

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. AND THE OTHER
PETITIONERS LISTED ON SCHEDULE "A"

PETITIONERS

PETITION TO THE COURT

This proceeding is brought by the petitioners for the relief set out in Part 1 below.

If you intend to respond to this proceeding, you or your lawyer must

- (a) file a response to petition in Form 67 in the above-named registry of this court within the time for response to petition described below, and
- (b) serve on the petitioners
 - (i) 2 copies of the filed response to petition, and
 - (ii) 2 copies of each filed affidavit on which you intend to rely at the hearing.

Orders, including orders granting the relief claimed, may be made against you, without any further notice to you, if you fail to file the response to petition within the time for response.

TIME FOR RESPONSE TO PETITION

A response to petition must be filed and served on the petitioners,

- (a) if you were served with the petition anywhere in Canada, within 21 days after that service,
- (b) if you were served with the petition anywhere in the United States of America, within 35 days after that service,
- (c) if you were served with the petition anywhere else, within 49 days after that service, or
- (d) if the time for response to petition has been set by order of the court, within that time.

The address of the registry is:	800 Smithe Street Vancouver, BC V6Z 2E1
The ADDRESS FOR SERVICE of the petitioners is:	Mary I.A. Buttery & Tijana Gavric DLA Piper (Canada) LLP Barristers & Solicitors 2800 Park Place 666 Burrard Street Vancouver, BC V6C 2Z7 - and - Marc Wasserman & Patrick Riesterer Osler, Hoskin & Harcourt LLP Suite 6200, 100 King Street West 1 First Canadian Place Toronto, ON M5X 1B8
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The names and office addresses of petitioners' lawyers are:	Mary I.A. Buttery & Tijana Gavric DLA Piper (Canada) LLP Barristers & Solicitors 2800 Park Place 666 Burrard Street Vancouver, BC V6C 2Z7 - and - Marc Wasserman & Patrick Riesterer Osler, Hoskin & Harcourt LLP Suite 6200, 100 King Street West 1 First Canadian Place Toronto, ON M5X 1B8

CLAIM OF THE PETITIONERS

PART 1: ORDERS SOUGHT

1. An Order substantially in the form of the draft Order attached hereto as **Schedule "C"** (the "Initial Order").
2. A Declaration that the Petitioners are affiliated companies to which the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**") applies, and an order extending the

stay of proceedings to those entities listed on **Schedule "B"** hereto that are partnerships (collectively with the Petitioners, the "**Walter Canada Group**").

3. A Declaration that KPMG Inc. (the "**Monitor**") be appointed as officer of this Honourable Court to monitor the assets, business and affairs of the Walter Canada Group.

4. An Order that, until further order of this Court, all proceedings against the Walter Canada Group, the directors and officers of the Walter Canada Group and the Monitor be stayed, and the Walter Canada Group' operations be carried out in accordance with the express terms of the Initial Order, with liberty to seek to amend or extend the terms of the Initial Order.

5. An Order that, until further order of this Court, or with the written consent of the Walter Canada Group and the Monitor, all proceedings against the Walter Canada Group, Belcourt Saxon Coal Ltd. or Belcourt Saxon Coal Limited Partnership in relation to the Belcourt Saxon Limited Partnership Agreement dated March 2, 2005 as amended, restated or modified from time to time between Belcourt Saxon Coal Ltd. as general partner, Western Canadian Coal Corp., and Nemi Northern Energy & Mining Inc. and the other persons party thereto from time to time, be stayed in accordance with the express terms of the Initial Order, with liberty to seek to amend or extend the terms of such Initial Order.

6. An Order authorizing and permitting the Walter Canada Group to file with this Court a plan of compromise or arrangement between the Walter Canada Group and one or more of its classes of creditors (the "**Plan**") pursuant to the provisions of the CCAA and the *Business Corporations Act*, S.B.C. 2002, c. 57.

7. An Order authorizing the Walter Canada Group to make payments in respect of certain pre-filing obligations.

8. An Order granting the following charges on the property of the Walter Canada Group, in priority to all other creditors of the Walter Canada Group and which shall have the relative priority as set out below:

(a) First, an administrative charge in favour of the proposed Monitor, counsel to the Monitor and counsel to the Walter Canada Group; and

(b) Second, a directors' charge in favour of the directors and officers of the Walter Canada Group.

