

**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**

**IN THE MATTER OF THE *BUSINESS CORPORATIONS ACT*, S.B.C. 2002, C.57**

**AND**

**IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF  
WALTER ENERGY CANADA HOLDINGS, INC. AND THOSE PETITIONERS LISTED  
ON SCHEDULE "A"**

**PETITIONERS**

**FIRST REPORT OF THE MONITOR, KPMG INC.**

**DECEMBER 31, 2015**

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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 motion (the “**Application**”) filed by Walter Energy Canada Holdings, Inc. (“**WECH**”), Walter Canadian Coal ULC, Wolverine Coal ULC, Brule Coal ULC, Cambrian Energybuild Holdings ULC, Willow Creek Coal ULC, Pine Valley Coal Ltd. and 0541237 BC Ltd. (collectively, the “**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. Pursuant to the Initial Order, the Stay, and certain other relief was extended to certain of the Petitioners’ partnerships and affiliates listed on Schedule “A” hereto (collectively with the Petitioners, “**Walter Canada**”). The proceedings brought by the Petitioners under the CCAA will be referred to herein as the “**CCAA Proceedings**”.
2. On December 7, 2015, KPMG filed the Pre-Filing Report of the Proposed Monitor (the “**Pre-Filing Report**”) which, amongst other things, described certain background information about Walter Canada, its cash flow forecast and the current status of its operations. Copies of the Pre-Filing Report, the Initial Order, all of the Petitioners’ motion materials and the Service List are available on the Monitor’s website at [www.kpmg.com/ca/walterenergycanada](http://www.kpmg.com/ca/walterenergycanada) (the “**Monitor’s Website**”).
3. The purpose of this first report of the Monitor (the “**First Report**”) is to provide information to this Honourable Court and the Monitor’s comments thereon regarding the following:
  - a) The activities of the Monitor from the Filing Date to the date of the First Report;
  - b) Walter Canada’s actual cash flow for the two-week period ended December 19, 2015, as compared with the cash flow forecast filed with this Honourable Court in the Pre-Filing Report (the “**CCAA Cash Flow Forecast**”);
  - c) Walter Canada’s updated cash flow forecast for the 16-week period ending April 9,

2016 (the “**Updated CCAA Cash Flow Forecast**”);

- d) An update in respect of the planned sale of certain of Walter Canada’s surplus equipment (the “**Surplus Equipment**”) to a related party, as approved by this Honourable Court on December 7, 2015, subject to meeting certain requirements in the Initial Order;
- e) Walter Canada’s proposed Key Employee Retention Plan (the “**KERP**”);
- f) Walter Canada’s proposed retention of PJT Partners LP (“**PJT**”) as its financial advisor and investment banker (the “**Financial Advisor**” or “**FA**”);
- g) Walter Canada’s proposed retention of BlueTree Advisors Inc. as its Chief Restructuring Officer (“**CRO**”);
- h) Walter Canada’s proposed Sale and Investor Solicitation Process (the “**SISP**”);
- i) An update concerning the cash collateralization of the letters of credit (the “**Letters of Credit**”) in respect of the Canadian Revolver (as defined herein) and the agreement being negotiated with The Bank of Nova Scotia (“**BNS**”) and the Administrative Agent under the 2011 Credit Agreement (as defined in the First Affidavit of William Harvey sworn December 4, 2015 (the “**First Affidavit**”) in connection therewith and the related intercompany charge (the “**Intercompany Charge**”) being sought by Walter Canada in connection with the cash collateralization and any potential future intercompany advances;
- j) An update in respect of Walter Canada’s planned pre-filing payments to certain critical suppliers;
- k) An update on the status of Walter Canada’s efforts to transition various shared services more particularly described in the Pre-Filing Report (the “**Shared Services**”) away from its parent company, Walter Energy, Inc. (“**Walter Energy U.S.**”);
- l) An update on the status of certain environmental matters;

- m) An update on the status of certain other matters including correspondence received by Walter Canada relating to a contingent pension plan claim, as well as the status of Walter UK; and
  - n) The Monitor's observations and recommendations in respect of the Petitioners' motion returnable January 5, 2016 seeking an extension of the Stay to April 5, 2016, (the "**Extended Stay Period**"), approval of the KERP, the SISP, the retention of the Financial Advisor, the CRO, the Intercompany Charge and other related relief.
- 4. A more detailed description of Walter Canada's business operations and background to its restructuring proceedings in the period prior to the Filing Date was provided in the Application and in the Pre-Filing Report.
  - 5. Terms not specifically defined herein shall have the meanings as defined in the Pre-Filing Report.

#### **REPORT RESTRICTIONS AND SCOPE LIMITATIONS**

- 6. 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 Walter Canada, discussions with management of Walter Canada ("**Management**") and information from other public third-party sources (collectively, the "**Information**"). Except as described in this report in respect of Walter Canada's CCAA Cash Flow Forecast and herein with respect to the Updated 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 ("**CAS**") 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 financial forecasts. An examination or review of the financial forecasts, as outlined in the *Chartered Professional Accountants Canada Handbook*, has not been performed.
- 7. Future oriented financial information referred to in this report was prepared based on Management's estimates and assumptions. Readers are cautioned that since forecasts are based upon assumptions about future events and conditions that are not ascertainable, the actual results will vary from the forecasts, even if the assumptions materialize, and the variations could be material.
- 8. The information contained in this report is not intended to be relied upon in any way by any prospective purchaser or investor in any transaction with Walter Canada.
- 9. Unless otherwise stated all monetary amounts contained herein are expressed in Canadian Dollars ("C\$" or "CAD").

#### **ACTIVITIES OF THE MONITOR TO DATE**

- 10. The Monitor fulfilled the requirements set out in Paragraph 52 of the Initial Order in respect of notifying Walter Canada's creditors and other stakeholders of the CCAA Proceedings including the following:
  - a) The Monitor published notices in the following newspapers on the following dates:
    - i) the Globe and Mail National Edition (December 12, 2015); ii) the Vancouver Sun (December 15, 2015) and iii) the Tumbler Ridge News (December 17, 2015). While not required by the Initial Order, the Monitor also published a notice in the Chetwynd Echo on December 17, 2015 given the proximity of certain of Walter Canada's operations to Chetwynd, British Columbia. Each notice contained the information prescribed under the CCAA. Copies of the published notices are attached hereto as Schedule "B".
  - b) Within five business days after the date of the Initial Order, the Monitor:
    - i. Made the Initial Order, the Petition, the First Affidavit, and the Pre-Filing Report publicly available by posting it on the Monitor's Website;

- ii. Sent a notice (the “**Notice**”) on December 11, 2015 to every known creditor having a known or potential claim against one or more of the Walter Canada entities advising them that the Initial Order is publicly available on the Monitor’s Website, and also posted a copy of the Notice on the Monitor’s Website. A copy of the Notice is attached hereto as Schedule “C”; and
- iii. Prepared a list of known or potential creditors of one or more of the Walter Canada entities showing their names, addresses and estimated claim amounts and made it publicly available in the prescribed manner by posting it on the Monitor’s Website on December 11, 2015.

11. The Monitor has also engaged in the following activities since the Filing Date:

- a) Worked with Management to establish disbursement approval and reporting procedures to allow for the monitoring of Walter Canada’s receipts and disbursements;
- b) Reviewed and otherwise participated in the development of the SISP and the engagement of the Financial Advisor pursuant to the engagement letter dated December 30, 2015 (the “**FA Engagement Letter**”);
- c) Reviewed and otherwise participated in the development of the CRO’s role and the engagement of the CRO pursuant to the engagement letter dated December 30, 2015 (the “**CRO Engagement Letter**”);
- d) Assisted with the continued marketing of the Surplus Equipment;
- e) Updated the Monitor’s Website, including posting the various materials filed to date with this Honourable Court in respect of the CCAA Proceedings and posted an up to date service list;
- f) Completed and filed the requisite statutory documentation with the Office of the Superintendent of Bankruptcy;
- g) Participated with Management and Walter Canada’s legal advisors in their



discussions with representatives from the British Columbia Ministry of Energy and Mines (the “MEM”) and the British Columbia Ministry of Environment (“MOE”);

- h) Assisted the Petitioners in responding to and dealing with various creditor inquiries and issues, including arrangements relating to the cash collateralization of the Letters of Credit pursuant to the Initial Order;
- i) Attended to various inquiries which the Monitor received from Walter Canada’s creditors and other stakeholders;
- j) Attended at the premises of Walter Energy U.S. to assist Walter Canada with the development of plans to transition various management services currently provided by Walter Energy U.S. to Walter Canada following the sale of parts of Walter Energy U.S. in the Chapter 11 Proceedings; a transaction that could close on or before February 29, 2016, and
- k) Attended at and conducted numerous meetings and discussions with Management and Walter Canada’s legal advisors regarding Walter Canada’s business, financial affairs, restructuring efforts, management transition planning and other matters relating to the CCAA Proceedings.

