

COURT FILE NUMBER 1701 – 01142
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. (COLLECTIVELY, THE "DEBTORS")

DOCUMENT **FIRST REPORT OF DELOITTE RESTRUCTURING INC. AS THE COURT-APPOINTED RECEIVER AND MANAGER OF THE DEBTORS**

DATED JUNE 27, 2017

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT

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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 ("**GCC LP**"), Grande Cache Coal Corporation ("**GCC Corp**") (collectively, "**GCC**"), Up Energy (Canada) Limited ("**Up Canada**") and 0925165 B.C. Ltd. ("**0925165**") (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, and Sonicfield Global Limited (collectively, 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 "**Specific Assets Order**"). The Specific Assets are described more particularly in Schedule 1 to the Specific Assets Order which was granted as a result of an application of HSBC Bank Canada, by its assignee, GCC Maple Holdings Ltd. as secured lenders in respect of the Specific Assets.
- 4) The Receivership Order, together with related Court documents, and this first report ("**Report**") of the Receiver have been posted on the Receiver's website at www.insolvencies.deloitte.ca/en-ca/GrandeCacheCoal.
- 5) Unless otherwise provided, all other capitalized terms not defined in this Report are as defined in the Receivership Order.

Purpose

- 6) The purpose of this Report is to:
 - a) Provide the Court with additional information in respect of the Property;
 - b) Provide an update on the administration of the receivership since the Date of Receivership; and
 - c) Respectfully recommend that this Honourable Court make orders:
 - i) Approving the Sales and Investment Solicitation Process (the "**SISP**") proposed by the Receiver in respect of the Property and authorizing and directing Receiver to take all steps and actions reasonably necessary to implement, conduct and carry-out the SISP;
 - ii) Approving an increase to the maximum outstanding principal amount of the Receiver's Borrowings and the Receiver's Borrowing Charge (as defined herein) from \$10,000,000 to \$15,000,0000;
 - iii) Approving the key employee retention plan (the "**KERP**") proposed by the Receiver in accordance with a confidential supplement ("**Confidential Supplement**") to this Report to be sealed until the date that is one hundred and eighty (180) days after the date that the Receiver is discharged as receiver and manager of the Property, and granting a fixed and specific charge on the Property (as such term is defined in the Receivership Order) to secure payment and performance of the obligations owing

under the KERP (the "**KERP Charge**") in priority to all security interests, trusts, liens, charges or otherwise, statutory or otherwise, but subordinate to each of the Receiver's Charge and the Receiver's Borrowing Charge (as such terms are defined in the Receivership Order);

- iv) Authorizing the Receiver, *nunc pro tunc*, to make a payment of pre-filing indebtedness owing by the Debtors to Aseniwuche Development Corporation ("**ADC**") in the amount of \$87,681.32; and
- v) Provide such further or other relief that the Court considers just and warranted in the circumstances.

Terms of Reference

- 7) In developing this Report, the Receiver has relied upon unaudited financial information prepared by the Debtors' management ("**Management**"), the Debtors' books and records and discussions with its 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 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.
- 8) 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.

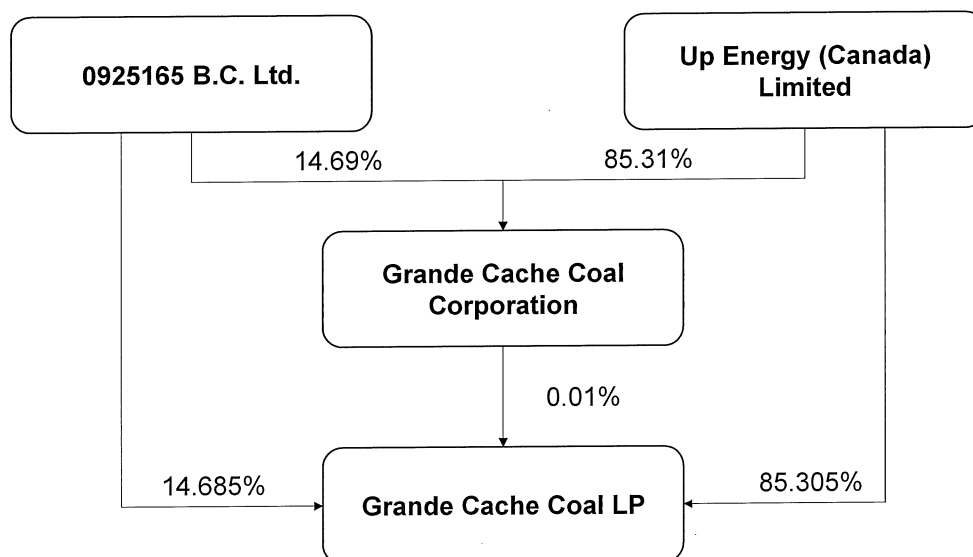
Currency

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

BACKGROUND

- 10) 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 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 certain customers in Brazil, Europe and Canada.
- 11) The Receiver understands that GCC employed approximately 640 employees at the peak of operations in 2013. Headcount declined to approximately 440 employees when surface mining was suspended in January 2015 following a period of low coking coal prices. A series of staggered layoffs was implemented by GCC throughout 2015 which further reduced headcount to 250. A continued deterioration of coal prices necessitated the suspension of underground operations in December 2015 which resulted in additional layoffs.
- 12) As at the Date of Receivership, there were 18 remaining employees at the mine site and GCC's head office in Calgary. While the mine remains in care and maintenance mode, technical staff have continued mine planning and made required applications to prepare for a future restart of the mine.

- 13) According to Management, there are no employees at 0925165 or Up Canada.
- 14) A summary of the corporate structure of the four entities that comprise the Debtors is as follows:



- a) GCC LP is a limited partnership that was registered in the Province of Alberta in February 2012;
- b) GCC Corp is a private company that was incorporated in the Province of Alberta registered by way of an amalgamation in March 2012. GCC Corp is the general partner of GCC LP;
- c) 0925165 is a private company that was incorporated in the Province of British Columbia in November 2011, and is a limited partner of GCC LP; and
- d) Up Canada is a private company that was incorporated in the Province of British Columbia in March 2016, and is a limited partner of GCC LP.