9. An Order defining the classes of creditors of the Walter Canada Group for the purposes of a meeting or meetings with respect to, and voting on, any Plan or Plans that may be filed.

10. An Order that, upon filing a Plan, the Walter Canada Group may call a meeting or meetings of the affected classes of its creditors to vote upon such a Plan.

11. Such directions as may be required from time to time respecting the presentation of a Plan to the Walter Canada Group's creditors, proofs of claim, conduct of meetings and related matters.

12. An Order sanctioning and approving any Plan, with such amendments as may be proposed by the creditors of the Walter Canada Group and approved by the Walter Canada Group or as may be proposed by the Walter Canada Group.

13. An Order authorizing the Walter Canada Group to enter into and complete the Surplus Equipment Transaction, as defined in the First Affidavit (as that term is defined below).

14. An Order that the Orders in this proceeding shall have full force and effect in all provinces and territories of Canada and any other foreign country where creditors and the Walter Canada Group are domiciled.

15. An Order that the Walter Canada Group shall be authorized and empowered, but not required to: (i) apply as it may consider necessary or desirable, with or without notice, to any other court, tribunal, regulatory, administrative or other body, wherever located, for orders to recognize the Initial Order and/or to assist in carrying out the terms of the Initial Order and any subsequent Orders of this Court; and (ii) act as a representative in respect of these proceedings for the purpose of having these proceedings recognized and/or aided in a jurisdiction outside Canada.

16. An Order requesting the aid and recognition of other Canadian and foreign Courts, tribunal, regulatory, administrative and other bodies, including, without limitation, any Court or administrative tribunal of any federal or state court or administrative body in the United States of America (including, without limitation, in the United States Bankruptcy Court), to act in aid of and to be complementary to this Court in carrying out the terms of this Order where required.

17. An Order that the Walter Canada Group be at liberty to serve all orders and materials (including the Plan) in this proceeding on any of its creditors by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery, fax transmission or e-mail to the Walter Canada Group's creditors at their respective addresses as last shown on the records of the Petitioners, and any such service or notice by courier, personal delivery, fax transmission or e-mail shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

18. Such further and other Orders as this Court may deem proper under the circumstances.

PART 2: FACTUAL BASIS

19. The Walter Canada Group relies on the facts as set out in the Affidavit #1 of William G. Harvey sworn on December 4, 2015 (the "**First Affidavit**") in the within proceeding.

CORPORATE STRUCTURE OF THE WALTER CANADA GROUP

20. The Petitioner Walter Energy Canada, Holdings, Inc. ("**Walter Energy Canada**") is a corporation incorporated pursuant to the laws of British Columbia in order to effectuate the Western Acquisition (as described more fully below). It is wholly owned by Walter Energy U.S. ("**Walter US**").

21. Walter Energy Canada is the parent company for, *inter alia*, the Walter Canada Group.

22. The principal operating entity of the Walter Canada Group is Walter Canadian Coal Partnership ("**Walter Partnership**"), a B.C. general partnership. Its partners are Walter Energy Canada and Walter Canadian Coal ULC ("**Walter ULC**"), a B.C. unlimited liability company. All of the issued and outstanding shares of Walter ULC are held by Walter Energy Canada.

23. Walter Partnership is a partner of Wolverine Coal Partnership ("**Wolverine Partnership**"), Brule Coal Partnership ("**Brule Partnership**") and Willow Creek Coal Partnership ("**Willow Partnership**") and collectively with Wolverine Partnership and Brule Partnership, the "**Partnerships**"). Each of the Partnerships has a B.C. unlimited liability company as its other partner: Wolverine Coal ULC, Brule Coal ULC and Willow Creek Coal ULC, respectively (collectively, the "**ULCs**"). Each of the ULCs holds a 0.1% in each of the respective Partnerships.

24. The Petitioner Cambrian Energybuild Holdings ULC ("**Energybuild**") is a holding company that holds shares of a U.K. holding company that in turn owns shares of certain U.K. companies related to the Walter Canada Group that conduct mine activities in the U.K.

25. Energybuild is wholly-owned by Walter Partnership.

26. Pine Valley Coal is a wholly-owned subsidiary of Willow Creek Coal Partnership.

27. 0541237 B.C. is a wholly-owned subsidiary of Walter Canadian Coal Partnership.

