

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

August 23, 2021

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SIXTH REPORT OF THE MONITOR

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INTRODUCTION

1. On April 26, 2021, Coalspur Mines (Operations) Ltd. (“**Coalspur**” or the “**Applicant**” or the “**Company**”) 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 granted by this Honourable Court on May 6, 2021. 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 (the “**Settlement Agreement**”), and the releases granted thereunder; and
 - b. an increase in the total interim financing (“**Interim Financing Facility**”) limit from USD\$26,000,000 to USD\$56,000,000.
4. On August 9, 2021, this Honourable Court granted an Order (the “**Claims Process Order**”) approving and authorizing the Monitor, with the assistance of the Applicant, to implement and carry out the Claims Process.

PURPOSE

5. The purpose of this Sixth Report of the Monitor (the “**Sixth 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 Fifth Report of the Monitor dated August 3, 2021 (the “**Fifth Report**”);
- b. the Applicant’s actual cash receipts and disbursements for the ten-week period ended August 13, 2021, as compared to the Second Cash Flow Statement that was attached to the Second Report of the Monitor dated June 11, 2021;
- c. a summary of the updated cash flow statement (the “**Third Cash Flow Statement**”) prepared by the Applicant for the eighteen weeks ending December 17, 2021 (the “**Forecast Period**”), including the key assumptions on which the Third Cash Flow Statement is based;
- d. the Applicant’s application for an extension of the Stay of Proceedings until and including December 15, 2021, or such further and other date as this Court may consider appropriate; and
- e. the Monitor’s conclusions and recommendations.

TERMS OF REFERENCE

6. In preparing this Sixth 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**”).
7. Except as described in this Sixth 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 have the meanings ascribed to them in the prior reports of the Monitor filed as part of the CCAA Proceedings.

ACTIVITIES OF THE MONITOR

12. Since the Fifth 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. implementing the steps set out in the Claims Process Order as follows:
 - i. on August 12, 2021, the Monitor sent out Claims Packages by prepaid mail to each of the Known Creditors of Coalspur;
 - ii. a Notice to Creditors was published in the Calgary Herald and the Edmonton Journal on August 11, 2021, and The Globe and Mail and The Hinton Voice on August 12, 2021; and
 - iii. on August 10, 2021, electronic copies of the Claims Package (inclusive of the Notice to Creditors, Proof of Claim form with instructions, and the approved Claims Process Order) were posted on the Monitor's Website (<http://cfcanada.fticonsulting.com/coalspur/>) and the Caselines Filesite;

- c. reviewing and reconciling claims received to date and attending telephone discussions with various secured creditors, unsecured creditors, and other stakeholders since the Claims Process Order was granted; and
- d. working with the Applicant to develop a proposed plan of compromise or arrangement to present to the Applicant's creditors for consideration and voting.

CASH FLOW VARIANCE

13. The Applicant's actual cash flows in comparison to those contained in the Second Cash Flow Statement for the ten-week period from June 5, 2021 to August 13, 2021 are summarized below:

Cash Flow Variance Analysis					
For the Ten-Week Period Ended August 13, 2021					
<i>(USD thousands)</i>	<i>ref</i>	Actual	Forecast	Variance	Variance
				\$	%
Operating Receipts					
Sales Receipts		\$ 110,254	\$ 115,835	\$ (5,581)	-5%
Total Operating Receipts	A	110,254	115,835	(5,581)	-5%
Operating Disbursements					
Payroll and Benefits		7,435	7,315	120	2%
Contractors		2,065	2,595	(530)	-20%
Rent		15	27	(12)	-43%
Transportation		24,341	29,462	(5,121)	-17%
Royalties		1,441	2,863	(1,422)	-50%
Fuel		5,266	4,540	726	16%
Power		2,253	2,800	(547)	-20%
Material & Supplies		40,740	35,168	5,572	16%
CCAA Professional Fees		976	1,940	(964)	-50%
Critical Vendors Accounts Payable		199	-	199	0%
Net Taxes		1,317	1,050	267	25%
Trafigura Payment		13,903	13,906	(3)	0%
Vista Energy Management Fee		1,750	2,000	(250)	-13%
Other		(447)	-	(447)	0%
Total Operating Disbursements	B	101,255	103,667	(2,411)	-2%
Net Change in Cash from Operations	C=A-B	8,999	12,168	(3,170)	-26%
Financing					
Interim Financing Draw (Repayment)		6,743	6,743	-	0%
Bank Charges & Interest		4	-	4	0%
FX Impacts		(457)	-	(457)	0%
Net Change in Cash from Financing	D	6,290	6,743	(453)	-7%
Net Change in Cash	E=C+D	15,288	18,911	(3,623)	-19%
Opening Cash	F	1,926	1,976	(51)	-3%
Ending Cash	G=E+F	17,214	20,887	(3,673)	-18%
Interim Financing					
Opening Interim Financing	H	(19,257)	(19,257)	-	0%
(Draws) / Repayments during the period	I	(6,743)	(6,743)	-	0%
Ending Interim Financing	J=H+I	(26,000)	(26,000)	-	0%
Availability under Interim Financing	K	56,000	56,000	-	0%
Undrawn Amount	L=J+K	30,000	30,000	-	0%
Total Available Liquidity	M=G+L	\$ 47,214	\$ 50,887	\$ (3,673)	-7%

