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COURT COURT OF QUEEN'S BENCH OF ALBERTA  
JUDICIAL CENTRE CALGARY  
PLAINTIFF CHINA MINSHENG BANKING CORP., LTD., HONG KONG  
BRANCH AND CHINA MINSHENG BANKING CORP., LTD.,  
SHANGHAI BRANCH, AND SONICFIELD GLOBAL LIMITED,  
AS SECURED LENDERS, AND COMPUTERSHARE TRUST  
COMPANY OF CANADA, IN ITS CAPACITY AS COLLATERAL  
AGENT FOR AND ON BEHALF OF THE SECURED LENDERS  
DEFENDANTS GRANDE CACHE COAL LP, GRANDE CACHE COAL  
CORPORATION, UP ENERGY (CANADA) LIMITED AND  
0925165 B.C. LTD.  
DOCUMENT **SECOND REPORT OF DELOITTE RESTRUCTURING INC. AS  
THE COURT-APPOINTED RECEIVER AND MANAGER OF  
THE DEBTORS**

**DATED JANUARY 2, 2018**

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## APPENDICES

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## INTRODUCTION

- 1) Pursuant to an Order (the "**Receivership Order**") of the Court of Queen's Bench of Alberta (the "**Court**") dated February 3, 2017 (the "**Date of Receivership**"), Deloitte Restructuring Inc. ("**Deloitte**") was appointed as receiver and manager (the "**Receiver**") of all of the current and future assets, undertakings and properties (the "**Property**") of Grande Cache Coal LP, Grande Cache Coal Corporation (collectively, "**GCC**"), Up Energy (Canada) Limited and 0925165 B.C. Ltd. (collectively, the "**Debtors**").
- 2) The Receivership Order was granted as a result of an application by China Minsheng Banking Corp., Ltd., Hong Kong Branch and China Minsheng Banking Corp., Ltd., Shanghai Branch ("**CMBC**"), and Sonicfield Global Limited ("**Sonicfield**") (CMBC and Sonicfield are collectively referred to herein as the "**Lenders**"), and Computershare Trust Company of Canada, in its capacity as Collateral Agent for and on behalf of the Lenders.
- 3) Deloitte was also appointed as receiver over specific equipment and real property (the "**Specific Assets**") of GCC pursuant to a separate Order of the Court dated January 24, 2017 (the "**January 24 Order**"). The Specific Assets are described in greater detail in Schedule 1 to the January 24 Order which was granted as a result of an application by HSBC Bank Canada, by its assignee, GCC Maple Holdings Ltd. ("**GCC Maple**") as secured lenders in respect of the Specific Assets.
- 4) The Receiver issued its first report to Court (the "**First Report**") on June 27, 2017 in connection with seeking an Order of the Court approving the Receiver's Sales and Investment Solicitation Process (the "**SISP**"), approving an increase of the maximum outstanding principal amount of the Receiver's borrowings to \$15.0 million (the "**Receiver's Borrowings**"), and approving the Receiver's proposed key employee retention plan (the "**KERP**"). The relief requested was granted by the Court pursuant to an Order pronounced on July 5, 2017 (the "**July 5 Order**").
- 5) The Receivership Order, the January 24 Order, and the July 5 Order, together with related Court documents, the First Report, and this second report of the Receiver (this "**Report**") have been posted on the Receiver's website at [www.insolvencies.deloitte.ca/en-ca/GrandeCacheCoal](http://www.insolvencies.deloitte.ca/en-ca/GrandeCacheCoal).
- 6) Unless otherwise provided, all other capitalized terms not defined in this Report are as defined in all reports filed and orders previously issued in respect of the receivership.

### Purpose

- 7) The purpose of this Report is to:
  - a) Provide an update on the Receiver's activities since the date of the First Report; and
  - b) Respectfully recommend that this Honourable Court make orders:
    - i) Approving the asset purchase and sale agreement, dated December 22, 2017 (the "**APA**"), between the Debtors, the Receiver as the vendor, and Sonicfield and vesting in Sonicfield (or its nominee to be named before closing) title to the Property free and clear of all encumbrances. The APA is attached as Appendix "**B**" to the confidential supplemental report to this Report (the "**Confidential Supplement**");
    - ii) Sealing the Confidential Supplement filed with this Court from the public record until the date that is 180 days after the date that the Receiver is discharged as receiver and manager of the Debtors;

- iii) Approving an increase to the maximum outstanding principal amount of the Receiver's Borrowings and the Receiver's Borrowing Charge (as defined in the Receivership Order) from \$15.0 million to \$35.0 million as contemplated in the Increased Financing Facility (defined below);
- iv) Approving the Receiver's borrowing facility term sheet (the "**Term Sheet**") between the Debtors and Sonicfield, signed and executed on December 22, 2017 (the "**Increased Financing Facility**"), directing and authorizing the Receiver to enter into the Increased Financing Facility and to take any and all such steps as the Receiver determines necessary or advisable in respect of the terms contemplated in the Increased Financing Facility;
- v) Approving the interim accounts of the Receiver and its legal counsel from the Date of Receivership to November 30, 2017; and
- vi) Provide such further and other relief that the Court considers just and warranted in the circumstances.

#### **Terms of Reference**

- 8) In developing this Report, the Receiver has relied upon unaudited financial information prepared by the Debtors' current and former management ("**Management**"), the Debtors' books and records and discussions with Management. The Receiver has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards or Canadian Auditing Standards pursuant to the *Chartered Professional Accountants Canada Handbook* and, accordingly, the Receiver expresses no opinion or other form of assurance in respect of the information. Accordingly, readers are cautioned that this Report may not disclose all significant matters in respect of the Debtors and may not be suitable for the readers' purposes.
- 9) Future-oriented financial information referred to in this Report consists of forecasts and projections which were prepared based on estimates and assumptions which are, by their nature, not ascertainable. Actual results achieved may vary from the forecasts or projections, even if the assumptions materialize, and the variations could be material. As such, the Receiver expresses no opinion or other form of assurance with respect to the accuracy of any financial information presented in this Report, or relied upon by the Receiver in preparing this Report.

#### **Currency**

- 10) All dollar amounts in this Report are in Canadian dollars, unless otherwise indicated.

#### **BACKGROUND**

- 11) The Debtors' core assets consist of inactive and proposed metallurgical coal mines located in the Municipal District of Greenview near Grande Cache, Alberta (the "**Mine**"). The Mine has direct rail capacity with access to export terminals in British Columbia and the Great Lakes. GCC historically supplied customers primarily located in Asia and also supplied customers in Brazil, Europe and Canada.
- 12) CMBC is the principal secured lender to the Debtors and holds a first ranking security position against the Debtors and the Property (other than the Specific Assets). CMBC was owed approximately \$448.1 million USD at the Date of Receivership and Sonicfield was owed

approximately \$5.9 million USD. Pursuant to a loan assignment agreement with Sonicfield, GCC Maple took an assignment of Sonicfield's loan and therefore now has a loan with the Debtors in the amount of approximately \$5.9 million USD, which ranks *pari passu* with CMBC's security. Also, GCC Maple has secured loans with Grande Cache Coal LP in the amount of approximately \$18.8 million and holds a first ranking security position against the Specific Assets.

- 13) As set out in the First Report, due to low metallurgical coal prices, surface mining was suspended in January 2015. In December 2015 the underground mining operations were suspended due to continued deterioration of metallurgical coal prices. The Debtors laid off a significant number of employees such that, only 18 employees remained at the Date of Receivership.
- 14) As at the date of this Report, there remain 13 full-time employees of which eight (8) are based at the mine site and five (5) are located at the head office located in Calgary, Alberta. While the Mine remains in care and maintenance mode, the GCC employees continue to work on mine planning and preparing statutory reporting to prepare for a future restart of the Mine.

## RECEIVER'S ACTIVITIES

- 15) Since the First Report, the Receiver has undertaken, with the assistance of GCC employees where necessary, the following activities:
  - a) Coordinating ongoing care and maintenance of the coal mine;
  - b) Continuing environmental testing, commissioning of engineering reports and regulatory and compliance reporting;
  - c) Engaging contractors to perform ongoing water management activities;
  - d) Entering into KERP agreements with key GCC employees to incentivize those employees to remain at GCC until the conclusion of the SISP;
  - e) Engaging contractors with prior experience and knowledge of the mine to assist with mining applications and to respond to questions from prospective purchasers in respect of the SISP;
  - f) Coordinating final payroll, records of employment and T4 slips with respect to employee attrition since the date of the First Report;
  - g) Administering the *Wage Earner Protection Program Act*, which included reviewing Service Canada's pay schedule, and remitting payment of priority amounts;
  - h) Arranging for interim financing in July 2017 to facilitate the continued funding of operational disbursements to the date of this Report;
  - i) Executing the Increased Financing Facility on December 22, 2017 as described in more detail below, for the purposes of continued funding of receivership obligations until the closing of a sale transaction pursuant to the APA;
  - j) Filing post-receivership Goods and Service Tax ("GST") returns, remitting payroll source deductions, and corresponding with Canada Revenue Agency ("CRA") in respect of the related trust audits and filing requirements. CRA has completed its trust audits and there are no GST or payroll source deductions outstanding;

- k) Coordinating lease extensions to February 28, 2018 for the head office lease in Calgary;
- l) Requesting McCarthy Tétrault LLP, the Receiver's independent legal counsel ("McCarthy's"), to conduct a review of the security granted by the Debtors;
- m) Corresponding with McCarthy's on various legal matters relating to the receivership;
- n) Corresponding with creditors and other interested parties;
- o) Conducting the SISP as described in more detail below, including negotiating the terms of the APA; and
- p) Addressing various additional matters as they arose from time to time.

### **SECURED CREDITORS AND INDEPENDENT LEGAL OPINION**

- 16) The Receiver requested that McCarthy's opine on the validity and enforceability of CMBC's security on the Debtor's assets. Subject to customary and specific assumptions and qualifications contained therein, McCarthy's has provided a verbal opinion, with a written opinion to follow in due course, confirming that CMBC's security:
  - a) Constitutes legal, valid and binding obligations on the Debtors;
  - b) Has been duly registered, filed or recorded in Alberta; and
  - c) Ranks in priority to the unsecured creditors of the Debtors and any subsequently appointed trustee in bankruptcy of the Debtors.
- 17) The Receiver does not forecast any funds available for distribution to unsecured creditors.

### **KEY EMPLOYEE RETENTION PLAN**

- 18) The July 5 Order approved a KERP with a charge of up to \$150,000 with respect to certain employees who were deemed critical to continued care and maintenance activities, environmental and regulatory compliance matters, ongoing mining applications, and to the SISP. The Receiver entered into agreements with the respective employees which set out that the KERP would be payable upon closing of a successful sale transaction, which was initially anticipated by December 31, 2017.
- 19) As a result of the deadline extensions over the course of the SISP (described in greater detail below), the Receiver has elected to pay approximately one half of the KERP on or before December 31, 2017. The balance of the KERP will be payable to eligible employees upon closing of a purchase and sale transaction. The Receiver has obtained the concurrence of CMBC and Sonicfield to pay approximately one half of the KERP.

