

COURT FILE NUMBER 2101-05019

COURT COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

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

AND IN THE MATTER OF THE COMPROMISE OR
ARRANGEMENT OF COALSPUR MINES (OPERATIONS)
LTD.

DOCUMENT FIFTH REPORT OF FTI CONSULTING CANADA INC., IN
ITS CAPACITY AS MONITOR OF COALSPUR MINES
(OPERATIONS) LTD.

August 3, 2021

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FIFTH REPORT OF THE MONITOR

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INTRODUCTION

1. On April 26, 2021, Coalspur Mines (Operations) Ltd. (“**Coalspur**” or the “**Applicant**”) was granted an initial order (the “**Initial Order**”) to commence proceedings (the “**CCAA Proceedings**”) under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”).
2. The Initial Order established a stay of proceedings (the “**Stay of Proceedings**”) in favour of the Company until May 6, 2021 and appointed FTI Consulting Canada Inc. as Monitor in the CCAA Proceedings (the “**Monitor**”). The Stay of Proceedings was extended until and including July 23, 2021 by a subsequent Amended and Restated Initial Order (the “**ARIO**”) granted by this Honourable Court on May 6, 2021 (the “**Comeback Hearing**”). On July 9, 2021, this Honourable Court granted an Order, among other things, extending the Stay of Proceedings until and including September 3, 2021.
3. On July 16, 2021, this Honourable Court granted an Order approving the following:
 - a. the Settlement Agreement between the Applicant, RTI and CTC, dated July 13, 2021, and the releases granted thereunder; and
 - b. an increase in the total interim financing limit from USD\$26,000,000 to USD\$56,000,000.

PURPOSE

4. The purpose of this Fifth Report of the Monitor (the “**Fifth Report**”) is to provide this Honourable Court with the Monitor’s comments and recommendations with respect to the following:
 - a. the activities of the Monitor since the Monitor’s Fourth Report dated July 14, 2021 (the “**Fourth Report**”);

- b. the Applicant's actual cash receipts and disbursements for the seven-week period ended July 23, 2021, as compared to the Second Cash Flow Statement that was presented to this Honourable Court as attached to the Second Report; and
- c. the Applicant's proposed Claims Process attached as Schedule "A" to the proposed Claims Process Order.

TERMS OF REFERENCE

5. In preparing this Fifth Report, the Monitor has relied upon certain information (the "**Information**") including CMO's unaudited financial information, books and records and discussions with senior management ("**Management**").
6. Except as described in this Fifth Report, the Monitor has not audited, reviewed, or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would comply with Generally Accepted Assurance Standards pursuant to the Chartered Professional Accountants of Canada Handbook.
7. The Monitor has not examined or reviewed financial forecasts and projections referred to in this report in a manner that would comply with the procedures described in the Chartered Professional Accountants of Canada Handbook.
8. Future oriented financial information reported to be relied on in preparing this report is based on Management's assumptions regarding future events. Actual results may vary from forecast and such variations may be material.
9. Unless otherwise stated, all monetary amounts contained herein are expressed in United States dollars.
10. Capitalized terms not otherwise defined herein have the meanings ascribed to them in the prior reports of the Monitor filed as part of the CCAA Proceedings and the proposed Claims Process Order.

ACTIVITIES OF THE MONITOR

11. Since the Fourth Report, the Monitor's activities have included, but have not been limited to the following:

- a. monitoring the Applicant's operations and cash flows;
- b. attending telephone discussions with various secured creditors, unsecured creditors, and other stakeholders; and
- c. working with the Applicant to develop the Claims Process and a proposed plan of compromise or arrangement to present to the Applicant's creditors to be voted on.

