File 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

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

PRE-FILING REPORT OF THE PROPOSED MONITOR, KPMG INC.

DECEMBER 6, 2015

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INTRODUCTION

1. KPMG Inc. (“**KPMG**” or the “**Proposed Monitor**”) understands that Walter Energy Canada Holdings, Inc. (“**WECH**”), Walter Canadian Coal ULC (“**WCC**”), Wolverine Coal ULC (“**WC**”), Brule Coal ULC (“**BC**”), Cambrian Energybuild Holdings ULC (“**CEH**”), Willow Creek Coal ULC (“**WIC**”), Pine Valley Coal Ltd. (“**PVC**”) and 0541237 BC Ltd. (collectively, the “**Petitioners**”) intend to bring an application before this Honourable Court seeking certain relief (in the form of an initial order (the “**Proposed Initial Order**”)) under the *Companies’ Creditors Arrangement Act*, R.S.C 1985, c. C-36, as amended (the “**CCAA**”) granting, *inter alia*, a stay of proceedings until January 6, 2016 and appointing KPMG as Monitor (the “**Monitor**”). The Petitioners will also request that this Honourable Court exercise its jurisdiction to extend a stay of proceedings and other relief as set out in the Proposed Initial Order to certain of the Petitioners’ partnerships and affiliates listed on Schedule “A” hereto (collectively with the Petitioners, “**Walter Canada**”). The proceedings to be commenced by the Petitioners under the CCAA will be referred to herein as the “**CCAA Proceedings**”.

2. This pre-filing report (the “**Pre-Filing Report**”) has been prepared by the Proposed Monitor prior to and in contemplation of its appointment as Monitor in the CCAA Proceedings to provide information to this Honourable Court for its consideration of the Petitioners’ initial CCAA application.

3. The purpose of this Pre-Filing Report is to provide the following information to this Honourable Court:

   a) KPMG’s qualifications to act as Monitor (if appointed);

   b) A general background to the proposed CCAA Proceedings and a business overview of Walter Canada, including its existing cash management system;

   c) An overview of environmental matters in respect of Walter Canada’s operations;

   d) An overview of Walter Canada’s 13-week cash flow forecast (the “**CCAA Cash Flow Forecast**”) and the Proposed Monitor’s assessment thereof;

e) The relief being sought in the Proposed Initial Order, including the proposed Court-ordered Directors' Charge and the Administration Charge, all as further described herein; and

f) The Proposed Monitor's conclusion.

REPORT RESTRICTIONS AND SCOPE LIMITATIONS

4. In preparing the Pre-Filing Report and making the comments herein, the Proposed 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:

   a) The Proposed Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Proposed 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 Proposed Monitor expresses no opinion or other form of assurance in respect of the Information; and

   b) Some of the information referred to in this Pre-Filing Report consists of forecasts and projections. An examination or review of the financial forecasts and projections, as outlined in the *Chartered Professional Accountants Canada Handbook*, has not been performed.

5. Future oriented financial information referred to in this Pre-Filing Report was prepared based on Management's estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, the actual results will vary from the projections, even if the assumptions materialize, and the variations could be material.

6. The information contained in this report is not intended to be relied upon by any prospective purchaser or investor in any transaction with Walter Canada.

7. Unless otherwise stated all monetary amounts contained herein are expressed in Canadian Dollars ("**C$**" or "**CAD**")**.**

KPMG'S QUALIFICATIONS TO ACT AS MONITOR

8. KPMG is a trustee within the meaning of section 2(1) of the *Bankruptcy and Insolvency Act* (Canada). Further, KPMG is not subject to any of the restrictions on who may be appointed as Monitor set out in section 11.7(2) of the CCAA.

9. KPMG has consented to act as Monitor of the Petitioners should this Honourable Court grant the Petitioners' request to grant the Proposed Initial Order.

10. The Proposed Monitor has retained McMillan LLP to act as its independent counsel.

11. KPMG was first introduced to Walter Canada in April 2015 and was formally engaged as financial advisor to Walter Canada on or about April 14, 2015. Since it first became involved with Walter Canada, KPMG has been provided with updates regarding the activities of Walter Canada including the ongoing restructuring process in the U.S. as it relates to the parent company, Walter Energy, Inc. ("**Walter Energy U.S**.") and any developments related to Walter Canada. This involvement has enabled KPMG to form preliminary observations related to certain of the relief Walter Canada is now seeking. It has been agreed to by WECH that KPMG's engagement as financial advisor will terminate immediately upon the appointment of KPMG as Monitor, if so appointed.

12. KPMG LLP has provided tax services to Walter Canada since 2011. KPMG LLP has also provided tax services to Walter Energy U.S. since 2009. We do not consider our role as tax advisor or as financial advisor to Walter Canada as a conflict of interest as it relates to KPMG's role as Monitor.

BACKGROUND REGARDING THE PETITIONERS AND THEIR APPLICATION FOR RELIEF UNDER THE CCAA

Overview

13. As is more fully described herein and in the Initial Order Affidavit (as subsequently defined), Walter Canada is facing business and operational challenges that have necessitated its request for relief under the CCAA, including but not limited to:

    a) A challenging metallurgical coal market which has forced Walter Canada to idle its mines and implement care and maintenance programs until market conditions improve. As a result, Walter Canada will not generate revenue from operating activities until mining operations resume;

    b) Significant ongoing costs of approximately $16 million per year which are required to continue the care and maintenance activities of the mines and fund Walter Canada's other ongoing costs;

    c) Material known obligations that are currently due or accruing due in the near term;

    d) Finite cash resources that will be depleted as mining operations remain idled and ongoing costs are funded. The depletion of these resources will materially and adversely affect the Petitioners' ability to resume mining operations as and when market conditions improve; and

    e) The pending loss of financial and managerial support from Walter Energy U.S. (Walter Canada's ultimate parent company) as a result of developments in its Chapter 11 Cases in the U.S. (as subsequently defined and described herein).

14. The Proposed Monitor understands that the primary purpose and intent of these CCAA proceedings is to:

    a) Stabilize the affairs of Walter Canada;

    b) Initiate discussions with stakeholders including the appropriate governmental authorities with regard to the status of the mines; and

    c) With the assistance of its advisors and the Proposed Monitor, initiate a comprehensive program to sell, refinance or recapitalize the operations of Walter Canada, likely through a Sales and Investment Solicitation Process ("**SISP**"), which is to be developed.

