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COURT

COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE

CALGARY

PLAINTIFF

HSBC BANK CANADA, BY ITS ASSIGNEE, GCC MAPLE HOLDINGS LTD.

DEFENDANTS

GRANDE CACHE COAL CORPORATION AND GRANDE CACHE COAL LP

DOCUMENT

**FIRST REPORT OF DELOITTE RESTRUCTURING INC. AS THE COURT-APPOINTED RECEIVER OF SPECIFIC ASSETS OF THE DEBTORS**

**DATED NOVEMBER 19, 2018**

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## APPENDICES

Appendix "A" – Statement of Receipts and Disbursements for the period January 24, 2017 to November 19, 2018

## INTRODUCTION

- 1) Pursuant to an Order (the "**January 24 Order**") of the Court of Queen's Bench of Alberta (the "**Court**") dated January 24, 2017 (the "**Date of Receivership**"), Deloitte Restructuring Inc. ("**Deloitte**") was appointed as receiver (the "**Specific Asset Receiver**") of specific equipment and real property (the "**Specific Assets**") of Grande Cache Coal Corporation and Grande Cache Coal LP.
- 2) 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.
- 3) Pursuant to a separate Court Order (the "**Receivership Order**") dated February 3, 2017 (the "**February 2017 Proceeding**"), 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**"). 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.
- 4) Pursuant to an Order pronounced on July 5, 2017 (the "**July 5 Order**") in the February 2017 Proceeding, the Court approved the Receiver's Sales and Investment Solicitation Process (the "**SISP**") with respect to the Property. The Specific Assets were included in the SISP.
- 5) An asset purchase and sale agreement dated December 22, 2017 (the "**APA**"), was entered into among the Debtors, the Receiver as the vendor, and Sonicfield (or its nominee to be named before closing) as purchaser. The Specific Assets were included in the APA. On January 8, 2018, the APA was approved by this Honourable Court.
- 6) As described more particularly in the Receiver's November 19, 2018 Third Report, Sonicfield incorporated a new entity, CST Canada Coal Limited ("**CST Coal**"), for the purpose of closing the sale transaction which closed on July 18, 2018.
- 7) Copies of the Court Orders, Court materials, Receiver reports and this report ("**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).
- 8) Capitalized terms used in this Report but not defined herein are as defined in all reports filed and orders previously issued in respect of the receivership.

## Purpose

- 9) The purpose of this Report is to:
  - a) Outline the Specific Asset Receiver's activities since the Date of Receivership; and
  - b) Respectfully recommend that this Honourable Court make an Order:
    - i) Approving the activities of the Receiver as described in this Report;

- ii) Approving the Receiver's Final Statement of Receipts and Disbursements;
- iii) Barring and extinguishing all claims against the Receiver by any person upon the Receiver's discharge; and
- iv) Provide such further and other relief that the Court considers just and warranted in the circumstances.

### **Terms of Reference**

- 10) 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 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.
- 11) All matters relating to the Specific Asset receivership were administered in the February 2017 Proceeding and accordingly, this Report is to be read in conjunction with the prior reports of the Receiver.

### **Currency**

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

### **BACKGROUND**

- 13) 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.
- 14) The Specific Assets were comprised of the following:
  - a) Ten (10) units of heavy equipment which were used by GCC prior to the suspension of mining operations in 2015: seven haul trucks, two machine shovels, and one dozer; and
  - b) Real property consisting of land and three low-rise residential apartment buildings (the "**Hawkridge Apartments**"). The Hawkridge Apartments were primarily vacant, and were occupied from time to time by employees, local residents, and third-party consultants attending at the mine.

### **RECEIVER'S ACTIVITIES**

- 15) The Specific Asset Receiver has undertaken, with the assistance of GCC employees, where necessary, the following activities:

- a) Attended at the Mine on January 26, 2018 to meet with local GCC management and inspect the Specific Assets;
- b) Made arrangements for continued utilities and the retention of a property manager in respect of the Hawrkidge Apartments;
- c) Together with the Receiver, provided notice of the Specific Asset Receiver's appointment to Aon Risk Solutions who arranged for continued insurance coverage over the Specific Assets;
- d) Made arrangements with GCC Management to provide security at the Mine;
- e) Compiled information in respect of the Specific Assets in preparation of the SISF, and attended to queries from prospective purchasers;
- f) Coordinated ongoing care and maintenance activities and pre-closing preparatory steps in respect of the Specific Assets;
- g) Carried out certain steps to meet closing conditions pursuant to the APA;
- h) Corresponded with McCarthy Tétrault LLP, the Receiver's independent legal counsel ("**McCarthy's**"), on various legal matters relating to the receivership;
- i) Corresponded with creditors and other interested parties;
- j) Addressing various additional matters arising from time to time; and
- k) Preparing, reviewing and finalizing this Report.

