

Estate No. 11-2681987; 11-2681986
11-2681984; 11-2681989
11-2681991; 11-2681985

IN THE MATTER OF THE BANKRUPTCY OF
NEW WALTER ENERGY CANADA HOLDINGS, INC.
NEW WALTER CANADIAN COAL CORP.
CAMBRIAN ENERGYBUILD HOLDINGS ULC
NEW WILLOW CREEK COAL CORP.
NEW WOLVERINE COAL CORP.
NEW BRULE COAL CORP.

TRUSTEE’S REPORT TO THE FIRST MEETING OF CREDITORS

On October 21, 2020, New Walter Energy Canada Holdings, Inc.; New Walter Canadian Coal Corp.; Cambrian Energybuild Holdings ULC (“**Cambrian**”); New Willow Creek Coal Corp.; New Wolverine Coal Corp.; New Brule Coal Corp. (collectively, the “**Companies**” or “**Walter Canada**”) filed a voluntary assignment in bankruptcy in accordance with section 49 of the *Bankruptcy and Insolvency Act* (the “**BIA**”). KPMG Inc. was appointed as the Trustee in Bankruptcy (the “**Trustee**”) of the estates of the Companies by the Official Receiver.

This report has been prepared by the Trustee in order to provide preliminary information to the Companies’ creditors and any other interested parties.

The information contained in this report has been prepared from the available books and records of the Companies. The books and records have not been audited or otherwise verified by the Trustee. Consequently, the Trustee expresses no opinion whatsoever with respect to the validity, the accuracy or the reliability of the information contained in this report.

BACKGROUND

Incorporation of the Companies

New Walter Energy Canada Holdings, Inc.; New Walter Canadian Coal Corp.; New Willow Creek Coal Corp.; New Wolverine Coal Corp.; New Brule Coal Corp. were incorporated on December 8, 2016, pursuant to an Order of the Supreme Court of British Columbia (the “**Court**”) dated December 7, 2016 in the CCAA Proceedings (defined below). Cambrian was incorporated on June 27, 2012. The Companies are British Columbia companies who, at the date of bankruptcy, had a registered head office located at Suite 1700, 1055 West Hastings Street, Vancouver, British Columbia.

CCAA Proceedings

On December 7, 2015, Walter Energy Canada Holdings, Inc., Walter Canadian Coal ULC, Wolverine Coal ULC, Brule Coal ULC, Cambrian, Willow Creek Coal ULC, Pine Valley Coal Ltd., and 0541237 B.C. Ltd. (collectively, the “**Original Petitioners**”) filed an application under the *Companies’ Creditors Arrangement Act* (the “**CCAA**”) before the Court under court file number S-1510120 (the “**CCAA Proceedings**”). Pursuant to the Order of the Court dated December 7, 2015, the stay and certain other relief was extended to certain of the Original Petitioners’ partnerships (collectively with the Original Petitioners, “**Old Walter Canada**”) and KPMG Inc. was appointed as monitor (the “**Monitor**”).

On December 7, 2016, on application by the Original Petitioners, the Court granted an Order which, amongst other things, approved a transaction to sell certain of the remaining assets of Old Walter Canada (the “**Restructuring Transaction**”), authorized each of the Old Walter Canada entities to make an assignment in bankruptcy, authorized the formation of certain new entities: New Walter Energy Canada Holdings, Inc.; New Walter Canadian Coal Corp.; New Brule Coal Corp.; New Willow Creek Coal Corp.; and, New Wolverine Coal Corp (collectively, the “**New Walter Entities**”) and deemed each of the New Walter Entities to be, upon formation, amongst other things, a debtor company (as defined in the CCAA) and added as a petitioner in the CCAA Proceedings.

As discussed above, the New Walter Entities, were formed on December 8, 2016. An integral component of the Restructuring Transaction was that the New Walter Entities were formed to replicate the Old Walter Canada entities. Pursuant to the Restructuring Transaction, certain remaining assets of Old Walter Canada were transferred to the New Walter Entities and the New Walter Entities became liable for all the existing claims against Old Walter Canada.