## SALES AND INVESTMENT SOLICITATION PROCESS

- 20) Pursuant to the July 5 Order, the Receiver undertook a SISP with respect to the marketing and sale of the Mine and related assets, including the Specific Assets. Paragraphs 48 and 49 of the First Report summarized the SISP that was attached as Appendix "B" to the First Report.
- 21) The SISP has now been completed in accordance with the terms of the July 5 Order. Each of the Final Bids made pursuant to the SISP contemplated various consensual participation by CMBC, including refinancing of CMBC's existing secured debt, the repayment of CMBC over an extended time frame (linked to operational results of the Mine) and CMBC involvement at the board level of the Bidder. It was not realistically possible for the Receiver to complete a transaction for material value without the consent and support of CMBC and the Receiver therefore engaged with CMBC throughout the SISP.
- 22) A chronology of the key activities undertaken by the Receiver in respect of the SISP is as follows:

Activity	Timing
Publication of newspaper advertisements	July 10, 2017 (The Globe and Mail) July 14, 2017 (South China Morning Post) July 21, 2017 (Chinese language mining industry publication)
Circulation of the Teaser Letter (defined below) and Confidentiality Agreement ("CA")	July 11, 2017
Confidential Information Memorandum ("CIM") and Data Room (defined below) available for access to parties who executed a CA	July 17, 2017
Non-binding LOI Deadline (defined below)	August 25, 2017
Notification to Shortlisted Parties (defined below) re additional due diligence and extension of the deadline for Final Bids (defined below)	September 1, 2017
Introductory calls and meetings with the Shortlisted Parties and CMBC	September 2017
Initial Bid Deadline (defined below)	September 15, 2017
Notification to Shortlisted Parties of further extension of the deadline for Final Bids	September 29, 2017
Extended Bid Deadline	October 16, 2017
Additional due diligence Negotiations with CMBC Site visits Requests for information to the AER	September, October and November 2017
Final Bid Deadline	November 10, 2017
Completion of CMBC's credit assessment and selection of a winning bid and a backup bid	December 8, 2017
Negotiations with Sonicfield on the APA and Second Financing Facility	December 8, 2017 to December 22, 2017



- 23) Following the July 5 Order, an initial offering summary (the "**Teaser Letter**") was sent to a broad group of 400 potential purchasers which included global mining producers and operators, commodity trading companies, private equity firms and other relevant parties. Additionally, the Receiver published notice of the SISP in three publications, one in Canada and two in China.
- 24) Any party who expressed an interest in the Mine was required to sign a CA, subsequent to which the parties were provided access to an electronic data room (the "**Data Room**") containing detailed financial, technical and other relevant information as well as the CIM.
- 25) The Receiver marketed the property for sale on an *en bloc* basis. The Receiver also responded to inquiries on the Specific Assets from auctioneers/liquidators who executed the CA.
- 26) 41 parties executed the CA and were provided access to the CIM and the Data Room. Of those 41 parties, nine (9) were auctioneer/liquidator firms who expressed interest mainly in the Specific Assets and certain other equipment.
- 27) In accordance with the SISP, LOI's were due by 5:00 p.m. (Mountain Time) on August 25, 2017 (the "**LOI Deadline**"). The SISP initially contemplated a deadline for submission of final bids ("**Final Bids**") by 5:00 p.m. (Mountain Time) on September 15, 2017 (the "**Initial Bid Deadline**") and a deadline to enter into a final agreement on October 6, 2017 (the "**Final Agreement Deadline**").
- 28) The Receiver received ten (10) LOI's by the LOI Deadline which were reviewed and presented to CMBC for consultation. On September 1, 2017, the Receiver advised four (4) parties that their LOI's were not commercially acceptable and the four (4) parties were notified that they would not advance to the next stage of the SISP.
- 29) The Receiver notified the other six (6) parties (the "**Shortlisted Parties**") to advance to the next stage of due diligence which included: i) discussions with CMBC, ii) attendance at GCC's head office in Calgary, iii) attendance at the Mine site, iv) access to additional information as requested, and v) access to key stakeholders. The SISP provided the Receiver with authorization to extend various deadlines within the SISP. After a review of the LOI's, the Receiver extended the deadline for submission of Final Bids to October 16, 2017 (the "**Extended Bid Deadline**") to provide time for the Shortlisted Parties to enter into discussions with CMBC on refinancing and participation terms.
- 30) The Receiver arranged introductory teleconference calls between each of the Shortlisted Parties and CMBC in September 2017, and also arranged for in person meetings held in both Calgary and Hong Kong depending on the Shortlisted Party's location.
- 31) Deloitte accompanied five (5) of the Shortlisted Parties to the Mine as part of each Shortlisted Party's due diligence process to facilitate physical inspection of the Mine, the associated assets and to hold discussions with GCC Management and employees located at the Mine site.
- 32) The Shortlisted Parties provided the Receiver with certain questions pertaining to regulatory matters. Those questions were forwarded to the Alberta Energy Regulator (the "**AER**"). The Receiver made requests for information and meetings with the AER, as necessary.
- 33) To facilitate ongoing negotiations with CMBC, to allow additional time for certain Shortlisted Parties to obtain travel visas to visit Canada to conduct Mine site visits and additional due diligence, and to allow CMBC Hong Kong to liaise with CMBC Beijing, the Receiver notified the Shortlisted Parties

on September 29, 2017 that the deadline for submission of final bids would be further extended to November 10, 2017 (the “**Final Bid Deadline**”).

- 34) In late October 2017, Sonicfield and another party who had not previously submitted LOI’s approached the Receiver expressing an interest to participate in the SISP. The Receiver notes that Sonicfield had previously expressed interest in the Mine, was a sophisticated entity with mining experience around the world and had the capacity to raise capital to complete a transaction. In light of these considerations and the fact that the Final Bid Deadline had not yet passed, the Receiver informed both Sonicfield and the other party of the revised Final Bid Deadline and that no extensions of that date would be provided. Subsequently, the Receiver received an LOI from each of the two (2) parties which resulted in two (2) additional Shortlisted Parties. One (1) of those parties conducted a site visit in early November 2017 but elected not to pursue the transaction, and did not submit a final bid. Sonicfield did submit a bid and deposit by the Final Bid Deadline.
- 35) The SISP contemplated that the highest or best offer may not necessarily be accepted by the Receiver, and that the Receiver reserves its right not to accept any offer or to vary the terms of or terminate the SISP. The SISP also set out that the Receiver reserves the right to deal with one or more Final Bidders (as defined therein) to the exclusion of others and to accept an offer or offers for some or all of the Property.
- 36) The Receiver was provided with four (4) Final Bids, all of which were on an *en bloc* basis. All of the Final Bids were reviewed in consultation with CMBC as all of the Final Bids required financing and participation by CMBC. Accordingly, only a transaction that would be financed by CMBC could possibly be consummated in the circumstances. Also, all of the Final Bids contained deficiencies in both form and conditions.
- 37) On November 14, 2017, the Receiver notified one (1) bidder that its Final Bid was not the Winning Bid (as defined in the SISP) and that higher offers were provided to the Receiver.
- 38) In respect of the Final Bid deficiencies, the three remaining parties (the “**Final Bidders**”) entered into discussions with both the Receiver and CMBC to clarify and finalize their respective Final Bids.
- 39) The Receiver, after a review of the Final Bids and consultation with CMBC, selected Sonicfield’s bid (the “**Sonicfield Bid**”) as the Winning Bid on December 8, 2017. Each of CMBC and GCC Maple are supportive of the Sonicfield Bid.

#### **Sonicfield Bid and APA**

- 40) On December 22, 2017 an APA was executed and is attached to the Receiver’s Confidential Supplement. As part of the negotiation of a mutually agreeable APA, the Receiver arranged meetings with representatives of Sonicfield, the AER and GCC’s head office personnel to discuss, among other things, restart considerations and the process for transferring licenses, permits and leases.
- 41) Subject to obtaining Court approval of the APA, Sonicfield plans to seek its requisite regulatory approvals, commence refurbishment of the Specific Assets and other equipment at the Mine site, and possible recruitment of staff in advance of closing of the sale transaction by May 30, 2018.

## RECEIVER'S BORROWINGS

- 42) Paragraph 20 of the Receivership Order authorized the Receiver to borrow monies, as it considers necessary, up to a maximum principal amount of \$10.0 million subject to the Receiver's Borrowing Charge (as defined in the Receivership Order).
- 43) As set out in the First Report, the Receiver entered into a borrowing facility with Sonicfield (the "**Initial Financing Facility**") effective February 10, 2017 for a maximum availability of \$10.0 million. In the spring of 2017, Sonicfield was considered a prospective stalking horse bidder due to its interest in GCC.
- 44) The Receiver borrowed a principal amount of approximately \$2.8 million by way of eleven Receiver's Certificates under the Initial Financing Facility, before interest and costs.
- 45) As a result of no additional financing being available pursuant to the Initial Financing Facility, the Receiver required new financing to continue to administer the receivership and to address the costs associated with the care and maintenance of the Mine. The Receiver, with the assistance of CMBC, entered into an arrangement with GCC Maple to provide the Receiver with the necessary funds to fund the ongoing receivership obligations. CMBC approved the terms of the borrowing arrangement with GCC Maple including the interest rate of 7.0%.
- 46) A Receiver's Certificate in the amount of \$10.0 million was issued to GCC Maple on June 26, 2017, and those funds were provided to the Receiver in early July 2017.
- 47) The Receiver prepared a projected cash flow statement which indicated that the \$10.0 borrowing limit was insufficient to fund ongoing care and maintenance of the Mine, the preservation of assets and environmental and water management activities. Accordingly, the Receiver applied for and was authorized by the Court in the July 5 Order to increase its borrowings from \$10.0 million to \$15.0 million. The Receiver, in addition to other expenses, retired the amount owed to Sonicfield in the amount of approximately \$2.9 million (including interest of approximately \$182,000). To the date of this Report the Receiver has not had to borrow any additional funds from GCC Maple.
- 48) As outlined below, additional monies exceeding the \$15.0 million approved in the July 5 Order will be required to fund the ongoing receivership obligations for care and maintenance of the Mine and to address professional fees and costs up to the anticipated closing of a sale transaction.

### Funding Requirements and Proposed Increase to Receiver's Borrowing Charge

- 49) The Mine is not operating and substantially all funds required to meet the various expenses are provided from the Receiver's borrowings.
- 50) Based on the estimated time lines to close the sale and the costs that will continue to be incurred, the Receiver estimates it will need to borrow additional funds, significantly above the \$15.0 million amount, to meet existing and ongoing obligations, including payroll, environmental stewardship, water management, regulatory compliance, licensing and permit applications for potential resumption of mining operations, insurance costs, and professional fees.
- 51) In addition to meeting the existing and ongoing obligations, Sonicfield, prior to closing the sale, plans to commence certain pre-closing preparatory activities including equipment refurbishment in anticipation of restarting mining operations as soon as possible after closing the transaction.
- 52) The Receiver has prepared a projected cash flow forecast (the "**Cash Flow Forecast**") for the period from December 18, 2017 to May 30, 2018, a copy of which is attached as Appendix "A".