- a. Operating receipts are approximately \$5.6 million lower than forecast following the interruption of regular coal shipments that resulted from wildfires in British Columbia. The impact of the delays are in the process of reversing as coal produced during the interruptions is shipped. Offsetting the shipping delays is higher than forecast coal pricing which is expected to result in a net positive variance in total receipts once the timing difference resulting from the backlog of coal shipments is caught up;
- b. Operating disbursements are approximately \$2.4 million lower than forecast. The variance is largely a result of:
 - i. transportation expenses being lower than forecast partially due to some permanent savings on railcar repair costs, however the majority of the variance is a result of the stoppage of coal shipments due to British Columbia wildfires. The favorable variance from the stoppage of coal shipments is expected to reverse in future periods;
 - ii. the favorable variance for royalties is due to timing of payments and is expected to reverse in future periods;
 - iii. the unfavorable variance for materials and supplies is due to the payment made to RTI pursuant to the Settlement Agreement, which payment was approved by this Court on July 16, 2021. Provision for this payment was not included in the Second Cash Flow Statement. The payment is positively offset by lower than expected capital expenses and equipment repair costs; and
 - iv. CCAA professional fees are lower than expected due to the timing of payments, this variance is expected to reverse in future periods; and

- c. Financing related amounts are in line with forecast with the only variance due to changes in realized foreign exchange losses. The ending interim financing drawn as at August 13, 2021 was \$26.0 million. Although the Interim Financing Facility was increased from USD\$26,000,000 to USD\$56,000,000 (which increase was approved by this Court on July 16, 2021) to fund the Settlement Amount and Coalspur's working capital needs (if necessary due to the British Columbia wildfires) Coalspur determined that additional draws on the Interim Financing Facility have not been necessary to date.
14. Coalspur's actual ending cash flow is approximately \$3.7 million lower than forecast. As at August 13, 2021, Coalspur had \$17.2 million in cash and an additional \$30.0 million undrawn on its Interim Financing Facility. Accordingly, the Monitor is of the view that Coalspur has adequate liquidity to continue to operate through the CCAA Proceedings in the normal course.

THIRD CASH FLOW STATEMENT

15. The Applicant has prepared the Third Cash Flow Statement for the eighteen-week period commencing on August 14, 2021 and ending December 17, 2021 (the "**Forecast Period**"). The Third Cash Flow Statement is presented to forecast the Company's cash flow through the requested stay extension period. A copy of the Third Cash Flow Statement is attached as Appendix "A" to this Sixth Report.
16. The Third Cash Flow Statement is summarized as follows:

<i>(USD thousands)</i>	April 26 to August 13 Actuals	August 14 to December 17 Forecast	Total
Operating Receipts			
Sales Receipts	\$ 116,171	\$ 245,991	\$362,161
Total Operating Receipts	116,171	245,991	362,161
Operating Disbursements			
Payroll and Benefits	11,052	12,600	23,652
Contractors	2,611	4,671	7,282
Rent	34	36	70
Transportation	36,323	60,467	96,789
Royalties	1,665	5,595	7,260
Fuel	8,287	8,088	16,375
Power	2,998	3,570	6,568
Material & Supplies	47,391	64,438	111,829
CCAA Professional Fees	1,358	4,800	6,158
Critical Vendors Accounts Payable	553	-	553
Net Taxes	1,188	-	1,188
Trafigura Payment	13,903	-	13,903
Vista Energy Management Fee	2,500	7,000	9,500
Other	(700)	6,500	5,800
Total Operating Disbursements	129,162	177,765	306,927
Net Change in Cash from Operations	(12,992)	68,226	55,234
Financing			
Interim Financing Draw (Repayment)	26,000	(26,000)	-
Bank Charges & Interest	27	(1,138)	(1,111)
FX Impacts	(516)	-	(516)
Net Change in Cash from Financing	25,511	(27,138)	(1,627)
Net Change in Cash	12,519	41,088	53,607
Opening Cash	4,695	17,214	4,695
Ending Cash	\$ 17,214	\$ 58,302	\$ 58,302