On December 15, 2016, each of the Old Walter Canada entities except for Cambrian filed a voluntary assignment in bankruptcy. On December 28, 2016, pursuant to Orders of the 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, except for Cambrian, under the BIA during December 2016, the CCAA Proceedings in respect of all of the Old Walter Canada entities, except for Cambrian, were terminated and the CCAA Proceedings were continued with respect to Cambrian and the New Walter Entities.

CCAA Plan

On July 3, 2018, the Court granted an Order which sanctioned and approved Walter Canada’s Amended and Restated Plan of Compromise and Arrangement dated on June 22, 2018 (the “**Plan**”). The Plan provided for, amongst other things, the full payment of all proven claims as against Walter Canada, the implementation of a settlement in respect of the claims of the United Mine Workers of America 1974 Pension Plan and Trust (“**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**”) claim for costs, and the payment of any surplus funds to finally satisfy and discharge Warrior Met Coal LLC’s (“**Warrior**”) Deemed Interest Claim (as defined in the Plan).

On April 24, 2019, all the conditions precedent to the Plan were satisfied and the Plan was implemented. Pursuant to the Plan, the Monitor has made the following distributions:

1. Distribution to unsecured creditors: \$2.3 million;
2. Mr. Kevin James’ claim: \$1.0 million;
3. 1974 Pension Plan: \$13 million;
4. Claim of the USW: \$75,000;
5. Distribution to Warrior: \$29.8 million; and
6. Employee Distribution: \$9.7 million.

The only remaining distribution pursuant to the Plan is to Warrior in respect of its Deemed Interest Claim. The Monitor has made a \$7.0 million interim distribution to Warrior in respect of its Deemed Interest Claim (which is reflected in the \$29.8 million above) and pursuant to the terms of the Plan, Warrior is entitled to any funds remaining in the various reserves established under the Plan.

CCAA Termination and Bankruptcy Filings

On February 25, 2020, the Court granted an Order (the “**CCAA Termination Order**”), amongst other things:

- Authorizing Walter Canada to make a voluntary assignment in bankruptcy, should Walter Canada determine that it was necessary or advisable to do so;
- Providing for the termination of the CCAA Proceedings effective upon Walter Canada making an assignment in bankruptcy (the “**CCAA Termination Time**”); and
- Providing for the discharge of the Monitor effective upon the CCAA Termination Time, subject to the Monitor performing certain post-discharge duties, including making a payment to Warrior in respect of its Deemed Interest Claim, and directing the Monitor to withhold certain amounts, including on account of the costs in respect of Walter Canada’s proposed bankruptcy proceedings.

On October 21, 2020, all six Walter Canada entities, made voluntary assignments in bankruptcy which, pursuant to the CCAA Termination Order, triggered the termination of the CCAA Proceedings.

More information on the CCAA Proceedings can be found at <http://www.kpmg.com/ca/walterenergycanada>.

STATEMENT OF AFFAIRS

In accordance with the BIA, the Statements of Affairs showing the Companies’ assets and liabilities as at the date of bankruptcy were prepared from the books and records of the Companies and pursuant to the sworn declaration of William Aziz, the Chief Restructuring Officer of Walter Canada (the “**CRO**”).

Assets

Cash

Pursuant to the CCAA Termination Order, the Monitor was authorized to withhold \$115,000 on account of the costs in respect of Walter Canada’s bankruptcy proceedings, including the fees of the Trustee and its legal counsel and the CRO in relation to performing certain duties in relation to Walter Canada’s bankruptcy proceedings at the request of the Trustee (the “**Bankruptcy Costs**”). Given that there are six Walter Canada entities, the amount reflected in each of the six Companies’ Statement of Affairs (approximately \$19,700) represents each entity’s one sixth share of these costs.

Related Party Investments

New Walter Energy Canada Holdings, Inc holds a legacy investment of \$9.3 million in one of the other Walter Canada entities. New Walter Canadian Coal Corp also holds legacy investments of \$33.7 million in three of the other Walter Canada entities. Given that all the Walter Canada entities were assigned into bankruptcy on October 21, 2020 and each entity only has assets equal to the cash held on account of the Bankruptcy Costs, the Trustee does not expect any realizations on these investments.