The notes to the Cash Flow Forecast provide for the explanation of the various categories of expenses to be incurred. The Cash Flow Forecast reflects that approximately \$35.0 million will be required to meet payroll, environmental and other operational expenses, receivership professional fees, the professional fees and expenses of Sonicfield in respect of the transaction and the Increased Financing Facility, the reimbursement of CMBC's professional fees incurred to date, the repayment of the \$10.0 million advanced to the Receiver by GCC Maple, and to cover the estimated \$12.5 million of operational restart costs.

- 53) The Receiver is of the view that such borrowings are necessary and appropriate in the circumstances.
- 54) Accordingly, the Receiver is seeking authorization to borrow a further \$20.0 million, increasing the amount to be borrowed by the Receiver from \$15.0 million to \$35.0 million, subject to the Receiver's Borrowings Charge. CMBC supports the Receiver's proposed increase in required borrowings.

### **The Increased Financing Facility**

- 55) Pursuant to the Term Sheet, the Receiver entered into the Increased Financing Facility with Sonicfield subject to obtaining Court approval for the additional financing. A copy of the Increased Financing Facility is attached as Appendix "B".
- 56) The funds to be advanced to the Receiver pursuant to the Increased Financing Facility will comprise three (3) tranches and are subject to the following:
  - a) on or before December 22, 2017, the Receiver and the Purchaser execute the APA;
  - b) on or before December 22, 2017, the Receiver and the Lender execute the Term Sheet;
  - c) on or before December 22, 2017, the Purchaser shall execute a restructuring implementation agreement with CMBC (the "RIA");
  - d) on or before December 22, 2017, the Receiver shall file and serve an application returnable on January 8, 2018 seeking a Court Order and the AVO (as defined below) along with all supporting materials;
  - e) on January 8, 2018, the Receiver shall have obtained from the Court an Order increasing the Receiver's borrowings from \$15.0 million to \$35.0 million and an approval and vesting order, approving the APA and the Sale, and vesting the Property in the Purchaser, free and clear of all encumbrances, upon closing of the Sale (the "AVO"); and
  - f) closing of the Sale shall occur no later than June 30, 2018.
- 57) Tranche A is to be available to the Receiver upon the execution of the Term Sheet and that amount is consistent with the July 5 Order. Tranche B and Tranche C are to be available upon the Receiver obtaining the AVO and a Court Order on January 8, 2018 (the "**January 8 Order**") increasing the Receiver's borrowings from \$15.0 million to \$35.0 million, all in accordance with the Cash Flow Forecast. The terms of the Increased Financing Facility are summarized below:
  - a) Tranche A - \$15.0 million. Upon the execution of the Term Sheet, the APA and the RIA, Tranche A will be advanced to the Receiver. The funds from Tranche A will be used to:
    - i) repay the principal, interest, costs, fees and expenses outstanding with respect to the existing Receiver's borrowing;

- ii) paying the amounts owed with respect to the KERP Charge; and
    - iii) paying the costs and expenses of the receivership proceedings up to and including January 8, 2018.
  - b) Tranche B - \$4.0 million. After the granting of the AVO and the January 8 Order, Tranche B will be available to the Receiver for the purposes of paying the costs of the receivership proceeding;
  - c) Tranche C - \$16.0 million. After the granting of the AVO and the January 8 Order, Tranche C will be available to the Receiver for the purposes of:
    - i) paying the costs and expenses of the receivership proceeding; and
    - ii) funding the preparatory costs to enable the Mine to resume production as soon as possible after the closing date of the Sale.
- 58) The Term Sheet also provides for:
- a) an interest rate of 10.0% per annum, automatically increasing to 15.0% per annum upon the occurrence and continuance of an event of default as set out in Appendix "III" of the Term Sheet;
  - b) a set of milestone dates with respect to the proposed sale transaction for the Mine, subject to potential extension by the Sonicfield; and
  - c) the Receiver providing the Sonicfield with an updated weekly cash flow forecast comparing actual cash flows to forecasted cash flows, and such other reports and information or prospects as the Sonicfield and the Receiver mutually agree upon.
- 59) The APA, the Term Sheet, the RIA and the filing and serving of the Court application to be heard on January 8, 2018 were all finalized and completed on December 22, 2017 as required. Accordingly, as at the date of this Report, Sonicfield has advanced the \$15.0 million to the Receiver. The Receiver has requested a payout statement from GCC Maple in order to retire the \$10.0 million Receiver's Certificate issued on June 26, 2017.
- 60) Paragraph 37 of the First Report notes that the Receiver sought term-sheets from alternate lenders (the "**Alternate Lenders**") for the purpose of funding obligations beyond mid-June 2017. As set out earlier in this Report, CMBC assisted the Receiver to obtain replacement financing from GCC Maple in July 2017 on terms that were less expensive than the Alternate Lenders. However, the Receiver understands that GCC Maple will not advance additional funds to settle ongoing receivership obligations.
- 61) The Term Sheet with Sonicfield contemplates the same base interest rate of 10% as was the case with the Initial Financing Facility, which is lower than the rates that were proposed by the Alternate Lenders.
- 62) The Receiver is of the view that the terms of the Increased Financing Facility are commercially reasonable in the circumstances. The Term Sheet has been approved by CMBC.

## STATEMENT OF RECEIPTS AND DISBURSEMENTS

- 63) Attached as Appendix "C" is a Statement of Receipts and Disbursements reflecting the administration of the receivership for the cumulative period February 3, 2017 to December 17, 2017. Costs to December 17, 2017 total approximately \$7.2 million, excluding restructuring professional fees and interim financing interest and costs. As at December 17, 2017, the Receiver holds approximately \$3.0 million in its receivership trust account.

## PROFESSIONAL FEES

- 64) The Receiver and McCarthy's have maintained detailed records of their professional time and costs since the Date of Receivership. Pursuant to paragraph 18 of the Receivership Order, the Receiver and its legal counsel were directed to pass their accounts from time to time before this Court.
- 65) In accordance with paragraph 19 of the Receivership Order, the Receiver shall periodically pay fees and disbursements incurred by the Receiver and its legal counsel, subject to approval of such accounts by the Court in due course.
- 66) The fees of the Receiver incurred, including Deloitte Hong Kong, during the period from February 1, 2017 to November 30, 2017, total approximately \$2.1 million USD, which includes expenses and disbursements in the sum of approximately \$55,000 USD (excluding GST).
- 67) The total legal fees incurred by the Receiver during the period from February 1, 2017 to November 30, for services provided by McCarthy's as the Receiver's independent legal counsel amount to approximately \$104,000 USD, which include disbursements in the sum of approximately \$600 USD and GST in the amount of approximately \$5,000 USD.
- 68) As set out in the Statement of Receipts and Disbursements, no professional fees of the Receiver and McCarthy's have been settled through the receivership estate. The Cash Flow Forecast contemplates an interim payment of fees incurred up to November 30, 2017 prior to December 31, 2017 and subsequent payments for ongoing fees. As at the date of this Report, the Receiver has paid the interim fees of the Receiver (including those of Deloitte Hong Kong) and McCarthy's.

## CONCLUSIONS AND RECOMMENDATIONS

- 69) Based on the foregoing, the Receiver respectfully recommends that this Honourable Court grant the relief detailed in paragraph 7 b) of this Report.

\* \* \*

All of which is respectfully submitted at Calgary, Alberta this 2<sup>nd</sup> day of January, 2018.

**DELOITTE RESTRUCTURING INC.,**

solely in its capacity as

Court-appointed receiver and manager of  
Grande Cache Coal Corporation, Grande Cache Coal LP,  
Up Energy (Canada) Limited and 0925165 B.C. Ltd.,  
and not in its personal or corporate capacity

Per:



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Robert J. Taylor, FCA, FCPA, CIRP, LIT, CFE  
Senior Vice-President

Per:



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Stefano Damiani, CA, CPA, CIRP, LIT  
Vice-President

# **APPENDIX “A”**



**In the Matter of the Receivership of Grande Cache Coal et al.**  
**Projected Cash Flow Statement**  
**For the period from December 18, 2017 to May 30, 2018**  
(Amounts in Cdn \$000's)