Background

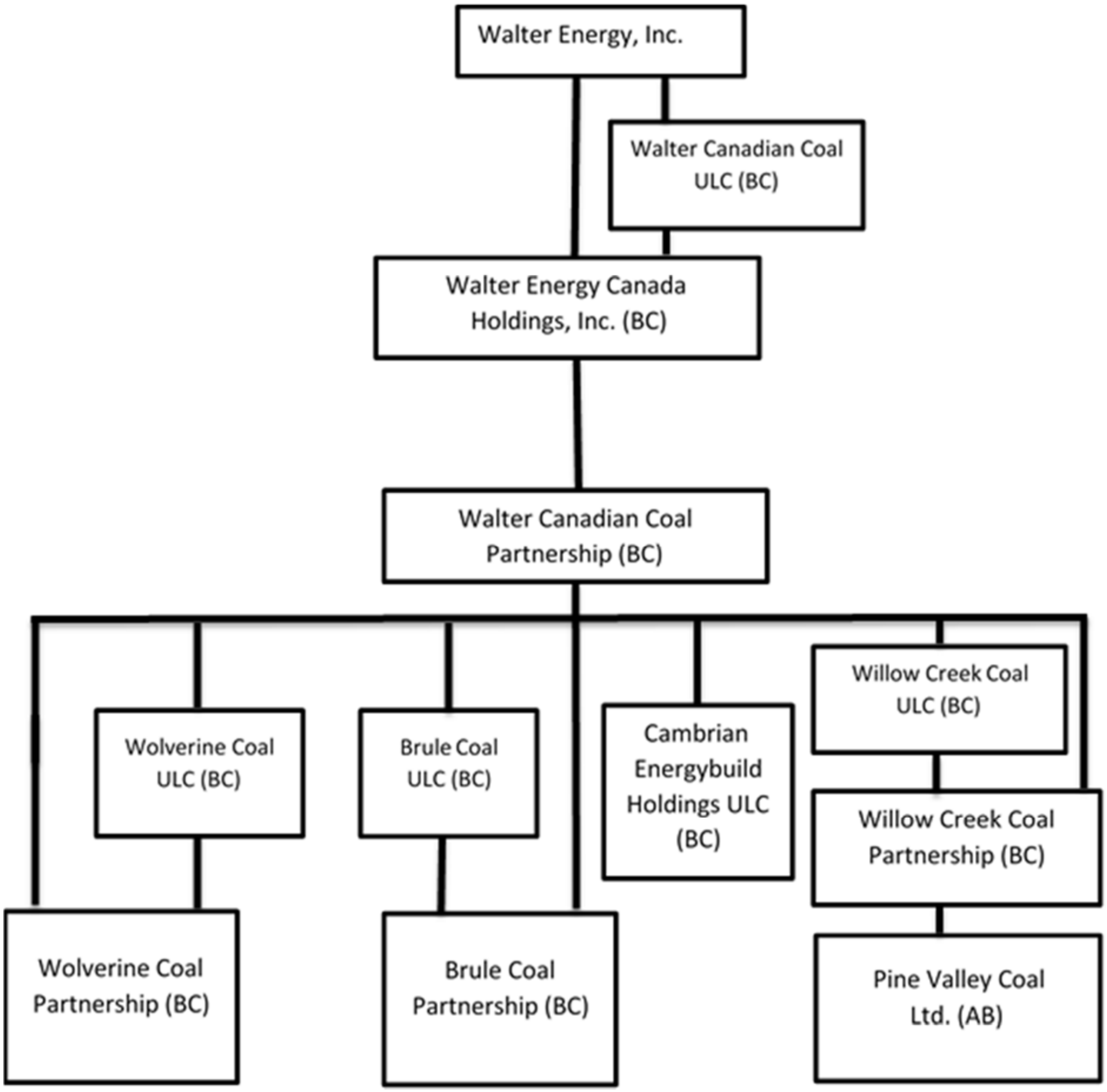
15. A comprehensive background with respect to the Petitioners including recent events leading up to their CCAA application and their current state of affairs can be found in the Affidavit of William G. Harvey sworn December 4, 2015 and filed in support of the Petitioners' application to this Honourable Court for relief under the CCAA (the "**Initial Order Affidavit**") and is therefore not repeated herein. Capitalized terms used herein and not otherwise defined have the meaning given to them in the Initial Order Affidavit.

16. WECH was formerly Western Coal Corp. ("**Western Coal**") which was acquired by Walter Energy U.S. in April 2011. As a result of the downturn in global coal markets, Walter Energy U.S. faced several financial challenges and filed for bankruptcy protection under Chapter 11 of the U.S. Bankruptcy Code on July 15, 2015. As a result of a sale process underway in Walter Energy U.S.' insolvency proceedings where its senior lenders have advanced a stalking horse bid with an auction set for January 5, 2016, the majority of Walter Energy U.S.' assets are expected to be sold to a new company effective late February 2016. Walter Canada and its assets are not included in the stalking horse bid and Walter Canada will likely be left without financial or operational support from its parent company by the end of February 2016 unless other arrangements are made with the purchaser.

17. Walter Canada produces and exports metallurgical coal for the global steel industry from its operations in northeastern British Columbia**,** and Walter Canada's UK subsidiaries produce anthracite coal (mainly for power generation) from their operations in the United Kingdom. Weakening steel demand globally has led to dramatic decreases in metallurgical coal prices that have made the mining, processing and sale of metallurgical coal unprofitable for the Petitioners. As a result, Walter Canada ceased coal mining between April 2013 and June 2014 at its three sites and has placed its mines into care and maintenance. Between May 2014 and September 2015, Walter Canada processed and sold the remaining stores of substantially all of its mined coal and has no projected revenue at this time.

Ownership Structure

18. As shown in the simplified corporate organization chart below, WECH is a wholly owned subsidiary of Walter Energy U.S. WECH holds a 99.99% interest in the Walter Canadian Coal Partnership ("**WCCP**"), which in turns holds a 99.99% interest in three partnerships: Brule Coal Partnership ("**BCP**"), Willow Creek Partnership ("**WiCP**") and Wolverine Coal Partnership ("**WoCP**") that each own one mine. The remaining 0.01% interests in each of the partnerships are held by unlimited liability companies, WCC, WC, BC and WIC. A fourth partnership (Belcourt Saxon LP. ("**BSLP**")) holds WECH's joint venture interest in the Belcourt Saxon development property. WCCP also owns CEH which owns Energybuild Group Limited, a UK based company that ultimately owns an anthracite coal mine in South Wales (collectively, these UK based companies will be referred to herein as "**Walter UK**"). A more detailed corporate organization chart of Walter Energy U.S.'s, Canadian and UK companies is attached hereto as Schedule "B".



Walter Canada's Canadian Operations

19. Walter Canada maintains three surface metallurgical coal mines in northeast BC's coal fields. It also owns a 50% joint venture interest in the Belcourt Saxon development property. The Proposed Monitor understands the other Belcourt Saxon joint venture partner is (indirectly through Peace River Coal) Anglo American plc, a multi-national mining company. The table below summarizes certain information with respect to Walter Canada's Canadian operations.

Walter Canada Summary Table					
Site Attributes	**Walter Canada Mine Site / Office Locations**				
	Brule	**Willow Creek**	**Wolverine / Perry Creek**	**Belcourt Saxon Properties**	**NEBC Regional Office**
Location	28 miles south of Chetwynd, B.C.	28 miles west of Chetwynd, B.C.	15 miles south of Tumbler Ridge, B.C.	Tumbler Ridge, B.C. (55 miles south)	Tumbler Ridge, B.C.
Product	Metallurgical/ PCI(1)				N/A
On-site processing and rail load out	No - coal shipped to Willow Creek for processing	Yes	Yes	N/A	N/A
Parent Company	WECH through Walter Canadian Coal Partnership			JV between Belcourt Saxon LP (50%) and Peace River Coal (50%)	WECH
Estimated Operating Mine Life (years)(2)	8	10	4(3)	N/A	N/A
Estimated Reserves (million metric tons)(4)	16.6	16.6	8.8	15.5	N/A
Operating Status	Care & maintenance(5)			Exploration Property	N/A
Average number of employees when operating(4)	200	350	425	N/A	N/A
Organization of employees(4)	Non Unionized	CLAC (Christian Labor Association of Canada)	USW (United Steelworkers)	N/A	N/A
Estimated monthly care & maintenance costs (C$)(6)	$652,000	Included in Brule costs	$515,000	N/A	$163,000
Annual license renewal payments(6)	Included in estimated monthly care & maintenance costs			$402,000 (Belcourt Saxon's 50% share)	
Current Headcount	4	4	4		7

(1) PCI = pulverized coal injection
(2) Source = Walter Energy, Inc. Form 10K Annual Report for the year ended December 31, 2014 and Initial Order Affidavit
(3) Operating mine life may be extended up to 10 years if nearby sites developed
(4) Source = Initial Order Affidavit
(5) Brule, Willow Creek and Wolverine mines idled in June, May and April, 2014, respectively.
(6) Source = Walter Canada 2016 budget dated September 2, 2015

20. Walter Canada's mines are idled and being managed under a regimented care and maintenance program. All equipment has been winterized. Walter Canada's staff complement has been reduced to 19 full time employees: 12 of whom provide security at the mine sites while the remaining 8 individuals provide maintenance, general management, environmental monitoring and reporting, and engineering support. In addition, up to 7 part-time employees have been retained to perform specific tasks as needed.