OVERVIEW OF ASSETS AND OPERATIONS

28. The Walter Canada Group is part of a larger group of companies (the "**Walter Group**"), a leading producer and exporter of metallurgical coal for the global steel industry, with mines, mineral reserves and operations in the U.S., Canada and the U.K.

29. Walter US is the parent company of the Walter Group and has a direct or indirect interest in each of the entities comprising the Walter Group.

30. Prior to 2011, the Walter Group's operations were based solely in the U.S.

31. On April 1, 2011, Walter US acquired Western Coal Corp. ("**Western**") and its subsidiaries through a transaction whereby Walter Energy Canada acquired Western's subsidiaries and their assets, including mines and mineral reserves in Canada, West Virginia and the U.K. (the "**Western Acquisition**"). Walter Energy Canada was formed for the purpose of acquiring Western.

32. The Western Acquisition was a strategic initiative by Walter US to create a diverse geographical footprint with access to high-growth steel producing countries.

33. The Walter Canada Group' mining operations consist of the production of two specific types of coal, hard coking coal and pulverized coal injection ("**PCI**") coal at three surface metallurgical coal mines in Northeast B.C.: (i) the Brule Mine, (ii) the Willow Creek Mine, and (iii) the Wolverine Mine, sometimes referred to as the Perry Creek Mine (collectively, the "**Mines**").

34. Active mineral extraction at each of the Mines has been suspended (as described more fully below).

Brule Mine

35. Brule Partnership operates the Brule Mine, which is located 28 miles south of Chetwynd, B.C. The Brule Mine is an open pit metallurgical coal mine that produces pulverized coal injection coal. The Brule Mine is expected to have a life of at least 8 years, which could be extended depending on how it is operated.

36. Transportation issues, combined with declining coal prices (discussed more fully below), led the Walter Canada Group to idle the Brule Mine in June, 2014. Since that time, the only operations at the Brule Mine relate loading the remaining coal and hauling it to the Willow Creek Mine, maintaining the mine and mining equipment, and complying with environmental and other laws and regulations.

37. Idling costs for the Brule Mine are estimated to be in excess of \$400,000 per month, with some seasonal variation.

Willow Creek Mine

38. Willow Partnership operates the Willow Creek Mine, located 28 miles west of Chetwynd, B.C., which is an open pit metallurgical coal mine with a coal processing plant and a rail load-out facility. The Willow Creek Mine is currently expected to have an operating life of at least 10 years if running at full production.

39. Due to declining coal prices, Willow Creek mining activity was idled in May, 2014. The only remaining activities at the Willow Creek Mine relate to security, environmental testing and maintenance of on-site facilities.

40. Idling costs for the Willow Creek Mine are estimated to be in excess of \$500,000 per month, with some seasonal variation.

Wolverine (Perry Creek) Mine

41. Wolverine Partnership operates the Wolverine Mine, which is approximately 15 miles south of Tumbler Ridge, B.C. The Wolverine Mine is an open pit metallurgical coal mine with a coal processing plant and a rail load-out facility. The mine produces premium hard coking coal. The current reserves at the Wolverine Mine have an estimated life of 4 years, however, the Walter Canada Group has permits for a number of future mine sites near the Wolverine Mine, which, if developed, are expected to have an operating life of approximately 10 years.

42. Production at the Wolverine Mine was idled in May 2014 in response to low coal prices. The only remaining activities at the Wolverine Mine relate to security, environmental testing and maintenance of on-site facilities, including a tailings pond.

43. Idling costs for the Wolverine Mine are estimated to be in excess of \$500,000 per month, with some seasonal variation.

44. In addition to idling production at the Mines, the Walter Canada Group has sold all of its remaining saleable coal inventory stockpiled at the Mines.

Additional Mine Sites

45. In addition to the Mines, the Walter Canada Group owns the right to mine at various other sites in British Columbia. At present, the only activity in relation to these sites relates to maintaining the coal licenses issued with respect to them.

Belcourt Saxon Coal Limited Partnership

46. In connection with the Western Acquisition, Walter Energy Canada acquired a 50% interest in the Belcourt Saxon Coal Limited Partnership ("**Belcourt Saxon**"), for the purpose of future exploration and development of surface coal mines. The other 50% interest in Belcourt Saxon is owned by a third party unrelated to the Walter Canada Group.

