



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

TWENTY-FIRST REPORT OF THE MONITOR, KPMG INC.

February 20, 2019

TABLE OF CONTENTS

INTRODUCTION AND PURPOSE OF THE MONITOR’S REPORT3
REPORT RESTRICTIONS AND SCOPE LIMITATIONS6
UPDATE ON PLAN IMPLEMENTATION7
UPDATE ON THE STATUS OF THE REMAINING UK ENTITIES9
UPDATE ON THE STATUS OF THE JAMES CLAIM.....10
ACTUAL RECEIPTS AND DISBURSEMENTS COMPARED TO FORECAST.....11
UPDATED CCAA CASH FLOW FORECAST12
THE MONITOR’S CONCLUDING OBSERVATIONS AND RECOMMENDATIONS14

INDEX TO SCHEDULES

Schedule A Updated CCAA Cash Flow Forecast for the 13-Week Period Ending May
11, 2019

INTRODUCTION AND PURPOSE OF THE MONITOR'S REPORT

1. KPMG Inc. (“**KPMG**” or the “**Monitor**”) was appointed as Monitor pursuant to the order (the “**Initial Order**”) issued by this Honourable Court on December 7, 2015 in respect of the petition filed by Walter Energy Canada Holdings, Inc., Walter Canadian Coal ULC, Wolverine Coal ULC, Brule Coal ULC, Cambrian Energybuild Holdings ULC (“**Cambrian**”), Willow Creek Coal ULC, Pine Valley Coal Ltd. and 0541237 B.C. Ltd. (collectively, the “**Original Petitioners**”) under the *Companies’ Creditors Arrangement Act*, R.S.C 1985, c. C-36, as amended (the “**CCAA**”) granting, *inter alia*, a stay of proceedings (the “**Stay**”) until January 6, 2016. The proceedings brought by the Original Petitioners under the CCAA will be referred to herein as the “**CCAA Proceedings**”.
2. Pursuant to the Initial Order, the Stay and certain other relief was extended to certain of the Original Petitioners’ partnerships (collectively with the Original Petitioners, “**Old Walter Canada**”):
 - i) Walter Canadian Coal Partnership;
 - ii) Wolverine Coal Partnership;
 - iii) Brule Coal Partnership; and
 - iv) Willow Creek Coal Partnership.
3. On December 28, 2016, pursuant to orders of this Honourable Court which were granted on December 7, 2016 and December 21, 2016, as well as bankruptcy and proposal proceedings which were initiated by Old Walter Canada under the *Bankruptcy and Insolvency Act* during December 2016, the CCAA Proceedings in respect of all of the Old Walter Canada entities, except for Cambrian, were terminated and the CCAA Proceedings were continued with respect to Cambrian and the following new entities which were formed and became petitioners in the CCAA Proceedings on December 8, 2016 (the “**New Walter Entities**” which, collectively with Cambrian, are referred to herein as “**Walter Canada**”):
 - i) New Walter Energy Canada Holdings, Inc.;
 - ii) New Walter Canadian Coal Corp.;
 - iii) New Brule Coal Corp.;

- iv) New Willow Creek Coal Corp.; and
 - v) New Wolverine Coal Corp.
4. The Monitor has issued twenty previous reports (and supplements to certain of those reports) since the Initial Order was granted, and those reports are referred to herein, collectively, as the “**Previous Reports**”. Terms not specifically defined herein shall have the meanings as defined in the Previous Reports, the Claims Process Order or the Plan (as subsequently defined).
 5. The Monitor maintains a website at www.kpmg.com/ca/walterenergycanada on which copies of the Previous Reports (with the exception of those which are confidential pursuant to certain sealing orders granted by this Honourable Court) as well as additional information regarding these CCAA Proceedings can be found.
 6. On July 3, 2018, this Honourable Court granted an Order (the “**Sanction Order**”) which sanctioned and approved Walter Canada’s Amended and Restated Plan of Compromise and Arrangement dated June 22, 2018 (the, “**Plan**”) pursuant to the provisions of the CCAA.
 7. The Monitor filed its Twentieth Report (the “**Twentieth Report**”) on November 2, 2018, in which the Monitor, among other things, provided information regarding the status of efforts to satisfy the conditions precedent to Plan implementation, the efforts undertaken to wind-up Energybuild Holdings Limited (“**Energybuild Holdings**”), Energybuild Group Limited and Energybuild Opencast Ltd. (collectively, the “**Remaining UK Entities**”), the results of the actual cash flow against forecast and presented an updated cash flow forecast.
 8. On November 7, 2018, this Honourable Court granted an Order which, among other things, extended the Stay to March 8, 2019.
 9. The purpose of this Twenty-First Report of the Monitor is to provide this Honourable Court, and Walter Canada’s stakeholders, with information with respect to the following:
 - a) An update on the progress made to satisfy the conditions precedent to Plan implementation;
 - b) A discussion of the status of the orderly wind-up of the Remaining UK entities;