	Notes	18-Dec-17	25-Dec-17	01-Jan-18	08-Jan-18	15-Jan-18	22-Jan-18	29-Jan-18	05-Feb-18	12-Feb-18	19-Feb-18	26-Feb-18	05-Mar-18	12-Mar-18	19-Mar-18	26-Mar-18	02-Apr-18	09-Apr-18	16-Apr-18	23-Apr-18	30-Apr-18	07-May-18	14-May-18	21-May-18	28-May-18	Cumulative	
		24-Dec-17	31-Dec-17	07-Jan-18	14-Jan-18	21-Jan-18	28-Jan-18	04-Feb-18	11-Feb-18	18-Feb-18	25-Feb-18	04-Mar-18	11-Mar-18	18-Mar-18	25-Mar-18	01-Apr-18	08-Apr-18	15-Apr-18	22-Apr-18	29-Apr-18	06-May-18	13-May-18	20-May-18	27-May-18	30-May-18	18-Dec-17	
<b>CASH RECEIPTS</b>																											
Total cash receipts	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>CASH DISBURSEMENTS</b>																											
<b>A) Payroll and contract labour</b>																											
Payroll and benefits	2	71	15	-	-	-	74	15	-	95	-	115	-	95	-	115	-	95	-	99	20	95	-	95	20	1,088	
Key Employee Retention Plan	3	-	60	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	60	120	
Contractors	4	-	20	-	20	-	25	-	-	25	-	25	-	25	-	25	-	25	-	25	-	25	-	25	-	265	
		71	95	-	90	-	99	15	-	120	-	140	-	120	-	140	-	120	-	124	20	120	-	120	80	1,473	
<b>B) Utilities</b>																											
Electricity, natural gas and fuels	5	54	83	13	13	38	13	175	15	40	15	175	15	40	15	180	20	45	20	20	180	15	40	15	155	1,391	
<b>C) Governmental and community payments</b>																											
Community and Regulator remittances	6	53	-	-	-	-	-	-	41	-	-	9	-	5	-	40	-	-	64	-	2	-	-	0	-	214	
Property taxes (Municipal District of Greenview)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	125	-	-	-	-	125	
Carbon tax (Government of Alberta)	7	-	16	-	-	-	-	23	-	-	-	23	-	-	-	23	-	-	-	-	23	-	-	-	23	131	
Other compliance & regulatory		-	92	5	5	5	29	5	13	5	19	6	13	5	18	5	13	5	18	5	13	5	18	5	27	336	
		53	108	5	5	5	29	28	54	5	19	39	13	10	18	68	13	5	83	5	163	5	18	5	50	806	
<b>D) Environmental and maintenance</b>																											
Environmental and engineering reports	8	12	46	6	57	4	7	2	-	-	28	2	21	27	150	2	72	-	-	7	2	-	-	167	278	889	
Critical vendor payment	9	-	-	-	22	-	-	-	-	22	-	-	-	22	-	-	-	22	-	-	-	-	-	-	-	88	
Other environmental and maintenance	10	6	26	10	10	30	10	30	10	30	10	30	10	30	10	30	10	30	10	30	10	30	10	30	10	30	452
		18	72	16	89	34	17	32	10	52	38	32	31	79	160	32	82	52	10	17	32	10	30	177	308	1,430	
<b>E) Administrative and general</b>																											
Software license fees	11	1	-	31	-	-	-	4	-	-	-	35	-	-	-	-	-	-	-	-	25	-	-	-	-	97	
Insurance		111	-	-	-	-	-	-	111	-	-	-	111	-	-	-	111	-	-	-	-	111	-	-	-	666	
Head office rent		10	-	-	-	-	-	10	-	-	-	10	-	-	-	10	-	-	-	-	10	-	-	-	10	57	
Interim financing fees and costs	12	-	411	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	411	
Other administrative costs	13	13	9	10	10	10	10	13	15	15	15	18	15	15	15	48	15	15	15	15	118	15	15	15	18	474	
		135	420	41	10	10	10	27	126	15	15	63	126	15	15	58	126	15	15	15	153	126	15	15	139	1,704	
<b>F) Water management program</b>																											
Dredging, hauling and routine management	14	10	20	-	-	-	-	40	-	-	-	50	-	-	-	50	250	-	-	-	50	250	-	50	50	820	
<b>G) Operational restart</b>																											
Operational restart costs	15	-	-	-	-	-	-	-	-	650	-	-	3,700	-	480	-	3,700	-	480	-	480	-	480	3,000	-	12,490	
<b>H) Other costs</b>																											
Contingency		-	10	10	25	25	25	25	25	25	35	35	35	35	35	35	35	35	35	35	35	35	35	35	35	685	
<b>Total operational cash disbursements</b>		<b>340</b>	<b>808</b>	<b>85</b>	<b>231</b>	<b>111</b>	<b>192</b>	<b>342</b>	<b>230</b>	<b>257</b>	<b>762</b>	<b>533</b>	<b>220</b>	<b>3,998</b>	<b>244</b>	<b>1,043</b>	<b>526</b>	<b>3,972</b>	<b>163</b>	<b>695</b>	<b>632</b>	<b>1,041</b>	<b>3,138</b>	<b>417</b>	<b>817</b>	<b>20,797</b>	
<b>Net cash flow before professional fees</b>		<b>(340)</b>	<b>(808)</b>	<b>(85)</b>	<b>(231)</b>	<b>(111)</b>	<b>(192)</b>	<b>(342)</b>	<b>(230)</b>	<b>(257)</b>	<b>(762)</b>	<b>(533)</b>	<b>(220)</b>	<b>(3,998)</b>	<b>(244)</b>	<b>(1,043)</b>	<b>(526)</b>	<b>(3,972)</b>	<b>(163)</b>	<b>(695)</b>	<b>(632)</b>	<b>(1,041)</b>	<b>(3,138)</b>	<b>(417)</b>	<b>(817)</b>	<b>(20,797)</b>	
<b>I) Professional fees</b>																											
Receiver's legal counsel fees	16	-	77	-	-	-	140	-	-	-	50	-	-	-	31	-	-	-	31	-	-	-	31	-	44	405	
Receiver's fees and expenses	17	-	1,749	-	-	-	335	-	-	-	235	-	-	235	-	-	-	235	-	-	-	235	-	235	-	3,259	
Reimbursement of CMBC's professional fees	18	-	1,470	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,470	
Lender's legal advisor fees and expenses	19	-	-	-	-	-	-	-	360	-	25	360	-	-	-	360	-	-	-	-	360	-	-	-	360	1,825	
		-	3,296	-	-	-	475	-	360	-	285	-	360	-	266	-	360	-	266	-	360	-	266	-	639	6,958	
<b>Net cash flow after professional fees</b>		<b>(340)</b>	<b>(4,103)</b>	<b>(85)</b>	<b>(231)</b>	<b>(111)</b>	<b>(667)</b>	<b>(342)</b>	<b>(590)</b>	<b>(257)</b>	<b>(1,047)</b>	<b>(558)</b>	<b>(580)</b>	<b>(3,998)</b>	<b>(510)</b>	<b>(1,043)</b>	<b>(886)</b>	<b>(3,972)</b>	<b>(429)</b>	<b>(695)</b>	<b>(992)</b>	<b>(1,041)</b>	<b>(3,405)</b>	<b>(417)</b>	<b>(1,455)</b>	<b>(27,756)</b>	
<b>Forecast opening cash balance</b>		<b>3,035</b>	<b>2,695</b>	<b>3,591</b>	<b>3,506</b>	<b>3,275</b>	<b>7,164</b>	<b>6,497</b>	<b>6,155</b>	<b>9,566</b>	<b>9,309</b>	<b>8,262</b>	<b>7,703</b>	<b>11,123</b>	<b>7,125</b>	<b>6,615</b>	<b>5,572</b>	<b>8,686</b>	<b>4,714</b>	<b>4,285</b>	<b>3,589</b>	<b>6,597</b>	<b>5,556</b>	<b>2,152</b>	<b>1,734</b>	<b>3,035</b>	
<b>Interim Financing Advances (Repayments)</b>																											
GCC Maple Holdings	12	-	(10,000)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(10,000)	
Sonicfield Global Limited	12	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
-Tranche A		-	15,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	15,000	
-Tranche B		-	-	-	-	4,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,000	
-Tranche C		-	-	-	-	-	-	4,000	-	-	-	4,000	-	-	-	4,000	-	-	-	4,000	-	-	-	-	-	16,000	
		-	5,000	-	-	4,000	-	4,000	-	-	-	4,000	-	-	-	4,000	-	-	-	4,000	-	-	-	-	-	25,000	
<b>Forecast ending cash balance (shortfall)</b>		<b>2,695</b>	<b>3,591</b>	<b>3,506</b>	<b>3,275</b>	<b>7,164</b>	<b>6,497</b>	<b>6,155</b>	<b>9,566</b>	<b>9,309</b>	<b>8,262</b>	<b>7,703</b>	<b>11,123</b>	<b>7,125</b>	<b>6,615</b>	<b>5,572</b>	<b>8,686</b>	<b>4,714</b>	<b>4,285</b>	<b>3,589</b>	<b>6,597</b>	<b>5,556</b>	<b>2,152</b>	<b>1,734</b>	<b>279</b>	<b>279</b>	

## Notes to the Projected Cash Flow Statement

Terms of Reference – The future-oriented financial information consists of forecasts and projections prepared using information provided by Management and from past results over the course of the Receivership proceedings. The forecasts and projections are based on estimates and assumptions which are, by their nature, not ascertainable. Actual results achieved may vary from the forecasts or projections, even if the assumptions materialize, and the variations could be material. As such, the Receiver expresses no opinion or other form of assurance with respect to the accuracy of any financial information presented in this projected cash flow statement.

**This projected cash flow statement was prepared on the basis that a sale transaction closes and is intended for illustrative purposes to project additional financing requirements for continued care and maintenance of the mine to May 30, 2018.**

This schedule contemplates an operational restart work requested by the Purchaser, the respective scope for such work is subject to further clarification with the Purchaser.

- 1 No receipts are forecasted during this period. The Receiver will file required GST returns and attempt to obtain refunds from Canada Revenue Agency ("CRA") as there are no offsetting sales. However, GCC is not compliant with approximately two years of income tax filings such that any GST refunds may be withheld by CRA. Therefore, the Receiver is unable to estimate whether there will be any GST receipts. Filing historical tax returns will incur additional costs and is subject to the reliability of GCC's books and records.
- 2 There are currently a total of 13 staff and management personnel located at the mine site and head office locations. Payroll, vacation pay, and related taxes are remitted on a semi-monthly basis on the 15th and last day of each month. Benefits and other staff premiums are remitted on a monthly basis. The Workers' Compensation Board (Alberta) premiums are remitted quarterly. This estimate contemplates potentially retaining one mining engineer and one environmental staff member for supplemental site inspections and compliance reporting, as necessary. Additional employees will be hired by the Purchaser with respect to pre-closing activities, if any, and are not included in this forecast.
- 3 An amount of up to \$150,000 was approved by the Court of Queen's Bench of Alberta ("Court") with respect to a Key Employee Retention Plan ("KERP") payable to select personnel upon the closing of a Court-approved sale transaction. An amount of \$120,000 remains payable in respect of the KERP. The Receiver proposes to settle 50% of the KERP on December 31, 2017 and the remaining 50% on closing of the sale transaction.
- 4 Consists of part-time mining engineers and a geologist with respect to ongoing mining applications and compliance reporting, as necessary.
- 5 Electricity, natural gas and fuels primarily related to the mine site.
- 6 Payments pursuant to Community Impact Benefit Agreements and periodic remittances to Government regulators.
- 7 Estimated monthly carbon tax remittance to the Government of Alberta.
- 8 Based on GCC management's representations and estimates, the Receiver understands that environmental and engineering consultants will need to be engaged to perform certain testing and preparation of reports. The Receiver and GCC management continue to review proposals and negotiate service agreements with qualified vendors. Additional significant costs may be incurred for further reports required by the Alberta Energy Regulator in connection with ongoing applications.
- 9 Pursuant to the Court Order dated July 5, 2017, the Receiver was authorized to settle certain pre-filing indebtedness totaling approximately \$88,000 owing to a critical vendor. The Receiver estimates this amount to be remitted in four monthly installments commencing on January 15, 2018.
- 10 Ongoing maintenance and janitorial services for mine site, and certain environmental and lab testing costs.
- 11 Software licensing and renewal fees for head office and mine site applications and networks.
- 12 The Receiver has negotiated a new interim financing agreement (the "Receiver's Borrowings Facility") with the Purchaser in the amount of approximately CAD \$35 million. This contemplates CAD \$15 million (Tranche A) to be advanced before December 31, 2017, and the existing Receiver's certificate of CAD \$10 million will be repaid and retired. The Receiver estimates accrued interest of \$360,548 with respect to the existing Receiver's certificate (i.e. CAD \$10 million at 7% for 188 days), plus estimated costs and legal fees of up to \$50,000 due on settlement. This forecast does not include the settlement of accrued interest in respect of the Receiver's Borrowings Facility on closing of a sale transaction. Subject to Court approval on January 8, 2018, the Receiver's Borrowing Facility contemplates a further advance of CAD \$4 million (Tranche B) during mid-January and subsequent advances totalling CAD \$16 million (Tranche C) through four instalments starting from February 2018 to May 2018 in support of payment of operational restart work and lender's legal and advisor fees and expenses.
- 13 Consists of other general administrative expenses such as ongoing and required site inspection costs, staff expense reimbursements, telecommunication costs, property management services, etc.
- 14 Includes outstanding and unpaid invoices related to ongoing routine water management, and estimated engineering and construction services required for the spring melt. The volume and scope of water management activities and costs are highly dependent on weather conditions over the winter and spring months, and may be substantially higher than estimated.
- 15 Purchaser's estimated cost of approximately \$12,490,000 for operational restart work. The forecast assumes the operational restart work will occur over a 3 months period from February to May 2018. The scope of work and the estimated costs are subject to further clarification and approval by the Purchaser and are therefore subject to change. The costs of the operational restart work will be paid from Tranche C pursuant to the Receiver's Borrowings Facility.
- 16 Includes the settlement of unpaid professional fees of the Receiver's legal counsel to November 30, 2017, plus estimated fees for the period to May 30, 2018. This estimate does not include any regulatory proceedings, protracted negotiations or additional Court appearances which may be required. Excludes fees and expenses for negotiating an Agency Agreement between the Receiver and the Purchaser in connection with any pre-closing activities.
- 17 Includes the settlement of unpaid professional fees of the Receiver, including Deloitte Hong Kong, to November 30, 2017, plus estimated fees to May 30, 2018. Fees in connection with negotiating and executing a potential Agency Agreement with the Purchaser are not included in this forecast.
- 18 Represents the amount of professional fees and costs incurred by CMBC in respect of both pre-receivership and post-receivership matters during the period from December 2016 to April 2017.
- 19 As a condition to the Receiver's Borrowings Facility, the Purchaser has requested that its legal and advisor fees with respect to the Receiver's Borrowings Facility and sale transaction matters be included in the Receiver's Borrowing Charge. This forecast includes an aggregate amount of CAD \$1.8 million with respect to the fees of the Purchaser's Canadian legal counsel (Bennett Jones LLP – CAD \$800,000), Hong Kong legal counsel (Sullivan & Cromwell LLP - CAD \$900,000) and other related fees and expenses of CAD \$100,000. This estimate is for the period from November 1, 2017 to May 30, 2018, and will be settled in five installments subject to the approval of the Purchaser. The Purchaser is also seeking payment of 50% of the application fees payable to the Competition Bureau (Canada) which is estimated to be \$25,000 (i.e. \$50,000 x 50%). The Lender's legal and advisor fees and expenses will be paid from Tranche C pursuant to the Receiver's Borrowings Facility.