RECEIVER'S ACTIVITIES

- 15) The Receiver has undertaken the following activities in accordance with the terms of the Receivership Order:
- a) Notified employees and Management of the receivership, and retained their continued services as described later in this Report;
- b) Coordinated final payroll calculations to the Date of Receivership and the delivery of records of employment and T4 slips for the purpose of administering amounts due to employees under the *Wage Earner Protection Program Act* ("**WEPPA**");
- c) Informed Canada Revenue Agency ("**CRA**") of the receivership, established new payroll and GST accounts for the post-receivership period, and requested audits of the pre-receivership accounts of the Debtors;
- d) Retained certain of GCC's financial and engineering contractors, as necessary;

- e) Made arrangements for continuation of utilities, including electricity and natural gas;
- f) Arranged for the backing up of electronic hard drives and data at GCC's head office in Calgary, and made arrangements for the continuation of services with the existing off-site storage provider;
- g) Following the issuance of the Receivership Order, the Receiver issued a statutory Notice and Statement of the Receiver (the "**Notice to Creditors**") pursuant to subsections 245(1) and 246(1) of the Bankruptcy and Insolvency Act (Canada).
- h) Coordinated access to information and technical staff with a specialist mining and energy consulting and engineering firm, to facilitate the completion of technical update and valuation reports that were commissioned by CMBC prior to the Date of Receivership;
- i) Provided notice of the Receiver's appointment to Aon Risk Solutions ("**Aon**") who arranged for continued insurance coverage with respect to certain policies. Due to the Debtor's financial distress, several critical insurance policies were either significantly reduced or terminated in July 2016, prior to the Date of Receivership. The Receiver consulted with Aon and an independent insurance broker with experience in higher risk matters to review existing coverage and proposals, and has since arranged for additional insurance coverage;
- j) Made arrangements with Management to enhance security protocol at the mine site including increased staff coverage from 5 to 7 days per week and additional security cameras;
- k) Arranged for continued environmental testing, commissioning of engineering reports and regulatory and compliance reporting, as described in more detail later in this Report;
- l) Engaged Amec Foster Wheeler Environment and Infrastructure ("**Amec**") to provide an independent review of GCC's current state of environmental compliance and identification of visible environmental risks;
- m) Undertook a detailed review of required water management activities, including projects which had been deferred in prior years, and made arrangements to execute necessary work in the Spring of 2017, as described in more detail later in this Report;
- n) Issued receivership notification letters to several financial institutions;
- o) Requested that GCC's cash balance held at the Canadian Imperial Bank of Commerce and HSBC Bank Canada be directed to the Receiver and obtained same;
- p) Issued a demand letter and collected payment with respect to a non-operational accounts receivable;
- q) Arranged for the continued occupation of the head office in Calgary and extended the lease to November 30, 2017;
- r) Obtained details regarding a mixed residential-commercial condominium building located in Grande Cache which is substantially vacant due to non-compliance with building codes. GCC is the owner of 32 of 34 residential units within the building. The Receiver arranged

for a property manager to attend at the building to ensure all of GCC's units were vacant, no signs of damage, and to lock the unit doors. The Receiver has secured the GCC units and obtained insurance coverage;

- s) The Receiver has retained McCarthy Tétrault LLP ("**McCarthy's**") as its independent legal counsel. McCarthy's will be preparing a security opinion with respect to the security granted by the Debtors;
- t) Requested and obtained certain financial information from the directors and officers of Up Canada and 0925165; and
- u) Addressed various additional matters as they arose from time to time.

OPERATIONS

Care and Maintenance Mode

- 16) As noted earlier in this Report, the GCC Mine remains in care and maintenance mode as all mining operations were suspended in December 2015.
- 17) Management has confirmed that there was no production during 2016 and 2017.

Management and Employees

- 18) Immediately prior to the Date of Receivership, GCC had 18 active employees, of which 10 were based at the mine site and 8 were at the head office located in Calgary. Moreover, due to the funding constraints, 14 of the 18 employees had been placed on a 50% to 80% part-time employment schedule by GCC.
- 19) Following the Date of Receivership, 17 employees were retained and all employees have since resumed working on a full-time basis. Additional environmental and equipment personnel have also been retained, as necessary.
- 20) The senior executive management and operations team have remained in their roles and appear committed to the future restart of mining operations.
- 21) The Receiver has reviewed a copy of a collective agreement (the "**CBA**") between GCC and the United Mine Workers of America ("**UMWA**") Local 1656 with respect to the period from May 17, 2010 to May 16, 2015, followed by two extension agreements to May 16, 2017. The Receiver notified the UMWA (now Local 2009) of the Receivership Order and has since further corresponded with its local representative. All UMWA members previously employed at GCC's mine were laid off following the suspension of mining operations in 2015. There were no active unionized employees as at the Date of Receivership.
- 22) At the Date of Receivership, GCC's books and records were not current. The Receiver directed GCC's internal financial accountant and external contractors to bring the books and records up to date and to the extent possible, assist in the compilation of historical information to be placed in the electronic data room for prospective purchasers, and to assist with tax reporting matters. The Receiver also retained GCC's existing engineering contractors to assist with mining applications, reporting to the Alberta Energy Regulator ("**AER**") and to provide other support to senior technical staff, as necessary. As described later in this Report, the Receiver also retained a project manager to supervise certain water management projects that were commissioned by the Receiver.

Community Partners

- 23) GCC is party to Community Impact Benefit Agreements (“**CIBA**”) with each of the two local aboriginal groups, being the Aseniwuche Winewak Nation (“**AWN**”) and Métis Nation of Alberta Local Council #1994 (Grande Cache) (“**MNA**”). The Receiver has corresponded with representatives of AWN and MNA.
- 24) The respective development corporations of AWN and MNA are also vendors to the mine and have been retained by the Receiver to provide water management services.

Regulatory Reporting and Compliance

- 25) There is a significant volume of reporting to the AER and other regulators in connection with the mine. This includes bi-weekly, monthly, quarterly and annual compliance reporting, as well as non-recurring environmental and engineering studies that are required as part of regulatory reviews and requests in connection with applications. The Receiver has worked with Management to streamline reporting and to commission work from laboratories and engineering firms to ensure timely reporting.
- 26) There continues to be regular and open communication between Management, regulators and the Receiver. Management continues to work on mining applications for the future resumption of operations.
- 27) Management has commenced preparation of a budget and timeline for the purpose of issuing requests for proposals/quotes in connection with engineering and environmental reports to be commissioned prior to Fall 2017 relating to regulatory reports due in late 2017 and early 2018. Management has advised the Receiver the estimated costs of these reports will be significant and possibly up to \$900,000 in aggregate.
- 28) As noted earlier in this Report, the Receiver obtained an independent environmental compliance risk assessment from Amec.

Water Management Plan and Protective Activities

- 29) Certain critical and capital intensive water management projects had been deferred in recent years as GCC did not have the funds available to undertake such projects. As a result of the project deferrals, many settling structures and ponds at the mine site were at capacity. To mitigate serious environmental risks with respect to the spring thaw and water run-off, the Receiver requested that Management prepare a formal plan and to seek proposals from qualified vendors with specialized skills and appropriate equipment. Management estimated the water management costs to be in excess of \$1.4 million with respect to three immediate projects, one ongoing program for routine water management, and to obtain an engineering report.
- 30) GCC retained a project manager with prior water management experience at the mine to supervise work by the vendors and to provide support to GCC’s General Manager with respect to these activities.
- 31) Management has reported the successful completion of the three large projects and that the results have mitigated potentially serious risks from recent rainfalls and seasonal water run-off. Further, a qualified vendor will continue to perform ongoing water management activities throughout the

summer months. An engineering firm has been engaged to prepare a mine waste water handling facility summary regulatory report to be finalized by July 31, 2017.