47. Belcourt Saxon owns two multi-deposit coal properties located approximately 40 to 80 miles south of the Wolverine Mine in Northeast B.C. Walter Energy Canada's share of the reserves on these properties is approximately 28.5 million metric tonnes of recoverable coal.

48. The Mines and the 50% interest in Belcourt Saxon are the Walter Canada Group's principal assets.

STAKEHOLDERS, CREDITORS AND KEY AGREEMENTS

Secured Debt and Credit Facility

49. In order to fund the Western Acquisition, Walter US, Western and Walter Energy Canada entered into a credit facility (the "**2011 Credit Agreement**") with Morgan Stanley Senior Funding, Inc., as collateral agent (the "**Collateral Agent**"), the Bank of Nova Scotia ("**BNS**") and the other lenders thereunder (the "**Bank Lenders**") pursuant to which, the Bank Lenders provided certain senior secured credit facilities to Walter US, Western and the Walter Energy Canada.

50. The 2011 Credit Agreement includes a US\$150-million multi-currency secured revolving credit facility (the "**Canadian Revolver**") made available to Walter Energy Canada, pursuant to which Walter Energy Canada is liable for approximately \$22.6 million of undrawn letters of credit issued by BNS.

51. Walter Energy Canada's obligations under the 2011 Credit Agreement are guaranteed by, *inter alia*, the remaining Walter Canada Group entities.

52. In addition to the 2011 Credit Agreement, on April 1, 2011, Walter Energy Canada, Walter Partnership and certain other Canadian subsidiaries of Walter US (the "**Canadian Guarantors**"), and the Collateral Agent entered into a guaranty and collateral agreement (the "**Canadian Guaranty and Collateral Agreement**"), pursuant to which the Canadian Guarantors and Western guaranteed the obligations relating to Canadian Revolver (the "**Canadian Obligations**").

53. Walter US is in default of its obligations under the 2011 Credit Agreement, partly due to the commencement of the Chapter 11 Cases (as described more fully below). The Bank Lenders may have a right to declare that Walter Energy Canada is in default of the 2011 Credit Agreement as well.

Supplier and Other Contracts

54. The Walter Canada Group also has a number of critical contracts with equipment lessors, mechanics, parts suppliers, road maintenance companies, warehouses, offsite equipment storage and repair and environmental consultants. Due to the remote location of the Mines, many of the contracts are with the only available supplier of products and services in the area. Continued supply from these

vendors will be essential for a successful restructuring of the Walter Canada Group. Accordingly, certain pre-filing payments will likely need to be made to these vendors.

55. Additionally, Willow Creek Coal Partnership and Brule Coal Partnerships (the "**Vendors**") have a plan to enter into an agreement with Walter US for the sale of some of the Vendors' redundant equipment for the purchase price of US\$1,200,000, plus applicable taxes, and subject to adjustments (the "**Surplus Equipment Transaction**").

56. The purchase price contemplated under the Surplus Equipment Transaction is equal to the appraised value of the equipment plus the transaction costs, and will provide the Walter Canada Group with some additional funds during the CCAA proceedings. The proposed Monitor has been consulted with respect of the Surplus Equipment Transaction, and proposes to expand the marketing process.

Employees

57. The Walter Canada Group currently employs a total of approximately 315 employees, including approximately 280 inactive employees who are on temporary layoff as a result of the idling of the Mines, and certain employees on disability leave. The Walter Canada Group laid off hundreds of employees as a result of the idling of the Mines.

58. The Walter Canada Group is facing a potential liability of \$11.6 million (the "**Employee Claim**") relating to unionized employee severance costs that may arise if mining operations are not recommenced and the unionized employees at the Wolverine Mine are not recalled to work prior to April, 2016, the date that their employment is deemed to be terminated under the collective agreement governing their employment. A number of other claims have been raised that are currently subject to an application for judicial review.

Mineral Tax Assessment

59. In March, 2015, the B.C. Ministry of Finance issued notices of assessment in relation to the Brule Mine in the amount of \$6,373,623 (the "**Mineral Tax Assessment**") owing in relation to a BC Mineral Tax audit for the 2005-2008 tax periods. The Walter Canada Group negotiated a payment plan with the B.C. Ministry of Finance. There is approximately \$1 million outstanding under this payment plan. In addition, the years of 2010 and 2011 are currently being assessed and the result of the assessment could give rise to an additional mineral tax liability for the Walter Canada Group.