# **APPENDIX “B”**

**RECEIVER'S BORROWINGS FACILITY  
TERMS AND CONDITIONS**

1. Date: Signed and effective December 22, 2017.
2. Borrower: Grande Cache Coal LP, Grande Cache Coal Corporation, Up Energy (Canada) Limited and 0925165 B.C. Ltd. (collectively, the "**Borrower**"), by Deloitte Restructuring Inc., solely in its capacity as receiver of all of the assets, undertakings and properties of the Borrower, and not in its personal or corporate capacity (the "**Receiver**").
3. Lender: Sonicfield Global Limited (in such capacity, the "**Lender**").
4. Receivership Proceeding: The Receiver has been appointed as the receiver of all of the assets, undertakings and properties of the Borrower by Orders of the Court of Queen's Bench of Alberta (the "**Court**") dated the 24<sup>th</sup> day of January, 2017 and the 3<sup>rd</sup> day of February, 2017 in Action No. 1701-01142, in the Judicial Centre of Calgary (the "**January 24 Order**" and the "**February 3 Order**" and collectively, the "**Order**"). Capitalized terms used but not defined in this Term Sheet (as defined below) shall have the meaning ascribed to them in the Order.

In the February 3 Order, the Court empowered the Receiver to borrow up to CAD\$10 million (the "**Borrowing Limit**"), secured by the Receiver's Borrowing Charge.

On July 5, 2017, the Court granted an order:

- a) increasing the Borrowing Limit to CAD\$15 million;
- b) granting a KERP Charge over the Property, for the beneficiaries of the key employee retention plan, and in the amount of CAD\$150,000 (the "**KERP Charge**"); and
- c) authorizing the Receiver to conduct a sales and investment solicitation process regarding the Property (the "**SISP**").

Following the conclusion of the marketing phase of the SISP, the Receiver has confirmed that the Lender is the preferred bidder for the Property.

The Receiver currently has outstanding borrowings secured by the Receiver's Borrowing Charge, from GCC Maple Holdings Ltd. in the amount of CAD\$10 million, plus accrued interest (the "**Existing**

BIA FINANCING FACILITY TERMS AND  
CONDITIONS

**Receiver's Borrowing").**

The Receiver has advised the Lender that the Borrower will require Receiver's Borrowings in the estimated total aggregate amount of CAD\$35 million (equivalent to approximately USD\$27.5 million), to pay all past, present and future costs and expenses of the Receivership Proceeding to May 30, 2018. The Receiver intends to seek an order from the Court on January 8, 2017, increasing the Borrowing Limit to CAD\$35 million (equivalent to approximately USD\$27.5 million) (the "**January 8 Order**").

5. Type of Credit Facility: The Lender hereby agrees to provide to the Borrower upon the execution of this Term Sheet and subject to the terms hereof, a senior secured super-priority financing facility (the "**Financing Facility**") of up to the principal amount CAD\$15 million ("**Tranche A**"). The Financing Facility shall be secured by the Receiver's Borrowings Charge (*i.e.*, subordinate in priority only to the Receiver's Charge and the charges as set out in sections 14.06(7), 81.4(4) and 81.6(2) of the *Bankruptcy and Insolvency Act* (Canada) (the "**BIA**")). Upon the granting of the January 8 Order, the amount of the Financing Facility shall increase from CAD\$15 million to CAD\$35 million which shall be classified into two further tranches as follows:

- (a) an amount of CAD\$4 million, being referred to as "**Tranche B**"; and
- (b) an amount of CAD\$16 million, being referred to as "**Tranche C**").

Borrowings under the Financing Facility shall bear interest and shall be repaid, in the case of principal, and paid, in the case of accrued and unpaid interest, by the Borrower as set forth in this Term Sheet and in the applicable Receiver's Certificate.

6. Documents: Any commitment by the Lender in respect of the Financing Facility is subject to the execution and delivery of this term sheet as may be amended, restated or supplemented from time to time (the "**Term Sheet**"). This Term Sheet, the cash flow forecast to and including May 30, 2018 attached hereto as Appendix "I" (the "**Approved Cash Flow Forecast**"), all subsequent versions of the Approved Cash Flow Forecast, the Receiver's Borrowing Charge, all orders of the Court, including, without limitation, the January 8 Order and any amendments to such orders, and all applications by the Receiver made in the Receivership Proceeding, shall be in form and substance satisfactory to the Lender and its counsel, acting reasonably.

7. Sale Approval: The Receiver and the Lender or an affiliate of the Lender (the "**Purchaser**") shall execute an Asset Purchase Agreement (the "**APA**"), pursuant to which, among other things, the Receiver shall agree to sell to the Purchaser all or substantially all of the Property of the Borrower (the "**Sale**"). The Sale shall proceed in accordance with the following timeline and key milestones (each, a "**Sale Milestone**"), which dates may be extended by the Lender in writing in its sole discretion:
- (a) on or before December 22, 2017, the Receiver and the Purchaser shall execute the APA;
  - (b) on or before December 22, 2017, the Receiver and the Lender shall execute this Term Sheet;
  - (c) on or before December 22, 2017, the Lender shall execute a restructuring implementation agreement with China Minsheng Banking Corp., Ltd. (the "**RIA**");
  - (d) on or before December 22, 2017, the Receiver shall file and serve an application seeking the January 8 Order and the AVO (as defined below) attaching the forms of Order being sought, such application to be returnable in the Court on January 8, 2018. It is acknowledged and agreed that the Receiver will only file and serve its Receiver's Report in connection with such application after December 22, 2017;
  - (e) on January 8, 2018, the Receiver shall have obtained from the Court the January 8 Order and an approval and vesting order, approving the APA and the Sale, and vesting the Property in the Purchaser, free and clear of all encumbrances, upon closing of the Sale (the "**AVO**"); and
  - (f) closing of the Sale shall occur no later than [June 30], 2018 (the "**Outside Date**")

8. Availability and Use of Proceeds:

Subject to the terms herein and below, and provided that no default or Event of Default has occurred and is then continuing, on and after the date on which the Availability Conditions (as defined below) shall have been satisfied, the Borrower may request advances under the Financing Facility.

Immediately upon the Availability Conditions being met and the Receiver executing and delivering a Receiver's Certificate in respect of Tranche A, Tranche B and the specific borrowing under Tranche C, as applicable, the Lender will advance Tranche A, Tranche B and the specific borrowing under Tranche C, as applicable, to the Receiver by way of wire transfer to a bank account advised by the Receiver in immediately available funds. The Receiver shall use the proceeds of

Tranche A only for the purposes of:

- a) repaying the principal, interest, costs, fees and expenses outstanding with respect to the Existing Receiver's Borrowing;
- b) paying the amounts owed with respect to the KERP Charge; and
- c) paying the costs and expenses of the Receivership Proceeding to and including January 8, 2018, but only in accordance with the Approved Cash Flow Forecast.

After the granting of the January 8 Order, the Receiver shall use the proceeds of Tranche B only for the purposes of paying the costs and expenses of the Receivership Proceeding, but only in accordance with the Approved Cash Flow Forecast and such funds shall only be disbursed when the costs and expenses in the Approved Cash Flow Forecast have been actually incurred.

The Receiver shall use the proceeds of borrowings under Tranche C only for the purposes of:

- a) paying the costs and expenses of the Receivership Proceeding; and
- b) funding the preparatory costs to enable the Mines to resume production as soon as possible after the closing of the Sale,

in both cases, only in accordance with the Approved Cash Flow Forecast and disbursed with the consent of the Lender.

If, at the time of closing of the Sale, the Receiver is in possession of proceeds of this Financing Facility that are not required to pay costs or expenses then incurred in accordance with this Term Sheet, or required to pay costs and expenses required to be spent to satisfy the Receiver's remaining obligations in the Receivership, the Receiver shall return such proceeds to the Lender.

9. Termination Date: The maturity of the Financing Facility (the "**Termination Date**") shall be the earliest of:
- (a) the Outside Date; and
  - (b) the date of the acceleration of the loans and the termination of the commitment with respect to the Financing Facility in accordance with this Term Sheet, due to the occurrence of an Event of Default or otherwise.

All outstanding amounts under the Financing Facility, together with all interest accrued in respect thereof and all other amounts owing under this Term Sheet, shall be payable in full on the Termination Date. All such payments may be applied and reapplied in the sole discretion of the Lender.