CASH FLOW VARIANCE

12. The Applicant's actual cash flows in comparison to those contained in the Second Cash Flow Statement for the seven-week period June 5, 2021 to July 23, 2021 are summarized below:

Cash Flow Variance Analysis				
For the Seven-Week Period Ended July 23, 2021				
(USD thousands)	Actual	Forecast	Variance \$	Variance %
Operating Receipts				
Sales Receipts	\$ 74,911	\$93,508	\$ (18,597)	-20%
Total Operating Receipts	74,911	93,508	(18,597)	-20%
Operating Disbursements				
Payroll and Benefits	4,269	4,715	(446)	-9%
Contractors	1,349	1,557	(208)	-13%
Rent	8	18	(10)	-57%
Transportation	15,830	21,554	(5,724)	-27%
Royalties	585	1,639	(1,054)	-64%
Fuel	3,359	3,263	95	3%
Power	1,833	1,780	53	3%
Material & Supplies	31,955	24,903	7,052	28%
CCAA Professional Fees	653	1,390	(737)	-53%
Critical Vendors Accounts Payable	120	-	120	0%
Net Taxes	-	735	(735)	-100%
Trafigura Payment	13,903	13,906	(3)	0%
Vista Energy Management Fee	1,250	1,500	(250)	-17%
Other	(329)	-	(329)	0%
Total Operating Disbursements	74,784	76,960	(2,177)	-3%
Net Change in Cash from Operations	127	16,547	(16,420)	-99%
Financing				
Interim Financing Draw (Repayment)	6,743	6,743	-	0%
Bank Charges & Interest	3	-	3	0%
FX Impacts	(420)	-	(420)	0%
Net Change in Cash from Financing	6,326	6,743	(417)	-6%
Net Change in Cash	6,454	23,290	(16,837)	-72%
Opening Cash	1,926	1,976	(51)	-3%
Ending Cash	8,379	25,266	(16,887)	-67%
Interim Financing				
Opening Interim Financing	(19,257)	(19,257)	-	0%
Draws (repayments) during the period	(6,743)	(6,743)	-	0%
Ending Interim Financing	(26,000)	(26,000)	-	0%
Availability under Interim Financing	56,000	56,000	-	0%
Undrawn Amount	30,000	30,000	-	0%
Total Available Liquidity	\$ 38,379	\$55,266	\$ (16,887)	-31%

- a. Operating receipts are approximately \$18.6 million below forecast due to forest fires in British Columbia causing CN Rail to stop rail traffic which has prevented the Applicant from being able to ship its coal production. This variance is expected to reverse once rail traffic restarts in the coming weeks.

- b. Operating disbursements are approximately \$2.2 million lower than forecast. Some of the significant variances are as follows:
- i. transportation expenses are lower than forecast due to some expected permanent savings on railcar repair costs, however the majority of the variance is due to stoppage of coal shipping due to British Columbia wildfires. The variance due to coal shipping is expected to reverse in future periods;
 - ii. royalties are lower than forecast due to timing of payments and is expected to reverse in future periods;
 - iii. materials and supplies are higher than forecast due to lower than expected capital expenses and equipment repair costs offset by the payment to RTI pursuant to the Settlement Agreement which was not included in the Second Cash Flow Statement;
 - iv. CCAA professional fees are lower than expected due to the timing of payments, this variance is expected to reverse in future periods; and
 - v. net taxes are lower than expected due to the forecast separating taxes into its only reporting line while actual report being included in each individual disbursement line item.
- c. Financing related amounts are in line with forecast with the only variance being changes in realized foreign exchange losses. The ending interim financing drawn as at July 23, 2021 was \$26 million. Coalspur did not incur any additional draws to fund the Settlement Payment.

13. The Applicant's actual ending cash flow is approximately \$16.9 million lower than forecast. This variance is expected to reverse upon collection of delayed operating receipts in the coming weeks. As at July 23, 2021, Coalspur had \$8.4 million in cash and an additional \$30 million undrawn on its Interim Financing Facility. Accordingly, the Monitor is of the view that Coalspur has adequate liquidity to continue operate through the CCAA Proceedings in normal course.
14. The majority of the cash flow variances are a result of timing related to the wildfires in BC. These variances are expected to reverse as the CN railway returns to normal operations. Accordingly, the Monitor and the Applicant are of the view that the assumptions and projections contained in the Second Cash Flow Statement are reasonable. Therefore, the Monitor will continue to track actual results against the Second Cash Flow Statement.