- c) A discussion in respect of the status of the adjudication of the Claim of Mr. Kevin James (the “**James Claim**”), the only remaining Unresolved Claim, and the proposed schedule to resolve the James Claim;
- d) Walter Canada’s actual cash flow results for the 16-week period ended February 9, 2019, as compared to the forecast for the 24-week period ending April 6, 2019 (the “**Previous CCAA Cash Flow Forecast**”), which was filed with the Twentieth Report;
- e) Walter Canada’s updated cash flow forecast for the 13-week period ending May 11, 2019 (the “**Updated CCAA Cash Flow Forecast**”); and
- f) The Monitor’s observations and recommendations in respect of Walter Canada’s motion returnable February 25, 2019 seeking an Order extending the Stay to May 6, 2019 (the “**Extended Stay Period**”).

REPORT RESTRICTIONS AND SCOPE LIMITATIONS

10. In preparing this report and making the comments herein, the Monitor has been provided with, and has relied upon, unaudited financial information, books and records and financial information prepared by Old Walter Canada, Walter Canada and/or certain of their respective affiliates, discussions with counsel for Walter Canada, and management and the CRO (collectively, “**Management**”) and information from other public third-party sources (collectively, the “**Information**”). Except as described in this report in respect of the Previous CCAA Cash Flow Forecast and the Updated CCAA Cash Flow Forecast:
 - a) The Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Monitor has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Canadian Auditing Standards pursuant to the *Chartered Professional Accountants Canada Handbook* and, accordingly, the Monitor expresses no opinion or other form of assurance in respect of the Information; and
 - b) Some of the information referred to in this report consists of forecasts and projections. An examination or review of the financial forecasts and projections, as outlined in the *Chartered Professional Accountants Canada Handbook*, has not been performed.
11. Future oriented financial information referred to in this report was prepared based on Management’s estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, the actual results will vary from the projections, even if the assumptions materialize, and the variations could be material.
12. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars.

UPDATE ON PLAN IMPLEMENTATION

13. As discussed in the Twentieth Report, the implementation of the Plan rests on the satisfaction of four conditions precedent, as summarized below:
 - a) Approval of the Plan pursuant to the deemed meetings of creditors which were deemed to have occurred on June 27, 2018;
 - b) Sanction of the Plan as ordered by this Honourable Court on July 3, 2018;
 - c) The resolution of certain liabilities including the receipt of Clearance Certificates pursuant to section 159 of the Income Tax Act (Canada) from the Minister of National Revenue (Canada) (“**CRA**”) in respect of each Walter Canada entity, or written confirmation from the CRA that the Monitor may distribute the property of Walter Canada without any personal liability (the “**CRA Confirmation**”); and
 - d) Implementation of the Plan before the Outside Date which is nine months after the Sanction Order was pronounced on July 3, 2018 (the Outside Date being April 3, 2019) or such later date as may be agreed to by Walter Canada, the Monitor and Warrior Met Coal, LLC (“**Warrior**”).
14. Walter Canada, its counsel, the CRO and the Monitor continue to work diligently in satisfying the most significant condition precedent which is obtaining the CRA Confirmation.
15. Further to the discussion in the Twentieth Report, the initial strategy for Walter Canada and the Monitor to obtain the CRA Confirmation was to identify a senior official at CRA with whom to initiate a dialogue given the urgent nature of the request. However, after numerous attempts to reach a senior official at CRA proved unsuccessful, Walter Canada and the Monitor proceeded with filing the prescribed form of Clearance Certificate requests (the “**Clearance Requests**”) with CRA for each Walter Canada entity. Each prescribed form was completed with the required documentation except for Cambrian as the Notice of Assessment (the “**Cambrian NOA**”) of the previously filed tax return had yet to be received by the Monitor.
16. On November 16, 2018, the Cambrian NOA was received by Walter Canada representing the only item outstanding in the previously filed Clearance Requests. Given that 30 days

had passed since the initial filing of the Clearance Requests, the Monitor, in consultation with Walter Canada, wrote to CRA inquiring whether a CRA representative had been assigned to Walter Canada's Clearance Requests and informing CRA of Walter Canada's receipt of the Cambrian NOA and subsequent remittance of the income tax balance owing for Cambrian.

