitor are at liberty (but are not required) to seek an order from the Court approving an interim or final distribution to Claimants once the foregoing conditions are satisfied on notice to the 1974 Plan, *provided, however*, that if the recovery on the Hybrid Debt Claim is less than CDN\$13 million and the 1974 Plan takes action to resume the Appeal, the 1974 Plan may take whatever steps it thinks appropriate to challenge any such distribution.

- (i) The director of each of the corporations composing New Walter Canada shall be paid an aggregate amount of US\$250,000 from the Available Net Proceeds in consideration for his commitment to Walter Canada and New Walter Canada throughout the CCAA Proceedings.

3. Status of Claims

Attached hereto as Schedule "A" is New Walter Canada's and the Monitor's preliminary analysis of the results of the Claims Process as of August 15, 2017. Schedule "A" represents New Walter Canada's and the Monitor's current understanding of the Claims made against Walter Canada and New Walter Canada prior to commencement of the Unresolved Restructuring Claim Process, but no representation or warranty of any kind is given regarding Schedule "A", including regarding the accuracy or completeness thereof. The Parties recognize that the Unresolved Restructuring Claims Process has not been completed and may result in the filing of additional Claims that are not listed on Schedule "A".

4. Plan

Upon the completion of the Unresolved Restructuring Claims Process or such earlier date as New Walter Canada and the Monitor may decide (after consultation with Warrior), New Walter Canada intends to bring forward a motion seeking approval by the Court of a Plan that contains the principal terms set out herein, provided that New Walter Canada and the Monitor are satisfied that sufficient funds are available to address all remaining matters in the CCAA Proceedings and the orderly wind-down or other process for Energybuild. New Walter Canada shall consult with Warrior on the applicable terms of the Plan and shall provide a draft of the Plan to Warrior for comment prior to filing same.

The Plan will contain customary provisions in respect of all distributions made thereunder, including in respect of any tax matters.

5. Voting on Plan

It is anticipated that Warrior, as the sole Claimant with a Claim that is to be compromised under the Plan, shall be the sole Claimant entitled to vote on the Plan.

Warrior represents and warrants that it is the sole legal and beneficial owner of (i) the Shared Services Claim, (ii) the Hybrid Debt Claim and (iii) the Warrior UK Claim. Warrior agrees, provided that the Plan is substantially in the form contemplated by this Term Sheet, that it (i) shall vote its entire Claim in favour of the Plan, (ii) shall support New Walter Canada in obtaining Court approval of the Plan and implementing the Plan, and (iii) shall not take any step or any action (or omit to take any step or action) that is inconsistent with obtaining the Court's approval of the Plan or with New Walter Canada implementing the Plan. Warrior agrees that it shall not sell, assign or

encumber all or any part of its Claim to any person until such time as such person signs an agreement in form and substance satisfactory to New Walter Canada setting out such person's agreement to vote any Claim it acquires in favour of the Plan and to support the approval and implementation of the Plan, in each case as contemplated herein.

6. Treatment of Allowed Claims and Maintenance of Reserves

The Plan will provide for the payment in full in cash of all Claims that become Allowed Claims from time to time other than the Hybrid Debt Claim, *provided* that New Walter Canada and the Monitor have determined that:

- (a) New Walter Canada has an amount sufficient to pay in full in cash all Allowed Claims incorporated by reference in Schedule "A" and the full amount of all Claims that become Allowed Claims after the date hereof;
- (b) If New Walter Canada and the Monitor elect to make an interim distribution, New Walter Canada has an amount sufficient to pay in full in cash any Claim that is the subject of an unresolved Notice of Dispute (each a "**Disputed Claim**") if all such Disputed Claims were to become Allowed Claims; and
- (c) New Walter Canada shall retain an amount estimated by New Walter Canada and the Monitor, in their sole discretion, to be sufficient:
 - (i) to address professional fees and other costs necessary for the effective administration of all remaining matters in connection with the CCAA Proceedings (including addressing any Disputed Claims and the purchase of any reasonable director and officer insurance and "run off" coverage); and
 - (ii) to address the orderly wind-down or other process acceptable to New Walter Canada for Energybuild.