## **RECEIPTS AND DISBURSEMENTS**

12. Summarized in the table below are Walter Canada’s cash receipts and disbursements for the 2-week period ended December 19, 2015:

<b>Walter Energy Canada Holdings, Inc.</b>			
<b>Summary of Actual versus CCAA Cash Flow Forecast</b>			
<b>For the Two-Week Period Ended December 19, 2015</b>			
<b>Prepared on a Consolidated Basis</b>			
<b>Unaudited (US \$000)</b>			
	<b>Actual</b>	<b>Forecast</b>	<b>Variance</b>
<b>Cash Inflow</b>			
Other Receipts	\$ 1	\$ -	\$ 1
<b>Total Cash Inflow</b>	<b>1</b>	<b>-</b>	<b>1</b>
<b>Cash Outflow - Operating Disbursements</b>			
Payroll	(7)	(62)	54
Payroll Taxes	(39)	(26)	(13)
Benefits	-	(11)	11
Taxes	(1)		(1)
Fuel	-	(9)	9
Maintenance and Supplies	(1)	(120)	120
Environmental Monitoring, Consulting and Tenure Payments	-	(135)	135
<b>Total Cash Outflows - Operating Disbursements</b>	<b>(48)</b>	<b>(363)</b>	<b>314</b>
<b>Cash Outflow - Non-operating Disbursements</b>			
Restructuring Advisor Fees	(28)	-	(28)
Management Services Fees - Walter Energy U.S.	(571)	(800)	229
<b>Total Cash Outflows - Non-operating Disbursements</b>	<b>(599)</b>	<b>(800)</b>	<b>201</b>
<b>Net Cash Flow</b>	<b>(646)</b>	<b>(1,163)</b>	<b>517</b>
<b>Cash, beginning of period (December 5, 2015)</b>	<b>40,433</b>	<b>40,584</b>	<b>(151)</b>
<b>Cash, end of period (December 19, 2016)</b>	<b>\$39,787</b>	<b>\$39,421</b>	<b>\$ 365</b>
<b>Note 1:</b> Readers are cautioned to read the "Report Restrictions and Scope Limitations" section of this report.			

13. Actual disbursements are approximately US\$517,000 less than forecast over the two-week period primarily due to:
- Timing differences in the processing and payment of fuel, maintenance, supplies, and environmental and engineering services resulting in a net positive variance of approximately US\$264,000 that is expected to reverse in the coming weeks; and
  - Walter Canada paid US\$571,000 to Walter Energy U.S. for Shared Services provided in November 2015 that were not included in the CCAA Cash Flow Forecast but authorized to be paid pursuant to the Initial Order. Offsetting this negative variance was a delay in funding the expected payment of US\$800,000 to

Walter Energy U.S. for Shared Services provided in December 2015, which subsequent to negotiations involving the Monitor, has been reduced to approximately US\$500,000 (an amount expected to be paid in January 2016).

#### **UPDATED CCAA CASH FLOW FORECAST**

14. Walter Canada, with the assistance of the Monitor, has prepared the Updated CCAA Cash Flow Forecast on a consolidated basis for the 16-week period ending April 9, 2016 (the **“Updated Cash Flow Period”**). The Updated CCAA Cash Flow Forecast 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 “D”.
15. A summary of the Updated CCAA Cash Flow Forecast is set out in the table below:

<b>Walter Energy Canada Holdings, Inc.</b>		
<b>Summary of Updated CCAA Cash Flow Forecast</b>		
<b>For the 16-week Period from December 20, 2015 to April 9, 2016</b>		
<b>Prepared on a Consolidated Basis</b>		
<b>Unaudited (US \$000)</b>		
	<b>Note Reference <sup>(2)</sup></b>	
<b>Cash Inflow</b>		
Asset Sales	16c) i	\$ 375
Other Receipts	16c) ii	806
<b>Total Cash Inflow</b>		<b><u>1,181</u></b>
<b>Cash Outflow - Operating Disbursements</b>		
Payroll	16 c) iii	(555)
Payroll Taxes	16 c) iii	(231)
Benefits	16 c) iii	(79)
Operating Leases and Storage Facilities	16 c) iv	(33)
Taxes	16 c) v	(803)
Utilities	16 c) vi	(188)
Fuel	16 c) vii	(226)
Maintenance and Supplies	16 c) viii	(1,267)
Environmental Monitoring, Consulting and Tenure Payments	16 c) ix	(902)
Information Technology	16 c) x	(70)
<b>Total Cash Outflows - Operating Disbursements</b>		<b><u>(4,354)</u></b>
<b>Cash Outflow - Non-operating Disbursements</b>		
Restructuring Advisor Fees	16 c) xi	(3,367)
Management Services Fees - Walter Energy U.S.	16 c) xii	(1,230)
Letters of Credit Collateralization	16 c) xiii	(16,355)
Bank Fees and Interest	16 c) xiv	(263)
<b>Total Cash Outflows - Non-operating Disbursements</b>		<b><u>(21,216)</u></b>
<b>Net Cash Flow</b>		<b>(24,388)</b>
<b>Cash, beginning of period (December 20, 2015)</b>		<b><u>39,787</u></b>
<b>Cash, end of period (April 9, 2016)</b>		<b><u>\$ 15,398</u></b>
<b>Note 1:</b> Readers are cautioned to read the "Report Restrictions and Scope Limitations" section of this report.		
<b>Note 2:</b> Note references refer to paragraphs in the Monitor's report below.		

16. With respect to the Updated CCAA Cash Flow Forecast:
- a) Walter Canada expects there will be an aggregate net cash outflow of US\$24.4 million during the Updated Cash Flow Period and that it will have approximately US\$15.4 million of combined cash resources remaining at the end of the Updated

Cash Flow Period;

- b) Walter Canada expects to fund its cash flow requirements with current cash resources on hand and projected collections until the end of the Updated Cash Flow Period;
- c) The following is a general breakdown of the significant components of the forecast US\$24.4 million net cash outflow in the Updated Cash Flow Period by operating and other key categories:
  - i. Walter Canada is expected to collect net cash proceeds of US\$375,000 from Walter Energy U.S. pursuant to the sale of the Surplus Equipment in December 2015 (as subsequently discussed herein);
  - ii. Other anticipated receipts of US\$806,000 include US\$434,000 expected in respect of a 2014 B.C. Exploration Tax Credit claim filed by Walter Canada as well as US\$372,000 of GST tax refunds anticipated to be received throughout the Updated Cash Flow Period;
  - iii. Payroll costs (US\$555,000), payroll taxes (US\$231,000) and benefits (US\$79,000) relate to Walter Canada's 19 full-time employees and certain part-time employees who provide security at the mine sites and other support services;
  - iv. Real property leases for office space leases and supply inventory storage facilities are estimated at US\$33,000 during the Updated Cash Flow Period;
  - v. Forecast taxes of US\$803,000, relating to a final installment payment arising from a mineral tax reassessment performed by the Province of British Columbia in regards to the taxation years 2005 to 2009;
  - vi. Utilities of US\$188,000 include estimates for electricity, propane and natural gas costs at Walter Canada's sites;

- vii. Fuel costs of US\$226,000 relate to estimated diesel fuel purchases required to run generators and other equipment at the mine sites;
- viii. Maintenance and supplies costs of US\$1,267,000 have been forecast to keep the mine assets secure and maintained during the Updated Cash Flow Period;
- ix. Environmental monitoring, consulting and tenure costs of US\$902,000 include disbursements related to environmental monitoring and reporting, including estimated costs for engineering and environmental consultants, as well as for tenure payments to maintain existing mining and property rights;
- x. Information technology costs of US\$70,000 are forecast primarily for monthly connectivity and software licensing fees and estimated disbursements for electronic data-room hosting costs in relation to the SISP;
- xi. Forecast restructuring advisor fees of US\$3.4 million have been estimated for professional fees expected to be paid to the Petitioner's counsel, the Monitor and its counsel, the CRO and PJT;
- xii. Shared Services provided by Walter Energy U.S. are forecast at US\$1.2 million in the Updated Cash Flow Period (averaging approximately US\$400,000 per month). Such services include payroll and payment processing, accounting and financial reporting, taxation, legal, information technology services, technical and engineering services, management services and insurance premiums. These intercompany charges are funded on a monthly basis and will decrease over the Updated Cash Flow Period as Walter Canada moves toward self-sufficiency. These intercompany fees were previously charged out at approximately US\$800,000 per month but have decreased recently due to lower overhead costs at Walter Energy U.S.;
- xiii. Forecast cash collateralization of the Letters of Credit totaling US\$16.4 million (C\$22.6 million), which is expected to occur during the first week of January 2016 (as subsequently discussed herein); and

- xiv. Bank fees are charges associated with the Letters of Credit and fees for use of WECH's account network at BNS.
- d) The Updated CCAA Cash Flow Projection indicates that Walter Canada has the necessary liquidity to fund its requirements over the Updated Cash Flow Period.

#### **EQUIPMENT SALE TO WALTER ENERGY U.S.**

- 17. The Initial Order authorized Walter Canada to sell the Surplus Equipment (three pieces of used equipment manufactured by Caterpillar) to Jim Walter Resources, Inc. (“**JWR**”), a related party, for purchase price consideration of US\$910,000 (the “**Purchase Price**”). The approval of the sale by the Court was subject to a further marketing process being undertaken by the Monitor in order to determine whether a superior offer could be obtained from a non-related party within a reasonable period of time.
- 18. In accordance with the terms of the Initial Order, the Monitor has worked with Walter Canada to further market the Surplus Equipment in the period following the granting of the Initial Order. Such efforts included:
  - i. Contacting three qualified listing agents to discuss options to consign or list the Surplus Equipment;
  - ii. Researching on-line listing options for industrial equipment sales; and
  - iii. Reviewing the various listing options and terms thereof, the market coverage of the potential agents (in Canada, the U.S. and internationally) and the agents' knowledge of the Surplus Equipment and market for such equipment.
- 19. As a result of these efforts and the listing exclusivity required by the sales agents, Walter Canada selected a listing option with Finning (Canada), a Division of Finning International Inc. (“**Finning**”), the original vendor of the Surplus Equipment and the largest Caterpillar equipment dealer in the world. Finning recommended that the Surplus Equipment be listed at 10% to 20% above the Purchase Price in order to test the pricing that is equal to values established by a July 2015 appraisal obtained by Walter Canada. Accordingly, under the

listing agreement with Finning, the Surplus Equipment would be listed at a 15% premium to the Purchase Price (US\$910,000 net of disassembly and transportation costs) on Finning's used equipment sites: [www.Finning.ca](http://www.Finning.ca) and [www.catused.com](http://www.catused.com), until December 30, 2015 (the "**Listing Period**").