21. Walter Canada holds other coal permits adjacent to or nearby the above-noted operations that could extend the life of its operations in British Columbia.

22. Walter Canada's officers and directors consist of:

a) Mr. William Harvey, Chief Financial Officer of WECH;

b) Mr. Dan Stickel, President of WECH and Director of all Walter Canada entities as well as a director of Walter UK; and

c) Mr. Al Kangas, General Manager of Walter Canada and Director of Pine Valley Coal Ltd.

23. Walter Canada's officers and directors have agreed to continue in their exiting roles, at least in the near term, during the CCAA Proceedings (should the Proposed Initial Order be granted).

Walter Canada's Financial Position

24. Consolidated financial information is provided below and select unconsolidated financial information for Walter Canada is set out for illustrative purposes in Schedule "C".

<u>Assets</u>

25. The table below presents a consolidated summary of Walter Canada's assets pursuant to their books and records as at October 31, 2015, updated where possible for known material transactions and events subsequent thereto.

Walter Canada **Consolidated Asset Summary (unaudited)** **As at October 31, 2015 (unless otherwise noted below)** **($ millions)**	**Note Reference**	**US$**	**C$[1]** **Equivalent**
Assets			
Cash	2	40.6	53.1
Accounts Receivable	2	-	-
Inventory	3	28.8	37.7
Prepaids and Security Deposits		2.0	2.6
Due from (to) Walter Energy US		(8.1)	(10.6)
Due from Walter UK		0.7	0.9
Land, Building, Leaseholds, Machinery and Equipment, net		75.4	98.7
Deferred Tax Assets		3.5	4.6
Investment In Walter UK	4	233.4	305.3
Total Assets[5]		**376.3**	**492.4**

Notes:

1. US$ converted to C$ at October 30, 2015 rate of US$1 = C$1.3083.
2. Represents the consolidated cash balance for week beginning December 5, 2015. The accounts receivable balance as at October 31, 2015 was approximately US$16.3 million and related primarily to WECH's final coal shipment for which payment was received in the week ended November 14, 2015.
3. Consists of remaining coal inventory and supplies and stores inventory.
4. Walter UK has idled its operations.
5. Total assets differs from October 31, 2015 balance sheet by approximately US$2.7 million on account of the net negative cash flow experienced by Walter Canada between October 31, 2015 and December 4, 2015.

26. Walter Canada's assets currently consist of cash generated primarily from the sale of its coal inventories since the spring of 2014, mining equipment and plants, supply and store's inventory, an intercompany receivable due from Walter UK and its investment in Walter UK.

Liabilities

27. The table below presents a consolidated summary of Walter Canada's liabilities pursuant to Walter Canada's books and records as at October 31, 2015, updated where possible for known material transactions and events subsequent thereto.

Walter Canada **Consolidated Liabilities Summary (unaudited)** **As at October 31, 2015 (unless otherwise noted)** **($ millions)**	**Note Reference**	**US$**	**C$[1] Equivalent**
Liabilities			
Accounts Payable and Accrued Expenses		4.3	5.6
Deferred Tax Liability		3.5	4.6
Mineral Tax Liability (2005-2009)	2	0.8	1.0
Other Tax Accruals	3	2.1	2.8
Asset Retirement Obligation	4	57.4	75.1
Other Long term Liabilities		0.9	1.1
Total Liabilities		**69.0**	**90.3**
Contingent or unrecorded liabilities[7]			
USW Severance and Other USW Claims	5	14.2	18.6
Letters of Credit	6	16.9	22.1
Total Contingent Liabilities		**31.1**	**40.7**
Total Recorded and Contingent Liabilities		**100.1**	**131.0**

Notes:
1. US$ converted to C$ at October 30, 2015 rate of US$1 = C$1.3083.
2. Represents one remaining payment on account of Walter Canada's assessed mineral tax liability in respect of the period 2005-2009.
3. Walter Canada's estimate of its other potential tax liability exposures. This amount is accrued in Walter Canada's financial statements, but remains subject to assessment by the taxation authorities.
4. Accounting estimate of costs to reclaim Walter Canada's mine sites at the end of their useful lives, assuming the mines continued to operate to the end of their estimated useful lives.
5. Consists of Walter Canada's estimate of its potential obligations estimated to be owing in respect of approximately 300 temporarily laid off employees from the Wolverine mine who are members of the USW for possible severance, notice and benefit entitlements if they are not recalled to work prior to April 2016.
6. Potential claim from Bank of Nova Scotia to fund outstanding letters of credit in favour of certain regulators, including the Chief Inspector of Mines, for future reclamation costs.
7. These items are not currrently recorded in Walter Canada's balance sheet.

28. Since the complete idling of its operations in the spring of 2014, Walter Canada has paid its suppliers and employees in the normal course. As employees were terminated they received working notice and/or severance payments as applicable. Following Walter Energy U.S.' Chapter 11 filing in July 2015, several suppliers have requested payment in advance or upon delivery of supply or service. Accordingly, Walter Canada's trade accounts payable balance has declined. The balance of Walter Canada's liabilities as at October 31, 2015 consist of:

a) Accounts payable and accrued liabilities totaling $4.3 million which includes current trade payables and accruals for outstanding transportation rebates and costs related to relocating assets for a former mine contractor whose assets remain at the Brule site;

b) Mineral taxes – In June 2015, the British Columbia Ministry of Finance finalized its assessment of Walter Canada's mineral tax accounts in respect of its 2005-2009 taxation years at $6.4 million, which include assessed interest and penalties. Walter Canada entered into a monthly repayment plan with the British Columbia Ministry of Finance whereby this liability would be repaid in equal installments over six months between July and December, 2015. One final payment of approximately US$0.8 million ($1.0 million) is due in December 2015; and

c) Asset retirement obligations – As at October 31, 2015 Walter Canada's accounting liability in connection with reclaiming activities with respect to the mines to the end of their lives was approximately US$57.4 million. This liability is calculated based on the estimated number of hectares to reclaim at the end of the mines' lives multiplied by the reclamation cost per hectare based on Walter Canada's recent reclamation activities, all discounted to their present value. The actual cost to reclaim Walter Canada's mines sites may differ materially from this accounting estimate. As noted in the Initial Order Affidavit, Walter Canada estimates that the cost to reclaim the mines in their current state (i.e. if the reclamation work was to be undertaken now rather than at the end of the life of the mines) could be in the range of $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.