7. Treatment of 1974 Plan Claim

- (a) The 1974 Plan Claim shall not become an Allowed Claim unless the 1974 Plan brings forward the Appeal as permitted by Section 2(e) and a final order is issued declaring that the 1974 Plan Claim is an Allowed Claim in respect of New Walter Canada.
- (b) This Term Sheet may be raised by New Walter Canada or the Monitor as a full bar to the 1974 Plan Claim in any circumstances where the 1974 Plan seeks to assert a Claim and the conditions set out in Section 2(e) are not satisfied.
- (c) Notwithstanding the foregoing, Warrior hereby expressly consents to New Walter Canada, or the Monitor on its behalf, paying to the 1974 Plan the first CDN\$13 million of Available Net Proceeds to the 1974 Plan as consideration for the 1974 Plan abandoning the Appeal, which shall be distributed no earlier than the day on which the other distributions to be made under the Plan are made.

- (d) The 1974 Plan agrees that (i) it shall support New Walter Canada in obtaining Court approval of the Plan and implementing the Plan, and (ii) shall not take any step or any action (or omit to take any step or action) that is inconsistent with obtaining the Court's approval of the Plan or with New Walter Canada implementing the Plan. The 1974 Plan agrees that it shall not sell, assign or encumber all or any part of its Claim to any person until such time as such person signs an agreement in form and substance satisfactory to New Walter Canada setting out such person's agreement to support the approval and implementation of the Plan, in each case as contemplated herein.

8. Energybuild

To facilitate the sale of Energybuild, any entity that composes Energybuild or any of their respective assets (an "EB Sale") for the benefit of New Walter Canada, Energybuild and their respective stakeholders, the Parties agree as follows (irrespective of whether there is at least Available Net Proceeds of CDN\$13 million available for distribution to the 1974 Plan or the Appeal is brought):

- (a) The 1974 Plan (x) hereby fully and finally compromises, resolves, releases and settles the 1974 Plan UK Claim and any other claim it may have against Energybuild in respect of (i) any matter relating to its dealings with Walter US and Walter Canada, and (ii) any matter relating to its dealings with any applicable Energybuild entity that relates to the period prior to the date of any EB Sale; and (y) agrees to enter into an agreement with any Energybuild entity on or prior to any EB Sale as evidence of such release, such agreement to be in form and substance satisfactory to New Walter Canada, the applicable Energybuild entity and the purchaser of such Energybuild entity or its assets; and
- (b) Warrior (x) hereby fully and finally compromises, resolves, releases and settles the Warrior UK Claim and any other claim it may have against Energybuild in respect of (i) any matter relating to its dealings with Walter US and Walter Canada, and (ii) any matter relating to its dealings with any applicable Energybuild entity that relates to the period prior to the date of any EB Sale; and (y) agrees to enter into an agreement with any Energybuild entity on or prior to any EB Sale as evidence of such release, such agreement to be in form and substance satisfactory to Warrior, New Walter Canada, the applicable Energybuild entity and the purchaser of such Energybuild entity or its assets, provided that the payments to Warrior (if any) contemplated below are made.

The proceeds of any EB Sale shall be applied as follows:

- (i) First, to repay any amounts advanced to or for the benefit of Energybuild, on a secured basis by any member of New Walter Canada pursuant to any order of the Court made in the CCAA Proceedings, including any order made after the date hereof;
- (ii) Second, to wind-up any Energybuild entity that is not the subject of an EB Sale in a cost effective and tax efficient manner that protects Energybuild's directors and officers from liability to the fullest extent possible, at the

discretion of New Walter Canada, including the purchase of any reasonable director and officer insurance and "run off" coverage;

- (iii) Third, if any amounts remain after the payment contemplated in paragraph (i) and (ii) of this Section, such amounts shall be distributed to Warrior in respect of the Warrior UK Claim, up to the maximum amount of £4,666,779.00; and
- (iv) Fourth, if any amounts remain after the payment contemplated in paragraph (iii) of this Section, such amounts shall be distributed to Cambrian Energybuild Holdings ULC on account of its equity interest in Group.

9. Releases

The Plan and the order approving same shall include customary releases in favour of the Monitor, the present and former directors and officers of Walter Canada and New Walter Canada, the CRO, the Financial Advisor and each of their respective legal counsel.