10. Closing Date: The date on which the Availability Conditions shall have first been satisfied shall be referred to as the “**Closing Date**”. The commitment of the Lender to provide the Financing Facility shall expire and terminate if the Closing Date has not occurred on or before December 22, 2017, or such later date as the Lender and Borrower may agree to in writing.
11. Interest Rate: Each borrowing under the Financing Facility shall bear interest at the rate set forth in the Receiver's Certificate issued by the Borrower in respect of such borrowing, which shall be 10% and which shall be automatically increased by 500 basis points upon the occurrence and during the continuance of an Event of Default (as defined below).
12. Lender Expenses: The Borrower shall pay all of the out-of-pocket expenses (including the fees and expenses of all legal counsel and advisors) of the Lender or any of its affiliates from and after November 1, 2017, associated with the Receivership Proceeding, including without limitation the SISF, the Financing Facility, the APA, the Sale, the RIA and the costs of seeking all necessary legal and regulatory approvals (including shareholders' approval) to implement the Sale and restructuring of the indebtedness of the Borrower, as well as all expenses of the Lender in connection with the ongoing monitoring and administration of the Financing Facility and the enforcement of this Term Sheet (collectively, the “**Lender Expenses**”).
13. Security and Priority: The obligations of the Borrower under this Term Sheet (including, without limitation, the Lender Expenses) shall be secured by the Receiver's Borrowings Charge (*i.e.*, subordinate in priority only to the Receiver's Charge and the charges as set out in sections 14.06(7), 81.4(4) and 81.6(2) of the BIA). All encumbrances on the Property (with the exception of the Receiver's Charge and the charges as set out in sections 14.06(7), 81.4(4) and 81.6(2) of the BIA) shall be subordinate to the Receiver's Borrowing Charge except as otherwise agreed to in writing by the Lender.
14. Mandatory Prepayment: Subject to the Receiver being satisfied that it has sufficient security to satisfy all obligations that are due or may become due under the Receiver's Charge, the Financing Facility shall be prepaid with the net cash proceeds of any sale of the Property. All such payments may be applied and reapplied in the sole discretion of the Lender.



15. Reporting Covenants: The Receiver shall deliver to the Lender an updated weekly cash-flow forecast in respect of the Borrower (including a comparison to the initial Approved Cash Flow Forecast) and such other reports and information respecting the Borrower, the Property and the Borrowers' financial condition or prospects as the Lender and the Borrower may mutually agree upon. The format and content of such reporting package shall be mutually agreed upon by the Receiver and the Lender and each of the Receiver and the Lender shall maintain strict confidentiality over the reporting package and all information contained therein subject to the Receiver's reporting obligations to the Court in connection with the Receivership Proceedings.
16. Conditions to Availability and to each Advance under the Financing Facility: The obligation of the Lender to make the Financing Facility, and any advance thereunder at any time, available to the Borrower is subject to and conditional upon the satisfaction (or waiver thereof) of each of the following conditions, from time to time, as applicable:
- (a) borrowings up to the limit of Tranche A shall only be available upon and after:
    - i. execution of the APA;
    - ii. execution of the RIA; and
    - iii. the Receiver having filed and served its application and supporting materials for the January 8 Order and the AVO;
  - (b) borrowings up to the limit of Tranche B shall only be available upon and after:
    - i. the January 8 Order being granted by the Court;
  - (c) borrowings up to the limit of Tranche C shall only be available upon and after:
    - i. the January 8 Order being granted by the Court;
    - ii. the Lender approves the Approved Cash Flow Forecast relating to such borrowing; and
    - iii. subsequent to the granting of the January 8 Order, the Receiver submits a specific borrowing request and the Lender approves such specific borrowing request.
  - (d) the Lender covenants and agrees to fund the borrowings under Tranche A, Tranche B and Tranche C in accordance with the

provisions contained in this Term Sheet. The Lender shall be obligated to make borrowings under Tranche A or Tranche B or Tranche C, whenever requested, only if:

- i. this Term Sheet and, in respect of each advance, a Receiver's Certificate, have been executed;
- ii. there are no defaults or Events of Default as certified by the Borrower on the date of such advance.

(collectively, the "Availability Conditions").

17. Representations and Warranties: The Borrower hereby represents and warrants to the Lender, as of the date of this Term Sheet and the date of any extension of credit under the Financing Facility as follows, and acknowledges and confirms that the Lender is relying upon such representations and warranties in entering into this Term Sheet and extending credit hereunder:
  - (a) the Borrower has the requisite power and authority to enter into this Term Sheet and perform its obligations hereunder; and
  - (b) all necessary action, corporate or otherwise, has been taken to authorize the execution, delivery and performance by the Borrower of this Term Sheet. The Borrower has duly executed and delivered this Term Sheet. This Term Sheet is a legal, valid and binding obligations of the Borrower, enforceable against it in accordance with its terms.
18. Covenants: As set forth in Appendix II of this Term Sheet.
19. Events of Default: As set forth in Appendix III of this Term Sheet.
20. Further Assurances: The Borrower shall, at its own expense, from time to time do, execute and deliver, or will cause to be done, executed and delivered, all such further acts, documents (including, without limitation, certificates, declarations, affidavits, reports and opinions) and things as the Lender may reasonably request for the purpose of giving effect to this Term Sheet.
21. Entire Agreement: This Term Sheet together with each Receiver's Certificates constitute the entire agreement between the parties related to the subject matter hereof.
22. Credit Bidding: Nothing herein shall preclude the Lender from including a credit bid of the amounts outstanding under this Term Sheet, in the APA and Sale.

23. **Business Days:** If any payment is due on a day which is not a business day in Calgary and Hong Kong, such payment shall be due on the next following business day.
24. **Amendments and Waivers:** No waiver or delay on the part of the Lender in exercising any right or privilege hereunder will operate as a waiver hereof or thereof unless made in writing and delivered in accordance with the terms of this Term Sheet.
25. **Assignment:** The Lender may assign this Term Sheet and its rights and obligations hereunder, in whole or in part, or grant a participation in its rights and obligations hereunder to any party acceptable to the Lender in its sole and absolute discretion (subject to providing the Borrower with reasonable evidence that such assignee has the financial capacity to fulfill the obligations of the Lender hereunder). Neither this Term Sheet nor any right and obligation hereunder may be assigned by the Borrower without the prior written consent of the Lender.
26. **Severability:** Any provision in this Term Sheet which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or effecting the validity of enforceability of such provision in any other jurisdiction.
27. **No Third Party Beneficiary:** No person, other than the Borrower and the Lender, is entitled to rely upon this Term Sheet and the parties expressly agree that this Term Sheet does not confer rights upon any party not a signatory hereto (other than affiliates of the Lender, as expressly set out herein).
28. **Press Releases:** The Borrower shall not issue any press releases naming the Lender without its prior approval, acting reasonably, unless the Borrower is required to do so by applicable securities laws or other applicable law.
29. **Counter Parts and Facsimile Signatures:** This Term Sheet may be executed in any number of counterparts and by e-mail, including in PDF format, each of which when executed and delivered shall be deemed to be an original, and all of which when taken together shall constitute one and the same instrument. Any party may execute this Term Sheet by signing any counterpart of it.
30. **Notices:** Any notice, request or other communication hereunder to any of the parties shall be in writing and be well and sufficiently given if delivered personally or sent by electronic mail to the attention of the person as set forth below:

**In the case of the Lender:**

Sonicfield Global Limited  
 Rooms 4503-5, 45<sup>th</sup> Floor, China Resources Building

26 Harbour Road  
Wan Chai, Hong Kong

Attention: Mr. Peter Lee / Mr. Jackie Wah  
Email: [Peter.Lee@netmindfh.com](mailto:Peter.Lee@netmindfh.com) / [Jackie.Wah@cstgroupkh.com](mailto:Jackie.Wah@cstgroupkh.com)

**With a copy to:**

Bennett Jones LLP

4500 Bankers Hall East  
888 – 2nd Street S.W.  
Calgary, Alberta  
T2P 4K7

Attention: Mr. Kevin Zych / Mr. Chris Simard  
Email: [zychk@bennettones.com](mailto:zychk@bennettones.com) / [simardc@bennettjones.com](mailto:simardc@bennettjones.com)

**In the case of the Borrower:**

Deloitte Restructuring Inc.  
700, 850 — 2nd Street SW  
Calgary, AB T2P 0R8

Attention: Mr. Robert Taylor  
Email: [bobtaylor@deloitte.ca](mailto:bobtaylor@deloitte.ca)

**With a copy to:**

McCarthy Tetrault LLP

Suite 4000  
421 – 7<sup>th</sup> Avenue S.W.  
Calgary, Alberta  
T2P 4K9

Attention: Mr. Sean Collins / Mr. Walker MacLeod  
Email: [scollins@mccarthy.ca](mailto:scollins@mccarthy.ca) / [wmacleod@mccarthy.ca](mailto:wmacleod@mccarthy.ca)

Any such notice shall be deemed to be given and received, when received, unless received after 5:00 PM local time or on a day other than a business day, in which case the notice shall be deemed to be received the next business day.

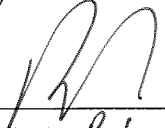
31. Governing Law and Jurisdiction: This Agreement shall be governed by, and construed in accordance with, the laws of the Province of Alberta and the federal laws of Canada applicable therein.
32. Status of Receiver: Deloitte Restructuring Inc. is entering into this Term Sheet solely in its capacity as receiver of the Property and has no personal liability for any obligation arising under or pursuant to this Term Sheet.
33. Counsel to Lender: Bennett Jones LLP

*~ Signature Pages Follow ~*

The parties have executed this Term Sheet on the date first written above.

GRANDE CACHE COAL LP, GRANDE  
CACHE COAL CORPORATION, UP  
ENERGY (CANADA) LIMITED AND  
0925165 B.C. LTD., by DELOITTE  
RESTRUCTURING INC., solely in its  
capacity as receiver of all of the assets,  
undertakings and properties of GRANDE  
CACHE COAL LP, GRANDE CACHE  
COAL CORPORATION, UP ENERGY  
(CANADA) LIMITED AND 0925165 B.C.  
LTD., and not in its personal or corporate  
capacity

By: \_\_\_\_\_

  
Name: Robert I. Taylor  
Title: Senior Vice-President

SONICFIELD GLOBAL LIMITED

By: \_\_\_\_\_

Name:  
Title:

The parties have executed this Term Sheet on the date first written above.

**GRANDE CACHE COAL LP, GRANDE CACHE COAL CORPORATION, UP ENERGY (CANADA) LIMITED AND 0925165 B.C. LTD., by DELOITTE RESTRUCTURING INC., solely in its capacity as receiver of all of the assets, undertakings and properties of GRANDE CACHE COAL LP, GRANDE CACHE COAL CORPORATION, UP ENERGY (CANADA) LIMITED AND 0925165 B.C. LTD., and not in its personal or corporate capacity**

By: \_\_\_\_\_  
Name:  
Title:

**SONICFIELD GLOBAL LIMITED**

By:   
Name: Wah Wang Kei, Jackie  
Title: Director

**Appendix I – Approved Cash Flow Forecast**



In the Matter of the Receivership of Grande Cache Coal et al.