29. Excluded from the above summary of liabilities are Walter Canada's obligations with respect to a hybrid note of US$2.0 billion (the "**Hybrid Note**") that was issued to Walter Energy U.S. in connection with the funding it provided on the purchase of Western Coal in 2011. The Hybrid Note structure is described in the Initial Order Affidavit. The Hybrid Note obligation is recorded on Walter Canada's financial statements as capital surplus (i.e. equity).

<u>Liquidity</u>

30. Walter Canada currently has approximately US$40.6 million of cash which is expected to be used to maintain its idled operations under its existing care and maintenance program as well as carry out its restructuring plans. However, it has no sources of operating revenue and insufficient funds to restart the mines in light of the several liabilities due and accruing that may deplete Walter Canada's cash considerably in the near term. These liabilities include accounts payable of US$4.3 million, mineral tax liabilities in respect of 2005-2009 of US$0.8 million (total US$5.1 million) and contingent claims totaling US$31.1 million (estimated USW claims of US$14.2 million and outstanding letters of credit US$16.9 million). These represent the claims that are known to Walter Canada; additional unidentified claims may exist that have not yet been advanced or asserted.

31. The Proposed Monitor understands that if these liabilities must be satisfied in the short term then Walter Canada's liquidity would be depleted significantly prior to accounting for the Company's regular forecast cash flow requirements. Accordingly, management has advised the Proposed Monitor that it requires the protection of this Honourable Court to allow Walter Canada time to implement its restructuring plans.

Cash Management System

32. Walter Canada utilizes an account network at the Bank of Nova Scotia ("**BNS**"). Each of WCCP and the three Canadian partnerships (BCP, WiCP and WoCP) maintain a Canadian Dollar and a U.S. Dollar account at BNS.

33. Walter Canada’s cash handling functions, along with many of its other administrative and management functions, are generally managed by Walter Energy U.S. pursuant to a Management Services Agreement. Currently, Walter Energy U.S. is responsible for the receipt and management of the majority of Walter Canada’s receipts and disbursements.

34. In the near term, the Proposed Monitor proposes to oversee Walter Canada’s bank accounts and disbursements by conducting weekly reviews of:

a) Purchase orders that Walter Canada intends to issue to ensure such expenses are required for the care and maintenance of Walter Canada’s mines and assets; and

b) Planned disbursements (i.e. cheques and wire transfers) to ensure that such disbursements i) are properly supported with purchase orders, ii) were approved before the services or goods were received and iii) that if the payment relates to the pre-filing period, the supply and/or service was required for the care and maintenance of Walter Canada’s mines and assets.

35. The Proposed Monitor is advised that full custody of the bank accounts and related authorities will be fully transitioned over to Walter Canada executives and employees in the short term.

Walter UK

36. As noted above, WECH owns 100% of the shares of CEH, which in turns owns the Walter UK companies. Walter UK’s primary asset is an underground development mine located in South Wales that, until it was idled earlier this year, produced anthracite coal. Walter UK has reduced development spending of this mine since 2012 due to challenges related to an oversupply of coal and decreased demand. Since being idled, staffing has been reduced to seven employees that provide security, management, environmental monitoring and reporting and limited sales of thermal coal to coal merchants that sell coal to businesses and residences to heat their properties.

37. The Walter UK mine is currently in a "hot" idled state such that fans and water pumps are operating underground to ensure that air moves throughout the mine and ground water is removed so that the mine does not fill with water.

38. Walter UK operates relatively independently of WECH and Walter Energy U.S. and maintains its own accounts and financial and operating records. Walter UK has historically received financial support from Walter Energy U.S. and Walter Canada. Walter UK would no longer receive financial and management support from Walter Energy U.S. in the event that the sale transaction contemplated in Walter Energy U.S.'s Chapter 11 proceedings is completed.

39. Walter UK's recent financial reporting indicates that it currently has approximately US$2.6 million in cash as of December 5, 2015. This balance results primarily from US$3 million in funding provided by Walter Canada in June 2015. Walter Energy U.S. management has estimated the annual costs to maintain the mine in its current state to be approximately US$3.6 million. Accordingly, Walter UK is projected to have sufficient funding to maintain the mine until approximately the end of the third quarter of 2016 barring any unforeseen circumstances.

40. The Proposed Monitor understands that Walter UK is relatively current with its suppliers and its creditor pool is small both in number and amounts due to creditors. The insurance coverage expires on December 31, 2015, but Walter Energy U.S. is arranging renewal of the insurance at least until the end of February 2016. Walter UK estimates that the reclamation liabilities associated with the mine are approximately £2-3 million (US$3-4.5 million).

41. The Proposed Monitor intends to work with WECH and Walter UK to develop a plan to maximize value for its stakeholders as the CCAA proceeding progresses.

ENVIRONMENTAL MATTERS

42. Walter Canada's operations are subject to various environmental laws and regulations including the *Environmental Assessment Act, the Mines Act, the Environmental Management Act and the Fisheries Act*. Walter Canada manages several environmental matters that include ongoing environmental monitoring and reporting and mine reclamation activities.

43. The Proposed Monitor has reviewed the Initial Order Affidavit, particularly paragraphs 53 to 59 and 85 to 95 with respect to environmental permitting, reclamation and bonding requirements. To better understand these matters, the Proposed Monitor has retained a third party environmental consultant, Knight Piesold, to provide the Proposed Monitor with ongoing advice and analysis with respect thereto.

44. The Proposed Monitor understands that as part of its restructuring efforts and CCAA filing, the Petitioners intends to meet with the relevant regulators as soon as practicable after the CCAA filing to discuss environmental permitting, reclamation and bonding matters and options that may exist to maximize value for Walter Canada's stakeholders. The Monitor intends to participate in these discussions.

CCAA CASH FLOW FORECAST AND PROPOSED MONITOR'S ASSESSMENT THEREOF

45. Walter Canada, with the assistance of the Proposed Monitor, has prepared the CCAA Cash Flow Forecast on a consolidated basis for the period from December 5, 2015 to March 5, 2016 (the "**Cash Flow Period**"). A copy of the CCAA Cash Flow Forecast, Management's representation thereon and the Pre-Filing Monitor's report thereon are attached as Schedule "D" to this Pre-Filing Report.

46. The CCAA Cash Flow Forecast is presented on a weekly basis and represents Management's estimates of the projected cash flow during the Cash Flow Period. The CCAA Cash Flow Forecast has been prepared by Management of Walter Canada using probable and hypothetical assumptions set out in notes to the CCAA Cash Flow Forecast.

47. The Proposed Monitor has reviewed the CCAA Cash Flow Forecast as to its reasonableness as required by Section 23(1) (b) of the CCAA. In accordance with the requirements of the CCAA, the Proposed Monitor provides its report on the CCAA Cash Flow Forecast in prescribed form (attached at Schedule "D"). As stated in its report, nothing has come to the Proposed Monitor's attention that indicates that the CCAA Cash Flow Forecast is unreasonable given its stated assumptions.