17. On December 7, 2018, through a contact at the Department of Justice in Ontario, the Monitor was provided with the contact information of the assigned officer (the "**CRA Representative**") for the Clearance Requests. The following week, on December 13, 2018, the Monitor received six letters dated December 10, 2019 from CRA (the "**CRA Letters**"), one for each Walter Canada entity, denying Walter Canada's Clearance Requests citing the ongoing activity of the corporations and the fact that Walter Canada's corporate income tax accounts remain open. A copy of the CRA Letter for Cambrian (which is substantially similar to the CRA Letters for the other Walter Canada entities) is attached to affidavit #25 of William E. Aziz, Walter Canada's CRO, filed in connection with the motion returnable February 25, 2019 (the "**Aziz Affidavit**"). According to the CRA Letters, in order to proceed with the Clearance Requests, Walter Canada would have to close the corporate income tax accounts and associated business numbers for each of the Walter Canada entities. However, in this circumstance, Clearance Requests would need to be provided by CRA before any distribution of property and the ultimate dissolution of the corporations, thereby eliminating the Clearance Requests as an option in obtaining the necessary CRA Confirmation.
18. On December 14, 2018, the Monitor contacted the CRA Representative and was advised that although the Clearance Requests would not be an available option to Walter Canada and the Monitor, CRA may provide a comfort letter to serve a similar purpose, and thereby allow the Monitor to distribute the property of Walter Canada without any personal liability. Following that conversation, the Monitor sought to host a conference call with the CRA Representative and a representative from the Department of Justice in order to further understand the status of the Clearance Requests, establish a timeline with CRA and discuss the language of the proposed comfort letter.
19. However, CRA was of the view that it would be more productive if the Monitor provided

CRA with a draft comfort letter for its consideration prior to any call. After consultation with its counsel and Walter Canada and its counsel, a draft comfort letter was provided by the Monitor to the CRA on January 17, 2019 to further facilitate the process of obtaining the CRA Confirmation. As at the date of this report, CRA was still considering the draft comfort letter.

20. CRA has explained that the delay in responding to the Monitor's request for a call is, in part, due to CRA's desire to have the Monitor withhold remittances for income tax, Canada Pension and employment insurance on any potential distributions to the former employees of Walter Canada. CRA has suggested that it would calculate and provide the amounts for the Monitor to deduct from each individual's distribution payment and is currently assessing its ability to do so. CRA also stated that further detail would need to be added to the comfort letter to address this additional step in the distribution process.
21. CRA has not provided a timeline of when it expects to complete its review of the draft comfort letter. However, CRA has communicated to the Monitor that it understands the urgency of the matter and the impending Outside Date.
22. Assuming appropriate language is agreed to, the Monitor will accept a comfort letter in satisfaction of the condition that CRA Confirmation be obtained.
23. As a result of the delays in receiving the CRA Confirmation, it is possible that the conditions precedent to Plan implementation may not be satisfied by the Outside Date. The Outside Date can be extended if agreed to by Walter Canada, the Monitor and Warrior, acting reasonably. As discussed in Aziz Affidavit, counsel to Walter Canada had an initial discussion with Warrior regarding an extension of the Outside Date. However, at this time it is unclear whether Warrior will ultimately be willing to consent to extend the Outside Date.

UPDATE ON THE STATUS OF THE REMAINING UK ENTITIES

24. As discussed in the Twentieth Report, commencing in July 2018, Walter Canada's legal counsel and the CRO engaged with a number of professionals in the UK (including tax, insolvency and legal advisors; collectively, the "UK Advisors") in respect of preparing and filing the requisite financial statements and tax reporting for the Remaining UK Entities, as

well as to plan and implement their orderly wind-up (the “**Energybuild Wind-Up Plan**”).

25. Since receiving the authorization from this Honourable Court to wind-up the Remaining UK Entities, certain pre-implementation steps of the Energybuild Wind-Up Plan have been completed including the finalization of the financial statements and the filing of certain required documents at Her Majesty’s Revenue and Customs as well as at the Companies House.
26. The Monitor has continued to attend regular conference calls with Walter Canada, its counsel, the CRO and the UK Advisors to advance the implementation of the Energybuild Wind-Up Plan.
27. Based on its attendance on the various conference calls and discussions with the UK Advisors, the Monitor is of the view that Walter Canada has worked, and continues to work, diligently to implement its plan for the orderly wind-up of the Remaining UK Entities.