- 32) Management regularly monitors water flow throughout the mine and has arranged for roads and embankment areas to be repaired if needed following heavy rainfall.
- 33) Management will be developing a fall dredging and water management program and seeking quotes from qualified vendors in July and August 2017.

RECEIVER'S BORROWINGS

Receiver's Borrowings

- 34) Paragraph 20 of the Receivership Order authorizes the Receiver to borrow monies, as it may consider necessary, to a maximum outstanding principal amount of \$10,000,000 without further Order of the Court, all of which is subject to the Receiver's Borrowing Charge (as defined in the Receivership Order).
- 35) In order to fund immediate and ongoing operating and other protective disbursements, the Receiver entered into a borrowing facility (the "**Initial Financing Facility**") with a party (the "**Prospective Bidder**") known to CMBC effective February 10, 2017. The terms of the Initial Financing Facility were approved by CMBC, and are summarized as follows:
 - a) A maximum availability of \$10,000,000;
 - b) An interest rate of 10% per annum, increasing to 15% per annum in accordance with the terms of the Initial Financing Facility and in any event after August 31, 2017;
 - c) Reimbursement of out-of-pocket costs, including the fees and expenses of the lender's legal counsel and advisors, in connection with the Initial Financing Facility;
 - d) A set of milestone dates for a receivership sales process, subject to potential extension by the lender;
 - e) Reporting covenants which required a weekly reporting package on actual cash flow compared to forecast cash flow, as well as updates on the sales process; and
 - f) The maturity date of the Initial Financing Facility at the earlier of August 31, 2017 or the termination of the Interim Financing Facility following an event of default.
- 36) The Receiver has borrowed a principal amount of \$2,750,000 by way of 11 Receiver's Certificates under the Initial Financing Facility, before interest and costs.
- 37) In mid-June 2017, the Receiver was advised that the Prospective Bidder would no longer provide funding pursuant to the Initial Financing Facility. Accordingly, the Receiver immediately sought term-sheets from at least three alternate lenders for the purpose of funding immediate and ongoing receivership obligations.
- 38) As of June 26, 2017, the Receiver is in the process of finalizing arrangements with another lender to advance monies (the "**Replacement Financing**") for the retirement of amounts owing pursuant to the Initial Financing Facility and to fund ongoing receivership obligations.

- 39) The Receiver believes the terms of this prospective lending arrangement are commercially reasonable, and such terms have been approved by CMBC.

Funding Requirements and Proposed Increase to Receiver's Borrowing Charge

- 40) The mine remains non-operational and substantially all cash inflow is provided from the Receiver's borrowings.
- 41) Additional borrowings are required to fund existing and ongoing obligations, including but not limited to payroll, environmental stewardship, water management, regulatory compliance, and insurance costs that will be incurred during the receivership. The Receiver believes that such borrowings are necessary and appropriate for the benefit of all stakeholders and to enhance value in undertaking the proposed SISP.
- 42) The Receiver has reviewed all disbursements to date, considered ongoing and upcoming water management requirements, and has sought input from Management with respect to future expenditures.
- 43) As indicated in the Cash Flow Statement which is described below, the Receiver estimates that the \$10,000,000 borrowing limit is no longer sufficient to continue funding ongoing care and maintenance of the mine, the preservation of assets, environmental and water management activities, and to provide reasonable certainty to vendors.
- 44) The Receiver has prepared a projected cash flow statement (the "**Cash Flow Statement**") for the period from June 24, 2017 to December 3, 2017, a copy of which is attached hereto as Appendix "**A**". The Cash Flow Statement reflects that approximately \$8,494,000 will be required for operational expenses, before restructuring professional fees of the receiver and its legal counsel, and applicable interim financing interest and costs.
- 45) Together with the principal amount of \$2,750,000 advanced to June 9, 2017 under the Initial Financing Facility plus interest of \$71,201 but before applicable costs, the Receiver estimates that at least \$11,315,201 of borrowings will be required during the course of the receivership, such amount is before consideration of restructuring professional fees of the receiver and its legal counsel, and applicable interim financing interest and costs on the Replacement Financing.
- 46) Accordingly, the Receiver is seeking authorization to borrow a further \$5,000,000 increasing the amount to be borrowed by the Receiver from \$10,000,000 to \$15,000,000, subject to the Receiver's Borrowings Charge.
- 47) CMBC agrees with the Receiver's proposed increase in required borrowings.

PROPOSED SALES AND INVESTOR SOLICITATION PROCESS

- 48) The Receiver has developed a SISP with respect to the marketing and sale of the mine and related assets, including the Specific Assets. A copy of the SISP is attached hereto as Appendix "**B**". The overall time period contemplated by the SISP is from July 6, 2017 to October 6, 2017 prior to seeking Court approval of a sale transaction.
- 49) A summary of the key components of the Receiver's proposed SISP is as follows:
- a) As soon as reasonably practicable after the granting of an Order approving the SISP, the Receiver will carrying out the following:

- i) Prepare a list of potential buyers and investors, including strategic and financial parties, who may have interest in a transaction involving the Debtors, the Property or the business, including the Specific Assets, pursuant to an asset purchase transaction (an “**Asset Bid**”), a restructuring of the debt, share or capital structure of the Debtors (a “**Restructuring Bid**”) or some combination of a of an Asset Bid and a Restructuring Bid (such combination bid, a “**Hybrid Bid**”). A sale or investment of the Property or the business will be on an “as is, where is” basis, and subject to Court approval;
 - ii) The Receiver will prepare an initial offering summary (the “**Teaser Letter**”) notifying prospective buyers of the existence of the SISP and inviting such parties to enter into a confidentiality agreement (“**Confidentiality Agreement**”) to be executed in order to receive further information;
 - iii) Following the execution of a Confidentiality Agreement and demonstrating that it has the financial capabilities and technical expertise to make a viable Asset Bid, Restructuring Bid or Hybrid Bid, all of which in a form and substance acceptable to the Receiver, that party shall be deemed to be a potential bidder (“**Potential Bidder**”);
 - iv) Prepare a confidential information memorandum (“**CIM**”) providing detailed information in respect of the Property to be sent to Potential Bidders;
 - v) Establish an electronic data room containing detailed financial, technical and other relevant information for access by Potential Bidders; and
 - vi) Make due diligence materials and management presentations available to Potential Bidders.
- b) A Potential Bidder interested in submitting a written non-binding letter of intent (“**LOI**”) must deliver the following to the Receiver not later than 5:00 p.m. (Mountain time) on August 25, 2017, or such other date or time as the Receiver, acting reasonably, may determine (the “**Potential Bidder Deadline**”). An LOI shall be deemed to be a qualified LOI (“**Qualified LOI**”) in the event that:
- i) Preliminary evidence is provided in respect of the anticipated sources of capital and financial disclosure to support the Potential Bidder’s ability to consummate a transaction pursuant to its LOI;
 - ii) Full disclosure of the direct and indirect owners of the Potential Bidder and their principals;
 - iii) Specific details with respect to the form of Asset Bid, Restructuring Bid or Hybrid Bid;
 - iv) In the event that no Potential Bidder submits an LOI, or that no LOI’s qualify as or are deemed to qualify as Qualified LOI’s, or are not deemed commercially reasonable to the Receiver, the SISP shall terminate; and
 - v) A Potential Bidder who submits a Qualified LOI on or before the LOI Deadline shall be designated a “**Qualified Bidder**”.
- c) A Qualified Bidder will be invited to perform additional due diligence, including inspections and site visits at GCC’s mine site and head office.