OTHER FINANCIAL ARRANGEMENTS

Hybrid Debt Structure

60. In connection with the Western Acquisition, Walter Energy Canada borrowed approximately US\$2 billion from Walter US for which it issued a promissory note (the “**Note**”) in favour of Walter US and pledged the Subscription Agreement (defined below) to secure repayment of the Note. The funds advanced were used to acquire Western. Interest on the Note is payable in cash or in common shares of Walter Energy Canada.

61. The Note was issued as part of a series of transactions entered into by Walter US, Walter Energy Canada and Walter Energy Holdings, LLC (“**LLC**”), a wholly owned subsidiary of Walter US, to maximize tax efficiencies. In addition to the Note, LLC entered into a subscription agreement with Walter Energy Canada (the “**Subscription Agreement**”), pursuant to which LLC agreed to subscribe for new common shares of Walter Energy Canada on the maturity of the Note for cash equal to the aggregate principal amount of the Note. Walter US also entered into a capital support agreement with LLC (the “**Capital Support Agreement**”) in which Walter US agreed to purchase shares of LLC with cash or by contribution of the Note to assist LLC in meeting its obligations under the Subscription Agreement. Walter US also issued a guarantee in favour of Walter Energy Canada for LLC’s obligations under the Subscription Agreement (the “**Guarantee**”). The Subscription Agreement, the Capital Support Agreement and the Guarantee are described collectively as the “**Hybrid Debt Structure**”.

Cash Management System

62. The partnerships comprising the Walter Canada Group maintain Canadian dollar and U.S. dollar accounts with BNS. Under the current arrangement, BNS permits certain of the accounts to have a negative dollar balance without applying its overdraft policy so long as the balance in all of the accounts, on a net basis, is positive. Funds are transferred between accounts to establish a positive balance in each account. Certain intercompany receivables are booked in relation to these transfers which are ultimately treated as partnership distributions made by the Partnerships to Walter Partnership and as capital contributions made by Walter Partnership to the Partnerships. In addition, payments are made to the Walter Partnership account in respect of shared services, royalty agreements and other transactions in the ordinary course of business. This system is referred to as the “**Cash Management System**”. All of the bank accounts are located in Canada, but are generally managed by Walter US, the entity responsible for the receipt and management of the vast majority of accounts receivable and for the disbursement of the vast majority of accounts payable incurred by the Walter Canada Group.

ENVIRONMENTAL MATTERS

63. The Walter Canada Group's operations are subject to environmental assessment under BC environmental legislation. Any significant changes to their operations or further development of the mine sites in B.C. may trigger a federal or provincial environmental assessment, or both.

64. In addition, the Walter Canada Group has certain reclamation and conservation obligations.

65. Estimates of the Walter Canada Group's total reclamation liabilities are based on permit requirements and its experience with similar activities. As of October 31, 2015, the Walter Canada Group accrued US\$57.4 million in respect of its asset retirement obligations for all of the Walter Canada Group's mining operations until the end of the lives of each mine using a net present value calculation. The calculation incorporated estimates of all reclamation costs on the basis that the mines would be in continuous operation until the end of the life of each mine. A separate reclamation estimate was prepared by a third party environmental consultant for the Brule and Wolverine Mines, as a component of the five-year mine plans, on the assumption that the reclamation of the now idled mine sites would occur in the near term (rather than at the end of the life of each mine). On this basis, the environmental consultant has estimated reclamation obligations at approximately \$12-14 million per mine. Assuming that Willow Creek reclamation costs are in the same range as the other mines, the total reclamation costs are estimated to be \$36-42 million. These reclamation obligation estimates are based upon the five year mine plans that have not yet been approved by the Ministry of Energy and Mines.

66. As of October 2015, the Walter Canada Group had posted letters of credit for post-mining reclamation, totaling approximately \$22.6 million (collectively, the "**Mining Permits**").

67. The Mining Permits are non-assignable and non-transferrable unless amended.

68. In addition to the Mining Permits, the Walter Canada Group has various other licences and permits required for operation of the Mines. It is imperative that the Walter Canada Group retains all of these throughout the restructuring proceedings to ensure that the Mines can continue to operate and that mining activities can resume, should conditions improve. The rights under these permits/licences are also necessary to preserve enterprise value.