UPDATE ON THE STATUS OF THE JAMES CLAIM

28. With respect to the adjudication of the James Claim, the only remaining Unresolved Claim, the Monitor understands that counsel for Walter Canada and counsel for Mr. James have exchanged communications on the expert evidence supplied by Walter Canada and held discussions with the intention of bringing this matter to a close, including a proposed schedule to have the matter heard before this Honourable Court. However, as at the date of this report, as far as the Monitor knows, no schedule has been set. As such, Walter Canada has requested that this Honourable Court impose one of two schedules which have been proposed to resolve the James Claim.
29. A bifurcated process has been proposed to separate whether Mr. James is entitled to any royalties under the Royalty Sharing Agreement from the calculation of damages. If it is determined that Mr. James is not entitled to any royalties, there would be no need to continue litigating the issue which would result in a quicker outcome with less cost to the estate. The second process would address each issue (entitlement to royalties and amount of damages) at the same time following one hearing. The proposed schedules, as detailed in the Aziz Affidavit, would both commence March 1, 2019, and end in early April depending on the availability of this Honourable Court.

30. The Monitor supports Walter Canada's request to have this Honourable Court impose one of the two schedules proposed to bring resolution to the James Claim.

ACTUAL RECEIPTS AND DISBURSEMENTS COMPARED TO FORECAST

31. Walter Canada's actual cash receipts and disbursements for the 16-week period ended February 9, 2019 (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 16-Week Period from October 21, 2018 to February 9, 2019⁽¹⁾ | | | |
| Prepared on a Consolidated Basis | | | |
| Unaudited (CAD \$000) | Actual | Forecast | Variance |
| Cash Inflow | | | |
| Other Receipts | 357 | 268 | 89 |
| Total Cash Inflow | 357 | 268 | 89 |
| Cash Outflow - Operating Disbursements | | | |
| Director's Fees | (45) | (44) | (1) |
| Other | (3) | (5) | 2 |
| Total Cash Outflows - Operating Disbursements | (48) | (49) | 1 |
| Cash Outflow - Non-Operating Disbursements | | | |
| CRO and Restructuring Advisor Fees | (773) | (1,045) | 272 |
| Total Cash Outflows - Non-Operating Disbursements | (773) | (1,045) | 272 |
| Net Cash Flow | (464) | (826) | 362 |
| Cash, beginning of period (October 21, 2018)² | 62,864 | 62,864 | - |
| Effect of Foreign Exchange translation | 189 | - | 189 |
| Cash, end of period (February 9, 2019)^{2,3} | 62,589 | 62,038 | 551 |
| Notes: | | | |
| 1. Readers are cautioned to read the "Report Restrictions and Scope Limitations" section of this | | | |
| 2. The cash position noted above excludes approximately US\$270,000 that was received upon closing of Walter Canada's previous account network at the Bank of Nova Scotia. This amount is excluded as those funds will be remitted to the trustee in the US bankruptcy proceedings of Walter Canada's US parent, on or about Plan implementation. | | | |
| 3. The ending cash position excludes £598,386 which is being held by the Monitor on behalf of Energybuild Holdings, representing the balance of the proceeds from the Energybuild Sale. | | | |

32. During the Reporting Period, there was a \$362,000 net favourable cash flow variance, primarily as a result of CRO and Restructuring Advisor Fees that were \$272,000 less than forecast. Approximately \$130,000 of this variance is an expected timing difference in respect of the late delivery of certain professional fee invoices. These timing differences

are expected to reverse as billings are brought up to date. The remaining variance of approximately \$142,000 is expected to be a permanent difference as actual professional fees were lower than anticipated during the Reporting Period.

33. The \$89,000 favorable variance in Other Receipts arose as a result of the receipt of a \$102,000 GST/HST Refund. This balance was received sooner than expected as it was forecast to occur after the Reporting Period in the Previous CCAA Cash Flow Forecast.
34. As at the end of the Reporting Period, the Monitor was holding £598,386 on behalf of Energybuild Holdings. The Monitor advises that during the Reporting Period it made four payments on behalf of Energybuild Holdings for professional fees in the amount of £33,627, including payments of £17,894 to its legal advisor and £15,733 to its accounting and tax advisor. As Energybuild Holdings is not a petitioner in the CCAA Proceedings, its receipts, disbursements and cash balances are not included in the above table or in Walter Canada's forecasts.