48. A summary of the CCAA Cash Flow Forecast is set out in the table below:

Walter Energy Canada Holdings Inc. et al	
Consolidated Cash Flow Forecast Summary	
Unaudited (USD $000)	
For the 13-week period	
December 5, 2015 to March 5 2015	
Cash Inflow	
Asset Sales	$ 910
Other Receipts	164
Total Cash Inflow	**1,074**
Cash Outflow - Operating Disbursements	
Payroll	(459)
Payroll Taxes	(191)
Benefits	(68)
Operating Leases and Storage Facilities	(34)
Taxes	(1)
Mineral Taxes	(802)
Utilities	(141)
Fuel	(36)
Maintenance, Supplies, & Other Op. Exp.	(782)
Other	(641)
Total Cash Outflows - Operating Disbursements	**(3,154)**
Cash Outflow - Non-operating Disbursements	
Restructuring Advisor Fees	(2,250)
Management Services	(2,400)
Bank Fees and Interest	(263)
Total Cash Outflows - Non-operating Disbursements	**(4,913)**
Net Cash Flow	**(6,993)**
Cash, beginning of period (December 5, 2015)	**40,584**
Cash, end of period (March 7, 2015)	**$ 33,590**
Note 1: Readers are cautioned to read the "Report Restrictions and Scope Limitations" section of this report.	

49. With respect to the CCAA Cash Flow Projection:

a) The Petitioners expect to have combined cash resources in the order of approximately US$40.6 million available at the beginning of the Cash Flow Period and, with expected net cash outflow of US$7.0 million, approximately US$33.6 million remaining at the end of the Cash Flow Period;

b) The following is a general breakdown of the significant components of the forecast US$7.0 million net cash outflow in the Cash Flow Period by operating and other key categories:

i. Walter Canada is expected to collect net cash proceeds of US$910,000 (gross proceeds of US$1.2 million less estimated disassembly and shipping costs) from Walter Energy U.S. in late January 2016 pursuant to the proposed sale of three bulldozers in December, 2015 (as subsequently discussed herein and further in the Initial Order Affidavit);

ii. Other forecast receipts are comprised of US$164,000 of GST tax refunds anticipated to be received throughout the period;

iii. Forecast payroll costs (US$459,000), payroll taxes (US$191,000) and benefits (US$68,000) for WECH's 19 full-time employees who provide security at the mine sites and other support services;

iv. Forecast real property leases for office space leases and supply inventory storage facilities of US$34,000;

v. A forecast outflow representing the final installment with respect to Walter Canada's assessed mineral tax liability in respect of 2005-2009 of US$802,000 to be paid in December 2015;

vi. Forecast utilities of US$141,000 for electricity, propane and natural gas at the Company's sites;

vii. Forecast fuel costs of US$36,000 for diesel purchases required to run generators and other equipment at the mine sites;

viii. Forecast maintenance and supplies of US$782,000 for costs required to keep the mine assets secured as well as required maintenance for the equipment;

ix. Forecast other costs of US$641,000 include disbursements related to environmental testing and monitoring, including external engineers;

x. Forecast restructuring advisor fees of US$2.25 million for professional fees expected to be paid to the Company's counsel and the Proposed Monitor and its counsel;

xi. Forecast management services to be provided by Walter Energy U.S. in the forecast period of US$2.4 million. 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 Walter Energy U.S. currently charges WECH approximately US$800,000 per month for these services; and

xii. Bank fees are charges associated with renewals of letters of credit and actual fees for use of WECH's account network at BNS;

c) Walter Canada is planning to fund certain pre-filing trade payable claims not to exceed $200,000 in the normal course that relate to goods and/or services that were required to maintain the care and maintenance of Walter Canada's mines;

d) Walter Canada's property, liability and other insurance coverage is funded annually by Walter Energy U.S. with most policies expiring on June 30, 2016. Current monthly management costs charged by Walter Energy U.S. include an allocation of monthly prepaid insurance costs. Certain policies are purchased directly by Walter Canada (e.g. automobile insurance) while others are purchased by Walter Energy U.S. and coverage is allocated and/or shared amongst the divisions;

e) Management expects to fund the cash flow requirements with current cash resources on hand and projected collections until the end of the Cash Flow Period; and

f) The CCAA Cash Flow Projection indicates that Walter Canada has the necessary liquidity to fund its requirements over the Cash Flow Period.

RELIEF SOUGHT IN THE PROPOSED INITIAL ORDER

Stay of Proceedings

50. The Petitioners are seeking a stay of proceedings to provide them with "breathing room" to restructure their affairs and to stay certain known potential claims (as discussed above) while the Petitioners work with their advisors to develop a SISP in the short term. The Petitioners do, however, intend to make a limited number of pre-filing payments to critical suppliers as set out in the CCAA Cash Flow Forecast and as discussed above.

51. The Petitioners are also seeking to have the stay of proceedings and other provisions of the Proposed Initial Order extended to the following subsidiaries and affiliates of WECH:

a) WCCP, BCP, WiCP and WoCP, as these partnerships are the principal vehicles through which the mines are operated; and

b) BSCL, but only to prevent any action that may be taken to remove it as general partner of Belcourt Saxon Coal Limited Partnership or trigger any sale rights, thereby preserving the value in this joint venture project.

Payments during CCAA Proceedings

52. Walter Canada intends to make pre-filing payments to suppliers as contemplated in the CCAA Cash Flow Forecast. Walter Canada has a number of critical contracts with equipment, lessors, mechanics, parts suppliers, road maintenance companies, warehouses, offsite equipment, storage and repair and environmental consultants. The Proposed Monitor is of the view that continued supply from these vendors will be essential for any proposed restructuring of the Walter Canada. For this reason, it is anticipated that certain pre-filing payments will be required to be made to suppliers in accordance with the CCAA Cash Flow Forecast that has been reviewed by KPMG as Proposed Monitor.

53. The Proposed Monitor is of the view that the above relief is reasonable and appropriate in the circumstances, taking into account the critical nature of these supply arrangements and the fact that these contracts are the only available source of supply to the remote areas of British Columbia where the Walter Canada's mines are situated.

Enhanced Powers of the Monitor

54. Given that Walter Canada does not currently have an internal cash management system and the aforementioned risk that, upon completion of the U.S. APA, cash management and other services currently provided by Walter Energy U.S. under the Management Services Agreement may be discontinued, the Petitioners are seeking to have the Proposed Monitor provided with certain enhanced powers under the Proposed Initial Order.

55. In addition, the Proposed Initial Order provides the Monitor with authority to participate in the Petitioners' discussions with stakeholders, including governmental authorities with respect to the property of Walter Canada and the impact of the SISP.

Administration Charge

56. The Proposed Initial Order contemplates a charge on the assets of the Petitioners in favour of counsel to Walter Canada, counsel to the Proposed Monitor and the Proposed Monitor as security for their respective fees and disbursements rendered in respect of the Petitioners in the aggregate amount of $2.5 million (the "**Administration Charge**").

57. The Administration Charge is not to exceed $2.5 million and is to rank in first priority over all other claims.

58. The Proposed Monitor is of the view that the proposed Administration Charge is reasonable and appropriate in the circumstances having considered the complexity of the proceedings, the work that has been done to date, the anticipated work levels of the applicable professional firms over the estimated duration of the CCAA proceedings and the size of charges approved in comparable proceedings.

Directors' and Officers' Charge

59. The Proposed Initial Order grants an indemnity in favour of Walter Canada's directors and officers for any obligations or liabilities that they may incur as directors or officers of the applicable Walter Canada entities after the commencement of the CCAA Proceedings, except to the extent that such obligation or liability is incurred as a result of such director's or officer's gross negligence or willful misconduct.