69. There are currently no orders or charges issued for any environmental non-compliance.

CHAPTER 11 CASES

70. On July 15, 2015, Walter US and a number of its U.S. subsidiaries (the "**US Petitioners**") filed voluntary petitions for relief pursuant to Chapter 11 of the U.S. Bankruptcy Code (the "**Chapter 11**").

Cases") with the United States Bankruptcy Court in Birmingham, Alabama which resulted in the granting of a cash collateral order (the "**Cash Collateral Order**").

71. The Cash Collateral Order required the US Petitioners to commence a sales process which has resulted in the approval of a stalking horse asset purchase agreement (the "**US APA**") that will, if it is the successful bid, result in the sale of the majority of the assets of Walter US and its subsidiaries. The shares of the Walter Canada Group and the assets held by the Walter Canada Group are not part of the assets being sold.

72. The US Petitioners engaged PJT Partners Inc. ("**PJT**") to assist with their restructuring efforts, including the US APA.

73. Once the sale contemplated by the US APA is complete, Walter US will no longer be able to financially support the Walter Canada Group. Further, it will no longer be able provide essential management services, including accounting, procurement, environmental management, tax support, treasury functions and legal advice.

74. The Cash Collateral Order also requires that an independent director be appointed to the board of Walter Energy Canada before a marketing process with respect to Walter Canada Group's assets or a restructuring is commenced.

75. In addition, the Cash Collateral Order requires the Walter Canada Group to obtain the consent of a committee of certain lenders under the 2011 Credit Agreement (the "**Steering Committee**") before commencing insolvency proceedings or disposing of their assets.

76. The Steering Committee has been advised and has not objected to the relief the Petitioners are seeking and has waived the requirement that an independent director be appointed to the board of Walter Energy Canada.

77. Concurrently with the US sales process, PJT has been canvassing the market in an attempt to find a purchaser for the assets of the Walter Canada Group.

DOWNTURN IN METALLURGICAL COAL MARKET

78. Metallurgical coal markets are influenced by the level of crude steel production, which in turn depends on global economic conditions. In recent years, the global market for metallurgical coal has sharply declined. Recessionary forces in the global economy reduced global demand for metallurgical coal and resulted in a decline in its price.

79. The price of hard coking coal fell from US\$220 per tonne in 2011 to US\$121 per tonne in 2014. The price of PCI coal fell from US\$144-180 per tonne in 2011 to US\$107 per tonne in 2014.

80. Metallurgical coal prices are expected to remain depressed throughout 2015, with a modest recovery expected in early 2016.

81. At current prices, even with the modest recovery expected in early 2016, the Walter Canada Group anticipate that metallurgical coal production will remain uneconomic for the immediately foreseeable future.

82. Due to the high cost of coal extraction in Northeastern B.C., low coal prices and the near-term market outlook, the Walter Canada Group commenced efforts to contain costs, including a reduction in capital spending.

83. Accordingly, the Walter Canada Group placed the Mines in care and maintenance in order to reduce costs and minimize losses while the metallurgical coal market remains depressed. The Walter Canada Group have taken steps to ensure that the Mines can return to production quickly if market conditions warrant.

84. The suspension of mining operations was intended to be temporary, and the Walter Canada Group intended to resume operations once existing inventories had been depleted and metallurgical coal prices had recovered. However, the idling of the Mines has been prolonged because metallurgical coal prices continue to worsen and there is significant global overcapacity. The Walter Canada Group continues to monitor developments such as the weakening Canadian dollar and declining diesel fuel prices to assess whether and when to resume mining operations. Given the recent developments in the Chapter 11 Cases, the Walter Canada Group does not have sufficient resources to wait and see whether the market for Canadian coal will improve.

INSOLVENCY AND CCAA PROTECTION

85. A combination of the factors set out above, most notably the developments in the Chapter 11 Cases and the global downturn in metallurgical coal prices, have necessitated CCAA protection for the Walter Canada Group to enable it to restructure their affairs and return to profitability to the benefit of all stakeholders.

86. The value of the Walter Canada Group's assets was significantly reduced a result of idling production at the Mines and otherwise curtailing operations.

87. As a result of curtailing operations at the Mine and the sale of all remaining coal inventory at the Mines, the Walter Canada Group is not producing coal and are not generating revenue. Their survival

depends on having sufficient capital to maintain and eventually restart the Mines when coal prices improve.