17. The Third Cash Flow Statement is based on the following key assumptions:

- a. Operating receipts are forecasted to be \$246.0 million over the Forecast Period calculated based on current coal production estimates multiplied by the Company's internal forecast coal sales price. The price of coal is the variable that has the largest impact on the Company's cash flow and historically has been subject to significant volatility. The Company currently does not have the credit available to enter into commodity hedge contracts to minimize the risk of volatile fluctuations in pricing. Over the past 5 years the Newcastle coal price ("NEWC") benchmark has averaged \$80/ton and over the last 12 months has risen from \$40/ton to \$160/ton.

- b. The Company forecasts coal sales price per ton internally by considering the current future strip price of the NEWC benchmark and then applies a discount to account for the significant volatility in recent historical actual coal prices. Over the Forecast Period the Company is projecting an average coal price of approximately \$121/ton. The ultimate sales price realized is then further adjusted for quality of the coal produced at Coalspur's mine relative to the NEWC benchmark, customer discounts and commissions.
 - i. In order to assess the reasonableness of the Company's coal price forecast in the Third Cash Flow Statement, the Monitor has completed a review of NEWC benchmark looking at the historical price as well as the current future strip pricing. NEWC is presently at its highest price in the past 5 years. The future strip pricing is projecting a price of approximately \$163/ton for September 2021, however the price is expected to reduce to \$105/ton by the end of 2021.
 - ii. Given the recent significant increase in coal prices over the last 12 months and the extreme volatility in pricing over the past 5 years, the Monitor is of the view that the Company's approach of using the NEWC benchmark future strip price as a baseline and then factoring in a volatility discount is reasonable. The Company's internal forecast coal price is below the NEWC future strip pricing and above the 5-year historical average actual price. The Monitor is of the view that the Applicant's forecast coal price is conservative; however, using a conservative estimate is reasonable given the historical volatility of coal prices and the Company's inability to enter into hedging contracts.
- c. Operating disbursements relate to normal course expenditures required to operate the Vista Coal Mine Project.

- d. Professional fees are forecast to be approximately \$4.8 million during the Forecast Period and include the Applicant's legal counsel, the Monitor, the Monitor's legal counsel and the legal counsel to the interim lender.
 - e. The current amount drawn under the Interim Financing Facility of \$26.0 million is forecast to be repaid during the Forecast Period. Interest owed under the Interim Financing Facility of \$1.1 million is forecast to be repaid during the Forecast Period.
18. Overall, the Applicant is forecasting to have \$58.3 million in cash on hand at the end of the Forecast Period.

STAY EXTENSION

19. The Applicant is requesting an order extending the Stay of Proceedings to December 15, 2021. The Monitor provides the following comments with respect to Coalspur's application for the requested extension of the Stay of Proceedings:
- a. it will allow the Monitor to complete the Claims Process in accordance with the Claims Process Order;
 - b. it will allow Coalspur to pursue a restructuring strategy, which may include a plan of compromise or arrangement, and apply for an Order authorizing Coalspur to call, hold and conduct a meeting of creditors to consider and vote on any such CCAA plan of compromise or arrangement;
 - c. there will be no material prejudice to Coalspur's creditors and other stakeholders as a result of the extension of the Stay of Proceedings;

- d. it will allow Coalspur to continue focusing on its stabilization and going concern operations, including negotiating an extension of the December 31, 2021 maturity date of the approximately \$297.9 million USD secured obligation owing by Coalspur to CTC;
- e. the Third Cash Flow Statement demonstrates that Coalspur will have sufficient liquidity to fund its obligations and the costs of these CCAA Proceedings during the term of the proposed extension of the Stay of Proceedings;
- f. in the Monitor's view, Coalspur is acting in good faith and with due diligence;
- g. Coalspur's overall prospects of effecting a viable restructuring will be enhanced by the proposed extension of the Stay of Proceedings; and
- h. the length of the proposed extension of the Stay of Proceedings, approximately three months, is reasonable given the timelines under the Claims Process Order, the complexity and nature of Coalspur's business, and the number of stakeholder groups that Coalspur will be consulting with while formulating its restructuring plan.