20. Prior to executing the listing agreement with Finning, Finning requested that it be permitted to inspect the Surplus Equipment to review the specifications and condition, and to be able to confirm the exportability of the Surplus Equipment to the U.S. due to differences between Canadian and U.S. emissions standards.
21. As a result of the foregoing inspection, two pieces of the Surplus Equipment (out of three) were determined not to be eligible for import into the U.S. in their current condition without significant modifications to the engine and emissions controls of the units. Accordingly, as JWR is a U.S. domiciled user of the Surplus Equipment, JWR requested that the Bill of Sale be amended to limit the sale to the one eligible piece of the Surplus Equipment being one Caterpillar 834H (the "**Purchased Equipment**") for a gross selling price of US\$465,000 (the "**Revised Purchase Price**") or net proceeds of US\$375,000 (i.e. net of disassembly and shipping costs, which equals the appraised value of the unit as of July 2015). Walter Canada agreed to this amendment of the Bill of Sale. As a result, the Monitor sought to market only the one piece of Purchased Equipment and the unit was listed on an "as is, where is" basis by Finning for a sale price of US\$432,000 being a 15% premium to the net proceeds of US\$375,000 referenced above.
22. At the expiry of the Listing Period, no third party offer for the Purchased Equipment was received by Finning and, accordingly, the Monitor delivered to JWR the first certificate of the Monitor dated December 31, 2015 (the "**First Certificate**") in respect of the sale of the Purchased Equipment to JWR, pursuant to the requirements of the Initial Order. The First Certificate of the Monitor confirmed the conditions to the sale (other than the payment of the purchase price) to JWR have been met. Upon the delivery of the First Certificate, the Purchased Equipment vested in JWR free and clear of any liens and encumbrances.



23. JWR is to wire an initial deposit of US\$250,000 to the Monitor. The payment of the remaining amount of the Revised Purchase Price is expected to be collected by the end of February 2016.

## **PROPOSED KERP**

24. The Petitioners have identified a key member of Management who, because of his/her extensive knowledge and experience with respect to Walter Canada's operations and of coal mining generally, is critical to a successful restructuring of Walter Canada. Accordingly, Walter Canada seeks the approval by this Court of a KERP for this employee (the "**KERP Participant**"). The KERP has been developed in order to retain the KERP Participant throughout Walter Canada's restructuring, which is consistent with an arrangement previously made by Walter Energy U.S. to retain this individual (an arrangement that will likely not be paid out due to Walter Energy U.S.'s Chapter 11 proceedings). On December 4, 2015, Walter Canada issued a letter to the KERP Participant to offer the KERP (the "**KERP Letter**") subject to the approval of this Honourable Court.
25. Walter Canada is seeking this Honourable Court's approval of: a) the KERP and an Order that the Confidential Third Affidavit of William G. Harvey sworn December 31, 2015 describing the KERP and containing a copy of the KERP Letter be kept confidential and sealed, and b) that the KERP Participant be granted a charge (the "**KERP Charge**") on the Property for the amount of the KERP in priority to the proposed Success Fee Charge and the Intercompany Charge but subordinate to the Administration Charge and the Directors' Charge.
26. The key employee was given a salary increase (the "**New Base Salary**") prior to the commencement of the CCAA proceedings to reflect the additional responsibilities of the key employee as a result of the commencement of the CCAA proceedings and the elimination of the Shared Services and loss of other support provided by Walter U.S. The proposed KERP, as detailed in the confidential KERP Letter, provides for a retention bonus based on the New Base Salary which is payable if his/her employment is terminated by Walter Canada without cause prior to a "Triggering Event" or if a "Triggering Event" occurs. A "Triggering Event" shall be deemed to occur

- a) 30 days following consummation of a sale of all or substantially all of Walter Canada's assets;
  - b) Upon implementation of a plan of arrangement under the CCAA which has been accepted by the statutory majorities of creditors and approved by this Honourable Court;
  - c) 30 days following the completion of the closure of all mines owned by Walter Canada to the satisfaction of Walter Canada, including the completion of all related reclamation activities; or
  - d) On the date on which the entities of Walter Canada make an assignment in bankruptcy or the date on which a receiver or receiver and manager is appointed in respect of Walter Canada.
27. The Monitor understands that the KERP Participant was previously offered a retention bonus from Walter Energy U.S. prior to its Chapter 11 filing, which bonus was payable on August 1, 2016. However, this retention bonus was not funded prior to the commencement of the Chapter 11 filing and will be an unsecured claim that will likely receive no recovery. The combination of the salary increase and proposed retention bonus outlined in the Confidential KERP Letter were designed to replace the retention bonus previously promised to the KERP Participant by Walter Energy U.S.
28. The Monitor has reviewed the terms of the proposed KERP and has the following observations:
- a) The KERP Participant is the most senior remaining executive at Walter Canada with extensive knowledge of Walter Canada's assets and operations, having been involved with Walter Canada's mines since 2006;
  - b) The KERP Participant is a professional engineer with over 30 years of coal mining experience in northeastern British Columbia ("NEBC"), and has previously decommissioned the Quintette and Bullmoose coal mines in NEBC;
  - c) The KERP Participant was a key member of the team in planning, permitting and building of the Wolverine mine until 2011 and involved with all three of Walter

Canada's mines since then;

- d) The KERP Participant has strong relationships within the communities in which Walter Canada's mines operate, with Walter Canada's supplier base, external engineers and with representatives from the MEM and MOE; and
  - e) The KERP Participant's responsibilities and duties will expand following the separation of Walter Canada from Walter Energy U.S. as he/she will lead, direct and perform some of the services being transitioned from Walter Energy U.S. to Walter Canada and will assist in the SISP and potential purchasers' due diligence activities. The KERP Participant will be the sole remaining executive at Walter Canada with significant institutional knowledge of the history of the mines and their operating performance and metrics.
29. The Monitor supports the proposed KERP and believes that the KERP Participant's ongoing employment with Walter Canada will be highly beneficial to Walter Canada's restructuring efforts, and if necessary its wind down should a sale not be successful. The KERP Participant is critical to leading the daily care and maintenance operations at the mines, assisting with the transition of the Shared Services, and assisting potential purchasers with their due diligence activities and other sale related matters. The KERP Participant will be the primary point of contact with the proposed CRO at Walter and will provide considerable assistance to the CRO in fulfilling his role and duties.
30. The retention bonus payable under the KERP is at the high end of the range of retention bonuses payable pursuant to KERPs approved in other recent CCAA proceedings that the Monitor has reviewed. However, when considering the value and type of assets under the supervision of the KERP Participant and the criticality of the KERP Participant in Walter Canada's anticipated restructuring process, in the Monitor's view the retention bonus is not unreasonable.
31. The Monitor is of the view that the KERP and the KERP Charge are appropriate in the circumstances.

## FINANCIAL ADVISOR RETENTION

32. Walter Energy U.S. retained PJT as its financial advisor and investment banker to provide advice on its restructuring options and to lead the section 363 sale process in its Chapter 11 proceedings. PJT is a recent spin-off of Blackstone, a global investment firm. As noted in the second affidavit of William Harvey (the “**Second Affidavit**”), PJT has already engaged in efforts to market Walter Canada’s assets in Walter Energy U.S.’s Chapter 11 proceedings. Accordingly, PJT is familiar with Walter Canada’s operations and assets, as well as a broad group of prospective purchasers that may be interested in acquiring Walter Canada’s operations and/or assets.
33. Walter Canada is of the view that retaining PJT to assist in the implementation of the SISP is the most efficient option in the present circumstances given PJT’s prior knowledge of the Company. The Monitor concurs with this view.
34. The key terms of the FA Engagement Letter are summarized in the Second Affidavit. The Monitor reviewed the draft FA Engagement Letter prior to its execution and provided its comments. .
35. Pursuant to the FA Engagement Letter the Financial Advisor will receive monthly work fees of US\$100,000 beginning after Walter Energy U.S. converts the Chapter 11 Cases into a liquidation under Chapter 7 of the U.S. Bankruptcy Code, which is anticipated to occur at the end of February 2016 after Walter Energy U.S. is sold pursuant to the 363 sale in its Chapter 11 Cases. If a transaction in respect of Walter Canada is consummated, PJT will receive a transaction fee based on the gross transaction proceeds as follows:
  - a) 2.0% of all Consideration (as defined in the FA Engagement Letter) up to US\$50,000,000; plus
  - b) 1.5% of all Consideration between US\$50,000,000 and US\$100,000,000; plus
  - c) 1.0% of all Consideration between US\$100,000,000 and US\$200,000,000; plus
  - d) 0.9% of all Consideration between USD\$200,000,000 and US\$1,000,000,000; plus
  - e) 0.75% for all Consideration between US\$1,000,000,000 and US\$2,000,000,000; plus

- f) 0.5% of all Consideration above US\$2,000,000,000.
36. The Financial Advisor is also entitled to a capital raising fee that will be calculated as 0.5% of the total issuance size of any debtor in possession financing, 1.0% of the total issuance size for senior debt, 2.0% of the total issuance size for junior debt financing, and 5.0% of the issuance amount for equity financing raised up to \$100 million and 3.0% for amounts raised over \$100 million.
37. The Monitor is of the view that the monthly work fees, the capital raising fee and transaction fees are appropriate in the circumstances. The Monitor notes that PJT will not charge Walter Canada a monthly work fee until after the Chapter 11 Cases are converted to a liquidation under Chapter 7 of the U.S. Bankruptcy Code. The monthly work fee is proposed to be included in the Administration Charge. PJT will not be entitled to a transaction fee if the SISP is terminated and after, or as a result of such termination, the assets are liquidated by auctioneers or other liquidators.
38. Walter Canada is seeking approval for the Financial Advisor's capital raising fee and transaction fee to be granted a charge over the Property (the "**Success Fee Charge**"). The Success Fee Charge is to be capped at \$10 million with \$5 million eligible as a charge in favor of the Financial Advisor and the remaining \$5 million to protect the CRO's success fee (as subsequently discussed). The Success Fee Charge will rank behind the Administration Charge, Directors' Charge and the KERP Charge but ahead of the Intercompany Charge. In the Monitor's experience, such charges are often granted in CCAA proceedings and the Monitor is of the view that the granting of the Success Fee Charge is reasonable and appropriate in the current circumstances.