- d) A Qualified Bidder who has submitted a Qualified LOI who intends on submitting a final bid ("**Final Bid**") must deliver the following by 5:00 pm (Calgary Time) on September 15, 2017 (the "**Final Bid Deadline**"):
 - i) A letter stating the Final Bid is irrevocable until the earlier of Court approval or 45 days following the Final Bid Deadline, and any winning and backup bids shall remain irrevocable until closing of the transaction;
 - ii) Detailed purchase price, investment terms, and proposed structure;
 - iii) No break-fee, expense reimbursement or similar type of payment;
 - iv) No conditions for additional due diligence or obtaining any financing capital; and
 - v) A refundable deposit of 10% of the total consideration to be paid.
- e) The Receiver will assess and consider whether the Final Bids, if any, are likely to be consummated and in the best interest of stakeholders;
- f) The Receiver shall review all such Final Bids ("**Qualified Final Bid**") and may, but shall have no obligation to, enter into an agreement or agreement with the Person or Persons who submitted the best or otherwise most favourable Qualified Final Bid (a "**Final Agreement**") on or before October 6, 2017 (the "**Final Agreement Deadline**").
- g) In the event that no Final Bidder submits or is deemed to have submitted a Qualified Final Bid, that the Receiver determines that none of the Qualified Final Bids should be accepted, or that a Final Agreement is not entered into before the Final Agreement Deadline, the SISP shall terminate.
- h) The highest or best Qualified Final Bid may not necessarily be accepted by the Receiver. The Receiver reserves its right not to accept any Qualified Final Bid or to vary the terms of or terminate the SISP. The Receiver reserves the right to deal with one or more Final Bidders to the exclusion of others and to accept a Qualified Final Bid or Qualified Final Bids for some or all of the Property.

KEY EMPLOYEE RETENTION PLAN

- 50) The prolonged suspension of mining operations, financial distress and insolvency proceedings has resulted in significant uncertainty for GCC's employees. Regional competitors have boosted recruiting efforts following the increase in coal prices since late 2016 which resulted in the loss of a key technical staff member in May 2017. Employee replacement efforts are challenging.
- 51) As set out in the Confidential Supplement to the KERP in Appendix "**C**", the Receiver has identified a select number of personnel with the concurrence of GCC that are most critical to the continued care and maintenance activities, environmental and regulatory compliance matters, and ongoing mining applications. The Receiver also believes that these employees are critical to the sales process as contemplated by the SISP and will enhance value to a prospective purchaser to restart mining operations. The Receiver is concerned that the personnel identified may seek alternate employment due to the continued uncertainty surrounding the mine. The KERP will incentivize the personnel to remain at GCC until the conclusion of the SISP. The KERP payments will be secured by way of the KERP Charge. It is the Receiver's view that it is necessary and appropriate to

temporarily seal the Confidential Supplement as it contains confidential payroll information of the proposed key employees and the disclosure of this information may be prejudicial to the interests of GCC and its stakeholders.

- 52) The Receiver has consulted with CMBC which also supports the proposed KERP Charge in the amount of \$150,000. Such amount would be payable upon closing of a successful sale transaction. The Receiver believes that the amount of the KERP is fair and commercially reasonable in relation to the current compensation of these employees and to the total indebtedness owing to secured creditors.

SETTLEMENT OF PRE-RECEIVERSHIP INDEBTEDNESS TO A CRITICAL SUPPLIER

- 53) ADC is a corporation owned and controlled by AWN and provides critical water management and related services to the mine.
- 54) Following the issuance of the Receivership Order, the Receiver became concerned that ADC would cease to provide services due to pre-receivership amounts totaling \$87,681.32 owed to it (the "**ADC Arrears**") by GCC. ADC representatives and its external legal counsel have requested settlement of the ADC Arrears.
- 55) Since the Date of Receivership, ADC has worked in good faith with the Receiver and provided water management services, including with respect to a large project which was completed in May 2017. In addition, ADC has been providing ongoing routine water management services which have been critical to the preservation of the environment and value of the mine. ADC has continued to request payment of the ADC Arrears.
- 56) The Receiver is concerned that, notwithstanding the terms of the Receivership Order obligating continued supply, ADC may cease performing services at the mine site. Cessation of services by ADC has the potential to cause immediate issues at the mine site in respect of environmental contamination. It is both impractical and virtually impossible for the Receiver to retain a replacement service provider in a timely fashion, particularly given ADC's proximity to the mine and significant experience and knowledge in performing the water management activities. Because of these concerns, the Receiver intends to pay the ADC Arrears upon completion of the Replacement Financing in order to secure continued performance by ADC and will now seek retroactive or future authorization for such payment made prior to or after the Court hearing date of July 5, 2017.

STATEMENT OF RECEIPTS AND DISBURSEMENTS

- 57) Attached as Appendix "D" is a Statement of Receipts and Disbursements reflecting the administration of the receivership for the period from February 3, 2017 to June 24, 2017. Net costs incurred to date were \$2,609,000, excluding restructuring professional fees and interim financing interest and costs. As at June 24, 2017, the Receiver holds \$141,171 in its Receivership trust account.

CONCLUSIONS AND RECOMMENDATIONS

- 58) Based on the foregoing, the Receiver respectfully recommends that this Honourable Court grant the relief detailed in Section 6) c) of this Report.

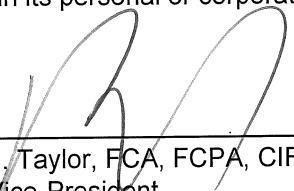
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All of which is respectfully submitted at Calgary, Alberta this 27th day of June, 2017.