CONCLUSIONS AND RECOMMENDATIONS

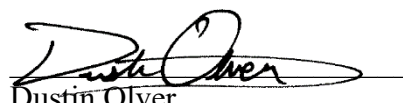
20. Based on the foregoing, the Monitor respectfully recommends that this Honourable Court grant the extension to the Stay of Proceedings.

All of which is respectfully submitted this 23rd 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

APPENDIX “A”

Third Cash Flow Statement

Coalspur Mines (Operations) Ltd.
Third Cash Flow Statement
For the 18-week period ending December 17, 2021

(USD thousands)	Week Ending	Notes	ref	Week 1 to	Week 17	Week 18	Week 19	Week 20	Week 21	Week 22	Week 23	Week 24	Week 25	Week 26	Week 27	Week 28	Week 29	Week 30	Week 31	Week 32	Week 33	Week 34	Total
				Week 16 Actuals	Forecast 20-Aug	Forecast 27-Aug	Forecast 3-Sep	Forecast 10-Sep	Forecast 17-Sep	Forecast 24-Sep	Forecast 1-Oct	Forecast 8-Oct	Forecast 15-Oct	Forecast 22-Oct	Forecast 29-Oct	Forecast 5-Nov	Forecast 12-Nov	Forecast 19-Nov	Forecast 26-Nov	Forecast 3-Dec	Forecast 10-Dec	Forecast 17-Dec	
Operating Receipts																							
Sales Receipts		[1]		\$116,171	\$10,686	\$25,752	\$17,922	\$20,417	\$19,631	\$32,304	\$ 9,209	\$18,852	\$ 7,281	\$19,746	\$ 5,235	\$ 6,345	\$ 6,394	\$19,896	\$ -	\$12,615	\$ -	\$13,706	\$ 362,161
Total Operating Receipts			<i>A</i>	116,171	10,686	25,752	17,922	20,417	19,631	32,304	9,209	18,852	7,281	19,746	5,235	6,345	6,394	19,896	-	12,615	-	13,706	362,161
Operating Disbursements																							
Payroll and Benefits		[2]		11,052	-	1,400	-	1,400	-	1,400	-	1,400	-	1,400	-	1,400	-	1,400	-	1,400	-	1,400	23,652
Contractors		[3]		2,611	-	519	-	519	-	519	-	519	-	519	-	519	-	519	-	519	-	519	7,282
Rent		[4]		34	-	-	-	9	-	-	-	9	-	-	-	9	-	-	-	9	-	-	70
Transportation		[5]		36,323	4,522	4,789	1,018	3,873	4,663	3,785	1,500	3,624	4,202	3,409	3,729	3,471	3,651	2,228	2,995	2,581	3,074	3,353	96,789
Royalties		[6]		1,665	829	-	-	1,324	-	-	-	1,489	-	-	-	-	1,196	-	-	-	758	-	7,260
Fuel		[7]		8,287	426	426	426	426	426	426	425	424	424	424	424	509	509	509	509	469	453	453	16,375
Power		[8]		2,998	510	-	510	-	-	510	-	-	510	-	-	510	-	-	-	510	-	-	6,568
Material & Supplies		[9]		47,391	3,548	3,737	4,158	2,926	3,278	4,519	2,862	6,266	3,031	2,804	2,679	4,250	3,017	3,494	3,017	5,180	2,786	2,888	111,829
CCAA Professional Fees		[10]		1,358	550	-	850	-	-	-	1,700	-	-	-	850	-	-	-	850	-	-	-	6,158
Critical Vendors Accounts Payable		[11]		553	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	553
Net Taxes		[12]		1,188	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,188
Trafigura Payment		[13]		13,903	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	13,903
Vista Energy Management Fee		[14]		2,500	-	250	250	250	3,000	250	250	250	250	250	250	250	250	250	250	250	250	250	9,500
Other		[15]		(700)	-	-	500	6,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,800
Total Operating Disbursements			<i>B</i>	129,162	10,384	11,120	7,712	16,726	11,366	11,409	6,737	13,981	8,418	8,806	7,932	10,918	8,623	8,400	8,132	10,408	7,320	9,373	306,927
Net Change in Cash from Operations			<i>C=A-B</i>	(12,992)	302	14,632	10,210	3,691	8,265	20,895	2,472	4,871	(1,136)	10,940	(2,698)	(4,573)	(2,229)	11,496	(8,132)	2,207	(7,320)	4,333	55,234
Financing																							
Interim Financing Draw (Repayment)		[16]		26,000	-	-	(10,000)	(10,000)	(6,000)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bank Charges & Interest		[17]		27	-	-	(3)	-	-	(1,128)	-	(3)	-	-	-	(3)	-	-	-	(3)	-	-	(1,111)
FX Impacts				(516)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(516)
Net Change in Cash from Financing			<i>D</i>	25,511	-	-	(10,003)	(10,000)	(6,000)	(1,128)	-	(3)	-	-	-	(3)	-	-	-	(3)	-	-	(1,627)
Net Change in Cash			<i>E=C+D</i>	12,519	302	14,632	208	(6,309)	2,265	19,768	2,472	4,869	(1,136)	10,940	(2,698)	(4,576)	(2,229)	11,496	(8,132)	2,204	(7,320)	4,333	53,607
Opening Cash			<i>F</i>	4,695	17,214	17,516	32,148	32,356	26,046	28,311	48,079	50,551	55,419	54,283	65,223	62,525	57,949	55,721	67,217	59,085	61,289	53,969	4,695
Ending Cash			<i>G=E+F</i>	\$ 17,214	\$ 17,516	\$ 32,148	\$ 32,356	\$ 26,046	\$ 28,311	\$ 48,079	\$ 50,551	\$ 55,419	\$ 54,283	\$ 65,223	\$ 62,525	\$ 57,949	\$ 55,721	\$ 67,217	\$ 59,085	\$ 61,289	\$ 53,969	\$ 58,302	\$ 58,302