In addition, on payment of CDN\$13 million to the 1974 Plan, the 1974 Plan, on its own behalf and on behalf of all of its beneficiaries and their heirs, guardians, administrators, executors, trustees, estate trustees, successors and assigns, shall release and discharge and shall be deemed to release and discharge Warrior, each entity that composes Walter Canada, each entity that composes New Walter Canada, each entity that composes Energybuild, the Monitor and all of their respective present and former affiliates, partners, shareholders, subsidiaries, successor and predecessor companies and all of their present and former officers, directors, employees, representatives, legal counsel, financial advisors and agents (including the CRO) and the heirs, guardians, administrators, executors, trustees, estate trustees, successors and assigns of each (hereinafter collectively referred to as the "Releasees") from any and all actions, causes of action, claims, liabilities, losses of any kind, injuries, suits, debts, contracts, obligations, representations, promises, damages, judgments, expenses and demands whatsoever, in law or in equity, whether normal, special, consequential, punitive or otherwise, on all counts howsoever arising and in all jurisdictions, which were made or could have been made by the 1974 Plan in respect of the withdrawal of JWR from participation in the 1974 Plan (i) against the Releasees and (ii) against any other person, partnership, corporation or other entity of any kind that might claim contribution or indemnity or any other relief of a monetary, declaratory or injunctive nature from any one or more of the Releasees in connection with the foregoing.

10. Miscellaneous

- (a) Each of the Parties acknowledges and declares that (i) it is a sophisticated party with sufficient knowledge and experience to properly evaluate the terms and conditions of this Term Sheet; (ii) it has conducted its own analysis and made its own decision, in the exercise of its independent judgment, to enter into this Term Sheet and has not relied on an analysis or decision of any of the other Parties in making that decision; (iii) it has had an adequate opportunity to read and consider the Settlement and this Term Sheet and to obtain such independent legal advice in regard to the Settlement and this Term Sheet as it considers advisable; (iv) it fully understand the nature and effect of the Settlement and this Term Sheet, including the Release set out herein; (v) it fully understand that the consideration for the

Settlement and this Term Sheet has been accepted; and (vi) the Settlement and this Term Sheet has been duly executed voluntarily by it and the execution of this Term Sheet is within its corporate, trust, partnership, limited liability company or similar power, as applicable.

- (b) This Term Sheet shall be governed by and construed in accordance with the laws of the Province of British Columbia and the federal laws of Canada applicable therein.
- (c) The division of this Term Sheet into sections and the insertion of headings are for convenience or reference only and shall not affect the construction or interpretation of this Term Sheet.
- (d) The terms of this Term Sheet constitute the entire agreement between the Parties relating to the subject matter hereof and supersedes any prior agreement.
- (e) This Term Sheet may be executed in any number of counterparts and may be delivered by means of facsimile or electronic transmission in portable document format, each of which shall be deemed to be an original, but all of which together will constitute one and the same instrument.
- (f) The recitals to this Term Sheet are true and form part of the Term Sheet and the Settlement.
- (g) The Parties waive any right to trial by jury in any proceeding arising out of or relating to this Term Sheet or any of the transactions contemplated by this Term Sheet, present or future, and whether sounding in contract, tort or otherwise. Any Party may file a copy of this provision with any court as written evidence of the knowing, voluntary and bargained for agreement between the Parties irrevocably to waive trial by jury, and that any proceeding whatsoever between them relating to this Term Sheet or any of the transactions contemplated by this Term Sheet shall instead be tried by a judge or judges sitting without a jury.
- (h) If any term or other provision of this Term Sheet is invalid, illegal or incapable of being enforced by any rule of law or public policy, all other conditions and provisions of this Term Sheet shall nevertheless remain in full force and effect. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the Parties shall negotiate in good faith to modify this Term Sheet so as to effect the original intent of the Parties as closely as possible in a mutually acceptable manner in order that the terms of this Term Sheet remain as originally contemplated to the fullest extent possible.

[Remainder of page intentionally left blank]

DATED _____, 2017

**NEW WALTER ENERGY CANADA
HOLDINGS, INC.**

By: _____
Name:
Title:

NEW WALTER CANADIAN COAL CORP.

By: _____
Name:
Title:

NEW WOLVERINE COAL CORP.

By: _____
Name:
Title:

NEW BRULE COAL CORP.