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:



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

Per:



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 June 24, 2017 to December 3, 2017

(Amounts in Cdn \$000's)

	Note	24-Jun 2-Jul	3-Jul 9-Jul	10-Jul 16-Jul	17-Jul 23-Jul	24-Jul 30-Jul	31-Jul 6-Aug	7-Aug 13-Aug	14-Aug 20-Aug	21-Aug 27-Aug	28-Aug 3-Sep	4-Sep 10-Sep	11-Sep 17-Sep	18-Sep 24-Sep	25-Sep 1-Oct	2-Oct 8-Oct	9-Oct 15-Oct	16-Oct 22-Oct	23-Oct 29-Oct	30-Oct 5-Nov	6-Nov 12-Nov	13-Nov 19-Nov	20-Nov 26-Nov	27-Nov 3-Dec	Cumulative 24-Jun 3-Dec
CASH RECEIPTS																									
Total cash receipts	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CASH DISBURSEMENTS																									
A) Payroll and contract labour																									
Payroll and benefits	2	112	-	125	-	125	22	125	-	125	18	-	125	-	143	-	125	-	125	22	125	-	-	143	1,459
Other payroll and labour	3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	150	150
Contractors		15	-	25	-	15	-	15	-	15	-	15	-	15	-	15	-	15	-	15	-	15	-	15	175
		127	-	150	-	140	22	140	-	140	18	-	140	-	158	-	140	-	140	22	140	-	-	308	1,784
B) Utilities																									
Electricity, natural gas and fuels	4	90	5	20	5	5	110	5	20	5	110	5	20	5	145	5	5	20	5	165	5	20	5	165	945
C) Governmental and community payments																									
Community and Regulator remittances	5	34	19	-	-	-	0	14	2	1	-	2	2	-	28	-	1	-	-	0	-	-	-	-	103
Property taxes (Municipal District of Greenview)		123	-	10	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	133
Carbon tax (Government of Alberta)	6	15	-	-	-	-	15	-	-	-	15	-	-	-	15	-	-	-	-	15	-	-	-	15	90
Other compliance & regulatory		5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	115
		177	24	15	5	5	20	19	7	6	20	7	7	5	48	5	6	5	5	20	5	5	5	20	441
D) Environmental and maintenance																									
Environmental and engineering reports	7	15	40	5	14	75	216	85	23	-	16	-	110	-	76	-	5	5	32	46	-	25	-	121	910
Critical vendor payment	8	14	14	14	14	14	18	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	88
Drilling costs for water monitoring	9	-	-	-	-	-	-	-	-	-	100	-	-	-	-	50	-	-	-	-	-	-	-	-	150
Other environmental and maintenance		25	15	35	15	15	35	15	35	15	35	15	35	15	35	15	15	35	15	35	15	35	15	35	555
		54	69	54	43	104	269	100	58	15	151	15	145	15	111	65	20	40	47	81	15	60	15	156	1,703
E) Administrative and general																									
Software license fees	10	5	-	4	-	17	3	-	-	-	33	-	-	-	14	-	-	-	-	3	-	-	-	3	82
Insurance	11	82	-	-	35	82	-	-	-	35	82	-	-	35	82	-	-	-	35	82	-	-	35	82	666
Head office rent	12	10	-	-	-	10	-	-	-	10	-	-	-	10	-	-	-	-	10	-	-	-	10	10	57
Other administrative costs		13	-	-	-	20	13	-	-	-	33	-	-	-	13	-	-	-	-	13	-	-	-	13	119
		110	-	4	35	119	26	-	-	35	158	-	-	35	119	-	-	-	35	108	-	-	35	108	924
F) Water Management Program																									
Dredging, hauling and routine management	13	633	90	51	20	33	20	12	20	72	20	60	20	60	20	76	20	60	20	56	70	6	20	-	1,458
G) Other costs																									
Contingency		-	30	50	65	65	65	65	65	65	65	65	65	65	65	65	65	65	65	65	65	65	65	65	1,380
Total operational cash disbursements		1,191	218	344	173	470	531	341	170	338	542	152	397	185	666	216	256	190	317	517	300	156	145	822	8,635
Net cash flow before professional fees and interim financing costs		(1,191)	(218)	(344)	(173)	(470)	(531)	(341)	(170)	(338)	(542)	(152)	(397)	(185)	(666)	(216)	(256)	(190)	(317)	(517)	(300)	(156)	(145)	(822)	(8,635)
Forecast opening cash balance		141	(1,050)	(1,268)	(1,611)	(1,784)	(2,255)	(2,786)	(3,127)	(3,297)	(3,634)	(4,176)	(4,328)	(4,725)	(4,910)	(5,576)	(5,792)	(6,047)	(6,237)	(6,554)	(7,071)	(7,371)	(7,527)	(7,672)	141
Forecast ending cash balance (shortfall) before professional fees and interim financing costs		(1,050)	(1,268)	(1,611)	(1,784)	(2,255)	(2,786)	(3,127)	(3,297)	(3,634)	(4,176)	(4,328)	(4,725)	(4,910)	(5,576)	(5,792)	(6,047)	(6,237)	(6,554)	(7,071)	(7,371)	(7,527)	(7,672)	(8,494)	(8,494)

To be read in conjunction with the note disclosure in Schedule "A".

Notes to the Projected Cash Flow Statement

Reference is made to the Terms of Reference set out in the First Report of the Receiver.

- 1 There are no cash receipts as the mine is not operating. The payment of forecast disbursements are contingent on the Receiver finalizing replacement financing arrangements and receipt of sufficient funding to fund outstanding receivership obligations.
- 2 There are currently a total of 17 staff and management personnel located at the mine site and head office locations. Payroll and related taxes are remitted on a semi-monthly basis on the 15th and 30th days of every month. Benefits and other staff premiums are remitted monthly. Workers' Compensation Board (Alberta) premiums are remitted quarterly.
- 3 Key Employee Retention Plan. Amounts are payable to select personnel upon closing of a sale transaction. Subject to Court approval.
- 4 Electricity, natural gas and fuels primarily related to the mine site.
- 5 Payments pursuant to Community Impact Benefit Agreements and periodic remittances to regulators.
- 6 Estimated monthly carbon tax remittance to the Government of Alberta.
- 7 Based on discussions with Management and a review of a preliminary budget, the Receiver understands that environmental and engineering consultants will need to be engaged to perform certain testing and preparation of reports. Management expects to issue requests for quotes/proposals in July 2017.
- 8 Potential settlement of pre-receivership arrears totaling approximately \$88,000 owing to a critical vendor, subject to court approval.
- 9 Estimated third-party drilling and related costs in connection with an application currently subject to regulatory review and approval.
- 10 Software licensing and renewal fees for head office and mine site applications and networks.
- 11 Monthly insurance premiums.
- 12 Head office rental costs.
- 13 Includes outstanding and unpaid invoices in relation to the Spring water management program, ongoing routine water management, releases of holdbacks pursuant to the Builders' Lien Act (Alberta) and engineering services in-progress. Also included are amounts with respect to a fall water management program currently under development.
- 14 Restructuring professional fees of the Receiver and its legal counsel, along and financing costs pursuant to interim financing arrangements, are not reflected in this forecast.