88. As noted above, the annual costs associated with idling the Mines are in excess of \$16 million. Significant working capital investments are required before any of the mining operations can be restarted. Based on current known obligations and without considering contingent or potential claims, the Walter Canada Group do not have sufficient funding to restart the Mines.

89. The Walter Canada Group was relying on financial support from Walter US to restart the Mines when warranted by market conditions. However, in light of the developments in the Chapter 11 Cases, and in particular the US APA, Walter US has advised the Walter Canada Group that it will not be able to provide financial support or essential management services after the sale contemplated by the US APA is complete.

90. The Walter Canada Group will not be able to restart the Mines without alternative sources of financing.

91. At this time, the available liquid assets of the Walter Canada Group plus the aggregate, realizable value of their other assets, if sold in an expedited fashion in current market conditions, is not sufficient to enable the Walter Canada Group to pay its obligations that are due or will become due.

92. Absent court protection, the Walter Canada Group will exhaust its remaining cash within six months.

93. Accordingly, given:

- (a) The costs in excess of \$16 million per year associated with maintaining the Mines in an idled state, with limited offsetting revenue;
- (a) the liabilities in respect of the Canada Revolver of approximately of \$22.6 million with associated annual fees and interest expenses;
- (b) the Employee Claim and potential other employee claims;
- (c) the Mineral Tax Assessment and potential additional liabilities relating to years that have not yet been assessed;
- (d) the loss of the financial support normally provided by Walter US as a consequence of developments in the Chapter 11 Cases; and

- (e) the pending loss of essential managerial and back office support that will occur upon the consummation of the US APA,

it is appropriate that the relief sought hereunder be granted to enable the Walter Canada Group to pursue a restructuring strategy while it still has sufficient liquidity available.

PLAN OF ARRANGEMENT

94. Given the above, to successfully restructure, the Walter Canada Group needs to survive the depressed coal prices with sufficient capital to restart operations. Accordingly, the most viable restructuring option available to the Walter Canada Group currently is a sale of their assets.

95. While the precise terms of a plan of arrangement for the Walter Canada Group will need to be finalized, the Walter Canada Group has already taken a number of steps to address its current problems, including the entering into the Surplus Equipment Transaction.

96. A successful restructuring would entail, among other things, the de-integration of the Walter Canada Group's management and operations from the U.S. entities and working with applicable governmental authorities to establish an independent sales process to maximize value for the stakeholders. If the Walter Canada Group is able to find a buyer expeditiously, they will be able to prepare a plan of arrangement that will be acceptable to its creditors. However, if a buyer cannot be found within a relatively short time frame, it will be necessary for the Walter Canada Group to permanently cease operations.

PROPOSED MONITOR

97. KPMG Inc. has consented to be appointed monitor in these proceedings.

PART 3: LEGAL BASIS


1. *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended;
2. *Supreme Court Civil Rules*, B.C. Reg. 241/2010, as amended, and in particular Rules 2-1(2), 4-4, 8-1, 8-2, 16-1, 22-1 and 22-4 thereof; and
3. the inherent and equitable jurisdiction of this Honourable Court.

PART 4: MATERIAL TO BE RELIED ON

1. Affidavit #1 of William G. Harvey sworn December 4, 2015; and
2. such further and other material as counsel may advise and this Honourable Court may allow.

The petitioners estimate that the hearing of the petition will take two hours.

December ^{4th} 2015
Dated _____



Signature of counsel for petitioners
(Marc Wasserman/Mary I.A. Buttery)

To be completed by the court only:

Order made

in the terms requested in paragraphs _____ of Part 1 of this petition

with the following variations and additional terms:

Date: _____

Signature of Judge Master

SCHEDULE "A"

Petitioners

1. Walter Canadian Coal ULC
2. Wolverine Coal ULC
3. Brule Coal ULC
4. Cambrian Energybuild Holdings ULC
5. Willow Creek Coal ULC
6. Pine Valley Coal, Ltd.
7. 0541237 B.C. Ltd.

SCHEDULE "B"

Partnerships

1. Walter Canadian Coal Partnership
2. Wolverine Coal Partnership
3. Brule Coal Partnership
4. Willow Creek Coal Partnership

NO.
VANCOUVER REGISTRY

IN THE SUPREME COURT OF BRITISH COLUMBIA

IN THE MATTER OF THE *COMPANIES' CREDITORS*
ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED

AND

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AND

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

PETITIONERS

PETITION TO THE COURT

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