#### **CHIEF RESTRUCTURING OFFICER RETENTION**

39. Walter Canada seeks the approval of this Honourable Court of its engagement letter with BlueTree Advisors Inc. ("**BlueTree**") to provide the services of Mr. William E. Aziz to act as the CRO in Walter Canada's restructuring.
40. The key terms of the CRO Engagement Letter are summarized in the Second Affidavit and this First Report. The Monitor has reviewed the draft CRO Engagement Letter prior to its

execution and provided its comments. The Monitor understands that the terms of the CRO Engagement Letter and proposed protections sought in the proposed Order are consistent with those approved and granted in other recent CCAA proceedings.

41. The CRO will receive a monthly work fee of US\$75,000 beginning on January 5, 2016 (provided the CRO's engagement is approved by this Honourable Court). If a transaction is consummated, the CRO will receive a transaction or success fee of the greater of US\$1 million or an amount based on the gross transaction proceeds as follows:
  - a) 2.0% of all Consideration (as defined in the CRO Engagement Letter by reference to the FA Engagement Letter) up to US\$50,000,000; plus
  - b) 1.5% of all Consideration between US\$50,000,000 and US\$100,000,000; plus
  - c) 1.0% of all Consideration between US\$100,000,000 and US\$200,000,000; plus
  - d) 0.9% of all Consideration between USD\$200,000,000 and US\$1,000,000,000; plus
  - e) 0.75% for all Consideration between US\$1,000,000,000 and US\$2,000,000,000; plus
  - f) 0.5% of all Consideration above US\$2,000,000,000.
42. The CRO will not be entitled to a transaction fee or success fee if Walter Canada's assets are liquidated by auctioneers or other liquidators unless the CRO is actively involved in providing the services of Mr. Aziz throughout the course of such auction or liquidation and until the proceeds of such auction or liquidation are received.
43. As described in the Second Affidavit, Walter Canada believes that the retention of a CRO is in the Petitioners' best interests as an experienced CRO, and the proposed CRO in particular, will provide the expertise necessary to lead Walter Canada through its CCAA proceedings and the SISP.
44. The Monitor understands that Mr. Aziz is an experienced restructuring professional who is or has been actively involved in the restructuring of several large Canadian companies and managed and supervised SISPs in various CCAA proceedings. The Monitor is of the view that the engagement of a CRO is appropriate to lead the SISP and for the proper

administration of Walter Canada’s CCAA proceedings.

45. Walter Canada is seeking approval for the CRO’s success fee to be included in the Success Fee Charge (up to \$5 million as previously discussed) and for the work fee to be included in the Administration Charge. The Monitor is of the view that this is appropriate in the circumstances.

## **PROPOSED SALE AND INVESTMENT SOLICITATION PROCESS**

46. Walter Canada, with assistance from its legal advisors, the Financial Advisor, and the Monitor, has developed the SISP. The SISP documents the terms under which the proposed Financial Advisor will market Walter Canada’s assets for sale and also present the opportunity for parties to make an investment in the Petitioners’ businesses. It is proposed that the SISP will be led by the CRO, implemented by the Financial Advisor and Walter Canada, and supervised by the Monitor. The SISP will govern the solicitation by the Financial Advisor of letters of intent (“**LOI(s)**”) and bids for all or part of the business and/or assets of Walter Canada.
47. A copy of the SISP is attached to the Petitioners’ Notice of Application dated December 30, 2015. Under the SISP, the CRO, in consultation with the Monitor, shall have the authority to select one or more successful bids and effect a sale of the assets or business of Walter Canada, subject to approval by the Court.
48. The key process milestones and target dates included in the SISP, along with comments in respect of these timelines and process generally, are summarized in the table below (capitalized terms not defined therein are used as defined in the SISP).

<b>Process Milestone</b>	<b>Target Date / Timeline</b>	<b>Comments</b>
Commencement of solicitation process	As soon as reasonably practical following granting of the SISP Order but no later than January 18,	The Financial Advisor will prepare, in consultation with the Monitor and the CRO (collectively with the FA the “ <b>SISP Team</b> ”), (a) a Prospect List of potential bidders (strategic and financial parties) that may be interested in effecting a transaction, (b) a

Process Milestone	Target Date / Timeline	Comments
	2016 (the “ <b>Phase 1 Commencement Date</b> ”)	Teaser Letter to notify potential bidders of the opportunity and solicitation process under the SISP and (c) a Confidentiality Agreement (“ <b>CA</b> ”). The Monitor will cause notice of the SISP and other relevant information to be published in local and national newspapers (both in Canada and the U.S.) within eight business days of the granting of SISP Order and, subject to input from the SISP Team, any other trade journal as considered appropriate. Walter Energy U.S. will also issue a press release setting out notice of the SISP and such other information as may be advisable. The Financial Advisor, with the assistance of the Petitioners, the CRO and the Monitor, will establish and populate an electronic data room (“ <b>EDR</b> ”) with relevant information that will be updated as required. The Financial Advisor will also prepare a confidential information memorandum (“ <b>CIM</b> ”).
SISP Phase 1 – Preliminary due diligence period	60 calendar days following Phase 1 Commencement Date (or such longer period as determined by the CRO in consultation with the FA and the Monitor)	Upon signing a CA, potential bidders shall be provided a detailed CIM and access to the EDR in order to perform preliminary due diligence and determine if they will submit a non-binding letter of intent (“ <b>LOI</b> ”).
Deadline for submission of non-binding LOIs	On or before March 18, 2016 (or such later date as determined by SISP Team, the “ <b>Phase 1 LOI Deadline</b> ”).	The SISP sets out numerous matters which are required to be addressed in the LOI’s submitted in order to be considered Qualified LOIs. The requirements for an LOI to be a Qualified LOI are reasonably exhaustive given the requirement in the SISP that full details be provided about the expected final form of offer that each potential bidder may ultimately submit. Obtaining detailed expressions of interest will permit the SISP Team, in consultation with the Petitioners, to assess the likelihood that a satisfactory transaction will be completed prior to the Outside Termination Date.
Assessment of Qualified LOIs	On or before March 28, 2016 (i.e. 10	The SISP Team will evaluate each LOI against certain LOI and bidder evaluation criteria to



Process Milestone	Target Date / Timeline	Comments
and continuation or termination of the solicitation process	calendar days from the Phase 1 LOI Deadline)	<p>determine if it is a Qualified LOI and if the CRO, in consultation with the Monitor and the Financial Advisor determines that there is a reasonable prospect of obtaining a Bid from the potential bidder (once so selected, a “<b>Qualified Bidder</b>”). Potential bidders shall be notified in writing by March 28, 2016 as to whether they are Qualified Bidders and invited to continue their due diligence and submit a Bid on or before the Phase 2 Bid Deadline.</p> <p>If the CRO, in consultation with the Monitor and the Financial Advisor determines that no Qualified LOIs are received by the Phase 1 LOI deadline, the CRO may determine not to permit the SISP to progress to Phase 2 and may apply to this Honourable Court for authorization to terminate the SISP.</p>
SISP Phase 2 – Deadline for submission of Bids	On or before May 27, 2016 (i.e. 60 days, or such later date as determined by the CRO in consultation with the FA and the Monitor, the “ <b>Phase 2 Bid Deadline</b> ”)	<p>Qualified Bidders submitting a Sale Proposal will be given time to complete their due diligence and submit a binding offer, which must be submitted in the form of a template asset purchase (the “<b>APA Form</b>”). For Qualified Bidders submitting an Investment Proposal the Bid must be in a form to be agreed between the CRO and the Qualified Bidder. A refundable cash deposit in the amount of 10% of the total value of the consideration contemplated must be included with all Bids.</p> <p>Bids must adhere to the terms and conditions outlined in the SISP and provide for all conditions to be satisfied or waived by the target closing date of June 30, 2016, or the Outside Termination Date. Offers must outline any anticipated regulatory or other approvals required to close the transaction and anticipated timeframe and anticipated impediments for obtaining such approvals.</p> <p>Qualified Bidders may not withdraw their Bid without the written consent of the SISP Team. Withdrawals without the written consent of the SISP team will result in a forfeiture of the bidder’s deposit.</p>

Process Milestone	Target Date / Timeline	Comments
SISP Phase 3 – Selection of Successful Bid(s) and Auction Option	Prior to the Target Closing Date	<p>The CRO, in consultation with the Monitor and the FA may choose to:</p> <ul style="list-style-type: none"> <li>a) Accept one Qualified Bid or multiple sets of non-overlapping Qualified Bids and take the necessary steps to finalize and complete an agreement for the successful bid(s) with the selected Qualified Bidders;</li> <li>b) Continue negotiations with a selected number of Qualified Bidders with a view to finalizing an agreement with one or more Qualified Bidders such that such Qualified Bidder(s) become Successful Bidder(s); or</li> <li>c) Conduct an auction to determine which Qualified Bidder(s) shall become the Successful Bidder(s). The rules of the auction are to be determined by the CRO in consultation with the Financial Advisor and the Monitor.</li> </ul>
Target Closing Date	June 30, 2016 (or such later date as determined by the SISP Team and the Bidder)	<p>Upon accepting the Successful Bid(s), the Petitioners are required to apply to this Honourable Court for an order approving the Successful Bid(s) free and clear of all liens and encumbrances (other than permitted/assumed encumbrances). Upon obtaining this order, the CRO will work with the Successful Bidder(s) towards completing the transaction(s) contemplated in the Successful Bid(s) by the Target Closing Date (or the Outside Termination Date).</p> <p>The SISP provides some flexibility for extending the Target Closing Date if necessary, as determined and agreed by the SISP Team.</p>

49. The terms and conditions outlined in the SISP are, in the Monitor’s view, common to sale processes implemented in CCAA proceedings. The SISP timeline provides sufficient time to expose the Walter Canada assets and operations to a broad universe of potential purchasers and supplement efforts previously undertaken by PJT. Further, the SISP provides the CRO, in consultation with the Financial Advisor and the Monitor, with

flexibility to amend the deadlines in each of the SISP phases to accommodate the legitimate concerns and needs of potential bidders. The SISP will enable the SISP Team to determine by the end of Phase 1 if there is a legitimate opportunity for a going concern outcome for some or all of Walter Canada's mining operations.