Notes:

Management has prepared this Cash Flow Statement solely for the purposes of determining the liquidity requirements of the Company during the CCAA Proceedings.

The Cash Flow Statement is based on the probable and hypothetical assumptions detailed below. Actual results will likely vary from performance projected and such variations may be material.

- [1] Sales Receipts are forecast for receipts from coal sales contracts to Asia-Pacific end customers through Trafigura Pte. Ltd ("Trafigura"). Receipts use the latest coal production estimates times the market price/ tonne. The forecasted realized purchase price considers the future strip price of the Newcastle coal index and the average historical price per tonne, less adjustments for quality, customer discounts and commissions.
- [2] Payroll and benefits relate to management and employees at Coalspur's corporate office.
- [3] Contractors include operators and third party sub-contractors to operate the Vista Coal Mine Project.
- [4] Rent relates to apartment rentals for expat employees relocating to Hinton to work on the mine.
- [5] Transportation forecast includes all costs included for vessel and rail transport.
- [6] Royalties payable to Government of Alberta, Tanager and NS Limited. Royalty is determined based on a percent of the gross selling price of the coal less certain deductions, such as transportation costs.
- [7] Fuel relates to fuel costs required to operate the mining operations.
- [8] Power includes electricity costs required to power and operate the mine site.
- [9] Material & Supplies includes chemical and blasting supplies expenses to operate the Hinton mine site, and equipment lease expenses.
- [10] CCAA Professional fees includes the Applicants' legal counsel, as well as the Monitor, Monitor's legal counsel and DIP lenders legal counsel.
- [11] Critical Vendors Accounts Payable reflect a few minor payments made to date to critical vendors for pre-filing amounts as reviewed and approved by the Monitor.
- [12] Net Taxes includes tax payments on expenditures such as fuel and refund for certain GST payments.
- [13] Trafigura Payment relates to payment of principle and interest to Trafigura as senior secured creditor pursuant to letter agreement between Trafigura and Coalspur.
- [14] Vista Energy Management Fee relates to payments to Vista Energy relates to the Management Service Agreement for administrative and other services (payroll, IT, etc.), and supplies incidental to the production of coal.
- [15] Other operating costs including the annual administration fee owed to the Alberta Energy Regulator and the posting of a deposit with respect to Company's reclamation liabilities.
- [16] Interim Financing Draw (Repayment) reflects the draws made to date on the Interim Financing loan and the expected repayments. With the recent increase in coal prices the Company is expecting to be able fully repay the Interim Financing by the end of the Forecast Period.
- [17] Bank Charges & Interest includes the repayment of interest owed under the Interim Financing as well as monthly bank charges and interest.