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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

5194
COM May 6 2021
J. Sheldon

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

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

May 3, 2021

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CONTACT INFORMATION OF
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FIRST 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 Applicant until May 6, 2021 and appointed FTI Consulting Canada Inc. as Monitor in the CCAA Proceedings (the “**Monitor**”).
3. On April 30, 2021 the Applicant filed a notice of application returnable May 6, 2021 for an amended and restated Initial Order (the “**ARIO**”) which will provide for:
 - a. an extension of the Stay of Proceedings until and including July 23, 2021, or such further and other date as this Court may consider appropriate;
 - b. declaring that the Applicant may file a plan of compromise or arrangement;
 - c. declaring that the Applicant may pursue an orderly restructuring of the Business and the Property, including the authority to permanently or temporarily downsize the Business or terminate the employment of various employees; and
 - d. an increase of the Administration Charge granted in the CCAA Proceedings to the aggregate amount of \$500,000.

PURPOSE

4. The purpose of this first report of the Monitor is to provide this Honourable Court and the Applicant’s stakeholders with information and the Monitor’s comments with respect to the following:

- a. the activities of the Monitor since the granting of the Initial Order and the filing of the pre-filing report of the proposed Monitor dated April 23, 2021 (the “**Pre-Filing Report**”);
 - b. Coalspur’s application for the extension of the Stay of Proceedings;
 - c. the Applicant’s request to increase the Administration Charge; and
 - d. the Monitor’s conclusions and recommendations.
5. The Monitor’s comments with respect to the Cash Flow Statement are described in the Pre-Filing Report and are not repeated herein.

TERMS OF REFERENCE

6. In preparing this report, the Monitor has relied upon certain information (the “**Information**”) including Coalspur’s unaudited financial information, books and records and discussions with senior management (“**Management**”).
7. Except as described in this 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.
8. 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.
9. 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.

10. Unless otherwise stated, all monetary amounts contained herein are expressed in United States dollars.

11. Capitalized terms not otherwise defined herein are defined in the Pre-Filing Report.

ACTIVITIES OF THE MONITOR

12. Up to and including the date of this First Report, the Monitor's activities have included, but have not been limited to, the following:

- a. retaining Blake, Cassels & Graydon LLP to act as legal counsel to the Monitor;
- b. ongoing discussions with Management and the Applicant's legal counsel regarding Coalspur's business and financial affairs including the efforts to re-start the mine operations;
- c. discussions with the Applicant regarding a communications package for employees and suppliers with respect to these CCAA Proceedings;
- d. attending telephone discussions with various secured creditors, unsecured creditors, and other stakeholders; and
- e. preparing and issuing notices required under the CCAA and Initial Order, including the following:
 - i. notices to creditors as referenced in paragraph 37 of the Initial Order were mailed on April 29, 2020 to known creditors and posted on the Monitor's website;
 - ii. notices to creditors were published in the Calgary Herald on April 29, 2021 and in the Globe and Mail on April 30, 2021; and

- iii. Form 1 and Form 2 notices were issued to the Office of the Superintendent of Bankruptcy in the prescribed form as required under section 23(1)(f) of the CCAA.

ADMINISTRATION CHARGE

13. The ARIO provides for an increase in the Administration Charge of \$250,000 granted under the Initial Order to a maximum of \$500,000. The Monitor has reviewed the underlying assumptions upon which the Applicant has based the quantum of the proposed increase to the Administration Charge, the anticipated complexity of the CCAA Proceedings and the services to be provided by the beneficiaries of the Administration Charge, and is of the view that the proposed quantum of the Administration Charge is reasonable and appropriate in the circumstances.

INTERIM FINANCING

14. The Initial Order authorized and empowered the Applicant to obtain and borrow under an interim financing facility (“**Interim Financing Facility**”) from Cline Trust Company LLC (“**CTC**”) in its capacity as interim lender (“**Interim Lender**”) in order to finance the Applicant’s working capital requirements and other general corporate purposes and capital expenditures, provided that the borrowings under such credit facility:
 - a. could not exceed the total of \$2.257 million during the initial Stay Period unless permitted by further order of this Court; and
 - b. could not exceed the total of \$26 million during any subsequent stay period as may be ordered by the Court unless permitted by further order of this Honourable Court.
15. In relation to expenses and working capital necessary to re-start operations the Applicant drew \$2.257 million as an initial advance on the Interim Financing Facility.
16. In the ARIO, the Applicant is seeking authorization to borrow up to \$26 million, in the aggregate, under the Interim Financing Facility. The Monitor’s views regarding the

required interim financing have not changed since the Pre-Filing Report and remain that the financing is necessary to fund the Applicant's operations and restructuring efforts. The Revised Cash Flow Statement demonstrates an interim financing need of approximately \$23.7 million throughout the extended Stay of Proceedings contemplated in the ARIO. The Monitor is in support of authorizing the Applicant to have full access to the Interim Financing Facility during the Stay of Proceedings.

17. The Monitor has not received any questions, comments, or concerns from any stakeholder groups regarding the Interim Financing Facility since the commencement of the CCAA Proceedings.

STAY EXTENSION

18. The Monitor's comments with respect to Coalspur's application for the extension of the Stay of Proceedings are as follows:
 - a. the Applicant has enough available liquidity to fund its obligations and the costs of these CCAA Proceedings during the term of the proposed extension of the Stay of Proceedings;
 - b. the Applicant requires the extension of the Stay of Proceedings to stabilize the Business by providing the Applicant with the necessary financing to facilitate a restart of the Vista Coal Mine Project and pursue a restructuring strategy including developing and conducting a sales and investment solicitation process;
 - c. there will be no material prejudice to the Applicant's creditors and other stakeholders as a result of the extension of the Stay of Proceedings;
 - d. the Applicant is acting in good faith and with due diligence;
 - e. Coalspur's overall prospects of effecting a viable restructuring will be enhanced by the extension of the Stay of Proceedings; and

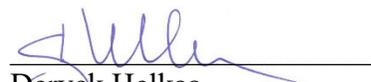
- f. the length of the proposed Stay of Proceedings, approximately 3 months, is reasonable given the complexity and nature of the Applicant's business and the number of stakeholder groups that the Applicant's will be consulting with while formulating their restructuring plan.

CONCLUSIONS AND RECOMMENDATION

19. Based on the foregoing, the Monitor respectfully recommends that this Honourable Court grant the ARIO.

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

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


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