60. The Proposed Monitor notes that this indemnification is consistent with the language in the British Columbia CCAA model order. The indemnification is proposed to be secured by a charge in an amount not to exceed $2.5 million (the "**Directors' Charge**"). The proposed Directors' Charge would apply only to the extent that the directors and officers do not have coverage under the directors' and officers' insurance policies which are maintained by Walter Energy U.S. and provide coverage to the directors and officers of Walter Canada. The Directors' charge is proposed to be ranked only behind the Administration Charge. The calculation of the Directors' Charge is based on estimates of amounts that Directors could be liable for under British Columbia law, including potential tax liabilities, if these amounts are not paid.

61. The Proposed Monitor reviewed the calculation of the Directors' Charge that was prepared by Walter Canada taking into consideration the amount and timing of Walter Canada's payroll, vacation pay and certain tax liabilities.

62. The Proposed Monitor is of the view that the Directors' Charge is required and is reasonable and appropriate in the circumstances.

Equipment Sale to Walter Energy U.S.

63. Walter Canada has negotiated the sale of three surplus bulldozers (the "**Equipment**") to Jim Walter Resources, Inc., a subsidiary of Walter Energy U.S. and a related party of Walter Canada (the "**Purchaser**"), for a purchase price of US$1.2 million plus applicable taxes (the "**Purchase Price**"), or net US$910,000 after accounting for disassembly and shipping costs. The Proposed Monitor was advised by Management that the Equipment is surplus and not essential to the operation of the mines.

64. The Proposed Monitor has been advised that Walter Canada has been attempting to sell the Equipment and other available equipment for over a year by delivering lists of such equipment to selected potential purchasers and by posting information with respect to such equipment on auctioneer websites. To date, no viable offers for the Equipment have been received.

65. The Proposed Monitor understands that the proposed net proceeds of US$910,000 equals the value attributed to the Equipment in an appraisal of Walter Canada's mobile equipment that was conducted in July 2015. The Proposed Monitor is of the view that the proposed Purchase Price is fair and reasonable in the circumstances.

66. The Proposed Monitor understands that Walter Canada has marketed the Equipment prior to the commencement of these CCAA Proceedings in the manner described in the Initial Order Affidavit at paragraph 98. To ensure that the sale meets the requirements under section 36 of the CCAA, including: (i) that the process leading to the proposed sale is reasonable in the circumstances; (ii) good faith efforts were made to sell the Equipment to persons that are not related to Walter Canada; and (iii) that the proposed purchase price consideration is superior to any offer that may be received, following the granting of the Proposed Initial Order, the Proposed Monitor intends to expand and continue the marketing process to sell the Equipment for an additional period of two to three weeks in order to see if superior offers can be obtained.

67. Following the granting of the Proposed Initial Order, if a superior offer for the Equipment is not received by mid to late December, then the Proposed Monitor will deliver to the Purchaser a first certificate confirming that the conditions to the sale (other than payment of the purchase price) have been met. Upon the delivery of the first certificate, the Equipment will vest to the Purchaser free and clear of any liens or encumbrances. To ensure that the purchase price is paid by the Purchaser within 90 days of the date of the Initial Order, Walter Canada is seeking a Court ordered first ranking charge (the "**Equipment Charge**") on the sold Equipment to ensure that Walter Canada will be paid in priority to any creditor of the Purchaser. Once the Purchase Price has been paid by the Purchaser, the Proposed Monitor will deliver a second certificate certifying that the Purchase Price has

been paid by the Purchaser. Upon delivery of the second certificate, Walter Canada is proposing that the Equipment Charge be extinguished.

CONCLUSION

68. The Proposed Monitor has reviewed the Petitioners' filing materials and has consented to act as the Monitor of the Petitioners should the Court see fit to grant the relief sought by the Petitioners.

All of which is respectfully submitted this 6th 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*

<u>Schedule “A”</u>

List of Petitioners and Corporate 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

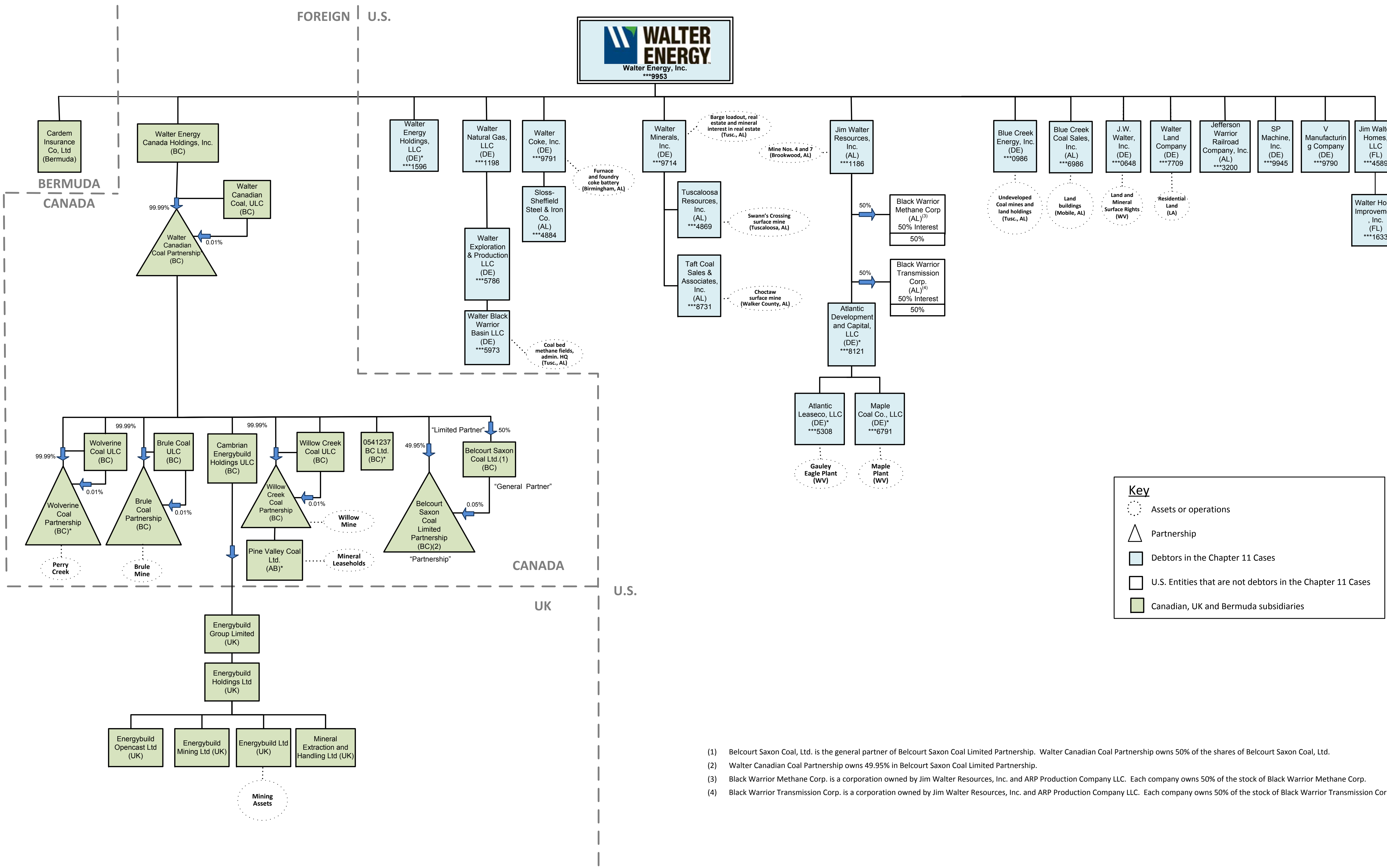
Walter Canadian Coal Partnership
Wolverine Coal Partnership
Brule Coal Partnership
Willow Creek Coal Partnership

Corporate Affiliates

Belcourt Saxon Coal Ltd.
Belcourt Saxon Coal Limited Partnership

<u>Schedule “B”</u>

Detailed Corporate Organization Chart



(1) Belcourt Saxon Coal, Ltd. is the general partner of Belcourt Saxon Coal Limited Partnership. Walter Canadian Coal Partnership owns 50% of the shares of Belcourt Saxon Coal, Ltd.