50. Outside of the SISP process, the Monitor will work with the SISP Team and the Petitioners to obtain proposals from asset liquidators concurrently with the implementation of the SISP so that Qualified Bids received in Phase 1 can be evaluated against these liquidation proposals.
51. Considering the interests of all stakeholders, the care and maintenance status of the mines, the previous marketing efforts undertaken by the Financial Advisor, and the current state of the metallurgical coal industry generally, the Monitor is of the view that the proposed SISP is reasonable under the circumstances and provides the Petitioners with an opportunity to determine if a successful going concern outcome for one or all of the Petitioners' mines is possible.

#### **CASH COLLATERALIZATION OF LETTERS OF CREDIT**

52. Pursuant to the Initial Order, Walter Canada was authorized and directed to fully cash collateralize all the Letters of Credit issued in respect of the a US\$150 million multi-currency revolving credit facility available to Walter Energy Canada under the 2011 Credit Agreement (the "**Canadian Revolver**") within 15 business days of receiving a demand from the Administrative Agent for such cash collateralization. On December 9, 2015, the Administrative Agent issued a demand that Walter Canada cash collateralize the Letters of Credit in the amount of C\$22,570,494.
53. Walter Canada purchased sufficient Canadian dollars to effect the cash collateralization on December 17, 2015. On December 21, 2015, the Administrative Agent requested that Walter Canada enter into a cash collateral agreement (the "**Cash Collateral Agreement**") to formalize the cash collateralization arrangement and administration of the cash collateral account.
54. The Monitor has reviewed the latest draft of the Cash Collateral Agreement which the

Monitor understands was substantially settled among the parties as of the date of this First Report, and makes the following observations regarding the material proposed terms:

- a) The letter of credit obligations secured by the cash collateral are limited to those obligations in connection with the Letters of Credit issued pursuant to the terms of the Credit Agreement;
  - b) The Monitor understands that the Cash Collateral Agreement is not intended to improve the security position of the Administrative Agent and that its effect would not improve such security position;
  - c) The Cash Collateral Agreement clarifies that none of the Court ordered charges granted in the Initial Order are intended to prime or rank ahead of the security interest of the Administrative Agent in and to the cash collateral or cash collateral account; and
  - d) the CCAA charges attach to the cash collateral only to the extent of the rights of any member of Walter Canada to the return of the cash collateral from BNS following the extinguishment of any Letter of Credit and the exercise of any set-off rights by BNS or the Lenders (as defined herein).
55. The Cash Collateral Agreement provides for Brule Coal Partnership (“BCP”) to establish a bank account containing the cash collateral and confirms the lender’s pre-filing first-ranking security interest in the cash contained in the account.
56. Due to its cash holdings of approximately US\$29.8 million (as at December 7, 2015) from the sale of its coal inventory up to October 2015, BCP is anticipated to fund the cash collateralization, which will significantly reduce its cash holdings.
57. In order to protect the interests of creditors of BCP, the Petitioners are seeking approval from this Honourable Court for the Intercompany Charge to be held by any Walter Canada entity that makes intercompany advances to secure subrogated claims against other entities of Walter Canada. Walter Canada has agreed that the Intercompany Charge shall not be enforceable as against BNS or the other lenders under the 2011 Credit Agreement (the

“**Lenders**”) with respect to any claim of BNS or the Lenders against Walter Canada until all obligations of Walter Canada under the 2011 Credit Agreement are satisfied, the Administrative Agent under the 2011 Credit Agreement consents to the enforcement of the Intercompany Charge or by further order of this Court. The Monitor is of the view that the Intercompany Charge should be granted to assist in protecting the interests of creditors against the individual Walter Canada entities.

58. The Monitor has engaged McMillan LLP as its counsel and requested that it review the security held by the Administrative Agent. The opinion obtained from McMillan LLP provides that, subject to the qualifications contained therein, the Administrative Agent has effective, valid and enforceable security interests in the Petitioners’ assets as set out in their respective security documents.

#### **UNITED STEELWORKERS AND CHRISTIAN LABOUR ASSOCIATION OF CANADA**

59. Walter Canada’s hourly workforce at the Willow Creek and Wolverine mines are represented by the Christian Labour Association of Canada (“**CLAC**”) and the United Steelworkers, Local 1-424 (“**USW**”), respectively.
60. On December 9, 2015, counsel to the USW wrote to the Petitioners confirming that it has outstanding claims against Wolverine Coal Ltd., that two decisions are pending judicial review in the B.C. Supreme Court and that the USW may seek to vary the Initial Order to address these outstanding matters.
61. On December 22, 2015, counsel to the USW wrote to Walter Canada seeking to settle certain pre-filing claims while all remaining claims would be administered in the CCAA Proceedings. Walter Canada has confirmed to the Monitor that it will not be seeking to pursue a settlement of claims from the USW as this stage of the CCAA Proceedings. On December 23, 2015, counsel to Walter Canada wrote to the USW to advise of same.
62. The Monitor understands that CLAC has had brief discussions with Walter Canada since the issuance of the Initial Order.

## **PRE-FILING CREDITOR PAYMENTS**

63. Pursuant to the Initial Order, Walter Canada is authorized to pay up to \$200,000 to pre-filing creditors with critical supply arrangements or, where due to the remote location of the mines, certain suppliers may be not practically or economically replaceable. As of December 19, 2015, Walter Canada has funded payments totaling less than \$5,000 to creditors with claims under \$1,000 as it works to compile and analyze all pre-filing claims in order to assess criticality and the ultimate need to fund any pre-filing claims.

## **SEPARATION PLANNING – SHARED SERVICES WITH WALTER ENERGY U.S**

64. In anticipation of the sale of Walter Energy U.S. and the likely termination of the Shared Services, the Monitor has been working closely with Walter Canada and Walter Energy U.S. to plan for this separation. In that regard, the Monitor has attended at Walter Energy U.S.' head office and coordinated various planning and transition meetings with Walter Canada and its parent to assist in the planning for the separation of the following key functions:
- a) Banking, treasury and financial reporting;
  - b) Payroll, benefits, human resources and labour relations;
  - c) Information technology;
  - d) Insurance and particularly, arranging property insurance for Walter Canada independently of Walter Energy U.S.;
  - e) Mining permits and tenure management; and
  - f) Tax (income, GST, property and other taxes).
65. In addition, and in anticipation of the implementation of the SISP, the Monitor is assisting Walter Canada with gathering key operational, financial and tax documentation to assist potential purchasers with their due diligence efforts during the SISP.
66. Due to the pending termination of all Shared Services and limited human resources remaining at Walter Canada, the Petitioners are seeking authorization to request that the Monitor provide assistance at the direction of Management with various bookkeeping and accounting tasks including preparing cheques (but not authorizing cheques), reconciling

cash accounts, assisting with the preparation of income tax, consumption tax and other tax returns, managing communications with external payroll processors, preparing revised cash flow forecasts and other office support functions.

## **ENVIRONMENTAL MATTERS**

67. Since the Filing Date, the Monitor has participated in initial meetings and follow-up discussions with representatives of the MEM and MOE to review the background information leading up to the CCAA Proceedings, the current status of the mines and assets, and the Petitioners' plans to undertake a SISP to sell the assets and operations as a going concern.
68. The Monitor understands from the Petitioners that the MEM and MOE do not oppose the relief being sought by the Petitioners.

## **OTHER MATTERS**

### **Walter Energy U.S. Pension Plan Contingent Claim**

69. The Monitor has been contacted by counsel to the United Mine Workers of America 1974 Pension Plan and Trust (the "1974 Pension Plan") in respect of a potential contingent claim for at least US\$904 million that may be advanced against the Petitioners. The potential claim represents the pension plan withdrawal liability of Walter Energy U.S. and certain of its subsidiaries if it withdraws from the pension plan. Since a claims procedure has not been commenced in the CCAA proceedings, the Monitor has not investigated the claim being advanced by the 1974 Pension Plan and can make no comment about it at this time.

### **Walter UK**

70. Walter UK continues to operate in care and maintenance and there have been no material developments at Walter UK since the issuance of the Initial Order. The Monitor will provide updates to this Honourable Court about Walter UK as developments occur. Walter UK's cash flow forecast indicates that it continues to have sufficient liquidity to meet its obligations until approximately September 2016.