UPDATED CCAA CASH FLOW FORECAST

35. The Updated CCAA Cash Flow Forecast has been prepared by Walter Canada, with the assistance of the Monitor, on a consolidated basis for the 13-week period ending May 11, 2019 (the "**Updated Cash Flow Period**") to cover the period through the requested extension of the Stay. A copy of the Updated CCAA Cash Flow Forecast is attached hereto as Schedule "A" and is summarized in the table below:

| Walter Canada Summary of the Updated CCAA Cash Flow Forecast For the 13-Week Period from February 10, 2019 to May 11, 2019⁽¹⁾ Prepared on a Consolidated Basis Unaudited (CAD \$000) | |
|--|---------------|
| Cash Inflow | |
| Other Receipts | 38 |
| Total Cash Inflow | 38 |
| Cash Outflow - Operating Disbursements | |
| Director's Fees | (33) |
| Other Disbursements | (6) |
| Total Cash Outflows - Operating Disbursements | (39) |
| Cash Outflow - Non-Operating Disbursements | |
| CRO and Restructuring Advisor Fees | (683) |
| Total Cash Outflows - Non-Operating Disbursements | (683) |
| Net Cash Flow | (684) |
| Cash, beginning of period (February 10, 2019) | 62,589 |
| Cash, end of period (May 11, 2019) | 61,905 |
| Note 1: Readers are cautioned to read the "Report Restrictions and Scope Limitations" section of this report. | |

36. Net cash outflows during the Updated Cash Flow Period are expected to total approximately \$684,000, which Walter Canada will fund from its current cash resources on hand, and Walter Canada expects to have approximately \$61.9 million of cash resources remaining at the end of the Updated Cash Flow Period.
37. The following is a summary of the components of the Updated CCAA Cash Flow Forecast:
- a) Other Receipts of \$38,000 consists of interest expected to be earned on Walter Canada's cash holdings;
 - b) Director's fees totalling \$33,000 relate to Walter Canada's sole director and are due in advance on the first of each month;
 - c) Other Disbursements includes approximately \$6,000 expected to be incurred for one of Walter Canada's experts in relation to the litigation of the James Claim and also includes the monthly storage costs for Walter Canada's books and records; and
 - d) Payments to Walter Canada's counsel, the Monitor and its counsel, and the CRO are expected to total \$683,000 during the Updated Cash Flow Period. Forecasted

professional fee costs relate to engaging with the CRA to obtain the CRA Confirmation, winding up the Remaining UK Entities and litigating the James Claim.

38. As discussed in the Previous Reports, approximately US\$270,000 (the “**BNS Funds**”) has been excluded from the Updated CCAA Cash Flow Forecast in relation to the amount received by Walter Canada from BNS when Walter Canada’s account network was closed. The BNS Funds will be remitted to the WEI Trustee upon Plan implementation in accordance with the terms of a settlement agreement between the WEI Trustee and Warrior that was approved by the United States Bankruptcy Court for the Northern District of Alabama in November 2017.
39. The Updated CCAA Cash Flow Forecast indicates that Walter Canada has the necessary liquidity to fund its expected cash requirements through the requested extension of the Stay.

THE MONITOR’S CONCLUDING OBSERVATIONS AND RECOMMENDATIONS

40. In the Monitor’s opinion, Walter Canada is continuing to act in good faith and with due diligence in furthering its restructuring efforts, including working towards the implementation of the Plan, winding-up the Remaining UK Entities and resolving the James Claim.
41. Accordingly, the Monitor is of the view that it would be reasonable for this Honourable Court to grant Walter Canada’s request for an Order extending the Stay to May 6, 2019 to provide Walter Canada additional time to obtain the CRA Confirmation prior to the Outside Date and implement the Plan. However, if the CRA Confirmation is not received prior to the Outside Date and the Outside Date is not extended, Walter Canada and the Monitor will use the remaining period of the Extended Stay Period to evaluate next steps. Walter Canada also expects to further advance the Energybuild Wind-Up Plan and resolve the James Claim during the Extended Stay Period. As previously discussed herein, the Monitor supports Walter Canada’s request for this Honourable Court to impose one of the two schedules proposed to resolve the James Claim.

All of which is respectfully submitted this 20th day of February, 2019.