(2) Walter Canadian Coal Partnership owns 49.95% in Belcourt Saxon Coal Limited Partnership.

(3) Black Warrior Methane Corp. is a corporation owned by Jim Walter Resources, Inc. and ARP Production Company LLC. Each company owns 50% of the stock of Black Warrior Methane Corp.

(4) Black Warrior Transmission Corp. is a corporation owned by Jim Walter Resources, Inc. and ARP Production Company LLC. Each company owns 50% of the stock of Black Warrior Transmission Corp.

Schedule "C"

Unaudited, unconsolidated financial information dated October 31, 2015

Walter Energy Canada Holdings Inc. (WECH) Condensed and Consolidated Assets Summary (unaudited) As at October 31, 2015 (unless otherwise noted below) (USD $ millions)	Note Ref	Entity [1]							Total
		WCH	WCC	WIC	BC	WC	BS	CA	
Assets									
Cash		-	4.5	3.5	13.3	5.7	-	-	27.0
Accounts Receivable, Tax Refunds & Other	2	-	0.3	4.4	11.0	0.6	-	-	16.3
Inventory	3	-	0.6	3.9	4.8	19.5	-	-	28.8
Prepaids & Security Deposits		-	1.4	0.2	-	0.3	-	-	1.9
Due from (to) Walter Energy US		(0.2)	(83.9)	7.7	58.7	14.8	-	(5.2)	(8.1)
Due from Walter UK		-	0.7	-	-	-	-	-	0.7
Land, Building, Leaseholds, Machinery & Equipment, net		-	-	30.3	18.3	26.7	0.1	-	75.4
Deferred Tax Assets		-	3.5	-	-	-	-	-	3.5
Investment In Walter UK	4	(8.8)	242.3	-	-	-	-	-	233.5
Total Assets									**379.0**

Notes

1. Entities and abbreviations are as follows; "WCH" Western Canada Holdings, "WCC" Walter Canada Coal" "WIC" Willow Coal ULC,"BC" Brule Coal ULC, "WC" Wolverine Coal ULC, "BS" Belcourt Saxon , "CA" represents Consolidating Adjustments.
2. Accounts receivable balance was received in the week ended November 14, 2015.
3. Consists of remaining unsaleable coal inventory and supplies and stores inventory.

Walter Energy Canada Holdings Inc. (WECH) Condensed and Consolidated Liabilities Summary (unaudited) As at October 31, 2015 (unless otherwise noted) (USD $ millions)	Note Ref	Entity [1]							Total
		WCH	WCC	WIC	BC	WC	BS	CA	
Liabilities									
Accounts Payable and Accrued Expenses		55.8	1.1	0.1	1.6	1.5	-	(55.8)	4.3
Deferred Tax Liability		-	3.5	-	-	-	-	-	3.5
Mineral Tax Liablity (2005-2009)		-	0.8	-	-	-	-	-	0.8
Other Tax Accruals		-	2.1	-	-	-	-	-	2.1
Asset Retirement Obligation	2	-	-	8.3	15.7	33.3	-	-	57.4
Other Long term Liabilities		-	0.9	-	-	-	-	-	0.9
Total Liabilities									**69.0**

Notes

1. Entities and abbreviations are as follows; "WCH" Western Canada Holdings, "WCC" Walter Canada Coal" "WIC" Willow Coal ULC, "BC" Brule Coal ULC, "WC" Wolverine Coal ULC, "BS" Belcourt Saxon , "CA" stands for Consolidating adjustment.
2. Accounting estimate of costs to reclaim WECH's mine sites at the end of their useful lives.

Note: Balances above as reported in WECH's unaudited, internal, management prepared financial statements as at October 31, 2015. These balances have not been updated for known material transactions and events subsequent to October 31, 2015.

Totals may not tie exactly to figures reported in the Pre-Filing Report or Initial Order Affidavit due to rounding of the underlying numbers.

<u>Schedule "D"</u>

Cash Flow Forecast, Management's representation thereon and Proposed Monitor's report thereon

Walter Energy Canada Holdings, Inc. et al.

CCAA cash flow forecast for the 13-week period ending March 5, 2016

(Amounts in USD$000)

Foreign Exchange Rate Assumption (CAD/USD) : 1.33

	Notes	1	2	3	4	5	6	7	8	9	10	11	12	13	Total for 13-Weeks
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	
OPERATING CASH FLOW															
Operating Receipts															
Asset Sales	**2**	-	-	-	-	-	-	-	910	-	-	-	-	-	910
Other Receipts	**3**	-	-	-	56	-	-	-	-	53	-	-	-	55	164
Total Operating Receipts		**-**	**-**	**-**	**56**	**-**	**-**	**-**	**910**	**53**	**-**	**-**	**-**	**55**	**1,074**
Operating Disbursements															
Payroll	**4**	(8)	(54)	(8)	(81)	(8)	(54)	(8)	(81)	(8)	(8)	(54)	(8)	(81)	(459)
Payroll Taxes	**5**	(3)	(23)	(3)	(34)	(3)	(23)	(3)	(34)	(3)	(3)	(23)	(3)	(34)	(191)
Benefits	**6**	(11)	-	-	-	(11)	(11)	-	-	(11)	(11)	-	-	(11)	(68)
Operating Leases and Storage Facilities	**7**	-	-	-	(11)	-	-	-	(11)	-	-	-	(11)	-	(34)
Taxes	**8**	-	-	(802)	-	-	-	-	(1)	-	-	-	-	-	(803)
Utilities	**9**	-	-	-	(47)	-	-	-	(47)	-	-	-	(47)	-	(141)
Fuel	**10**	(9)	-	(9)	-	(9)	-	(9)	-	-	-	-	-	-	(36)
Maintenance, Supplies, & Other Op. Exp.	**11**	(60)	(60)	(60)	(60)	(60)	(60)	(60)	(60)	(60)	(60)	(60)	(60)	(60)	(782)
Other	**12**	(90)	(45)	(45)	(45)	(45)	(55)	(45)	(45)	(45)	(45)	(45)	(45)	(45)	(641)
Total Operating Disbursements		**(181)**	**(182)**	**(927)**	**(279)**	**(136)**	**(203)**	**(125)**	**(280)**	**(127)**	**(127)**	**(182)**	**(174)**	**(232)**	**(3,154)**
Non-Operating Disbursements															
Restructuring Advisor Fees	**13**	-	-	(750)	-	-	-	(750)	-	-	-	(750)	-	-	(2,250)
Funds (to)/from Parent	**14**	-	(800)	-	-	-	(800)	-	-	-	(800)	-	-	-	(2,400)
Bank Fees	**15**	-	-	-	-	-	(263)	-	-	-	-	-	-	-	(263)
Total Non-Operating Disbursements		**-**	**(800)**	**(750)**	**-**	**-**	**(1,063)**	**(750)**	**-**	**-**	**(800)**	**(750)**	**-**	**-**	**(4,913)**
TOTAL NET CASH FLOW		**$ (181)**	**$ (982)**	**$ (1,677)**	**$ (222)**	**$ (136)**	**$ (1,266)**	**$ (875)**	**$ 630**	**$ (75)**	**$ (927)**	**$ (932)**	**$ (174)**	**$ (177)**	**$ (6,993)**
BEGINNING CASH - BOOK (FX Effected)		**40,584**	**40,403**	**39,421**	**37,744**	**37,522**	**37,386**	**36,119**	**35,244**	**35,875**	**35,800**	**34,873**	**33,941**	**33,767**	**40,584**
Net Cash Flow		(181)	(982)	(1,677)	(222)	(136)	(1,266)	(875)	630	(75)	(927)	(932)	(174)	(177)	(6,993)
ENDING CASH (FX Effected)		**$ 40,403**	**$ 39,421**	**$ 37,744**	**$ 37,522**	**$ 37,386**	**$ 36,119**	**$ 35,244**	**$ 35,875**	**$ 35,800**	**$ 34,873**	**$ 33,941**	**$ 33,767**	**$ 33,590**	**$ 33,590**