Projected Cash Flow Statement

For the period from December 18, 2017 to May 30, 2018

(Amounts in Cdn \$'000's)

DRAFT - FOR DISCUSSION PURPOSES ONLY

	18-Dec-17	23-Dec-17	29-Dec-17	05-Jan-18	12-Jan-18	19-Jan-18	26-Jan-18	02-Feb-18	09-Feb-18	16-Feb-18	23-Feb-18	01-Mar-18	08-Mar-18	15-Mar-18	22-Mar-18	29-Mar-18	05-Apr-18	12-Apr-18	19-Apr-18	26-Apr-18	03-May-18	10-May-18	17-May-18	24-May-18	31-May-18	Cumulative			
	18-Dec-17	23-Dec-17	29-Dec-17	05-Jan-18	12-Jan-18	19-Jan-18	26-Jan-18	02-Feb-18	09-Feb-18	16-Feb-18	23-Feb-18	01-Mar-18	08-Mar-18	15-Mar-18	22-Mar-18	29-Mar-18	05-Apr-18	12-Apr-18	19-Apr-18	26-Apr-18	03-May-18	10-May-18	17-May-18	24-May-18	31-May-18	31-May-18			
<b>CASH RECEIPTS</b>																													
Total cash receipts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
<b>CASH DISBURSEMENTS</b>																													
A) Payroll and contract labour	71	15	-	74	15	-	95	-	115	-	95	-	95	-	95	-	95	-	95	-	95	-	95	-	95	-	95	-	1,028
Payroll and benefits	-	60	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	109	
Key Employee Retention Plan	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	60	
Contingencies	4	20	-	25	-	-	25	-	25	-	25	-	25	-	25	-	25	-	25	-	25	-	25	-	25	-	25	385	
B) Utilities	71	55	-	59	15	-	120	-	140	-	120	-	120	-	120	-	120	-	120	-	120	-	120	-	120	-	120	1,473	
Electricity, natural gas and fuels	5	54	88	13	38	13	40	15	40	15	40	15	40	15	40	15	40	15	40	15	40	15	40	15	40	15	155	1,391	
C) Governmental and community payments	53	-	-	-	-	-	9	-	40	-	64	-	64	-	64	-	64	-	64	-	64	-	64	-	64	-	64	214	
Community and Regulator reimbursements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	125	
Property taxes (Municipal District of Greenview)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	23	
Carbon tax (Government of Alberta)	-	16	-	-	-	-	23	-	23	-	23	-	23	-	23	-	23	-	23	-	23	-	23	-	23	-	23	131	
Other compliance & regulatory	-	52	5	5	5	13	5	18	5	18	5	18	5	18	5	18	5	18	5	18	5	18	5	18	5	18	5	27	
D) Environmental and maintenance	53	108	5	29	28	54	5	19	39	13	10	18	68	5	83	5	83	5	83	5	83	5	83	5	83	5	83	5	898
Environmental and engineering reports	8	12	46	6	57	4	7	2	28	2	21	27	150	2	72	-	7	2	-	7	2	-	167	-	167	-	167	278	
Critical vendor payment	9	-	-	-	22	-	-	-	22	-	-	-	22	-	22	-	-	-	-	-	-	-	-	-	-	-	-	88	
Other environmental and maintenance	10	6	29	10	10	30	10	30	10	30	10	30	10	30	10	30	10	30	10	30	10	30	10	30	10	30	10	462	
E) Administrative and general	18	72	16	69	34	17	32	10	52	38	52	31	79	180	32	82	10	17	32	10	17	32	10	17	32	10	17	308	1,430
Solvans license fees	1	-	-	-	-	-	4	-	35	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	37	
Insurance	11	-	-	-	-	-	-	-	111	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	688	
Head office rent	10	-	-	-	-	-	-	-	10	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10	
Plant financing fees and costs	-	411	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	411	
Other administrative costs	13	9	10	10	10	13	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	474	
F) Vendor management program	135	400	41	10	10	27	126	15	15	63	128	15	15	63	128	15	15	63	128	15	15	63	128	15	15	63	128	1,704	
Design, training and routine management	14	10	20	-	-	-	40	-	50	-	-	-	50	250	-	-	-	50	250	-	-	-	50	250	-	-	50	320	
G) Operational rentar	15	-	-	-	-	-	680	-	3,700	-	480	-	3,700	-	480	-	480	-	480	-	480	-	480	-	480	-	480	12,450	
Operational interest costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
H) Other costs	-	10	10	25	25	25	25	25	35	35	35	35	35	35	35	35	35	35	35	35	35	35	35	35	35	35	35	35	
Contingency	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total operational cash disbursements	340	898	85	251	411	192	342	230	722	623	722	623	220	3,598	244	1,043	626	3,972	183	626	622	1,041	3,138	417	817	20,797			
Net cash flow before professional fees	(340)	(898)	(85)	(251)	(411)	(192)	(342)	(230)	(722)	(623)	(722)	(623)	(220)	(3,598)	(244)	(1,043)	(626)	(3,972)	(183)	(626)	(622)	(1,041)	(3,138)	(417)	(817)	(20,797)			
<b>Net cash flow before professional fees</b>																													
I) Professional fees	16	-	-	-	-	-	140	-	50	-	-	-	31	-	-	-	31	-	-	-	-	-	-	-	-	-	-	44	
Receiver's legal counsel fees	17	-	-	-	-	-	335	-	235	-	-	-	235	-	-	-	235	-	-	-	-	-	-	-	-	-	-	235	
Receiver's fees and expenses	18	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,470	
Reimbursement of CMBC's professional fees	19	-	-	-	-	-	-	-	360	-	-	-	360	-	-	-	360	-	-	-	-	-	-	-	-	-	-	360	
Lender's legal advisor fees and expenses	-	3,296	-	-	-	-	475	-	285	-	285	-	285	-	285	-	285	-	285	-	285	-	285	-	285	-	285	6,958	
Net cash flow after professional fees	(340)	(4,103)	(85)	(251)	(411)	(192)	(667)	(424)	(890)	(257)	(1,040)	(680)	(220)	(3,598)	(244)	(1,043)	(680)	(3,972)	(183)	(626)	(622)	(1,041)	(3,138)	(417)	(817)	(20,797)			
<b>Forecast opening cash balance</b>																													
Interim Financing Advances (Repayments)	3,035	2,695	3,581	3,596	3,275	7,164	6,497	6,155	9,568	8,262	7,703	11,223	7,125	6,615	5,572	8,686	4,714	4,285	3,589	6,587	5,556	2,182	1,734	3,035	2,695	3,581	3,596	3,275	
GOC Maple Holdings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Stanfield Global Limited	-	(10,000)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(10,000)	
-Finance A	-	15,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	15,000	
-Finance B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
-Finance C	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Forecast ending cash balance (shortfall)	2,695	3,891	3,586	3,275	7,164	6,497	6,155	9,568	8,262	7,703	11,223	7,125	6,615	5,572	8,686	4,714	4,285	3,589	6,587	5,556	2,182	1,734	3,035	2,695	3,581	3,596	3,275		

## Notes to the Projected Cash Flow Statement

**Terms of Reference** – The future-oriented financial information consists of forecasts and projections prepared using information provided by Management and from past results over the course of the Receivability proceedings. The forecasts and projections are based on estimates and assumptions which are, by their nature, not ascertainable. Actual results achieved may vary from the forecasts or projections, even if the assumptions materialize, and the variations could be material. As such, the Receiver expresses no opinion or other form of assurance with respect to the accuracy of any financial information presented in this projected cash flow statement.

This projected cash flow statement was prepared on the basis that a sale transaction closes and is intended for illustrative purposes to project additional financing requirements for continued care and maintenance of this mine to May 30, 2018.

This schedule contemplates an operational restart work requested by the Purchaser, the respective scope for such work is subject to further clarification with the Purchaser.

1 No receipts are forecasted during this period. The Receiver will file the required GST returns and attempt to obtain refunds from Canada Revenue Agency ("CRA") as there are no offsetting sales. However, GCC is not compliant with approximately two years of income tax filings such that any GST refunds may be withheld by CRA. Therefore, the Receiver is unable to estimate whether there will be any GST receipts. Filing historical tax returns will treat additional costs and is subject to the reliability of GCC's books and records.

2 There are currently a total of 13 staff and management personnel located at the mine site and head office locations. Payroll, vacation pay, and related taxes are remitted on a semi-monthly basis on the 15th and last day of each month. Benefits and other staff premiums are remitted on a monthly basis. The Workers' Compensation Board (Alberta) premiums are remitted quarterly. This estimate contemplates potentially retaining one mining engineer and one environmental staff member for supplemental site inspections and compliance reporting, as necessary. Additional employees will be hired by the Purchaser with respect to pre-closing activities, if any, and are not included in this forecast.

3 An amount of up to \$150,000 was approved by the Court of Queen's Bench of Alberta ("Court") with respect to a Key Employee Retention Plan ("KERP") payable to select personnel upon the closing of a Court-approved sale transaction. An amount of \$120,000 remains payable in respect of the KERF. The Receiver proposes to settle 50% of the KERF on December 31, 2017 and the remaining 50% on closing of the sale transaction.

4 Consists of performing mining engineers and a geologist with respect to ongoing mining applications and compliance reporting, as necessary.

5 Electricity, natural gas and fuel primarily related to the mine site.

6 Payments pursuant to Community Impact Benefit Agreements and periodic reimbursements to Government regulators.

7 Estimated monthly carbon tax reimbursements to the Government of Alberta.

8 Based on GCC management's representations and estimates, the Receiver understands that environmental and engineering consultants will need to be engaged to perform certain testing and preparation of reports. The Receiver and GCC management continue to review proposals and negotiate service agreements with qualified vendors. Additional significant costs may be incurred for further reports required by the Alberta Energy Regulator in connection with ongoing applications.

9 Pursuant to the Court Order dated July 5, 2017, the Receiver was authorized to settle certain pre-filing indebtedness totaling approximately \$88,000 owing to a critical vendor. The Receiver estimates this amount to be remitted in four monthly installments commencing on January 15, 2018.

10 Ongoing maintenance and janitorial services for mine site, and certain environmental and lab testing costs.

11 Software licensing and renewal fees for head office and mine site applications and networks.

12 The Receiver is currently negotiating a new interim financing agreement (the "Receiver's Borrowings Facility") with the Purchaser in the amount of approximately CAD\$35 million. This contemplates CAD \$15 million (Tranche A) to be advanced before December 31, 2017, and the existing Receiver's certificate of CAD \$10 million will be repaid and retired. The Receiver estimates accrued interest of \$350,548 with respect to the existing Receiver's certificate (i.e. CAD \$10 million at 7% for 188 days), plus estimated costs and legal fees of up to \$50,000 due on settlement. This forecast does not include the settlement of accrued interest in respect of the Receiver's Borrowings Facility on closing of a sale transaction. Subject to Court approval on January 9, 2018, the Receiver's Borrowing Facility contemplates a further advance of CAD \$4 million (Tranche B) during mid-January and subsequent advances in total of CAD\$5 million (Tranche C) through four installments starting from February 2018 to May 2018 in support of payment of operational restart work and lender's legal and advisor fees and expenses.

13 Consists of other general administrative expenses such as ongoing and required site inspection costs, staff expense reimbursements, telecommunication costs, property management services, etc.

14 Includes outstanding and unpaid invoices related to ongoing routine water management, and estimated engineering and construction services required for the spring melt. The volume and scope of water management activities and costs are highly dependent on weather conditions over the winter and spring months, and may be substantially higher than estimated.