## **THE MONITOR'S OBSERVATIONS AND RECOMMENDATIONS**

71. In the Monitor's opinion, Walter Canada is acting in good faith and with due diligence in an effort to further its restructuring objectives. To date, reasonable progress has been made, notably with respect to the development of the SISP and retention of a key employee, the Financial Advisor and the CRO, all of which are subject to approval of this Honourable Court.
72. Walter Canada is seeking this Honourable Court's approval of the following:
- a) The retention of PJT as Financial Advisor and the FA Engagement Letter;
  - b) The retention of BlueTree to provide the services of Mr. William E. Aziz to act as CRO to Walter Canada and the CRO Engagement Letter;
  - c) A Success Fee Charge to secure PJT's and the CRO's success fees payable pursuant to their respective engagement letter terms;
  - d) The SISP;
  - e) The KERP, the sealing of the KERP and a KERP Charge; and
  - f) An extension of the Stay until April 5, 2016.
73. The Monitor is of the view that an extension of the Stay is appropriate for the following reasons:
- a) Walter Canada requires the extension of the Stay in order to prepare for and implement the SISP; and
  - b) Walter Canada is projected to have sufficient liquidity to operate during the requested stay extension period.
74. For the reasons outlined herein, the Monitor recommends that this Honourable Court grant the relief sought by Walter Canada.



All of which is respectfully submitted this 31st day of December, 2015.

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



Per: Philip J. Reynolds  
*Senior Vice President*



Per: Anthony Tillman  
*Senior Vice President*

**Schedule “A”**

**List of Petitioners, partnerships and affiliates**

**Petitioners**

Walter Canadian Coal ULC  
Wolverine Coal ULC  
Brule Coal ULC  
Cambrian Energybuild Holdings ULC  
Willow Creek Coal ULC  
Pine Valley Coal, Ltd.  
0541237 BC, Ltd.

**Partnerships**

Walter Canadian Coal Partnership  
Wolverine Coal Partnership  
Brule Coal Partnership  
Willow Creek Coal Partnership

**Corporate Affiliates**

Belcourt Saxon Coal Ltd.  
Belcourt Saxon Coal Limited Partnership

**Schedule “B”**  
**Copies of newspaper notices**

## MITSUBISHI UFJ (CANADA) ATTENTION

## BANQUE DE TOKYO-MITSUBISHI UFJ (CANADA) AVIS D'INTENTION

uant to subsection 236(2)  
of Tokyo-Mitsubishi UFJ  
k with its head office in  
to apply to the Minister  
approval of an agreement  
all of its assets to The  
UFJ, Ltd., a foreign bank  
yo, Japan, subject to the  
of Finance of Canada,  
subsection 524(1) of the  
Bank of Tokyo-Mitsubishi  
anch in Canada to carry  
er Part XII.1 of the *Bank*  
the Superintendent of  
da), of an order pursuant  
the *Bank Act* approving  
arrying on of business in  
yo-Mitsubishi UFJ, Ltd.

Avis est donné par les présentes, en vertu du  
paragraphe 236(2) de la *Loi sur les banques*, que la  
Banque de Tokyo-Mitsubishi UFJ (Canada), banque  
de l'annexe II ayant son siège social à Toronto, en  
Ontario, a l'intention de demander au ministre des  
Finances du Canada d'approuver une convention  
de vente de la totalité ou de la quasi-totalité de  
son actif à The Bank of Tokyo Mitsubishi UFJ, Ltd.,  
banque étrangère ayant son siège social à Tokyo, au  
Japon, sous réserve de la prise, par le ministre des  
Finances du Canada, en vertu du paragraphe 524(1)  
de la *Loi sur les banques*, de l'arrêté permettant à  
The Bank of Tokyo Mitsubishi UFJ, Ltd. d'ouvrir une  
succursale au Canada pour y exercer des activités en  
vertu de la partie XII.1 de la *Loi sur les banques* et  
de la délivrance, par le surintendant des institutions  
financières du Canada, en vertu du paragraphe 534(1)  
de la *Loi sur les banques*, de l'ordonnance d'agrément  
permettant à The Bank of Tokyo-Mitsubishi UFJ, Ltd.  
de commencer à exercer ses activités au Canada.

HI UFJ (CANADA)

Le 12 décembre 2015

BANQUE DE TOKYO-MITSUBISHI UFJ (CANADA)

## on Business

BSCRIBE CALL  
6-36 GLOBE

BE AND MAIL 

### BUSINESS TO BUSINESS

#### BUSINESS OPPORTUNITIES

**Motel Central Alberta** - Hwy#2 franchise  
sales 700k Asking 3.2m. 50% down.  
50% owner finance. 403-848-2485

#### SALES AGENTS & DEALERS

**Corporate Employee Relocations  
Services** - Call Maria Gallova licensed real  
estate agent @ 416-276-8537 or email  
mgallova@rogers.com

COURT FILE NO. S-1510120  
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 A PLAN OF COMPROMISE OR ARRANGEMENT OF

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.

Take notice that on December 7, 2015, 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 BC Ltd.  
(collectively, the "Petitioners") commenced court-supervised restructuring pro-  
ceedings under the *Companies' Creditors Arrangement Act* (the "CCAA").

On December 7, 2015, the Supreme Court of British Columbia (the "Court") granted  
an order (the "Initial Order") under the CCAA for a stay of proceedings against  
the Petitioners, as well as against Walter Canadian Coal Partnership, Wolverine  
Coal Partnership, Brule Coal Partnership and Willow Creek Coal Partnership,  
and appointing KPMG Inc. as Monitor (the "Monitor"). The Court also granted a  
limited stay of proceedings against Belcourt Saxon Coal Ltd. and Belcourt Saxon  
Coal Limited Partnership in relation to the Belcourt Saxon Limited Partnership  
Agreement dated March 2, 2005.

Notice is hereby given that a copy of the Initial Order is posted on the Monitor's  
website at: [www.kpmg.com/ca/walterenergycanada](http://www.kpmg.com/ca/walterenergycanada)

The Monitor will post additional relevant information and documentation related  
to these proceedings on the Monitor's website as they become available.  
Interested persons may contact the Monitor directly for further information at:

**KPMG Inc.**  
777 Dunsmuir Street  
PO Box 10426  
Vancouver BC V7Y 1K3

Telephone:  
Toll free within North America: 1-855-393-3547  
Locally and abroad: 1-416-649-7580  
Facsimile: (416) 777-8818  
Email: [waltercanada@kpmg.ca](mailto:waltercanada@kpmg.ca)



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The Ride app helps users e-hail taxis and compare transit options in 35 Canadian cities and towns.

and destination and watch on a map to see how far away their driver is.

The only Uber feature it doesn't incorporate is automatic payment of fares.

Unlike Uber, however, The Ride also gives users the ability to compare the cost and length

The Ride will piggyback on #TAXI to connect users to taxi dispatchers in locations where it doesn't yet offer the e-hailing service. In total, the app will serve more than 700 Canadian cities and towns — basically anywhere there's a taxi service.

The only transportation option

COURT FILE NO. S-1510120

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 A PLAN OF COMPROMISE OR ARRANGEMENT OF

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.

Take notice that on December 7, 2015, 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 BC Ltd. (collectively, the "Petitioners") commenced court-supervised restructuring proceedings under the *Companies' Creditors Arrangement Act* (the "CCAA").

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**KPMG Inc.**  
777 Dunsmuir Street  
PO Box 10426  
Vancouver BC V7Y 1K3

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## ENTREPRENEURSHIP

# Business contest with global reach expected to expand next year

**CHUCK CHIANG**

VANCOUVER SUN

The organizers of a "Dragon's Den-style" entrepreneurship competition in Vancouver say the local talent is strong enough that two such contests will be held next year — with a decidedly more tech-centric focus.

Istuary Innovation Group, which held the finals of its inaugural Pitch Competition in November, said next year's plan includes both a contest highlighting creative industries (such as 3D animation), as well as a separate competition for the high-tech sector.

Company spokeswoman Sandy Chen said the competition judges, including officials from the Vancouver Economic Commission and the Canadian Acceleration/Business Incubation Association, were pleased with the entrepreneur base in the city, but their ideas may need a market bigger than B.C. in which to grow.

"The quality and the talent is there," Chen said.

"I think it needs some refining, in terms of presentation and going deep with market analysis. Locally, they may not have a lot of room to grow because it's so saturated. But if we take them global, there's so much room to grow."

The Pitch Competition this

***Istuary's model is to link these entrepreneurs with markets outside of Canada, specifically China and the United States.***

year drew an initial 75 teams although only six made it to the finals where the winner received a \$50,000 prize to help further their business. Istuary's model is to link these entrepreneurs with markets outside of Canada, specifically China and the United States.

The winner was Vancouver-based data-security device startup Multifactor.net, which completed its prototype just days before finding out about the Istuary competition at a networking event earlier this year. Company director Kate Gray said the \$50,000 will help Multifactor.net get the software version of its data-security system to the North American market by year's end, with the hardware scheduled for a year from now.

(A European launch is also planned, and Gray said the company may licence to an Asian partner for markets across the Pacific.)



# An Unexpected Gift

Jade Steckly

Have you ever met someone that changed you. Or taught you something without even realizing it? I met a woman like that recently. Just by being herself, she gave me a gift I would not soon forget, and made a hard situation a little bit easier to handle.

Two weeks ago our 18 month old got sick. At supper time Sunday night her voice was getting hoarse, and by 3pm the next day she had a high fever and I had a hard time keeping her awake. I figured I should take her in to emerg to quickly get checked. I knew it wouldn't end up being "quick", but in the end we wound up staying there overnight.

Anyways, when we first got there, the nurses took her vitals and decided almost right away that they wanted to take blood and possibly start an IV.

I don't know if you've ever had to be there when an 18 month old is getting blood taken, but it's so hard, both emotionally and physically. Three of us had to hold her down while the tech tried to take the sample, and my heart was breaking as she cried "mommy" over and over. I don't know how long it lasted; it felt like an hour, and they never did get a sample or start an IV.

In the aftermath of that traumatic experience, we were sitting and snuggling on the ER bed as best we could. A few minutes later a woman poked her head through our curtain. She was not a nurse...I assumed she was a relative of a patient in the ER. She smiled kindly and handed a



**CONSTANT CHATTER**

box to Sadie. It was a brand new set of mini Disney princess figurines. "That sounded really hard on her. I thought she might enjoy these" she said. I teared up a bit at her kindness and said, "thank you".