UNAUDITED CASH FLOW FORECAST PREPARED BY MANAGEMENT

Walter Energy Canada Holdings Inc. et al ("Walter Canada")
Notes to the Unaudited Cash Flow Forecast

Unless otherwise noted the cash flow forecast is presented in U.S. dollars using an exchange rate of US$1.00/CDN$1.33 for conversion of any Canadian dollar amounts.

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

Receipts

2. **Asset Sales**
   Walter Canada expects to sell three bulldozers to Walter Energy Inc. (**"Walter Energy U.S"**) for $910,000. Proceeds are anticipated to be collected during the week ending January 30, 2016.

3. **Other Receipts**
   These collections relate to Goods and Services Tax, input 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**
The payment forecast in December represents the last payment due to the B.C. Ministry of Finance for the reassessment of mineral taxes for years 2005-2009.

9. **Utilities**
Represents the estimated costs for electricity, natural gas and propane to maintain the mines in care and maintenance mode.

10. **Fuel**
Fuel costs represent diesel purchases required to run generators and other equipment while the mines are in care and maintenance mode.

11. **Maintenance Supplies & Other 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. **Other**
These disbursements relate to numerous costs, with a significant portion relating to tenure payments to maintain mining and property rights, environmental testing, monitoring costs and external engineers.

Non-Operating Disbursements

13. **Restructuring Advisor Fees**
Restructuring costs consist of professional fees payable to Walter Canada's counsel, the Monitor and its counsel.

14. **Funds (to)/from Parent**
These disbursements relate to costs allocated 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.

15. **Bank Fees**
These are fees associated with Letters of Credit issued by the Bank of Nova Scotia and actual fees for use of Walter Canada's account network at the Bank of Nova Scotia.

WALTER ENERGY™

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William G. Harvey
Executive Vice President and Chief Financial Officer
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bill.harvey@walterenergy.com

www.walterenergy.com

December 4, 2015

KPMG Inc.
Bay Adelaide Centre
333 Bay Street
Toronto ON M5H 2S5

Attention: Philip Reynolds

Dear Sir:

Re: In the matter of Walter Energy Canada Holdings, Inc. et al's ("WECH") Proceedings under the *Companies' Creditors Arrangement Act* ("CCAA") for Responsibilities/Obligations and Disclosure with Respect to the Cash-flow Projections

In connection with the application by WECH for the commencement of proceedings under the CCAA, the management of WECH has prepared the attached 13-week projected cash-flow statement of WECH for the period from December, 5 2015 to March 5, 2016 (the "**Cash Flow Statement**") and the list of assumptions on which the Cash Flow Statement is based (the "**Notes**").

WECH confirms that:

1. the Cash Flow Statement and the underlying assumptions are the responsibility of WECH;
2. all material information relevant to the Cash Flow Statement and to the underlying assumptions has been made available to KPMG Inc. in its capacity as Monitor; and
3. Management has taken all actions that it considers necessary to ensure:
    a. That the individual assumptions underlying the Cash Flow Statement are appropriate in the circumstances; and
    b. That the assumptions underlying the Cash Flow Statement, taken as a whole, are appropriate in the circumstances.
    c. That all relevant assumptions have been properly presented in the Cash Flow Statement or in the Notes accompanying the cash-flow statement.
4. Management understands and agrees that the determination of what constitutes a material adverse change[1] in the projected cash flow or financial circumstances, for the purposes of our monitoring the on-going activities of WECH, is ultimately at your sole discretion, notwithstanding that Management may disagree with such determination.

[1] "Material adverse change" means a change that in the Monitor's opinion, materially and negatively impairs, or is reasonably expected to materially impair the Company's cash-flow or financial circumstances.

5. Management understands its duties and obligations under the CCAA and that a breach of these duties and obligations could make WECH's Management liable to fines and imprisonment in certain circumstances.

6. Management has been duly authorized by WECH's board of directors to prepare and approve the cash-flow assumptions.

Yours truly,

W A Harvey

Name: William Harvey
Title: Chief Financial Officer, Walter Energy Canada Holdings Inc.

CANADA
Province of British Columbia
District of: Vancouver
Court No.:

Supreme Court of British Columbia

Companies' Creditors Arrangement Act
RSC 1985, c C-36, as amended

Proposed Monitor's Report on the Cash Flow Statement
(Section 23(I)(b) of the CCAA)

In the matter of the Petition for the Issuance of an Initial Order
(Articles 4, 5, and 11 of the *Companies' Creditors Arrangement Act*, RSC 1985, c C-36 ("CCAA")
with respect to
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.

The attached statement of projected cash flow **(the "Cash Flow Projection")** 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 BC Ltd. (the "**Companies**") as of December 4, 2015, consisting of the period from December 5, 2015 to March 5, 2016 has been prepared by the management of the Companies ("**Management**") for the purpose described in Note 1 of the probable and hypothetical assumptions set out in the Notes to the Petitioner's Unaudited Cash Flow Projection, (the "**Notes and Assumptions**") notes 1 to 15 of the Cash Flow Projection.

Our review consisted of inquiries, analytical procedures and discussions related to information supplied to us by Management. Since the Notes and Assumptions need not be supported, our procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Cash Flow Projection. We have also reviewed the support provided by Management for the probable assumptions and preparation and presentation of the Cash Flow Projection. Based on our review, nothing has come to our attention that causes us to believe that, in all material respects:

a. The Notes and Assumptions are not consistent with the purpose of the Cash Flow Projection;
b. As at the date of this report, the probable assumptions developed by management are not suitably supported and consistent with the plans of the company or do not provide a reasonable basis for the Cash Flow Projection, given the hypothetical assumptions; or
c. The Cash Flow Projection does not reflect the probable and hypothetical assumptions.

Since the Cash Flow Projection is based on the assumptions regarding future events, actual results will vary from the information presented even if the Notes and Assumptions occur, and the variations may be material. Accordingly, we express no assurance as to whether the Cash Flow Projection will be achieved. The Cash Flow Projection has been prepared solely for the purpose described in Note 1 in the Notes and Assumptions of the Cash Flow Projection, and readers are cautioned that it may not be appropriate for other purposes.

Dated at Vancouver, BC, this 4th day of December, 2015.

KPMG Inc.
In its capacity as Proposed Monitor 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 BC Ltd.

Per:
Anthony Tillman
Senior Vice-President