CLAIMS PROCESS

15. The Claims Process provides for a mechanism to determine the nature, status, quantum, validity, and enforceability of all claims against the Applicant, or its current or former Directors or Officers.
16. The Claims Process has been designed to identify all claims, including:
 - a. claims of Known Creditors; and
 - b. claims of unknown Creditors.
17. The Monitor will send a Claims Package to each of the Known Creditors by prepaid ordinary mail, fax, courier, or email on or before August 13, 2021.

18. The Monitor will publish the Notice to Creditors on or prior to August 16, 2021, or as soon as reasonably possible, in The Globe and Mail, the Calgary Herald, the Edmonton Journal, and The Hinton Voice. The Monitor will also post electronic copies of the Claims Package on the Monitor's Website and on the Caselines Filesite as soon as practically possible after the date on which the Claims Process Order is granted.
19. Prior to accepting, revising, or disallowing a Claim, the Monitor may, in consultation with the Applicant, attempt to consensually resolve any dispute regarding the classification and/or amount of any Claim with the applicable Creditor.
20. Creditors must submit their Proofs of Claim to the Monitor prior to 5:00 pm (Mountain Time) on September 23, 2021 (the "**Claims Bar Date**"). The Applicant and the Monitor will review each Proof of Claim submitted by the Claims Bar Date. The Monitor will accept, revise, or disallow the amounts of each Claim set out therein for voting and/or distribution purposes.
21. The Claims Process includes a provision to deal with potential Subsequent Claims against the Applicant or its current or former Directors or Officers triggered by disclaimer or resiliation of agreements. Subsequent Claims must be submitted by the later of the Claims Bar Date or 15 days after the date the agreement in question was disclaimed or resiliated.
22. If the Monitor, in consultation with the Applicant, determines to revise or disallow a Claim, the Monitor shall send a Notice of Revision or Disallowance to the Creditor.
23. Any Creditor who disputes the classification or amount of its Claim as set forth in a Notice of Revision or Disallowance shall deliver a Notice of Dispute to the Monitor (with a copy to the Applicant) by no later than 5:00 p.m. on the date that is ten (10) Business Days after the date on which the Notice of Revision or Disallowance is deemed to be received under the Claims Process Order.

24. Upon receipt of a Notice of Dispute, the Monitor may, in consultation with the Applicant, attempt to consensually resolve the classification and the amount of the Claim with the Creditor.
25. If a Creditor does not deliver a Notice of Dispute by the deadlines set out in the Claims Process, it shall be deemed to accept the classification and amount of its Claim as set forth in the applicable Notice of Revision or Disallowance.
26. The Monitor believes that the proposed Claims Process and proposed Claims Process Order are reasonable and appropriate in the circumstances and provides for a timely review of all potential claims against the Applicant. In the Monitor's view:
- a. the notice requirements are broad and will provide adequate opportunity to both Known Creditors and unknown Creditors to be aware of the Claims Process and file a claim; and
 - b. the various timelines set out in the Claims Process Order are reasonable as they provide sufficient notice and time for any disputed Claims to be reconciled or adjudicated.

CONCLUSIONS AND RECOMMENDATIONS

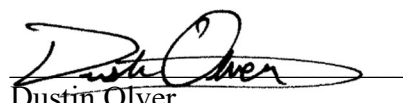
27. Based on the foregoing, the Monitor respectfully recommends that this Honourable Court grant the Claims Process Order approving the Claims Process.

All of which is respectfully submitted this 3rd day of August 2021.

FTI Consulting Canada Inc.
In its capacity as Monitor of the Company



Deryck Helkaa
Senior Managing Director



Dustin Olver
Senior Managing Director