She was right, Sadie did enjoy them! She immediately started methodically putting them into and taking them out of the bedpan that was beside her bed, and it kept her busy while we waited to hear from the Doctor.

As it ended up, we were in the ER all night for observation. After the medicine kicked in, Sadie was in much better spirits and tried to run everywhere...and she didn't stop until one in the morning.

During that time I started visiting with the woman who had given her the gift. I

had been grateful when she gave it to us, but when I heard a bit about why she was there, I was truly humbled. It touched my heart so much to meet someone like her. Someone who had experienced tragedy and ongoing struggles like she had, and chose to respond with complete kindness and selflessness towards others. Someone who played peekaboo with my energetic toddler

at midnight because neither of them could sleep.

We got discharged the next morning, exhausted, but with Sadie on the mend thankfully. The woman, who had been there for days, was still there. I'll never forget her. Or how she helped us that night.

I will admit, I struggled with bitterness a bit through that experience. It was hard to see my baby get poked, it was hard to try and keep her contained to a tiny bed all night, when I thought she seemed well enough to go home. It was hard to get no sleep. I felt so foolish as we left though. Here I was, relieved to be through a very inconvenient night, when it was nothing compared to what some people experience.

In the days since then, I've thought about it a lot. We see generosity and selflessness more at this time of year for sure. However, I know that the woman I met at the hospital would have demonstrated the same level of generosity to anyone, at any time of year. It was both humbling and refreshing to meet her.

Not only that, it has become an excellent reminder to me. There are times when my circumstances are less than ideal, but it is still completely, 100% possible to love others. In fact, I believe that being nice to others when we really don't feel like it can be healing. And no matter what, it doesn't hurt!

Merry Christmas!



COURT FILE NO. S-1510120

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 A PLAN OF COMPROMISE OR ARRANGEMENT OF

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.

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<b>KPMG Inc.</b> 777 Dunsmuir Street PO Box 10426 Vancouver BC V7Y 1K3	Telephone: Toll free within North America: 1-855-393-3547 Locally and abroad: 1-416-649-7580 Facsimile: (416) 777-8818 Email: <a href="mailto:waltercanada@kpmg.ca">waltercanada@kpmg.ca</a>
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**KPMG**

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**If you answer YES to any of these questions:**

- Are you currently on Employment Insurance (EI)
- Have you received EI benefits in the past 3 years?
  - Are you interested in Career Planning?
  - Do you think you require Skills Training?
  - Are you considering Self Employment?

**Contact your WorkBC office**  
Job Search & Support Services

**On our toll free number:**

**1-855-782-8744**

**Find out how we can help you attain your Employment goals!**

---

**Our friendly staff are here to assist you in exploring your next steps!**

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The Employment Program of British Columbia is funded by the Government of Canada and the Province of British Columbia.

## Holiday schedule for Northern Health bus



**ALASKA HIGHWAY NEWS** again as of January 7, 2016.

Northern Health's Connections program, which provides transportation for patients who need to travel for medical care, is transitioning to a modified schedule for the holiday season.

The buses will begin their last routes for 2015 beginning Dec. 17. All routes will be operational

Nelson to Dawson Creek will be Dec. 15, and from Dawson Creek to Fort Nelson will be Dec. 17.

The regular schedule for Prince George to Fort St. John will begin again on Jan. 3, and the route from Fort St. John to Prince George will start again on Jan. 5. Buses travelling from Fort Nelson to Dawson Creek will begin again on Jan. 5.

## Dawson Creek border extension within six months

**ALASKA HIGHWAY NEWS**

Dawson Creek's boundary extension just got a whole lot easier.

Hurdles to incorporating two large agricultural parcels into the city for industrial use have been removed, the city council heard at its meeting last week.

Lands belonging to Wayne and Kerry Hansen could be brought into the city boundaries by as early as next summer.

The Peace River Regional District has reversed its opposition to the plan, which it claimed would lead to valuable

farmland being gobbled up for industrial land that wasn't desperately needed.

"It's a huge piece that the regional district withdrew their opposition, which was based on the idea there was no need (for industrial land)," Chief Administrative Officer Jim Chute said.

"That takes off the board us having to provide enough consultant expertise to prove the regional district might have that wrong," he added.

Chute had earlier suggested such work could be pricey.

Anne Clayton, a land

agent for the Hansens, presented to council Dec. 7, saying there is little industrial land remaining in Dawson Creek.

She said some are wary of investing in the city due to concerns about the availability of industrial land. That sends money to Fort St. John and Grande Prairie, she said.

The parcels include a quartersection on Highway 97 and a halfsection south of the Dangerous Goods Route.

Chute said staff believed they would have an answer from the province on the boundary extension in six months.

### LEGAL NOTICES

COURT FILE NO. S-1510120

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

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**THINK CYSTIC FIBROSIS CAN'T TOUCH YOU?**  
1 in 25 carries the cystic fibrosis gene.  
Are you the one?

To learn more and support cystic fibrosis research, visit [drowningontheinside.ca](http://drowningontheinside.ca)

**Cystic Fibrosis Canada**  
Breathing life into the future



**Schedule “C”**  
**Copy of notice to creditors**



**KPMG Inc.**  
PO Box 10426 777 Dunsmuir Street  
Vancouver BC V7Y 1K3  
Canada

Telephone (604) 691-3000  
Fax (604) 691-3036  
Internet www.kpmg.ca

December 11, 2015

## NOTICE TO CREDITORS

**Re: 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 “Petitioners”)  
together with Walter Canadian Coal Partnership; Wolverine Coal Partnership;  
Brule Coal Partnership; and Willow Creek Coal Partnership  
(the “Partnerships”, collectively with the Petitioners, “Walter Canada”)**

On December 7, 2015, the Petitioners filed a motion pursuant to the *Companies' Creditors Arrangement Act* (the “CCAA”) before the Supreme Court of British Columbia (the “Court”) under court file number S-1510120.

The Court issued an order (the “Initial Order”) on December 7, 2015 (the “Order Date”) granting a stay of proceedings (the “Stay”) against Walter Canada until January 6, 2016 (the “Stay Period”). The Court also appointed KPMG Inc. as monitor (the “Monitor”) of Walter Canada.

In the Initial Order, the Court also granted a limited stay of proceedings against Belcourt Saxon Coal Ltd. and Belcourt Saxon Coal Limited Partnership in relation to the Belcourt Saxon Limited Partnership Agreement dated March 2, 2005.

In accordance with the terms of the Initial Order, Walter Canada is continuing to operate in the ordinary course while under protection from its creditors.

Pursuant to the Initial Order, all persons having oral or written agreements with Walter Canada or mandates under an enactment for the supply of goods and/or services are restrained until further order of the Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by Walter Canada provided in each case that the normal prices or charges for all such goods or services received after the Order Date are paid by Walter Canada in accordance with normal payment practices of Walter Canada or such other practices as may be agreed upon by the supplier or service provider and Walter Canada and the Monitor, or as may be ordered by the Court.

During the Stay Period, no proceeding against or in respect of Walter Canada or its assets shall be commenced or continued except with leave of the Court or the written consent of Walter Canada and the Monitor.

No procedure for the calling of claims against Walter Canada has been approved by the Court as at this date. The Monitor may, at a later date and subject to further order of the Court, invite creditors to submit proofs of claim in order to prove a claim against one or more of the Walter Canada entities.



The Initial Order and lists of the names and addresses of Walter Canada's creditors and the estimated amounts of their claims, as well as copies of other materials filed in the CCAA proceedings, are available on the Monitor's website at [www.kpmg.com/ca/walterenergycanada](http://www.kpmg.com/ca/walterenergycanada) (the "Monitor's Website"). The Monitor will post additional documents, including its reports to the Court, on the Monitor's Website as they become available, and interested parties are encouraged to refer to the Monitor's Website frequently for updates on the status of Walter Canada's CCAA proceedings.

If you are unable to access the documents posted on the Monitor's Website, or wish to speak with a representative of the Monitor, please contact the Monitor by telephone at 1-855-393-3547 (Toll free within North America) or at 1-416-649-7580 (locally and abroad) or by email at [waltercanada@kpmg.ca](mailto:waltercanada@kpmg.ca), or by facsimile at 1-416-777-8818.

Yours very truly,

**KPMG Inc.,**

In its capacity as Court Appointed Monitor  
of Walter Energy Canada Holdings, Inc. et al

A handwritten signature in black ink, appearing to read 'P. Reynolds'.

Per: Philip J. Reynolds  
*Senior Vice President*

A handwritten signature in black ink, appearing to read 'A. Tillman'.

Per: Anthony Tillman  
*Senior Vice President*

**Schedule "D"**  
**Updated CCAA Cash Flow Forecast for the**  
**16-Week Period Ending April 9, 2016**

Walter Energy Canada Holdings, Inc. et al.