15 Purchaser's estimated cost of approximately \$12,450,000 for operational restart work. The forecast assumes the operational restart work will occur over a 3 month period from February to May 2018. The scope of work and the estimated costs are subject to further identification and approval by the Purchaser and are therefore subject to change. The costs of the operational restart work will be paid from Tranche C pursuant to the Receiver's Borrowings Facility.

16 Includes the settlement of unpaid professional fees of the Receiver's legal counsel to November 30, 2017, plus estimated fees for the period to May 30, 2018. This estimate does not include any regulatory proceedings, protracted negotiations or additional Court appearances which may be required. Excludes fees and expenses for negotiating an Agency Agreement between the Receiver and the Purchaser in connection with any pre-closing activities.

17 Includes the settlement of unpaid professional fees of the Receiver, including Deloitte Hong Kong, to November 30, 2017, plus estimated fees to May 30, 2018. Fees in connection with negotiating and executing a potential Agency Agreement with the Purchaser are not included in this forecast.

18 Represents the amount of professional fees and costs incurred by CMIBC in respect of both pre-receivability and post-receivability matters during the period from December 2015 to April 2017.

19 As a condition to the Receiver's Borrowings Facility, the Purchaser has requested that the legal and advisor fees with respect to the Receiver's Borrowings Facility and sale transaction matters be included in the Receiver's Borrowing Charge. This forecast includes an aggregate amount of CAD \$1.8 million with respect to the fees of the Purchaser's Canadian legal counsel (Bennett Jones LLP – CAD \$900,000), Hong Kong legal counsel (Sullivan & Cromwell LLP – CAD \$900,000) and other related fees and expenses of CAD\$90,000. This estimate is for the period from November 1, 2017 to May 30, 2018, and will be settled in five installments subject to the approval of the Purchaser. The Purchaser is also seeking payment of 50% of the application fees payable to the Competition Bureau (Canada) which is estimated to be \$25,000 (i.e. \$50,000 x 50%). The Lender's legal and advisor fees and expenses will be paid from Tranche C pursuant to the Receiver's Borrowings Facility.

## Appendix II - Covenants

1. Covenants: The Borrower hereby covenants and agrees with the Lender, that until the Termination Date:
- (a) the Borrower shall not make any material disbursement in regards to the Receivership Proceeding or arising out of or from the Property otherwise materially inconsistent with the Approved Cash Flow Forecast;
  - (b) the Borrower shall not incur, create, assume or suffer to exist any new lien from and after the date Closing Date on any Property now owned or hereafter acquired by the Borrower other than the Receiver's Borrowing Charge and the Receiver's Charge, and no lien or claim shall rank *pari passu* with or senior to the Receiver's Borrowing Charge other than the Receiver's Charge and the charges as set out in sections 14.06(7), 81.4(4) and 81.6(2) of the BIA;
  - (c) during the term of the Financing Facility, the Borrower shall not sell any of the Property contrary to the terms of the Order; and
  - (d) from and after the Closing Date, the Borrower shall promptly pay all Lender Expenses, including all legal and financial advisory fees and expenses, of the Lender as such Lender Expenses are incurred and invoiced to the Borrower and in accordance with the Approved Cash Flow Forecast.

### Appendix III – Events of Default

2. Events of Default and Remedies: The occurrence of one or more of the following events or circumstances constitutes an “Event of Default” under this Term Sheet:
- (a) if the Receivership Proceeding is terminated, or the stay of creditors’ remedies against the Borrower provided for in the Order shall, for any reason, be lifted or otherwise terminated with respect to all, or a material part, of the Property of the Borrower; or all, or any material part, of the assets of the Borrower shall, with the approval of the Court or otherwise be attached, seized, levied upon or subjected to execution, garnishment, distress or any other similar process;
  - (b) the entry of any order staying, amending, reversing, vacating or otherwise modifying, in each case without the prior consent of the Lender, the Financing Facility, the Order or any other order granted in the Receivership Proceeding;
  - (c) the Borrower fails to satisfy any Sale Milestone by the date specified in this Term Sheet;
  - (d) except for the existence of the Receivership Proceeding, any material adverse change since the signing of this Term Sheet in respect of the Borrower or the Property;
  - (e) if there is a default in the performance or observances of any financial reporting requirement under this Term Sheet and such default is not cured within five days;
  - (f) if there is a failure by the Borrower to comply with any of its agreements or covenants (other than as contemplated in paragraph (e) above) and such failure to comply is not cured within 10 days;
  - (g) any representation or warranty made by the Borrower in this Term Sheet shall prove to have been incorrect in any material respect when made;
  - (h) the entry of an order of any court granting or approving the granting of any lien, charge or super-priority claim that is *pari passu* with or senior to the Receiver's Borrowing Charge, except as contemplated in this Term Sheet;

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- (i) the bringing of an application or taking any other action: (i) to obtain additional financing; (ii) to grant any lien, not otherwise permitted by the Order and this Term Sheet, upon or affecting any assets of the Borrower; or (iii) any other action adverse to the Lender; or
- (j) the payment of, or application for authority to pay, any amount not provided in the Approved Cash Flow Forecast without consent of the Lender.

3.

Upon the occurrence of an Event of Default, whether or not there is availability under the Financing Facility, without any notice or demand:

- (a) the right of the Borrower to receive any advance or other accommodation of credit shall be terminated; any advances made thereafter would be in the discretion of the Lender; and
- (b) all indebtedness of the Borrower to the Lender of any kind, including interest and fees, shall become immediately due and payable.

The Lender shall also have the right, subject to the terms of the Order, to exercise all other customary remedies, including, without limitation, the right to realize on all Property, in each case, upon providing three (3) business days' prior notice to the Receiver of its intention to commence an application to lift the stay of proceedings in the Order.

**SCHEDULE "A"**  
**RECEIVER CERTIFICATE**

CERTIFICATE NO. \_\_\_\_\_

AMOUNT \_\_\_\_\_

1. THIS IS TO CERTIFY that Deloitte Restructuring Inc., the receiver (the "**Receiver**") of all of the assets, undertakings and properties of Grande Cache Coal LP, Grande Cache Coal Corporation, Up Energy (Canada) Limited and 0925165 B.C. Ltd. (collectively, the "**Debtors**"); appointed by Order of the Court of Queen's Bench of Alberta (collectively, the "**Court**") dated the 3rd day of February, 2017 (the "**Order**") made in Action No. 1701-01142, has received as such Receiver from the holder of this certificate, Sonicfield Global Limited (the "**Lender**") the principal sum of \$\_\_\_\_\_ being part of the total principal sum of CAD\$15,000,000 [to be revised to CAD\$35,000,000 after the **January 8 Order is granted**] (as supplemented by orders of the Court dated July 5, 2017 [and January 8, 2018]) which the Receiver is authorized to borrow under and pursuant to the Order.
2. The principal sum evidenced by this certificate is payable on demand by the Lender with interest thereon calculated and compounded monthly not in advance on the 1st day of each month after the date hereof at a notional rate per annum equal to the rate of 10% per annum [or 15% per annum, in accordance with the Term Sheet].
3. Such principal sum with interest thereon is, by the terms of the Order, together with the principal sums and interest thereon of all other certificates issued by the Receiver pursuant to the Order or to any further order of the Court, secured by a charge upon the whole of the Property, in priority to the security interests of any other person, but subject to the priority of the charges set out in the Order and the *Bankruptcy and Insolvency Act*, and the right of the Receiver to indemnify itself out of such Property in respect of its remuneration and expenses.
4. All sums payable in respect of principal and interest under this certificate are payable at the main office of the Lender at Sonicfield Global Limited, Rooms 4503-5, 45<sup>th</sup> Floor, China Resources Building, 26 Harbour Road, Wan Chai, Hong Kong.
5. Until all liability in respect of this certificate has been terminated, no certificates creating charges ranking or purporting to rank in priority to this certificate shall be issued by the Receiver to any person other than the holder of this certificate without the prior written consent of the holder of this certificate.
6. The charge securing this certificate shall operate so as to permit the Receiver to deal with the Property) as authorized by the Order and as authorized by any further or other order of the Court.

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7. The Receiver does not undertake, and it is not under any personal liability, to pay any sum in respect of which it may issue certificates under the terms of the Order.

DATED the \_\_\_ day of \_\_\_\_\_, 201\_\_.

**DELOITTE RESTRUCTURING INC.,  
SOLELY IN ITS CAPACITY AS  
RECEIVER OF THE PROPERTY (AS  
DEFINED IN THE ORDER), AND NOT IN  
ITS PERSONAL OR CORPORATE  
CAPACITY**

Per: \_\_\_\_\_

Name:

Title:

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# **APPENDIX “C”**



**In the Matter of the Receivership of Grande Cache Coal et al.  
Statement of Receipts and Disbursements  
For the Period from February 3, 2017 to December 17, 2017**  
(Amounts in CAD \$)

Receipts	Notes	Total
Receiver's Borrowings - GCC Maple	1	10,000,000
Receiver's Borrowings - Sonicfield	1	2,750,000
GST refunds		141,558
Dumping and toll bridge revenue		117,394
Transfers from the Debtors' bank accounts		112,613
Interest from guaranteed investment certificates		5,792
Non-recurring cash receipts		1,674
<b>Total receipts</b>		<b>13,129,031</b>
<b>Disbursements</b>		
Retirement of Sonicfield's Receiver's Borrowings	1	2,931,817
Payroll and benefits	2	2,104,532
Dredging, hauling and routine water management	3	1,418,433
Insurance	4	1,012,458
Electricity, natural gas and fuels	5	970,152
Environmental and engineering reports	6	402,656
Other administrative costs		331,641
Community and Regulator remittances	7	193,485
Software license fees		167,015
Contractors		134,040
Property taxes (Municipal District of Greenview)		130,534
Other environmental and maintenance		129,953
Head office rent		95,091
Carbon Tax (Government of Alberta)		49,787
Coal Royalties (Government of Alberta) and audit costs		22,513
<b>Total disbursements</b>		<b>10,094,106</b>
<b>Excess of cash receipts over cash disbursements</b>		<b>3,034,924</b>

**Notes:**

- 1 The Receivership Order authorized the Receiver to borrow up to \$10.0 million. On or before June 9, 2017, the Receiver borrowed approximately \$2.8 million by way of 11 Receiver's Certificates pursuant to the financing agreement with Sonicfield Global Limited ("Sonicfield"). The Receiver's Certificates pursuant to the financing agreement were retired and repaid with the principal, interest and costs totalling approximately \$2.9 million. On June 26, 2017, the Receiver executed a Receiver's Certificate with GCC Maple Holdings Ltd. in the amount of \$10.0 million.
- 2 Includes salaries, benefits and payroll source deductions for mine site and head office personnel.
- 3 Payments in relation to the spring water management program and ongoing routine water management.
- 4 Payment of premiums with respect to existing and newly established insurance policies.
- 5 Electricity, natural gas and fuels primarily related to the mine site.
- 6 Includes laboratory testing and environmental and engineering consultants.
- 7 Payments pursuant to Community Impact Benefit Agreements and periodic remittances to regulators.