APPENDIX “B”

SALES AND INVESTMENT SOLICITATION PROCESS

INTRODUCTION

1. Deloitte Restructuring Inc. (“**Deloitte**”) was appointed as receiver and manager (the “**Receiver**”) of the Property pursuant to an Order issued by the Court of Queen’s Bench of Alberta (the “**Court**”) on February 3, 2017 (the “**Receivership Order**”). All capitalized terms used herein and not otherwise defined shall have the meaning ascribed to them in the Receivership Order.
2. Deloitte was also appointed as receiver over specific equipment and real property (the “**Specific Assets**”) pursuant to a separate Order of the Court dated January 24, 2017 (the “**Specific Assets Order**”). The Specific Assets form part of the Property and are described more particularly in Schedule 1 to the Specific Assets Order. The Receiver is authorized and empowered to transact in respect of the Specific Assets pursuant to and in accordance with this sales and investment solicitation process (the “**SISP**”).
3. On July 5, 2017, the Court issued an Order (the “**Approval Order**”) which, *inter alia*, approved this SISP involving the Property, the Debtors and the business conducted by the Debtors involving the Property (the “**Business**”). This SISP describes the manner in which individuals, corporations, limited and unlimited liability companies, general and limited partnerships, associations, trusts, unincorporated organizations, joint ventures, governmental organizations or other entities (each, a “**Person**”) may gain access to or continue to have access to due diligence materials concerning the Debtors, the Property and the Business, how bids involving the Debtors, the Property or the Business will be submitted to and dealt with by the Receiver and how Court approval will be obtained in respect of a transaction involving the Debtors, the Property or the Business.
4. As described below, the various deadlines herein may be extended by and at the discretion of the Receiver. The Receiver will consider extending the various deadlines herein, and in particular the deadlines occurring after the LOI Deadline (as defined herein) in the event that the Receiver determines that such an extension will generally benefit creditors and the Debtors’ stakeholders.

“AS IS, WHERE IS” BASIS

5. Any transaction involving the Debtors, the Property or the Business will be on an “**as is, where is**” basis and without surviving representations, warranties, covenants or indemnities of any kind, nature, or description by the Receiver, the Debtors, or any of their agents, estates, advisors, professionals or otherwise, except to the extent expressly set forth in the relevant Final Agreement (as defined herein).

THE SISP PROCESS

A. Initial Solicitation of Interest

6. The Receiver may contact any Persons to solicit non-binding indications of interest in the Debtors, the Property or the Business either before or after the commencement of this SISP.

7. As soon as reasonably practicable following Court approval on July 5, 2017, the Receiver will cause a notice regarding this SISP, in a form satisfactory to and previously approved by the Receiver, to be published in (a) the *Globe and Mail*, and (b) any other publication that the Receiver determines notice of this SISP should be published in.
8. As soon as reasonably practicable after the granting of the Approval Order, the Receiver will prepare a list of potential bidders (the “**Known Potential Bidders**”) who may have interest in a transaction involving the Debtors, the Property or the Business. Such list will include both strategic and financial parties who, in the Receiver’s reasonable business judgment, may be interested in acquiring an interest in the Debtors, the Property or the Business pursuant to an asset purchase transaction (an “**Asset Bid**”), a restructuring of the debt, share or capital structure of the Debtors (a “**Restructuring Bid**”) or some combination of a of an Asset Bid and a Restructuring Bid (such combination bid, a “**Hybrid Bid**”). Concurrently, the Receiver will prepare an initial offering summary (the “**Teaser Letter**”) notifying Known Potential Bidders of the SISP and inviting the Known Potential Bidders to express their interest in making an Asset Bid, Restructuring Bid or Hybrid Bid.
9. The Receiver shall distribute to the Known Potential Bidders and any other interested Persons the Teaser Letter, as well as a draft form of confidentiality agreement (the “**Confidentiality Agreement**”) which shall inure to the benefit of the Person or Persons who make the Winning Bid (as defined herein) pursuant to this SISP.
10. Any Person who (a) executes a Confidentiality Agreement, in form and substance satisfactory to the Receiver, acting reasonably, and (b) demonstrates that it has the financial capabilities and technical expertise to make a viable Asset Bid, Restructuring Bid or Hybrid Bid, in form and substance satisfactory to the Receiver, acting reasonably, shall be deemed to be a potential bidder (each such Person so deemed, a “**Potential Bidder**”).

B. Due Diligence

11. The Receiver will provide a confidential information memorandum (“**CIM**”) describing the opportunity to make an Asset Bid, Restructuring Bid or a Hybrid Bid to each Potential Bidder as soon as practicable after such Person is deemed to be a Potential Bidder in accordance with this SISP.
12. The Receiver shall provide the Potential Bidder with information, including access to an electronic data room established by the Receiver, that the Receiver in its sole discretion determines necessary for the Potential Bidder to evaluate a transaction involving an Asset Bid, a Restructuring Bid or a Hybrid Bid.

C. Qualified LOI Process

13. Any Potential Bidder who wishes to submit an Asset Bid, a Restructuring Bid or a Hybrid Bid must deliver a written, non-binding letter of intent in respect of the Property, the Debtors and / or the Business (each, an “**LOI**”) to the Receiver at the address specified in and in accordance with Schedule “**A** so as to be received by the Receiver not later than 5:00 p.m. (Mountain time) on **August 25, 2017**, or such other date or time as the Receiver, acting reasonably, may determine (the “**LOI Deadline**”). An LOI shall be a qualified LOI (each, a “**Qualified LOI**”) provided that it contains:

- (a) a specific indication of the anticipated sources of capital for such Potential Bidder and preliminary evidence of the availability of such capital, or such other form of financial disclosure and credit support or enhancement that will allow the Receiver and its legal advisors, to make, in their reasonable business or professional judgment, a reasonable determination as to the Potential Bidder's financial and other capabilities to consummate an Asset Bid, Restructuring Bid or a Hybrid Bid;
- (b) a letter setting forth the identity of the Potential Bidder, the contact information for such Potential Bidder and full disclosure of the direct and indirect owners of the Potential Bidder and their principals;
- (c) an indication of whether the Potential Bidder wishes to tender (i) an Asset Bid; (ii) a Restructuring Bid; or (iii) a Hybrid Bid;
- (d) in the case of an Asset Bid, it identifies:
 - (i) the purchase price range (including liabilities to be assumed by the Potential Bidder);
 - (ii) the Property included, any of the Property expected to be excluded, and/or any additional assets desired to be included in the transaction;
 - (iii) the structure and financing of the transaction (including, but not limited to, the sources of financing for the purchase price, preliminary evidence of the availability of such financing and the steps necessary and associated timing to obtain the financing and consummate the proposed transaction and any related contingencies, as applicable);
 - (iv) the proposed treatment of employees of the Debtors;
 - (v) any anticipated corporate, shareholder, internal or regulatory approvals required to close the transaction and the anticipated time frame and any anticipated impediments for obtaining such approvals;
 - (vi) any additional due diligence required or desired to be conducted by the Potential Bidder, if any;
 - (vii) any conditions to closing that the Potential Bidder may wish to impose; and
 - (viii) any other terms or conditions of the Asset Bid which the Potential Bidder believes are material to the transaction;
- (e) in the case of a Restructuring Bid, it identifies:
 - (i) the aggregate amount of the equity and debt investment, including liabilities to be assumed by the Potential Bidder (including the sources of such capital, preliminary evidence of the availability of such capital and the steps necessary and associated timing to obtain