Related Party Receivables

The Companies' Statements of Affairs indicates the following related party receivable amounts:

Entity Name	Note	Related Party Receivables (\$')
New Walter Energy Canada Holdings		Nil
New Walter Canadian Coal Corp.		163,210,667.56
Cambrian Energybuild Holdings ULC	1	43,987.00
New Willow Creek Coal Corp.	1	53,920,685.58
New Wolverine Coal Corp.	1	20,693,527.44
New Brule Coal Corp.	1	81,030,955.18

Note 1: these amounts pertain to related party receivables owing only from other Walter Canada entities.

Primarily these amounts pertain to related party receivables owed from Walter Canada entities. As above, given that all the Walter Canada entities were assigned into bankruptcy on October 21, 2020 and each entity only has assets equal to the cash held on account of the Bankruptcy Costs, the Trustee does not expect any realizations on these receivables.

The remaining amounts include receivables owed to New Walter Canadian Coal Corp. of \$7.5 million from 0541237 B.C. Ltd. and \$1.3 million which is listed in the books and records as owing from 'Vancouver Interco'. 0541237 B.C. Ltd. was one of the Old Walter Canada entities and filed a voluntary assignment in bankruptcy on December 15, 2016. It is the Trustee's understanding that the amount listed as owing from 'Vancouver Interco' also represents amounts owing within the Old Walter Canada and New Walter Canada group of entities. The Trustee does not expect any realizations on either of these receivables as a result.

Liabilities

It is important to note that exact amount of the Companies' liabilities as at October 21, 2020 will only be determined once any proofs of claim are submitted by creditors and compiled by the Trustee. However, based on the Companies' books and records as at the date of bankruptcy, the only liabilities of the Companies are amounts owing to other Walter Canada entities. Pursuant to the Plan, all proven claims of the Companies were satisfied in full and accordingly, the Companies books and records as at the date of bankruptcy show no liabilities owed to creditors outside of Walter Canada.

Entity Name	Note	Type	Statement of Affairs Amount (\$')
New Walter Energy Canada Holdings	1	Unsecured	3,518,140.00
New Walter Canadian Coal Corp.		Unsecured	186,060,182.82
Cambrian Energybuild Holdings ULC	1	Unsecured	100,566.76
New Willow Creek Coal Corp.	1	Unsecured	34,144,516.11
New Wolverine Coal Corp.	1	Unsecured	19,398,867.48
New Brule Coal Corp.	1	Unsecured	75,597,859.27

Note 1: these amounts pertain to related party liabilities owing only to other Walter Canada entities.

Secured Creditors

There were no known secured creditors of the Companies as at the date of bankruptcy.

Preferred Creditors

There were no known preferred creditors of the Companies as at the date of bankruptcy.

Unsecured Creditors

The Companies' Statement of Affairs indicates that all unsecured creditors are related parties. There are no known third-party creditors. As of the date of this report, the Trustee has not received any proofs of claim.

SUMMARY OF PRELIMINARY ADMINISTRATION

Books and Records, Conservatory and Protective Measures

The Trustee has taken possession of the Companies' books and records. The activities of the Trustee since its appointment have primarily consisted of statutory work in accordance with the provisions of the BIA.

Reviewable Transactions and Preference Payments

Given that the only payments to creditors preceding the date of bankruptcy that may be reviewable as defined within the meaning of the BIA, were made pursuant to the Plan approved by the Court, the Trustee has not undertaken a review of payments to creditors preceding the date of bankruptcy.

ESTIMATED REALIZATIONS AND DISTRIBUTION

Given that the Companies have no realizable assets and there are no known third-party creditors, the Trustee does not anticipate any realizations or distributions to creditors.

Dated at Vancouver, British Columbia this 9th day of November, 2020

KPMG Inc.,

in its capacity as Trustee of the estates of
New Walter Energy Canada Holdings, Inc.
New Walter Canadian Coal Corp.
Cambrian Energybuild Holdings ULC
New Willow Creek Coal Corp.
New Wolverine Coal Corp.
New Brule Coal Corp.
and not in its personal or corporate capacity

Per:



Huey Lee