By: _____
Name:
Title:

**NEW WILLOW CREEK COAL
CORP.**

By: _____
Name:
Title:

**CAMBRIAN ENERGYBUILD HOLDINGS
ULC**

By: _____
Name:
Title:

WARRIOR MET COAL, LLC

By: _____
Name:
Title:

**UNITED MINE WORKERS OF AMERICA 1974
PENSION PLAN AND TRUST**

By: _____
Name:
Title:

Draft & Privileged

Schedule "A"

[See attached]

Schedule "B"

**Updated CCAA Cash Flow Forecast for the 12-Week Period Ending
December 16, 2017**

New Walter Energy Canada Holdings, Inc. et al.
Updated CCAA Cash Flow Forecast for the 12-Week Period Ending December 16, 2017⁽¹⁾

<i>(in CAD \$000's)</i>													
Foreign Exchange Rate Assumptions - (USD/CAD) 1.26 and (GBP/CAD) 1.67													
Week No.	1	2	3	4	5	6	7	8	9	10	11	12	12-Week Total
Week Ending	9/30/17	10/7/17	10/14/17	10/21/17	10/28/17	11/4/17	11/11/17	11/18/17	11/25/17	12/2/17	12/9/17	12/16/17	
Notes													
OPERATING CASH FLOW													
Operating Receipts	4	-	-	-	-	4	-	-	-	4	-	-	12
Other Receipts	4	-	-	-	-	4	-	-	-	4	-	-	12
Total Operating Receipts													
Operating Disbursements	-	(11)	(315)	-	-	(11)	-	-	-	(11)	-	-	(348)
Director's Fees	-	(5)	-	-	-	(5)	-	-	-	(5)	-	-	(15)
Consulting	-	(80)	-	-	-	-	-	-	-	-	-	-	(80)
Insurance	-	(1)	-	-	-	(1)	-	-	-	(1)	-	-	(3)
Information Technology	-	(97)	(315)	-	-	(17)	-	-	-	(17)	-	-	(446)
Total Operating Disbursements													
Non-Operating Disbursements	-	(475)	-	-	-	(500)	-	-	-	(650)	-	-	(1,625)
CRO and Restructuring Advisor Fees	(84)	(167)	-	-	(167)	-	-	-	-	(167)	-	-	(585)
Walter U.K. Funding	-	-	-	-	-	-	-	-	-	(339)	-	-	(339)
Success Fee	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-Operating Disbursements													
TOTAL NET CASH FLOW													
	(80)	(739)	(315)	-	-	(680)	-	-	-	(1,169)	-	-	(2,983)
BEGINNING CASH (FX Effected)	66,205	66,125	65,386	65,071	65,071	65,071	64,391	64,391	64,391	64,391	63,222	63,222	66,205
Net Cash Flow	(80)	(739)	(315)	-	-	(680)	-	-	-	(1,169)	-	-	(2,983)
ENDING CASH (FX Effected)	66,125	65,386	65,071	65,071	65,071	64,391	64,391	64,391	64,391	63,222	63,222	63,222	63,222

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 12-Week Period
Ending December 16, 2017**

Unless otherwise noted, the Updated CCAA Cash Flow Forecast is presented in Canadian Dollars using an exchange rate of US\$1.00/CDN\$1.26 for conversion of any U.S. Dollar amounts and an exchange rate of GBP£1.00/CDN\$1.67 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.

Receipts

2. Other Receipts

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

Operating Disbursements

3. Director’s Fees

Monthly compensation costs as well as a US\$250,000 payment to Walter Canada’s sole director pursuant to the Settlement Term Sheet Re Plan of Compromise and Arrangement (the “**Term Sheet**”).

4. Consulting

These disbursements relate to costs of an external consultant engaged to perform consulting in respect of Walter UK.

5. Insurance

The current insurance coverage for Directors and Officers expired on September 30, 2017. Binding of coverage for a new one-year policy was confirmed September 29, 2017, with renewal costs in the amount of approximately \$80,000 expected to be paid during October 2017.

6. Information Technology

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

Non-Operating Disbursements

7. 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. Fees are expected to be higher to facilitate the negotiation and finalization of the Term Sheet, complete the Unresolved Restructuring Claims Process, address the remaining Unresolved Claims, prepare a plan of compromise and arrangement and dispose of, or otherwise wind-up, Walter UK.

8. Walter UK Funding

The forecast payments represents potential advances, on a secured basis, in the amount of up to £350,000 (approximately \$585,000) by Walter Canada to Walter UK as Walter UK is expected to require funding in the near term.

9. Success Fee

An outstanding success fee is payable to the Financial Advisor. As all transactions affecting the success fee have now been completed, this payment is expected to be made in the near-term and therefore has been included in the Updated CCAA Cash Flow Forecast.