- the capital and consummate the proposed transaction and any related contingencies, as applicable) to be made in the Debtors;
- (ii) the underlying assumptions regarding the pro forma capital structure (including, the anticipated debt levels, debt service fees, interest and amortization);
 - (iii) the consideration to be allocated to the stakeholders including claims of any secured or unsecured creditors of the Debtors and the proposed treatment of employees;
 - (iv) the structure and financing of the transaction including all requisite financial assurance;
 - (v) any anticipated corporate, shareholder, internal or regulatory approvals required to close the transaction, the anticipated time frame and any anticipated impediments for obtaining such approvals;
 - (vi) any additional due diligence required or desired to be conducted by the Potential Bidder, if any;
 - (vii) any conditions to closing that the Potential Bidder may wish to impose; and
 - (viii) any other terms or conditions of the Restructuring Bid which the Potential Bidder believes are material to the transaction;
- (f) in the case of a Hybrid Bid, all of the information contained in subparagraphs (d) and (e) above, as applicable; and
 - (g) such other information reasonably requested by the Receiver.
14. The Receiver may waive the strict compliance of one or more of the requirements specified above and deem any LOI to be a Qualified LOI, notwithstanding any non-compliance with the terms and conditions of this SISP. In the event that no Person submits an LOI, or that no LOI's qualify as or are deemed to qualify as Qualified LOI's, or are not deemed commercially reasonable to the Receiver, this SISP shall terminate.
15. Any Potential Bidder who submits a Qualified LOI on or before the LOI Deadline shall be designated a "**Qualified Bidder**".

D. Final Bid Process

16. The Receiver may invite Qualified Bidders to conduct additional due diligence or otherwise make available to Qualified Bidders additional information not posted in the electronic data room, arrange for inspections and site visits at the mine site in Grande Cache and head office in Calgary, Alberta, as determined by the Receiver acting reasonably.
17. Any Qualified Bidder may submit an Asset Bid, a Restructuring Bid or a Hybrid Bid (each, a "**Final Bid**") to the Receiver at the address specified in Schedule "**A**" hereto on or

before 5:00 pm (Calgary Time) on **September 15, 2017**, or such later time and date that the Receiver may determine (the “**Final Bid Deadline**”).

18. A Final Bid submitted as an Asset Bid shall be a “**Qualified Asset Bid**” the event that:
- (a) it includes a letter stating that the Asset Bid is irrevocable until the earlier of (i) the approval by the Court, and (ii) forty five (45) days following the Final Bid Deadline; provided, however, that if such Asset Bid is selected as the Winning Bid or the Backup Bid, it shall remain irrevocable until the closing of the Winning Bid or the Backup Bid, as the case may be;
 - (b) it includes a duly authorized and executed purchase and sale agreement specifying the all consideration payable, together with all exhibits and schedules thereto, and such ancillary agreements as may be required by the Qualified Bidder with all exhibits and schedules thereto;
 - (c) it does not include any request or entitlement to any break fee, expense reimbursement or similar type of payment;
 - (d) it includes written evidence of a firm, irrevocable commitment for all required funding and/or financing from a creditworthy bank or financial institution to consummate the proposed transaction, or other evidence satisfactory to the Receiver to allow the Receiver to make a reasonable determination as to the Qualified Bidders (and its direct and indirect owners and their principals) financial and other capabilities to consummate the transaction contemplated by the Asset Bid;
 - (e) it is not conditional on (i) the outcome of unperformed due diligence by the Qualified Bidder and/or (ii) obtaining any financing capital and includes an acknowledgement and representation that the bidder has had an opportunity to conduct any and all required due diligence prior to making its Asset Bid;
 - (f) it fully discloses the identity of each Person that is bidding or otherwise that will be sponsoring or participating in the Asset Bid, including the identification of the bidder's direct and indirect owners and their principals, and the complete terms of any such participation;
 - (g) it is accompanied by a refundable deposit (the “**Deposit**”) in the form of a wire transfer (to a trust account specified by the Receiver), in an amount equal to ten percent (10%) of the consideration be paid in respect of the Asset Bid, to be held and dealt with in accordance with this SISP;
 - (h) it contains other information reasonably requested by the Receiver; and
 - (i) it is received by no later than the Final Bid Deadline.
19. A Final Bid submitted as a Restructuring Bid shall be a “**Qualified Restructuring Bid**” the event that:
- (a) it includes definitive documentation, duly authorized and executed by the Qualified Bidder, setting out the terms and conditions of the proposed transaction, including the aggregate amount of the proposed equity and debt investment, assumption of

debt if any, and details regarding the proposed equity and debt structure of the Debtors following completion of the proposed transaction;

- (b) it includes a letter stating that the Restructuring Bid is irrevocable until the earlier of (i) the approval by the Court, and (ii) forty five (45) days following the Final Bid Deadline; provided, however, that if such Restructuring Bid is selected as the Winning Bid or the Backup Bid, it shall remain irrevocable until the closing of the Winning Bid or the Backup Bid, as the case may be;
 - (c) it does not include any request or entitlement to any break fee, expense reimbursement or similar type of payment;
 - (d) it includes written evidence of a firm, irrevocable commitment for all required funding and/or financing from a creditworthy bank or financial institution to consummate the proposed transaction, or other evidence satisfactory to the Receiver to allow the Receiver to make a reasonable determination as to the Qualified Bidder's (and its direct and indirect owners and their principals) financial and other capabilities to consummate the transaction contemplated by the Restructuring Bid;
 - (e) it is not conditioned on (i) the outcome of unperformed due diligence by the Qualified Bidder and/or (ii) obtaining any financing capital and includes an acknowledgement and representation that the bidder has had an opportunity to conduct any and all required due diligence prior to making its Restructuring Bid;
 - (f) it fully discloses the identity of each entity that is bidding or otherwise that will be sponsoring or participating in the Restructuring Bid, including the identification of the Qualified Bidder's direct and indirect owners and their principals, and the complete terms of any such participation;
 - (g) it is accompanied by a refundable Deposit in the form of a wire transfer (payable to a trust account specified by the Receiver) in an amount equal to ten percent (10%) of the consideration to be paid pursuant to the Restructuring Bid, to be held and dealt with in accordance with this SISP;
 - (h) it contains other information reasonably requested by the Receiver; and
 - (i) it is received by no later than the Final Bid Deadline.
20. A Hybrid Bid submitted by the Final Bid Deadline will be considered a “**Qualified Hybrid Bid**” if it is in substantial compliance with the portions of paragraphs 18 and 19 of this SISP, as determined by the Receiver acting reasonably.
21. All Qualified Asset Bids, Qualified Restructuring Bids and Qualified Hybrid Bids shall constitute “**Qualified Final Bids**”. The Receiver may waive the strict compliance of one or more of the requirements specified above and deem any Final Bid to be a Qualified Final Bid and notwithstanding any non-compliance with the terms and conditions of this SISP.