CCA cash flow forecast for the 16-week period ending April 9, 2016

(Amounts in USD\$000)

Foreign Exchange Rate Assumption (CAD/USD)1.38

Notes	Actual	Actual	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	Total	
Week Ending	12/12/15	12/19/15	12/26/15	1/2/16	1/9/16	1/16/16	1/23/16	1/30/16	2/6/16	2/13/16	2/20/16	2/27/16	3/5/16	3/12/16	3/19/16	3/26/16	4/2/16	4/9/16	for	
																			16-Weeks	
<b>OPERATING CASH FLOW</b>																				
<b>Operating Receipts</b>																				
Sales/AR Receipts	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Asset Sales	2	-	-	250	-	-	-	-	-	-	-	125	-	-	-	-	-	-	-	375
Other Receipts	3	1	-	66	56	-	434	-	-	53	-	-	55	-	-	-	-	142	-	806
<b>Total Operating Receipts</b>		<b>1</b>	<b>-</b>	<b>66</b>	<b>306</b>	<b>-</b>	<b>434</b>	<b>-</b>	<b>-</b>	<b>53</b>	<b>-</b>	<b>-</b>	<b>125</b>	<b>55</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>142</b>	<b>-</b>	<b>1,181</b>
<b>Operating Disbursements</b>																				
Payroll	4	-	(7)	(8)	(81)	(8)	(54)	(8)	(81)	(8)	(8)	(54)	(8)	(81)	(8)	(54)	(8)	(81)	(8)	(555)
Payroll Taxes	5	(39)	-	(3)	(34)	(3)	(23)	(3)	(34)	(3)	(3)	(23)	(3)	(34)	(3)	(23)	(3)	(34)	(3)	(231)
Benefits	6	-	-	-	-	(11)	(11)	-	-	(11)	(11)	-	-	(11)	(11)	-	-	-	(11)	(79)
Operating Leases and Storage Facilities	7	-	-	-	(11)	-	-	-	(7)	-	-	-	(7)	-	-	-	-	(7)	-	(33)
Taxes	8	(1)	-	(802)	-	-	-	-	(1)	-	-	-	-	-	-	-	-	-	-	(803)
Utilities	9	-	-	-	(47)	-	-	-	(47)	-	-	(47)	-	-	-	-	(47)	-	-	(188)
Fuel	10	-	-	(9)	(54)	-	-	-	(54)	-	-	(54)	-	-	-	(54)	-	-	-	(226)
Maintenance and Supplies	11	-	-	(60)	(120)	(120)	(120)	(122)	(60)	(60)	(60)	(60)	(60)	(60)	(60)	(122)	(60)	(60)	(60)	(1,267)
Environmental Monitoring, Consulting and Tenure Payments	12	-	(1)	(45)	(90)	(90)	(90)	(45)	(45)	(45)	(45)	(45)	(45)	(90)	(45)	(45)	(45)	(45)	(45)	(902)
Information Technology	13	-	-	-	-	-	-	-	(20)	-	-	-	-	-	(50)	-	-	-	-	(70)
<b>Total Operating Disbursements</b>		<b>(40)</b>	<b>(8)</b>	<b>(927)</b>	<b>(438)</b>	<b>(232)</b>	<b>(298)</b>	<b>(178)</b>	<b>(330)</b>	<b>(147)</b>	<b>(127)</b>	<b>(182)</b>	<b>(224)</b>	<b>(232)</b>	<b>(172)</b>	<b>(232)</b>	<b>(279)</b>	<b>(227)</b>	<b>(127)</b>	<b>(4,354)</b>
<b>Non-Operating Disbursements</b>																				
Restructuring Advisor Fees	14	-	(28)	(750)	-	-	-	(835)	-	-	(835)	-	-	-	(948)	-	-	-	-	(3,367)
Shared Services	15	(571)	-	-	-	(500)	-	-	-	(400)	-	-	-	(330)	-	-	-	-	-	(1,230)
Letters of Credit Collateralization	16	-	-	-	-	(16,355)	-	-	-	-	-	-	-	-	-	-	-	-	-	(16,355)
Bank Fees	17	-	-	-	-	(263)	-	-	-	-	-	-	-	-	-	-	-	-	-	(263)
<b>Total Non-Operating Disbursements</b>		<b>(571)</b>	<b>(28)</b>	<b>(750)</b>	<b>-</b>	<b>(16,355)</b>	<b>(763)</b>	<b>(835)</b>	<b>-</b>	<b>-</b>	<b>(400)</b>	<b>(835)</b>	<b>-</b>	<b>(330)</b>	<b>(948)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(21,216)</b>
<b>TOTAL NET CASH FLOW</b>		<b>\$ (610)</b>	<b>\$ (36)</b>	<b>(1,611)</b>	<b>\$ (132)</b>	<b>\$ (16,588)</b>	<b>\$ (627)</b>	<b>\$ (1,013)</b>	<b>\$ (330)</b>	<b>\$ (95)</b>	<b>\$ (527)</b>	<b>\$ (1,017)</b>	<b>\$ (99)</b>	<b>\$ (177)</b>	<b>\$ (502)</b>	<b>\$ (1,180)</b>	<b>\$ (279)</b>	<b>\$ (85)</b>	<b>\$ (127)</b>	<b>\$ (24,388)</b>
<b>BEGINNING CASH - BOOK (FX Effected)</b>		<b>40,433</b>	<b>39,822</b>	<b>39,787</b>	<b>38,175</b>	<b>38,043</b>	<b>21,456</b>	<b>20,828</b>	<b>19,816</b>	<b>19,486</b>	<b>19,391</b>	<b>18,864</b>	<b>17,847</b>	<b>17,748</b>	<b>17,571</b>	<b>17,070</b>	<b>15,890</b>	<b>15,611</b>	<b>15,525</b>	<b>39,787</b>
Net Cash Flow		(610)	(36)	(1,611)	(132)	(16,588)	(627)	(1,013)	(330)	(95)	(527)	(1,017)	(99)	(177)	(502)	(1,180)	(279)	(85)	(127)	(24,388)
<b>ENDING CASH (FX Effected)</b>		<b>39,822</b>	<b>39,787</b>	<b>38,175</b>	<b>\$ 38,043</b>	<b>\$ 21,456</b>	<b>\$ 20,828</b>	<b>\$ 19,816</b>	<b>\$ 19,486</b>	<b>\$ 19,391</b>	<b>\$ 18,864</b>	<b>\$ 17,847</b>	<b>\$ 17,748</b>	<b>\$ 17,571</b>	<b>\$ 17,070</b>	<b>\$ 15,890</b>	<b>\$ 15,611</b>	<b>\$ 15,525</b>	<b>\$ 15,398</b>	<b>\$ 15,398</b>

UNAUDITED CASH FLOW FORECAST PREPARED BY MANAGEMENT  
Some totals may not add due to rounding of the underlying numbers

**Walter Energy Canada Holdings, Inc. et al (“Walter Canada”)  
Notes to the Unaudited Updated CCAA Cash Flow Forecast  
For the 16-week period from December 20, 2015 to April 9, 2016 (the “Cash Flow Period”)**

Unless otherwise noted, the Updated Cash Flow Forecast is presented in U.S. dollars using an exchange rate of US\$1.00/CDN\$1.38 for conversion of any Canadian dollar amounts.

**1. Purpose**

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

*Receipts*

**2. Asset Sales**

Walter Canada expects to sell one bulldozer to Walter Energy Inc. (“**Walter Energy U.S.**”) for net proceeds (i.e. net of disassembly and shipping costs) of US\$375,000. A deposit of US\$250,000 is anticipated to be paid to the Monitor on December 31, 2015 and the remaining net proceeds are anticipated to be collected during the week ending February 27, 2016.

**3. Other Receipts**

These collections relate to Goods and Services Tax input tax credits, exploration tax credits and other applicable refundable taxes.

*Operating Disbursements*

**4. Payroll**

Payroll costs include payments to 19 hourly and salaried employees that are paid bi-weekly or semi-monthly along with certain part-time employees.

**5. Payroll Taxes**

Payroll taxes include the relevant taxes associated with employee source deductions and employer matching amounts.

**6. Benefits**

Disbursements include employee health and life insurance benefits.

## **7. Operating Leases and Storage Facilities**

Disbursements include payments for office space leases and supply inventory storage facilities.

## **8. Taxes**

Represents the final mineral tax payment pursuant to an installment plan agreed upon between Walter Canada and the B.C. Ministry of Finance for the re-assessment of mineral taxes owing for the taxation years 2005 to 2009.

## **9. Utilities**

Represents the estimated costs for electricity, natural gas and propane to maintain the mines under care and maintenance.

## **10. Fuel**

Fuel costs represent diesel purchases required to run generators and other equipment while the mines are under care and maintenance.

## **11. Maintenance Supplies & Other Operating Expenses**

These disbursements relate to various costs incurred to keep the mine assets secured as well as required maintenance on equipment used at the sites. It is currently anticipated that certain trade payables incurred pre-filing will be paid in the normal course.

## **12. Environmental Monitoring, Consulting and Tenure Payments**

These disbursements relate to various costs including environmental monitoring, engineering consulting and tenure payments to maintain mining and property rights.

## **13. Information Technology**

These disbursements are primarily for monthly connectivity charges and software licensing fees. Also included are estimated disbursements for an electronic data room to be established to facilitate potential purchasers' due diligence efforts as the SISP is implemented.

## *Non-Operating Disbursements*

## **14. Restructuring Advisor Fees**

Restructuring costs consist of professional fees payable to Walter Canada's counsel, the Monitor and its counsel, the Chief Restructuring Officer ("CRO"), and the Financial Advisor ("FA"). Success fees that may be payable to the CRO and/or FA are not included in the forecast.

## **15. Shared Services**

These disbursements relate to costs charged to Walter Canada for various services provided by Walter Energy U.S. that are paid by Walter Canada on a monthly basis. These costs include Walter Canada's share of annual insurance premiums that are funded by Walter Energy U.S.

## **16. Letters of Credit Collateralization**

These disbursements relate to the required cash collateralization of Letters of Credit issued by the Bank of Nova Scotia (“**BNS**”). The Letters of Credit are intended to protect against any future potential underfunded environmental reclamation costs. On December 9, 2015, the Administrative Agent issued a demand that Walter Canada cash collateralize the undrawn letters of credit in the amount of C\$22,570,494 (approximately US\$16,335,000). Pursuant to the Initial Order, Walter Canada was authorized and directed to fully cash collateralize all undrawn letters of credit issued in respect of the Canadian Revolver within 15 business days of a demand being received by Walter Canada. The date to meet this deadline is January 4, 2016.

## **17. Bank Fees**

These are fees associated with Letters of Credit issued by BNS and actual fees for use of Walter Canada’s account network at the BNS.