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



Per: Anamika Gadia
Senior Vice President

Mike Clark
Vice President

Schedule "A"

**Updated CCAA Cash Flow Forecast
for the 13-Week Period Ending May 11, 2019**

New Walter Energy Canada Holdings, Inc. et al.
 Updated CCAA Cash Flow Forecast for the 13-Week Period Ending May 11, 2019⁽¹⁾

| <i>(in CAD \$000's)</i> | | | | | | | | | | | | | | |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| <i>Foreign Exchange Rate Assumptions: USD/CAD 1.33 and GBP/CAD 1.71</i> | | | | | | | | | | | | | | |
| Week No. | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 13-Week Total |
| Week Ending | 2/16/19 | 2/23/19 | 3/2/19 | 3/9/19 | 3/16/19 | 3/23/19 | 3/30/19 | 4/6/19 | 4/13/19 | 4/20/19 | 4/27/19 | 5/4/19 | 5/11/19 | |
| OPERATING CASH FLOW | | | | | | | | | | | | | | |
| Operating Receipts | | | | | | | | | | | | | | |
| Other Receipts | | | | | | | | | | | | | | |
| Total Operating Receipts | 8 | 8 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 38 |
| Operating Disbursements | | | | | | | | | | | | | | |
| Director's Fees | | | (11) | | | | | (11) | | | | (11) | | (33) |
| Other Disbursements | | | | | | | | (3) | | | | (3) | | (6) |
| Total Operating Disbursements | - | - | (11) | - | - | - | - | (14) | - | - | - | (14) | - | (39) |
| Non-Operating Disbursements | | | | | | | | | | | | | | |
| CRO and Restructuring Advisor Fees | (8) | | (215) | | | | (190) | | | | | (270) | | (683) |
| Total Non-Operating Disbursements | (8) | - | (215) | - | - | - | (190) | - | - | - | - | (270) | - | (683) |
| TOTAL NET CASH FLOW | - | - | (221) | - | 5 | - | (185) | (14) | 5 | - | 5 | (284) | 5 | (684) |
| BEGINNING CASH (FX Effected) | 62,589 | 62,589 | 62,589 | 62,368 | 62,368 | 62,373 | 62,373 | 62,188 | 62,174 | 62,179 | 62,179 | 62,184 | 61,900 | 62,589 |
| Net Cash Flow | | | (221) | | 5 | | (185) | (14) | 5 | | 5 | (284) | 5 | (684) |
| ENDING CASH (FX Effected) | 62,589 | 62,589 | 62,368 | 62,368 | 62,373 | 62,373 | 62,188 | 62,174 | 62,179 | 62,179 | 62,184 | 61,900 | 61,905 | 61,905 |

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 13-Week Period Ending May 11, 2019

Unless otherwise noted, the Updated CCAA Cash Flow Forecast is presented in Canadian Dollars using an exchange rate of US\$1.00/CDN\$1.33 for conversion of any U.S. Dollar amounts and an exchange rate of GBP£1.00/CDN\$1.71 for conversion of any British Pound amounts.

1. Purpose

The Updated CCAA Cash Flow Forecast has been prepared solely for the purpose of reflecting Management’s best estimate of the cash flow of Walter Canada during its CCAA proceedings, and readers are cautioned that it may not be appropriate for other purposes.

The Updated CCAA Cash Flow Forecast does not contemplate any distributions to creditors as the timing for doing so is subject to the satisfaction of certain conditions precedent contained in Walter Canada’s Amended and Restated Plan of Compromise and Arrangement dated June 22, 2018 (the “**Plan**”), which may not occur prior to the end of the forecast period.

Receipts

2. Other Receipts

Amounts forecast include approximately \$38,000 of interest income which is expected to be earned on various short-term investments during the forecast period.

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

Operating Disbursements

3. Director’s Fees

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

4. Other Disbursements

These forecasted costs relate to the fees (estimated at approximately \$6,000 over the course of the forecast period) of one of Walter Canada’s experts in respect of the expected litigation of the disputed Claim of Kevin James and monthly costs to store Walter Canada’s books and records.

Non-Operating Disbursements

5. CRO and Restructuring Advisor Fees

Forecast disbursements for professional fees specific to Walter Canada's restructuring efforts, including the fees and disbursements of Walter Canada's counsel, the Monitor and its counsel and the Chief Restructuring Officer. Anticipated activities in respect of these fees during the forecast period include preparing materials for and attendance at the February 25, 2019 Court hearing, engaging with Canada Revenue Agency to obtain a comfort letter and other activities related to efforts to implement the Plan, litigating the disputed Claim of Kevin James and taking further steps to implement the plan for the wind-up of the remaining Walter UK entities.