E. Selection of Winning Bid

22. The Receiver shall review all Qualified Final Bids and may, but shall have no obligation to, enter into an agreement or agreement with the Person or Persons who submitted the highest, best or otherwise most favourable Qualified Final Bid (a "**Final Agreement**") on or before **October 6, 2017** (the "**Final Agreement Deadline**"). In the event that the Receiver enters into a Final Agreement, the Qualified Bid so selected shall be the "**Winning Bid**" and the next highest, best or otherwise most favourable Qualified Bid received, as determined by the Receiver, shall be the "**Backup Bid**". The Qualified Bidders(s) who made the Winning Bid shall be the "**Successful Bidder**" and the Qualified Bidder(s) who made the Backup Bid shall be the "**Backup Bidder**". The Receiver will notify each of the Successful Bidder and the Backup Bidder of the Final Agreement and the Backup Bid shall remain open until the consummation of the transaction contemplated by the Winning Bid (and, for greater certainty, the Receiver shall be entitled to continue to hold the Deposit in respect of the Backup Bid until such time as the transaction contemplated by the Winning Bid is consummated).
23. In the event that no Qualified Bidder submits or is deemed to have submitted a Qualified Final Bid, that the Receiver determines that none of the Qualified Final Bids should be accepted, or that a Final Agreement is not entered into before the Final Agreement Deadline, this SISP shall terminate.
24. The highest Qualified Final Bid may not necessarily be accepted by the Receiver. The Receiver reserves its right not to accept any Qualified Final Bid, to vary the terms of or to otherwise terminate the SISP. The Receiver further reserves the right to deal with one or more Qualified Bidders to the exclusion of other Persons, to accept a Qualified Final Bid or Qualified Final Bids for some or all of the Property, the Debtors or the Business, to accept multiple Qualified Final Bids and enter into multiple Final Agreements.

APPROVAL ORDER

25. In the event that the Receiver enters into a Final Agreement, the Receiver shall apply for an order from the Court approving the transaction contemplated by the Winning Bid and any necessary related relief required to consummate the transaction contemplated by the Winning Bid, subject to the terms of the Final Agreement. The Receiver may also concurrently obtain relief approving the transaction contemplated by the Backup Bid and any necessary related relief required to consummate the transaction contemplated by the Backup Bid.

DEPOSITS

26. All Deposits paid pursuant to this SISP shall be held in trust by the Receiver. The Receiver shall hold Deposits paid by each of the Winning Bidder and the Backup Bidder in accordance with the terms outlined in this SISP. In the event that a Deposit is paid pursuant to this SISP and the Receiver elects not to proceed to negotiate and settle the terms and conditions of a definitive agreement with the Person that paid such deposit, the Receiver shall return the deposit and any interest accrued thereon to that Person. In the event that either of the Successful Bidder or the Backup Bidder default in the payment or performance of any obligations owed to the Receiver or the Debtors pursuant to any Final Agreement the Deposit paid by the Winning Bidder or the Backup Bidder, as applicable, shall be forfeited to the Receiver as liquidated damages and not as a penalty.

SCHEDULE "A"

Addresses for Deliveries

Any delivery made to the Receiver pursuant to this SISP shall be made to:

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

Attention: Robert Taylor / Huey Lee
Email: bobbaylor@deloitte.ca / huelee@deloitte.ca

Deliveries pursuant to this SISP by email or by facsimile shall be deemed to be received when sent. In all other instances, deliveries made pursuant to this SISP shall be deemed to be received when delivered to the relevant address, as identified above.

APPENDIX “C”

GRAND CACHE COAL LP, et. al.
Key Employee Retention Plan

1. All capitalized terms used herein and not otherwise defined shall have the meaning ascribed to them in either the Receivership Order or the SISP. In addition, and when used herein, the following terms shall have the following meanings:
 - (a) **"Closing Date"** means the business day on which the transaction or transactions contemplated by the Winning Bid are completed;
 - (b) **"Key Employees"** means those Persons listed in Schedule "A" hereto;
 - (c) **"Receivership Order"** means the consent receivership order issued by the Court of Queen's Bench of Alberta In Court File No. 1701-01142;
 - (d) **"Retention Bonus"** means the amount identified as payable to each Key Employee as listed in Schedule "A" hereto;
 - (e) **"Retention Date"** means the day that is ten (10) business days following the Closing Date; and
 - (f) **"SISP"** means the sales and investment solicitation process approved by the Court of Queen's Bench of Alberta In Court File No. 1701-01142 on July 5, 2017.

2. Any Key Employee who is either:
 - (a) employed with the Debtors on the Closing Date; or
 - (b) has his or her employment terminated by the Debtors other than for cause on the Closing Date or any day prior to the Closing Date;

shall be entitled to receive payment of his or her Retention Bonus on the Retention Date. For greater certainty, any Key Employee who voluntarily resigns from his or her employment on the Closing Date or any day prior to the Closing Date shall not be entitled to receive payment of his or her Retention Bonus.

APPENDIX “D”

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 June 23, 2017

(Amounts in Cdn \$)

Receipts	Note	Total
Transfers from the Debtors' bank accounts	1	\$ 112,613
Dumping and toll bridge revenue	2	117,394
Non-recurring cash receipts		874
Total receipts		\$ 230,881
Disbursements		
Payroll and benefits	3	\$ 1,012,822
Contractors		68,773
Electricity, natural gas and fuels	4	429,636
Community and Regulator remittances	5	112,373
Property taxes (Municipal District of Greenview)		7,894
Carbon Tax (Government of Alberta)		45,142
Other compliance & regulatory		8,887
Environmental and engineering reports	6	111,204
Other environmental and maintenance		51,880
Software license fees		86,253
Insurance		340,382
Head office rent		38,036
Other administrative costs		87,397
Dredging, hauling and routine management	7	439,029
Total disbursements		\$ 2,839,710
Net cash flow		\$ (2,608,829)
Principal amount of the Receiver's Borrowings		2,750,000
Ending cash balance as at June 23, 2017		\$ 141,171

Notes

- 1 Funds held in the bank accounts of the Debtors at the date of the Receivership.
- 2 Proceeds collected in connection with ash disposal and toll bridge use by a third party. The arrangement with the third party ended on March 31, 2017.
- 3 Includes salaries, benefits and payroll taxes for the mine site and head office personnel.
- 4 Electricity, natural gas and fuels primarily related to the mine site.
- 5 Payments pursuant to Community Impact Benefit Agreements and periodic remittances to regulators.
- 6 Includes laboratory testing and environmental and engineering consultants.
- 7 Payments in relation to the spring water management program and ongoing routine water management.