## STATEMENT OF RECEIPTS AND DISBURSEMENTS

- 16) Attached as Appendix "A" is a Statement of Receipts and Disbursements reflecting the administration of the receivership for the cumulative period January 24, 2017 to November 19, 2018. Total cash receipts of \$45,229 were primarily comprised of rental income totaling \$41,308. Total cash disbursements of \$44,583 were primarily comprised of third-party property management costs (\$29,528) and utilities (\$11,772).
- 17) As noted earlier in this Report, all matters relating to the Specific Asset receivership were generally administered in the February 2017 Proceeding, including the arrangement of interim financing to fund ongoing care and maintenance activities, insurance, security, GCC personnel costs, professional fees, and the pre-closing refurbishment of equipment. Accordingly, negotiating and obtaining a separate interim financing facility for the Specific Assets was neither cost effective nor practical in the circumstances.
- 18) No cash proceeds were delivered to the Receiver in connection with the APA. No distribution will be made to the Lenders and GCC Maple, all of which were consulted in connection with the APA.

## BOOKS AND RECORDS

- 19) Substantially all of the books and records of the Specific Assets were located at the Mine and the Debtor's head office in Calgary, and formed part of the assets that were purchased by CST Coal.
- 20) The Specific Asset Receiver maintained its own records relating to the administration of the receivership proceedings and will retain such records in accordance with statutory requirements.

## REMAINING ACTIVITIES AND DISCHARGE OF THE RECEIVER

- 21) The Receiver has concluded the majority of its administration of the receivership. The remaining task to conclude the receivership is the preparation of a final statutory report to the Office of the Superintendent of Bankruptcy in accordance with subsection 246(3) of the *Bankruptcy and Insolvency Act*;
- 22) The Receiver has completed its administration of the estate in accordance with the terms of the January 24 Order and the Receiver is not aware of its services being required for any further purpose other than as set out herein. Accordingly, the Receiver recommends that it be discharged.

## CONCLUSIONS AND RECOMMENDATIONS

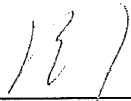
- 23) Based on the foregoing, the Receiver respectfully recommends that this Honourable Court grant the relief detailed in paragraph 9 b) of this Report.

\* \* \*

All of which is respectfully submitted at Calgary, Alberta this 19<sup>th</sup> day of November, 2018.

**DELOITTE RESTRUCTURING INC.,**  
solely in its capacity as  
Court-appointed receiver and manager of  
the Specific Assets (as defined herein) of  
Grande Cache Coal Corporation and Grande Cache Coal LP,  
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 CORPORATION AND GRANDE CACHE COAL LP  
 FINAL STATEMENT OF RECEIPTS AND DISBURSEMENTS  
 FOR THE PERIOD JANUARY 24, 2017 TO NOVEMBER 19, 2018  
 (Amounts in CAD\$)**

**Receipts**

|                               |           |
|-------------------------------|-----------|
| Rental income                 | 41,307.73 |
| GST collected by the Receiver | 1,995.12  |
| Security deposit              | 1,200.00  |
| Utility refunds               | 705.32    |
| Interest                      | 21.01     |

**Total receipts** **45,229.18**

**Disbursements**

|                                       |           |
|---------------------------------------|-----------|
| Third party property management       | 29,528.35 |
| Utilities                             | 11,772.23 |
| Repayment of security deposit         | 2,475.00  |
| GST paid on disbursements             | 395.98    |
| Operating expenses                    | 270.94    |
| Filing fees paid to Official Receiver | 140.00    |

**Total disbursements** **44,582.50**

**Ending cash balance** **646.68**

**General Notes**

1. Deloitte Restructuring Inc. ("Deloitte") was appointed as receiver of specific equipment and real property (the "Specific Assets") of Grande Cache Coal Corporation and Grande Cache Coal LP (collectively the "Debtors")
2. Deloitte was appointed as receiver and manager of all the current and future assets, undertakings and properties (the "Property") of the Debtor's, excluding the Specific Assets, on February 3, 2017.
3. Generally, all matters relating to the Specific Assets were administered in the February 3, 2017 receivership as the only funds available in the respect of the Specific Assets related to some rental income. Interim financing to fund ongoing care and maintenance, insurance, security, the Debtors personal costs, professional fees, marketing the sale of the Specific Assets, and the refurbishment of certain Specific Assets were all addressed in the February 3, 2017 receivership for efficiency purposes and with consent of the secured creditors.